



Arizona Attorney General Terry Goddard 2009 Annual Report

Arizona Attorney General's Office

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**PROTECTING
ARIZONA**

Message from Attorney General Terry Goddard



I am proud to present the Attorney General's Office 2009 Annual Report. This report shows the scope and depth of the work of this Office and its talented staff during the fiscal year July 1, 2008 through June 30, 2009.

Many achievements highlighted the Office's 2009 fiscal year.

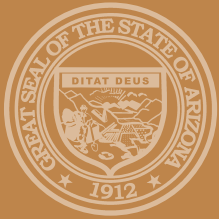
They included:

- A comprehensive, multi-faceted effort to increase border security and fight organized crime crossing the border. Steps included two multi-agency investigations that led to the indictment of 94 defendants and the breakup of major drug-smuggling, human-smuggling and criminal fraud organizations operating in Mexico and Arizona. Scores of violent criminals were taken off the streets.
- A crackdown against operators of fraudulent foreclosure rescue businesses who victimized hundreds of Arizona homeowners. Through both criminal prosecutions and consumer fraud lawsuits, we stopped ripoff artists who charged consumers large upfront fees and claimed they could modify their mortgage terms and prevent foreclosure but provided no such assistance.
- Several major lawsuits and settlements filed to stop deceptive marketing or advertising. These include a multi-state settlement with Countrywide Financial Corp. with a potential value of nearly \$8 billion, relating to the company's use of deceptive mortgage lending practices, and multi-million-dollar, multi-state settlements with some of the world's biggest drug companies.
- A decisive court victory in our effort to protect Luke Air Force Base from encroaching residential development and help secure its future mission as the nation's premier fighter training facility. Maricopa County Superior Court ruled in our favor on all points made in our lawsuit to require Maricopa County to comply with state law and stop issuing residential building permits within the

high noise and accident potential zones surrounding Luke Air Force Base.

- A \$1 million price accuracy settlement with Walmart, the state's and nation's largest retailer. Walmart agreed to establish a rigorous price inspection and monitoring system to ensure that its customers have access to accurate and clearly posted prices.
- Settlement of a landmark lawsuit against the Phoenix Country Club in which the club agreed to stop all sex-based discrimination in its dining facilities.
- A unanimous U.S. Supreme Court decision in favor of Arizona in an important search and seizure case. The court ruled in *Arizona v. Johnson* that a police officer may conduct a pat-down search of a vehicle passenger during a lawful traffic stop if the officer has reasonable suspicion that the passenger is armed and dangerous. The ruling reversed an Arizona Court of Appeals decision.
- Maintaining our exemplary record of efficiently defending the state. As one example, our Office defended against claims in liability lawsuits of more than \$2.4 billion during the year. Only \$8.5 million was paid to settle or discharge those claims.

It is an honor to serve as your Attorney General.



PROTECTING ARIZONA

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About the Attorney General's Office

Attorney General serves as Arizona's chief legal officer.

The Attorney General oversees the Office's seven divisions: Criminal, Civil, Civil Rights, Public Advocacy, Child and Family Protection, Solicitor General and Finance.

Attorney General Terry Goddard's management team is led by Chief of Staff Terry Fenzl and Chief Deputy Terri Skladany. After 21 years of service, Skladany retired on June 30. She is being succeeded as Chief Deputy by Tim Nelson, who returns to the Attorney General's Office after serving as General Counsel to then-Gov. Janet Napolitano.

The Office handles a variety of criminal cases that involve complex financial frauds, drugs, human smuggling,

identity theft, organized crime, public corruption, money laundering, illegal enterprises, computer crimes and criminal appeals. The Attorney General's criminal jurisdiction for the most part is limited to complex crimes that have statewide significance, while the State's 15 County Attorney Offices have primary jurisdiction to prosecute other crimes.

On the civil side, the Office provides comprehensive legal services for its many clients across state government. For example, the Office is committed by statute to representing more than 150 State agencies, boards and commissions.

The Office also takes civil action to enforce a wide variety of statutes, including Arizona's Consumer Fraud Act, Antitrust Act, Open Meeting



Attorney General Terry Goddard with Chief of Staff Terry Fenzl (left) and Chief Deputy Terri Skladany (right)

Law and Civil Rights Laws. Additionally, the Office acts in conjunction with its agency clients to pursue violations of various laws and regulations, including those affecting child welfare, the environment, state elections and professional

licensing. The Office also brings actions to collect taxes and debts owed to the State.

Finally, the Office defends the State, its employees, and its agencies when they are sued for damages.

During this challenging economic time, the Office has done everything it can

to operate as efficiently and cost-effectively as possible, while bearing in mind that our statutory, ethical and professional duty, first and foremost, is to represent the State and protect its people in all the ways mentioned above as effectively as possible.

About the Office's Budget

Chart 1 Attorney General's Office: Filled Appropriated FTEs

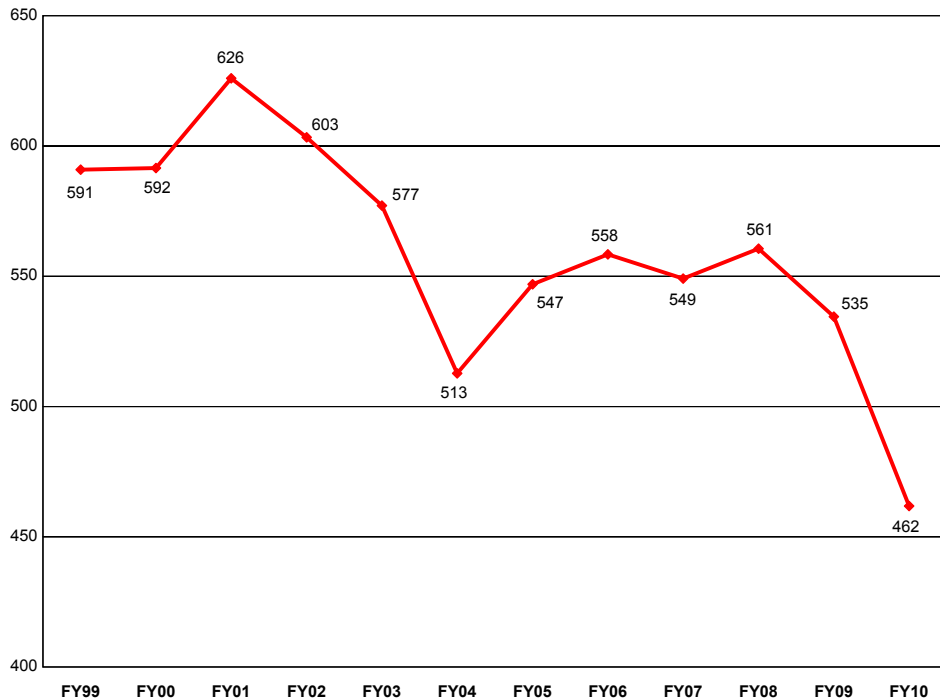
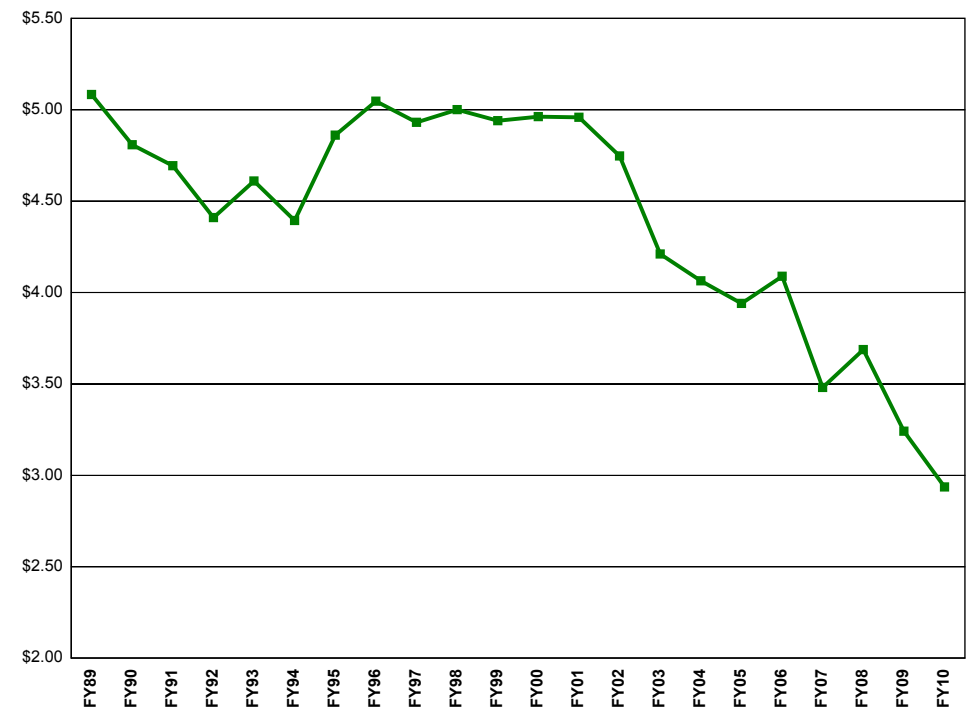


Chart 2 Attorney General's Office: General Fund Dollars per Arizona Resident



Higher Workload Handled With Fewer State Dollars

Throughout the year, the Attorney General's Office had to meet an increased workload with a smaller staff as the result of state budget cuts made during the past two years.

At the start of fiscal year '10, the Office had nearly 100 fewer attorneys and staff than in fiscal year '08. And the total of 462 fulltime employees going into FY2010 was 129 fewer appropriated fulltime positions than a decade ago (chart #1).

Dollars to the Office from the state's general fund for FY2010 are fewer than any year since 1995 (chart #2). The chart shows real dollars, not adjusted for inflation, so the actual reduction has been even larger.

As the general funds to the Office have declined, the State's population has grown significantly. Dollars appropriate to the Office, divided by the number of state residents, dropped by almost 40 percent between FY1989 and FY2010 (chart #3).

The percentage of the State's general fund going to the Attorney General's Office has steadily declined over the past 20 years. While the amount has always been less than one percent of the total general fund, it has fallen to twenty-two one-hundredths of one percent for FY2010 (chart #4).

About the Office's Budget (continued)

Chart 3 Attorney General's Office: Percentage of Total State General Fund

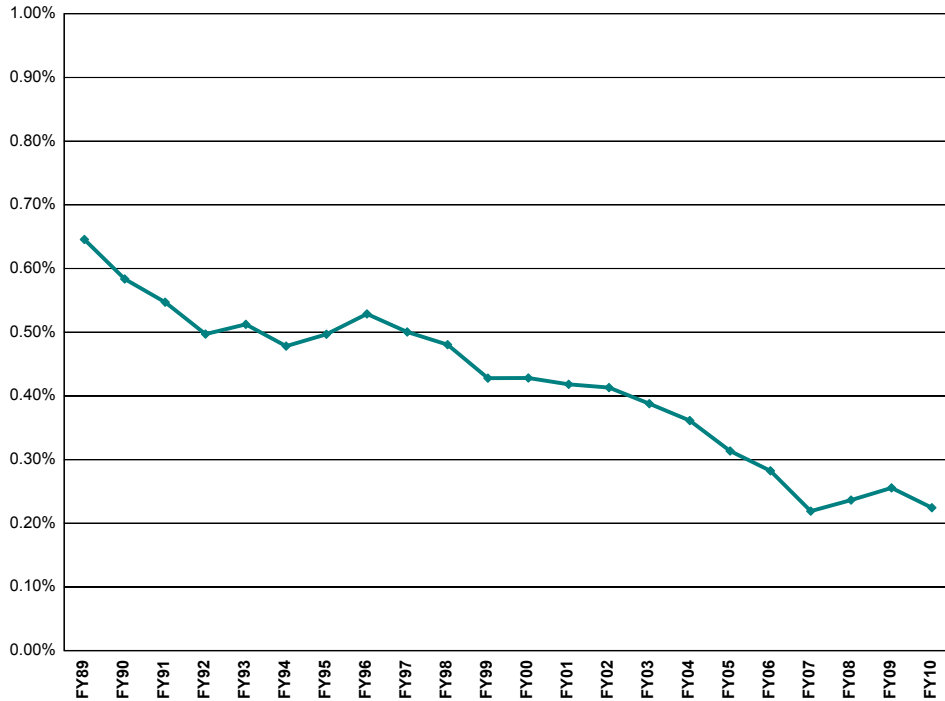
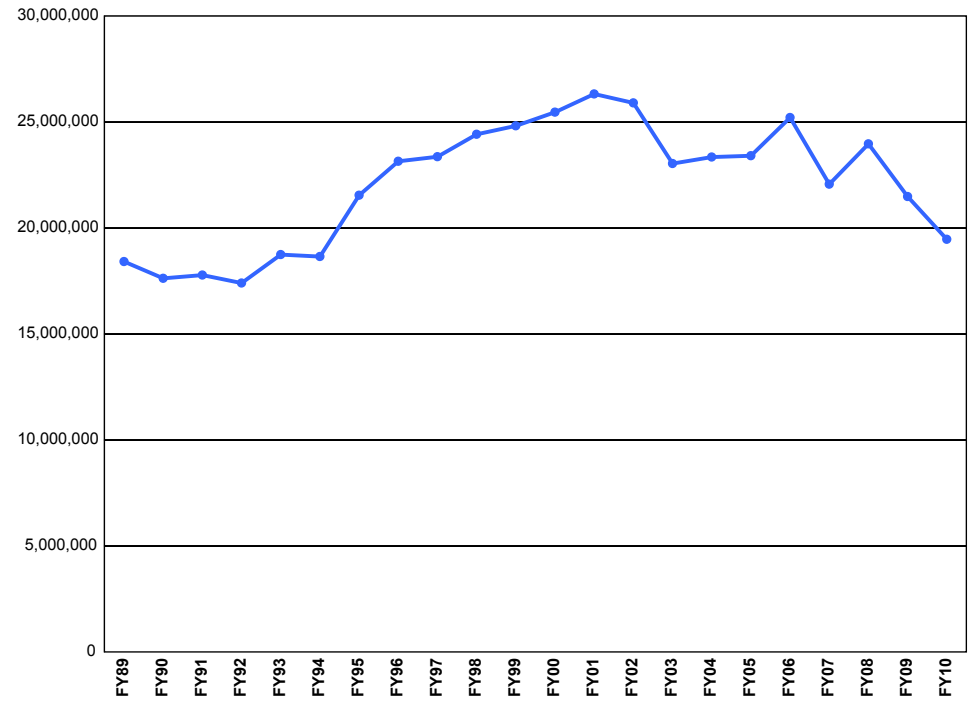


Chart 4 Attorney General's Office: General Fund Appropriations



The Office's workload increased significantly in the past year for two primary reasons.

First, as a result of the State's rough economic situation, a dramatic increase has been seen in financial crime, fraud, child abuse and claims against state government.

Second, state agencies, boards and commissions that rely on the Office to provide legal advice and review their contracts and regulations are often operating in uncharted territory, giving rise to novel legal issues, often requiring prompt action.

Finally, budget decisions made by the Legislature spawned additional

litigation against the State. As the State's legal counsel, my Office has had to defend against this large increase in litigation.

These waves of additional work – and corresponding increased risks to the State – came during same period when we were forced to lay off dozens of experienced legal professionals, placing a heavier

burden on employees in every division.

The Office sought to absorb the budget cuts in the most fiscally responsible manner, making layoffs earlier than any other state agency to minimize the number of personnel cuts and instituting mandatory furloughs for higher-compensated employees.

In sum, the Office headed into FY2010 with fewer people than at any point in more than a decade to perform critical legal work and protect the citizens of Arizona. While attorneys and staff have risen to the occasion, the challenge in meeting the greater demands on the Office has been substantial.

Combating Cross-Border Crime

The U.S. Justice Department has called the criminal cartels based in Mexico “the biggest organized crime threat to the United States,” and our Office has moved aggressively to combat them. Two multi-agency investigations were culminated during the year:

- Operation Tumbleweed was one of the largest take-downs of a drug-smuggling operation in Arizona history. The year-long investigation broke up a binational syndicate that in the past five years smuggled two million pounds of marijuana into the U.S. with a wholesale value estimated at \$1 billion. The Garibaldi-Lopez drug trafficking organization relied on vehicles stolen from the U.S. Each vehicle was modified to carry



Terry Goddard, joined by Phoenix Mayor Phil Gordon (left) and state and federal law enforcement officials, announces the results of Operation Tumbleweed, which broke up a major drug trafficking organization believed to have smuggled two million pounds of marijuana from Mexico into the United States.

2,000 to 2,500 pounds of bundled marijuana at a time. Indictments were returned against 59 individuals.

- Operation En Fuego dismantled a massive Phoenix-based human-smuggling organization with the indictment of 35 individuals. It contracted

with other smuggling organizations to transport 40 to 90 undocumented immigrants per week in vans from Phoenix to their final destinations throughout the United States. Border organizers used money transmitters to collect payments of \$1,800 per person to smuggle migrants from Mexico to Phoenix-area drop houses.



Terry Goddard (left) is sworn in before giving testimony at a congressional hearing in Washington, D.C., on steps needing to be taken by the federal government to control border violence.

Drivers were contracted to take the migrants to their final destination for another \$700 fee.

These two investigations took scores of violent criminals off the streets and were models of close coordination among local, state and federal agencies.

Attorney General Goddard also worked on other fronts to improve border security. In testimony to two congressional committees and in meetings with senior Administration officials, he emphasized the need for additional resources and closer collaboration among federal, state and local law enforcement agencies. He also

Office Highlights (continued)

urged implementation along the entire Mexican border of the program pioneered by his office to identify and seize smuggling proceeds sent by Western Union and other wire transfer services.

Subsequently, the U.S. Department of Homeland Security committed more law enforcement resources to the

border and moved to increase cooperation among the various law enforcement agencies. Alan Bersin, who served as the “border czar” in the U.S. Department of Homeland Security, complimented Goddard for “taking a lead among the states” in the fight against border crime.



Alan Bersin (left), “border czar” with the U.S. Department of Homeland Security, talks with Terry Goddard after a meeting in which he pledged closer federal-state coordination to help strengthen border security.

The Fight Against Housing Fraud

With Arizona ranking among the states hardest hit by the nation’s foreclosure crisis, a surge in mortgage-rescue fraud followed. Too many homeowners, often frustrated by slow response to their applications for loan modifications, turned to people who claimed they could prevent foreclosure and/or modify their mortgages. While claiming to be mortgage “experts,” many of these operators charged steep upfront fees for what turned out to be empty promises of help.

The Attorney General’s Office has acted aggressively to both prevent and prosecute mortgage “rescue” and modification fraud. Through both criminal prosecutions and civil lawsuits, we acted to stop these ripoff artists who

sought to exploit struggling homeowners.

One representative case involved Bobby John Herrera of Glendale, who received a five-year prison term for victimizing 47 homeowners in a scheme that charged them \$1,245 up front and promised to reduce their monthly mortgage payments. Herrera provided no such assistance and used the money for personal expenses. He pleaded guilty to a charge of fraudulent schemes and artifices.



Bobby John Herrera of Glendale received a five-year prison term for mortgage fraud.

The Office also pursued civil enforcement, filing several lawsuits citing violations of the Arizona Consumer Fraud Act. One such suit was brought against Richard Winer of Tempe and four of his companies. Their salespeople claimed to be “distressed property consultants” who allegedly said they could in many cases “stop foreclosure in 24 hours.” According to court documents, Winer and his employees



persuaded as many 400 homeowners to deed them their homes, and in return Winer's company assumed the monthly mortgage payments and paying off any delinquent payments. The lawsuit alleges that homes obtained under this scheme were typically resold within two weeks to investors who paid a commission to Winer.

The Attorney General's efforts also included meeting with Treasury Secretary Timothy Geithner and other senior administration officials to advocate stronger federal action and coordination. Those talks led to the creation of a state-federal Task Force on Mortgage Enforcement. Its targets include phony rescue schemes, fraudulent loan modification offers, equity skimming, straw purchases and unethical lending practices.



Countrywide

Coming Down on Deceptive Marketing

Several substantial settlements were reached in cases that involved deceptive marketing or advertising.

One of the biggest was a multi-state, multi-billion dollar settlement with Countrywide Financial Corp. over the company's use of deceptive mortgage lending practices. The states alleged that Countrywide used unfair and deceptive tactics in its loan origination and servicing and that it placed borrowers in structurally unfair and unaffordable loans. Under the settlement, Bank of America,

which acquired Countrywide in 2008, agreed to set up a loan modification program for nearly 400,000 borrowers nationwide, providing a projected economic value of nearly \$8 billion. An estimated 13,000 Arizonans were expected to qualify for the program and receive up to \$245 million in economic relief. Countrywide was the largest provider of sub-prime mortgages in the nation.

High-dollar, multi-state settlements were also reached with some of the world's biggest pharmaceutical companies. They included:

- A \$62 million, multi-state settlement with Eli Lilly

and Company relating to the company's marketing of the antipsychotic drug Zyprexa. Arizona's share of the settlement was \$2.2 million. The complaint against Lilly alleged that the company engaged in unfair and deceptive practices when it marketed Zyprexa

for off-label uses – uses not approved by the U.S. Food and Drug Administration – and for failing to adequately disclose the drug's potential side effects to health care providers. Following an 18-month investigation by state Attorneys General, Lilly agreed to change the way it markets the drug and to cease promoting off-label uses.



Office Highlights (continued)

- A \$60 million, multi-state settlement with Pfizer Inc., resolving a lengthy investigation by Attorneys General from 32 states into the company's promotion of the drugs Celebrex and Bextra. Arizona's share of the settlement was \$2.5 million. The states alleged that, contrary to Pfizer's claims, neither Celebrex nor Bextra was more effective than traditional non-steroidal anti-inflammatory drugs such as ibuprofen (Advil) and naproxen (Aleve) at relieving pain or reducing serious gastro-intestinal side effects. The complaint further alleged that Pfizer engaged in an aggressive, deceptive and unlawful campaign

to promote Bextra for off-label uses not approved by the U.S. Food and Drug Administration.

- A \$20 million, multi-state settlement with Bayer Corp. resolving claims that the company misled women with television commercials stating that its popular oral contraceptive, Yaz, is effective for alleviating PMS. The drug was not approved to treat this condition. Bayer also promoted Yaz for treating types of acne it is not approved to treat and allegedly exaggerated the drug's positive effects on acne. The agreement requires Bayer to conduct a \$20 million corrective ad campaign to remedy misleading information from the Yaz ads.

- A \$930,000, Arizona settlement with 11 drug companies over allegations that they manipulated the Average Wholesale Price of certain prescription drugs, fraudulently inflating prices paid by consumers, insurers and other payers. The Attorney General filed a lawsuit in 2004 against 42 pharmaceutical companies, alleging they engaged in deceptive practices through their manipulation of wholesale prices, causing buyers to overpay. This settlement is the second since the lawsuit was brought.

A \$1.3 million, Arizona settlement was reached with a company selling nutritional products, Central Coast Nutraceuticals (CCN), and its owner, Graham Gibson of Phoenix, resolving a lawsuit that alleged deceptive online sales practices. The company agreed to pay \$1 million in civil penalties to the state, \$350,000 in consumer restitution and \$25,000 to cover the state's legal costs. Our Office brought the suit after receiving hundreds of consumer complaints alleging that CCN used a variety of deceptive tactics marketing low-cost and "risk-free" trial offers of health supplements. Many consumers who accepted these offers said they were also charged for costly products they did not request.

Deceptive advertising settlements and suits involved several automotive dealers in Arizona. A \$117,000 settlement was reached with Tim's Auto Group in Prescott, resolving allegations of deceptive advertising methods. A \$15,000 settlement with Hyundai of Tempe resolved allegations of a deceptive flyer mailed to consumers. A consumer fraud lawsuit was filed against the owners of two user car dealerships, 2020 Automotive in Phoenix and LD Automotive Group in Cave Creek. They were accused of refusing to sell some cars at the advertised price.

Office Highlights (continued)



An F-16 based at Luke Air Force Base flies over the Valley on a training mission.

Protecting Luke Air Force Base

Acting on a complaint filed by our office, Maricopa County Superior Court Judge Edward Burke ruled that Maricopa County must comply with state law and protect Luke Air Force Base from encroaching residential development.

The judge upheld the constitutionality of a 2004

state law that requires local governments to adopt general land use plans that assure development is compatible with the high noise and accident potential zones surrounding Arizona military facilities. He further held that Maricopa county must stop issuing residential building permits in those zones.

He also concurred with the State's position that this

requirement is a valid exercise of the Legislature's power to protect public health and safety and does not violate landowners' due process rights or constitute a "taking" of private property.

Requiring the county to follow state law and restrict development near the base is especially important in light of the review of base options being conducted by the Air Force for primary training for pilots of the F-35, the new Air Force fighter scheduled to replace the F-16 in the next decade. The Attorney General's lawsuit was filed on behalf of the State of Arizona and the Adjutant General of Arizona. The cities of Glendale, Peoria and Surprise joined as parties to the suit and provided legal briefs in support of the State.

Pricing Settlement with Walmart

- A \$1 million price accuracy settlement was reached with Walmart, resolving a consumer fraud lawsuit filed against the state's and nation's largest retailer. The agreement calls for Walmart to establish a rigorous price inspection and monitoring system to ensure that all of its Arizona customers have access to accurate and clearly posted prices.

All Arizona retailers are required to price their merchandise accurately and make those prices clear to consumers. Between 2001 and 2006, Walmart paid more than \$450,000 in fines for failing 526 price accuracy inspections conducted by the Arizona Department of Weights and Measures. The errors included both price-posting violations and scanning discrepancies at the cash register. A retailer fails an inspection when a



Walmart, the nation's biggest retailer, agreed to a \$1 million pricing settlement with the Attorney General's Office.

Office Highlights (continued)

store exceeds a 2 percent error rate. Walmart had the highest number of price-posting violations in the state when the lawsuit was filed.

In the settlement, Walmart agreed to appoint an independent monitoring company to conduct price-accuracy and price-posting inspections at its stores across Arizona. The monitor will inspect 40 randomly chosen Walmart stores (out of the company's 92 in the state) each year for three years. Inspectors will consider a store "passing" when at least 98 percent of the merchandise inspected has prices that are clearly and accurately marked. If a store fails an inspection, Walmart will pay the state a fine of

\$2,500 and the store will be re-inspected. If the same store fails a re-inspection, the company must pay an additional \$5,000 each time.

The settlement money will go toward the cost of the monitoring program as well as consumer education and fraud prevention.

Club Agrees to End Discrimination

Phoenix Country Club settled a lawsuit filed by the Attorney General's Office by agreeing to stop all sex-based discrimination in its dining facilities. The suit alleged that the Club violated the Arizona Civil Rights Act's public accommodations provision by refusing to serve women in its Men's Grill and then retaliated against the club members who voiced opposition to the



Phoenix Country Club agreed to stop sex-based discrimination in its dining facilities to settle a lawsuit.

segregation policy.

Under the agreement, the Club agreed to open all of its dining facilities to all members,

members' families and guests.

The Club further agreed not to retaliate against the members who had complained about

the segregation policy and received threats of suspension or expulsion.

The State's lawsuit stated that this Club fit the legal definition of a public accommodation. The Arizona Civil Rights Act prohibits discrimination in places of public accommodation based on a person's race, color, sex, disability, national origin or ancestry.

The suit alleged that the Men's Grill contained amenities that were superior to the amenities of the Women's Grill and other club dining areas. The Men's Grill was well-known within the business community as an ideal place to network, build business relationships and broker deals.

U.S. Supreme Court Rules for State

The U.S. Supreme Court issued a unanimous decision in favor of Arizona in the case of *State of Arizona v. Johnson*. The Court held that a police officer may conduct a pat-down search of a passenger in a vehicle following a lawful traffic stop if the officer has reasonable suspicion that the passenger is armed and dangerous. The ruling reversed a 2008 Arizona Court of Appeals decision.

The case involved a valid traffic stop for a registration violation and a pat-down search of a backseat passenger by police who patrolling the “Sugar Hill” area of Tucson, an area known to be a street gang neighborhood. Although the police lacked sufficient grounds to believe that the passenger

was committing or had committed a criminal offense, the officer reasonably believed that the passenger might be armed and pose a safety risk.

The officer asked Johnson, the backseat passenger, to exit the vehicle, intending to talk to him away from the other passengers to gather information about gang activity. She said she patted him down because information she obtained gave her reason to believe he might have a weapon. When the pat-down search was conducted, the officer found a handgun. Johnson was arrested and subsequently convicted of possession of a weapon by a prohibited possessor and possession of marijuana.

Assistant Attorneys General Joe Parkhurst and Kent Cattani represented the state at oral argument before the Supreme Court.

Drug Trafficking Fraud Ring Broken

Operation Blank Check broke up a major drug-trafficking and criminal fraud ring in Phoenix and has led to the indictment of 183 individuals. Many of the defendants were described as “hardcore” gang members from 22 different gangs in the State. The investigation found that many of the suspects were involved in both violent street crimes and white-collar crimes involving mail theft and fraudulent checks. The investigation, which remained ongoing was conducted by the FBI’s Violent Street Gang Task Force and included local, state and federal agencies.



Terry Goddard, joined by Phoenix Mayor Phil Gordon (left) and state law enforcement officials, announces the results of Operation Blank Check, which dismantled a large drug-trafficking and criminal fraud ring.

Major Environmental Settlement

Honeywell International agreed to a \$6 million settlement with the State, resolving a lawsuit filed against the company for a number of environmental violations over a 30-year period. The settlement included a \$5 million civil penalty for hazardous waste violations and \$1 million for a supplemental environmental project.

The penalty settles a lawsuit filed against Honeywell in 2004 by the Attorney General and the Arizona Department of Environmental Quality (ADEQ). The suit alleged violations of several state laws, including the Arizona Quality Control Act, Arizona Hazardous Waste Disposal Act and Arizona Underground Storage Tank Act.

Office Highlights (continued)

Honeywell was accused of discharging chlorinated solvents, such as vinyl chloride, dichloroethane, trichlorethane and tricholoroethylene, into the Phoenix sewer system without a permit. Other violation included failing to clean up releases of fuel from underground storage tanks at the company's Phoenix airport facility and failing to fully disclose information regarding contamination over many years at the facility.

The settlement also resolved three notices of violation issued against Honeywell by ADEQ between 2004 and 2007. These notices cited 14 instances of improper storage and disposal of hazardous waste as well as failure to inform employees of proper handling and emergency procedures. In one such

violation, cyanide-containing wastewater was stored next to wastewater containing chromic acid. If combined, these two substances react to form cyanide gas.

As part of the settlement, Honeywell conducted a comprehensive environmental audit at all of its Arizona facilities and disclosed findings and corrective actions to the State. The company also upgraded its fuel distribution facilities to prevent leaks and is in the process of cleaning up the fuel in the groundwater.

Big Decline in Smoking

A landmark legal settlement was reached 10 years ago with the signing of an agreement between state Attorneys General and big tobacco, leading to a significant decline

American High School Students Who Smoke (Millions)



in cigarette smoking in Arizona and across the nation.

The Master Settlement Agreement ranks as the largest in world history with total payments over 25 years projected to exceed \$206 billion nationally. Arizona has received \$760 million since the settlement was finalized in 1998.

The number of American adults who smoke has dropped below 20 percent for the first time, according to the U.S. Centers

for Disease Control. In 1997, 24.7 percent of adults smoked.

Youth smoking rates declined even more. During the past 10 years, the number of American high school students who smoke fell 40 percent from 5.8 million in 1997 to 3.5 million in 2007. In Arizona, the rate of decline among high school students was 35 percent, and among middle school students it was 50 percent.

The agreement ranks as an extraordinary public health achievement. It imposed sweeping changes in tobacco advertising, banned tobacco companies from targeting children and allocated funding for tobacco education. As co-chair of the Tobacco Committee of the National Association of Attorneys General, Terry Goddard helped lead efforts to enforce the agreement the past three years.

Producing Money for the

State. The Attorney General's Office provides value to the State and its citizens in many ways that are hard to measure financially— from breaking up criminal organizations to stopping deceptive business practices to protecting children from abuse.

But the Office also works hard to be cost-effective and each year generates tens of millions of dollars. For fiscal 2009, the total came to \$267.2 million. The largest categories of money saved or generated are listed at right.

The Office also has an excellent track record defending against high-dollar claims in liability lawsuits. Claims against the state last year totaled more than \$2.4 billion, and only \$8.5 million was paid to settle or discharge them.

Examples of how the Attorney General's Office generated \$267.2 million for the State and the Public in 2009:

\$125.6 million from the diligent enforcement of the tobacco master settlement agreement

\$64 million in restitution for Arizona victims from complex financial and high technology crimes

\$40.7 million for environmental protection removal actions and penalties

\$14 million in penalties and costs from antitrust and consumer litigation

\$8.1 million in delinquent receivables collected on behalf of State agencies

\$7.6 million in penalties from drug, money laundering, and other trafficking and racketeering enterprises

\$4.3 million recovered for Arizona consumers in response to complaints

\$1.2 million in penalties and costs for state boards

\$0.9 million for victim relief and civil rights training and monitoring

\$0.8 million for equal employment opportunity and fair housing enforcement



Chief Counsel Don Conrad

Mission:

To protect the citizens of Arizona by successfully investigating and aggressively and fairly prosecuting criminal cases within the State of Arizona. To promote and facilitate safety, justice, healing and restitution for all of Arizona's crime victims. To continue to effectively represent the State in capital and noncapital appeals filed by convicted felons.

Division Summary

The Criminal Division is made up of Capital Litigation, Criminal Appeals, Criminal Prosecutions, Financial Remedies, Special Investigations and Victim Services.

Criminal Prosecutions Section

The Criminal Prosecutions Section consists of four units:

The **Fraud and Public Corruption Unit** prosecutes white-collar crime and fraud by individuals and organized criminal groups and organizations. It typically prosecutes criminal fraud in areas such as securities, insurance, real estate, banking, taxes, government, telemarketing, computers and welfare. It also handles gang-related crimes, human smuggling and conflict cases referred from other counties.

The Unit charged 994 criminal defendants with felony offenses including fraudulent schemes and artifices, illegal enterprise, participating in criminal syndicates, money laundering and numerous violent crimes. A number of these cases involved human smuggling and were investigated by the Financial Crimes Task Force, comprised of investigators and detectives from the Department of Public Safety, the Phoenix Police Department and the Attorney General's Office.

Fraudulent schemes cases involved losses to victims in the tens of millions of dollars. The Fraud Unit worked closely

with identity theft task forces spearheaded by the Governor's Fraud and Identity Theft Task Force, and the United States Postal Inspectors.

The Unit assisted over 34,392 victims and obtained restitution in excess of \$64 million. The Unit handled 37 foreign prosecutions, many of which were extraditions or prosecutions of Mexican citizens being tried in Mexico for offenses committed in Arizona.

The **Drug and Violent Crimes Unit** combats drug-trafficking and money-laundering organizations operating within Arizona. The Unit charged 616 criminal defendants. The Phoenix Drug Unit was involved in wiretap investigations which resulted in eight indictments of 291 defendants. The Tucson Drug Unit was involved in wiretap investigations which resulted in four indictments of 17 defendants.

The Drug Unit also prosecuted cases involving the manufacture of methamphetamine in clandestine laboratories. A number of these involved the presence of children, resulting in the filing of child abuse charges against the defendants.

The **Medicaid Fraud Control Unit** is charged with investigating and prosecuting fraud in the Medicaid (AHCCCS) program and abuse, neglect or financial exploitation occurring in Medicaid facilities or committed by Medicaid providers or their employees.

The Unit received 82 allegations/complaints regarding fraud, misuse of funds and patient abuse in the Arizona Health Care Cost Containment System (AHCCCS) program. Of these, a total of 64 fraud,

Criminal Division *(continued)*

12 abuse/neglect and six misuse of funds cases were investigated in conjunction with the Arizona Department of Health Services, Arizona Adult Protective Services, the AHCCCS Administration, local police departments and the Attorney General's Elder Abuse Project. Following preliminary investigation, 38 new cases were opened for full investigation – 30 fraud cases and eight patient abuse/financial exploitation cases. In FY '09, the Unit recovered \$193,046 for AHCCCS and recovered \$682,367 in restitution for victims.

The **Tucson Criminal Trials Unit** prosecutes crimes occurring in Southern Arizona. The unit also works with multi-jurisdictional groups in that region to prosecute abuse and financial

exploitation of the elderly and vulnerable adults.

Criminal Appeals/Capital Litigation Section

The Section works to uphold the convictions and sentences of criminal defendants in Arizona. The Section filed 759 briefs, habeas answers, petitions for review, and responses to petitions for review, in addition to other substantive pleadings.

The Section handled two cases that were argued in the U. S. Supreme Court: *State v. Johnson* and *State v. Gant*, both of which involved Fourth Amendment (search and seizure) issues. The State prevailed in a 9-0 decision in the Johnson case and lost in a 5-4 decision in the Gant case. The Section also successfully

litigated in federal district court on the question of whether Arizona's lethal injection protocol is constitutional. There are four Arizona death-row inmates whose convictions and sentences are now final and are awaiting final resolution of that issue.

In the Arizona Supreme Court, the Court upheld first degree murder convictions in eight out of nine cases and upheld the death sentence in six of nine cases.

The Capital Litigation Section handles all appellate and post-conviction proceedings involving the 121 death-row inmates in Arizona. Those proceedings include the direct appeal to the Arizona Supreme Court and the U.S. Supreme Court following conviction and sentencing, state post-conviction relief proceedings in the trial court



Cameron ("Kip") Holmes, Senior Litigation Counsel in the Criminal Division, is congratulated by Attorney General Terry Goddard after receiving the Lifetime Achievement Award from the Arizona Prosecuting Attorneys Advisory Council at its annual awards luncheon in Tucson. The award recognizes Holmes' distinguished career as a public prosecutor, which began in 1977. His work has focused on protecting legitimate commerce from fraud and money laundering by disrupting racketeering at its highest levels.

and the Arizona Supreme Court, and federal habeas proceedings in federal district court, the United States Court of Appeals for the Ninth Circuit and the United States Supreme Court.

Financial Remedies Section

The Section enforces Arizona's civil racketeering remedies to combat organized criminal activity. FRS focuses primarily

Criminal Division *(continued)*

on money laundering in drug and fraud cases. The Unit supports statewide efforts to deprive racketeers of the profits that enable them to keep operating. During this fiscal year, FRS seized approximately \$7.6 million in racketeering proceeds. Attorneys in FRS also advise and provide training to law enforcement statewide in the areas of forfeiture, money laundering and racketeering.

Special Investigations Section

The SIS Section provides investigative support to prosecution sections of the Attorney General's Office as well as to law enforcement agencies across the State of Arizona. SIS opened 319 investigations during the fiscal year. SIS employs special agents who are State-certified peace

officers as well as forensic auditors and analysts. SIS provided 580 assists during the year to law enforcement agencies throughout the state in specialized areas of expertise.

Office of Victim Services

The Office provides services to victims of fraud and identity theft. During the year, advocates provided services to more than 10,742 new victims.

Our Victims' Rights Ombudsman received and investigated 229 complaints of violations of rights and audited 27 agencies. We supported 60 criminal justice agencies with grants from the Victims' Rights Program totaling \$2.75 million and provided 91 trainings in victim's rights programs to more than 852 professionals statewide.



Terry Goddard presented the Distinguished Service Award for Leadership to Arizona Supreme Court Chief Justice Ruth McGregor during the 2009 Victims' Rights Week event in front of the Attorney General's Office.

The Office serves as a statewide leader on victims issues. Included in such activities is participation in the annual Victims' Rights Week program which included the Attorney General presenting Distinguished Service Awards to six outstanding professionals and agencies in the criminal justice field.

Major Cases

Criminal Prosecutions Section

State v. Accardo

After a two-and-a-half month trial, Vincent Accardo was convicted of first-degree murder in a murder-for-hire scheme. The Section obtained a death penalty verdict and

sentence in Yuma County Superior Court. Accardo was accused of the murder for hire of his girlfriend's husband, Kenneth Cloud. The Unit prosecuted this case due to a conflict referral from the Yuma County Attorney's Office.

State v. Reed

The Section obtained a jury conviction against Robert Reed for arson of an occupied structure and insurance fraud. Reed set fire to his apartment for the purpose of collecting on insurance in the face of eviction. Six adults and six children were asleep in adjoining apartments at the time Reed started the fires.

State v. Ross

The Section obtained a conviction against Delaney Ross on four counts of fraudulent schemes and artifices. The defendant incorporated

Criminal Division *(continued)*

fraudulent companies and used false documents to establish credit to obtain mortgages and sell them to other sham corporations, using the proceeds for personal expenses. Monetary losses exceeded \$3 million.

State v. Kuykendall

The Section obtained a guilty plea from Morris Clyde Kuykendall to fraud schemes and theft charges arising from a real estate Ponzi scheme in which investors lost \$700,000. He was sentenced to six years in prison.

State v. Vilan

The Section obtained guilty pleas from Owen Vilan and his seven co-defendants, arising out of Ponzi scheme that defrauded victims of roughly \$30 million between 2004 and 2007. Vilan claimed to be a successful stock-option trader

(Saguaro Investments, aka Vilan Enterprises). He spent much of the victims' money on himself, his family and associates. Vilan was sentenced to 21 years in prison. The seven co-defendants were sentenced to various terms of probation.

State v. Conway

The Section obtained a guilty plea from Greg Conway for theft and misuse of public funds in his position as Superintendent of Page Unified School District. He was sentenced to five years probation, 200 hours of community service and restitution of approximately \$90,000. Conway's education certificates were also suspended by the court.

State v. Dziezynski

The Section obtained a guilty plea from former Phoenix

Police Officer Robert Edward Dziezynski on one count of fraudulent schemes and artifices and one count of Impersonating a police officer. Dziezynski submitted a total of 22 forged prescriptions to area pharmacies. He gained the trust of pharmacy employees by showing a police badge and saying he was a Phoenix police officer, while in reality he left the department in 2002 and his AZPOST certification was revoked in 2004. Dziezynski was sentenced to 2.5 years in prison.

State v. Downing

The Section obtained a guilty plea from Yuri Downing on two counts of taking the identity of another person and for failure to appear in the first degree. Downing had also been awaiting sentence on a 2004 guilty plea to a perjury charge arising from Clean Elections Law violations.

He was sentenced to 3.5 years in prison for identity theft and failure to appear, followed by three years probation for perjury and identity theft. He also was ordered to pay \$15,000 in restitution on the Clean Elections charge. The cases were investigated by the Salt River Police Department and the Attorney General's Special Investigations Section.

State v. Medley

The Section obtained a 10-year prison sentence for Laura Lee Medley for making fraudulent medical claims in the amount of \$7,247. The prison sentence was based in part upon prior felony convictions for similar fraudulent activity in California.

State v. McCullough

The Section obtained a conviction and a 3.5-year prison term for

Rick McCullough, a Phoenix mortgage broker, for operating a residential mortgage scam that defrauded four Phoenix seniors of more than \$400,000. As president of CactusCash, Inc., he used this position to persuade four seniors to refinance their homes for amounts far greater than the balance of their existing mortgages, keeping the refinancing proceeds for his own use. He was also given a seven-year probation term and ordered to pay \$343,811 in restitution.

State v. Holland

The Section obtained a 6.5-year prison sentence for Hayden Holland. Holland was a principal in two Arizona entities, Scottsdale Financial Funding Group and Martin & Griffin, LLC, which obtained money by selling investment contracts in

two fraud schemes. One was a “Non-Performing and Consumer Debt” program and the other was a “Factoring and Accounts Receivable Management” program. The defendant obtained the money from 70 elderly investors and then used the funds for unauthorized purposes. Three co-defendants were sentenced earlier this year: Gregory Gill, was sentenced to 20 years in prison; Tad Ulrich received a five-year prison term, and Wallace Butterworth received four years of probation. The case was investigated by the Securities Division of the Arizona Corporation Commission.

State v. Price

The Section obtained prison sentences for three men for their participation in a telemarketing scheme that involved identity theft. The

defendants posed as businesses “consultants” for a fictitious company, Allstar Web Marketing, which offered seniors the opportunity to purchase a web site that would generate revenue to the owner whenever it was visited by a user. Once a victim agreed to participate in the online “business opportunity,” the defendants convinced the individual to provide credit card account and other personal financial information they claimed was needed to complete the sale and start up the site. Upon receiving the personal financial information, the defendants added themselves as card holders, increased the credit limits and maxed out the cards. Forty-four victims of the scheme lost a total of between \$1 million and \$2 million dollars. Jamie Storm, Michael Deiuliis and Joseph Deiuliis are

serving sentences in the Arizona Department of Corrections.

State v. Varela

Victor Varela was sentenced to a 2.5-year prison term, followed by seven years probation, in a major arms trafficking case. He pleaded guilty to fraud and forgery charges arising out of his fraudulent purchase of two .50 caliber rifles for more than \$6,700 through a confidential informant in Maricopa County. Varela also asked the informant to purchase several handguns and attempted to purchase a fully automatic M-60 machine gun for \$30,000. Several weapons connected to Varela have been traced to crimes committed in Mexico by drug cartels.

State v. Yazzie

The Section obtained a guilty plea from Helena Yazzie,

former Certified Fiduciary Case Manager at the Coconino County Public Fiduciary's Office, for theft and misuse of public monies. She was accused of embezzling \$16,757 entrusted to that office on behalf of persons unable to manage their financial affairs. Yazzie embezzled the money by personally authorizing the issuance of county checks that were withdrawn directly from at least 11 ward accounts to purchase retail gift cards for her personal use. Yazzie attempted to conceal her thefts by falsely stating on each check request form that the requested money would be used to buy specific items for each ward. Yazzie did not purchase the items she listed; she used the money to buy things for herself. Yazzie also submitted false annual

accountings to the court. She was sentenced to 60 days in jail and five years probation. She also was ordered to pay \$19,455 in restitution.

State v. Escobar

The Section obtained a 6.5-year prison sentence and deportation to Columbia for Nora Escobar who fraudulently obtained and used a credit card account through her position as fraud-prevention specialist at Sears National Bank. The case was investigated by the U.S. Postal Inspection Service.

State v. Gill

The Section obtained a 20-year prison sentence and order to pay \$7,815,248 in restitution against Gregory Gill, who was the primary defendant in a \$10 million securities fraud case. There were approximately 70 elderly investor-victims.

Tucson Regional Transportation Authority Election

This investigation involved alleged election fraud in a May 2006 funding election for the Tucson Regional Transportation Authority in Pima County. As a part of the investigation, ballots were seized and examined under controlled circumstances with the assistance of the Maricopa County Tabulations and Elections Center. The results of the investigation matched the original ballot count by Pima County within .01%. This investigation helped the Attorney General's Office restore public confidence in the integrity of the Pima County elections system.

Martin Rodriguez Orozco Extradition

Orozco was wanted in Yavapai County for the molestation of his 6-year-old niece. Orozco was indicted on six counts of sexual

conduct with a minor and fled to Mexico to avoid prosecution.

The case was referred to the Attorney General's Office by the Yavapai County Attorney's Office for extradition of Orozco. The AGO filed the extradition request with the Mexican government, and a provisional arrest warrant was issued. Orozco was arrested in Mexico and extradition was granted by Mexico. Orozco was returned to Arizona in March 2009.

Curtis Baumgarth

This case involved a Tempe Police Officer who stalked his girlfriend and posted nude pictures of her on the Internet. Tempe Police Department referred the criminal case to the Attorney General's Office. Baumgarth was arrested and his computers seized. He was

charged with attempted cyberstalking, pleaded guilty and was sentenced to three years probation. Baumgarth was terminated from his employment with the Tempe Police Department.

Brent Emerson

Brent Emerson ran a telemarketing operation in Phoenix that was engaged in the fraudulent sale of online pharmacy websites. He solicited unwitting consumers by claiming they could earn thousands of dollars by selling discounted prescription drugs online to the general public. Emerson pleaded guilty to fraudulent schemes and artifices and illegally conducting an enterprise. He is serving 2.5 years in prison. Three co-defendants also pleaded guilty and are on probation after completing varying jail terms.

U.S.D.W. Inc.

Curtis Winlock had been running U.S.D.W., Inc, a telemarketing company that sold light bulbs and trash bags at inflated prices to elderly people, falsely claiming the proceeds would benefit disabled or handicapped people. Winlock pleaded guilty to fraud schemes and was placed on probation. The business has been closed.

Drug Unit

State v. Martinez

After a jury trial, the Unit obtained a conviction and 18.5-year prison sentence against Joseph George Martinez, Sr. for conspiracy, illegally conducting an enterprise, manufacturing methamphetamine and possession for sale of meth. The defendant made and

sold the illegal drug from the house he shared with his small children.

State v. Goff

The Unit obtained a 10-year prison sentence against Chance Taken Goff on conspiracy to possess methamphetamine for sale and vulnerable adult abuse for possessing numerous items used to manufacture methamphetamine and for possessing meth for sale. The defendant committed these crimes in the same home where his elderly, disabled mother, who was confined to a wheelchair, was residing.

State v. Fishman

The Unit obtained an eight-year prison sentence against Jeffrey Fishman on manufacture of methamphetamine and conspiracy to commit manufacture of meth. The

defendant possessed chemicals and equipment to manufacture methamphetamine and there was evidence that he had recently manufactured the drug.

State v. Kampe

The Unit obtained a five-year prison sentence against Lonnie Kampe for conspiracy to commit possession of chemicals and/or equipment to manufacture methamphetamine for possessing a portable methamphetamine lab in the vehicle he was driving.

State v. Garcia-Garcia and Maddaleni

The Unit obtained a four-year prison term against Efrain Garcia-Garcia and a three-year prison term against Phillip Maddaleni for conspiracy to possess methamphetamine for sale. Garcia-Garcia supplied Maddaleni with pound quantities

of the drug that Maddaleni would then have transported to Chicago for sale.

Medicaid Fraud Control Unit

State v. Perron and Rivera

Rosella Ann Perron obtained \$198,165 from Sunbridge Estrella Care and Rehabilitation Center in Avondale, Ariz., by manipulating the facility's accounts to create overages in accounts which she stole by checks written to cash. In addition to her signature, the second required check signature was often forged. The checks were cashed for her by co-defendant Priscilla Olivia Rivera. Perron was sentenced to 12 months in jail. Defendant Priscilla Olivia Rivera Olivia was sentenced to three months in jail and ordered to pay \$38,858 to Sun Healthcare.

State v. Kulakova

Olena Kulakova owned and operated a medical facility named "We Care Clinic" in Phoenix. Some patients were handled by Kulakova, who is not a licensed physician in Arizona or any other state.

Kulakova examined and treated patients, wrote prescriptions using Dr. Paul Balikian's name. Both Kulakova and Balikian were indicted by the State Grand Jury. Kulakova pleaded guilty to fraudulent schemes and artifices, theft, and money laundering. Balikian pleaded guilty to securing the proceeds of an offense, a Class 6 felony. Both were awaiting sentencing.

State v. Barker

Christopher Barker posed as a medical doctor and wrote numerous forged prescriptions to obtain controlled substances

and other prescription-only drugs Barker was indicted by the Arizona State Grand Jury on charges of fraudulent schemes and artifices, taking the identity of another, forgery, and illegally obtaining narcotic and dangerous drugs.

Criminal Appeals/Capital Litigation Section

Dickens, et al. v. Brewer et al.

Seven death-sentenced inmates brought a civil action in U. S. District Court challenging the constitutionality of Arizona's lethal injection protocol. The Section filed a motion for summary judgment arguing that Arizona's lethal injection protocol met the constitutional standard set forth in *Baze v. Rees*. The district court granted our motion for summary judgment.

Bible v. Schriro

Richard Bible had been sentenced to death for the kidnapping, molestation and murder of a little girl. The defendant's claims brought before the U.S. Ninth Circuit Court of Appeals were ineffective assistance of counsel at sentencing and denial of his fair trial rights due to pretrial publicity. The Ninth Circuit affirmed the district court's denial of Bible's habeas petition, holding that his trial counsel was not ineffective at sentencing. It also summarily denied Bible's due process claims regarding the pretrial publicity.

State v. Dann

Brian Dann murdered his girlfriend, her brother, and one other person, by shooting them in the brother's apartment. The Attorney General's Office

argued the matter to the Arizona Supreme Court, which rendered its opinion on April 28, 2009, affirming the convictions and three death sentences.

Arizona v. Gant

The issue was whether the U.S. Supreme Court should overrule *Belton v. New York*, which held that whenever a police officer arrested the occupant or recent occupant of a motor vehicle the officer could search the entire passenger compartment of the vehicle. In a 5-4 decision the Court partially overruled *Belton* and held that police could not search the vehicle if the arrestee does not pose a threat to the arresting officers' safety. The Court also held that police could search the passenger compartment of the vehicle if they had "reason to believe" that evidence of the crime for which the person is being arrested might be in the vehicle.

Doody v. Schriro

In 1991, Doody – then 17 ½-years-old – and a 16-year-old friend robbed a Buddhist Temple west of Phoenix. Doody shot and killed seven Buddhist monks, a nun, and an older boy who worked at the Temple during the robbery. Doody was subsequently questioned by the police for about 13 hours and made some statements that tended to incriminate him (though he denied any participation in the murders). Doody was convicted and sentenced to nine consecutive life sentences. Following direct appeal, Doody filed a petition for writ of habeas corpus in federal district court that – after a passage of about eight years – was denied. He then appealed to the Ninth Circuit.

In November 2008, a three-judge panel of the Ninth Circuit held that Doody was entitled to a new trial because the Arizona Court of Appeals' holding that Doody's statements were voluntary was an unreasonable application of Supreme Court case law. In December, we filed a petition for rehearing en banc, asserting that the panel failed to pay adequate deference to the state court's legal conclusion, particularly in light of the fact that it upheld Doody's waiver of his Miranda rights. In May 2009, the Ninth Circuit granted rehearing en banc and the case was argued to an 11-judge en banc panel in June 2009. A determination by the en banc panel is pending.

State v. Zaragoza

Police arrested an obviously-intoxicated Vincent Zaragoza sitting in his vehicle before

he began to drive. A Pima County jury found him guilty of aggravated driving DUI with a suspended or revoked license and aggravated driving with a blood alcohol concentration of .08 or more with a suspended or revoked license. Defendant appealed based on the inclusion of the words "potential use" included in the jury instruction, referring to his argument that he was planning to sleep in the car and did not intend to drive at the time of his arrest, even though his key was in the ignition. The Court of Appeals reversed his conviction. The Attorney General's Office successfully overturned that decision. The Arizona Supreme Court affirmed his convictions in *State v. Zaragoza*. The Court's decision now provides a uniform jury instruction defining the term "actual physical control" in

DUI cases to include situations when the defendant's "current or imminent control of the vehicle" presents a real danger to himself or others.

Financial Remedies Section

Western Union

The Arizona Supreme Court held oral argument in the *State of Arizona v. Western Union* in January 2009. The Supreme Court denied review of the Court of Appeal's finding of probable cause for the seizure for forfeiture of coyote-related transactions to corrupt Western Union locations in northern Sonora. It granted review of two related issues in *Western Union's* petition for review of this Mexican seizure. In June, the Arizona Supreme Court issued a ruling that provided important clarifications about the Attorney General's Office's ability to seize wire transfers

to Mexico intended to pay for human smuggling operations in Arizona. In the ruling, the Court remanded the case back to Superior Court for further proceedings on the forfeiture of seized funds.

BMR/BMN

The Section resolved by settlement a civil asset forfeiture case against Dr. Bruce Love, a Western Union agent who was engaged in money laundering in association with illegal immigrant smuggling. Evidence demonstrated that Love owned and operated BMR Business Association, Inc. and BMN Business Associates, Inc. which are Western Union agents that catered to illegal immigrants and the “coyotes” who smuggled them into the United States.

The immigrants and their coyotes would present themselves at the BMR and BMN Western Union business locations to collect smuggling fees that had been sent to them via Western Union. The evidence indicated that BMR and BMN owners and employees knowingly paid out human smuggling fees and not less than 75 percent – and probably more than 90 percent – of the money transmission volume was associated with money laundering. The State’s complaint against the various defendants alleged, among other crimes, that they facilitated or directly engaged in the laundering of approximately \$42.6 million. The settlement includes the forfeiture of approximately \$4.2 million that had been seized from Love. The prosecution continues against other individuals and the BMR/

BMN corporate defendants and will likely be expanded to include other individuals and corporations that participated in the laundering of the \$42.6 million.

Ferguson

Charles Bruce Ferguson was indicted for allegedly operating elaborate investment schemes that defrauded at least 42 people of more than \$3 million since 2005. Ferguson, who is not licensed to sell securities, used the victims’ funds to purchase a Scottsdale condominium, luxury car, more than \$150,000 in high-end jewelry, at least \$30,000 in tickets for luxury seats at local sporting events and \$30,000 on private jet rentals. Most of these items have been seized for forfeiture, and the proceeds will go to the victims for restitution.

LaVoie

The Section obtained a jury verdict in *State v. LaVoie* on all 22 civil counts of racketeering, including money laundering. John LaVoie owned and operated a massage/prostitution business in Tucson. Following a Tucson Police Department undercover investigation, the Financial Remedies Section filed a complaint charging acquisitions of racketeering proceeds. LaVoie was ordered to pay the State \$850,000 in civil forfeitures and to forfeit the commercial building in which the criminal enterprise operated the prostitution business.

Noe Auto Sales

This case arose from racketeering offenses committed in connection with providing load

vehicles to human smugglers and drug dealers. The court ordered the forfeiture of the entire used car inventory, bank accounts, and real property of dealership owner Jaime Lopez Campos, which the State had seized for forfeiture in 2004.

Soto

Rebecca Sue Soto was indicted for stealing over \$192,000 from the Tempe Union High School District where she had been employed as a bookstore manager for McClintock High School. Soto conducted the scheme by stealing cash and checks intended for deposit, filing false reports regarding funds deposited and manipulating the accounting statements.

AHCCCS Fraud Unit (AFU)

Deborah J. Ball

Deborah J. Ball, a social worker at a nursing center, befriended an 82-year-old vulnerable adult resident. Ball and the resident entered into an agreement in which the resident would return to her Paradise Valley home and Ball would assume responsibility for 24-hour-a-day, seven-days-a-week, in-home health care for the victim. The victim also gave Deborah Ball her power of attorney. After Adult Protective Services received two reports from neighbors of suspicious activity at the victim's home, the defendant moved the victim against her will to Arkansas.

The victim reported to a temporary caregiver that she was being held against her will and had been forced to move to Arkansas. The local police were called, and Deborah Ball and boyfriend, Elmer Masoner, were arrested for kidnapping and false imprisonment. Investigation revealed that a majority of the victim's assets were gone and a sizable credit card debt compiled without the victim's knowledge. The case was worked jointly by the Arkansas Office of the FBI in Little Rock, Arkansas, and the Medicaid Fraud Control Unit of the Attorney General's Office. Ball received a four-year prison sentence. Masoner received a 27-month sentence.

Tucson Unit (TUC)

State v. Borbon

Ramon Fernando Borbon, a former Nogales police officer, was convicted of one count each of sexual assault, kidnapping, hindering an investigation and sexual abuse. The defendant was sentenced 8.5 years in the Arizona Department of Corrections.

State v. Bolding

Edward Bolding, an attorney and former public defender for Pima County, was accused of embezzling over \$100,000 from two former clients and hindering prosecution by sending a threatening letter to one of the victims. He was convicted on two counts of fraud schemes and one count of hindering a prosecution. Although he represented himself throughout

the trial, he did not show up for the verdict. He was eventually found by the U.S. Marshall Service, living under a false name in a trailer.



Chief Counsel Susan Segal

Mission:

To pursue those who prey upon the public and threaten the economic and environmental well-being of Arizonans.

Division Summary

The Public Advocacy Division is made up of the Consumer Protection and Advocacy Section and the Environmental Enforcement Section.

Consumer and Public Advocacy (CPA) Section Highlights

Consumer Litigation Unit

In addition to the major settlements reported in the Office Highlights section, the Consumer Litigation Unit settled several other significant cases, which included:

- **Great Expectations:** Sun-West Video, Inc. d/b/a Great Expectations, exaggerated its success in making matches between singles, misrepresented the qualification and numbers of its members, and used deceptive membership agreements in violation of the Dating Referral Services Act and the Consumer Fraud Act.
- **Mattel, Inc.:** Arizona, as a member of a multi-state Executive Committee, entered into a Consent Judgment requiring Mattel to implement strict new limits on the amount of lead allowed in children's toys starting in December 2008. Federal standards on lead levels did not begin to phase

The State sued Great Expectations in 2009. A Consent Judgment entered in February, 2009 requires the company to change its business practices and pay \$250,000 to consumers for restitution, \$250,000 in civil penalties, plus \$25,000 in attorney's fees and costs.

in until February 10, 2009, and will not reach the limits required in Arizona's agreement until August 14, 2011. Arizona received a settlement payment of \$492,530.

Antitrust Unit

- **Tucson Unified School District ("TUSD") - 2009** From 2006 through 2008, the Antitrust Unit investigated Tucson Unified School District, along with several district employees and vendors, for conflict of interest, procurement and antitrust violations. Antitrust found that TUSD employees accepted gifts from current and prospective vendors and violated procurement laws and regulations. Two vendors conspired with each other and with district employees to restrain trade and subvert the district's procurement processes.

In January 2009, the State filed a Complaint against the district, two former employees, and three vendors. By the end of FY '09, we had settled with all but one of the defendants. We have also recovered \$257,500 in fees and costs and nearly \$35,000 for the district as reimbursement of funds paid for illegally awarded contracts. The remaining defendant, E-Rate Consulting Services, L.L.C. has defaulted.

Agency Unit

- **Taylor, Bean & Whitaker Mortgage Corp.:** A multi-state examination found numerous violations of the company's underwriting policy regarding non-traditional mortgage products, and a separate compliance examination done by Arizona found additional statutory violations. A settlement agreement was

negotiated that resulted in a civil penalty of \$4.5 million to be divided equally among the 14 states. Taylor, Bean & Whitaker agreed to prepare a revised compliance program to engage an independent firm to undertake a review of certain non-traditional mortgage products, establish and maintain a loan modification program, and make a payment of \$4.5 million to the Nationwide Mortgage Licensing System to assist in the oversight of loan originators.

- **Transnation Title Insurance Company:** The company entered into a Consent Order with the State on July 24, 2008. Transnation was cited for lack of internal controls over its escrow and paid a civil penalty of \$600,000.

Tobacco Enforcement Unit

- **Protecting Arizona's Master Settlement payments:** Arizona entered into the Tobacco Master Settlement Agreement ("MSA") on November 23, 1998. The MSA settled litigation initiated by the State of Arizona, along with similar actions in 51 other jurisdictions, against major tobacco manufacturers. The MSA requires those manufacturers who entered into the agreement ("participating manufacturers" or "PMs") to make substantial payments to the settling states, including Arizona.

In 2008, Arizona received approximately \$115.6 million in total MSA payments. In 2009, Arizona received approximately \$125.5 million in total MSA payments. Additionally,

the Tobacco Enforcement Unit ("TEU") assisted in negotiating the release of approximately \$7.9 million to Arizona from the Disputed Payments Account ("DPA").

In accordance with State law, all monies received by the State of Arizona pursuant to the MSA are dedicated entirely to the Arizona Health Care Cost Containment System ("AHCCCS"). The TEU protects Arizona's MSA payments by diligently enforcing the relevant State statute to ensure that Arizona's MSA payments are not diminished.

TEU worked at the state and national level to protect Arizona's payments. This work included: (1) participating in efforts to maximize payment

recovery in the event of a PM bankruptcy; (2) assisting in the negotiation of settlements that reduce the amount of payments held in dispute; and (3) participating in litigation to recover defaulted payments from subsequent participating manufacturers.

- **Enforcement of Arizona's Tobacco Laws:** State law requires any tobacco product manufacturer selling cigarettes to consumers in Arizona to: (1) become a participating manufacturer (i.e., join the MSA), and generally perform its financial obligations under the MSA; or (2) place certain sums of money into a qualified escrow fund for the benefit of Arizona based on its sales in the State.

To enforce this escrow statute, TEU must: (1) determine

the identity of those non-participating manufacturers ("NPMs") which had sales in Arizona during a given year; (2) calculate the total volume of sales for each NPM; and (3) determine the escrow liability based on a set statutory rate. If an NPM refuses to comply with the escrow statute, TEU initiates litigation to obtain compliance. With the exception of a single NPM that filed for bankruptcy protection, TEU obtained full compliance with the escrow statute for sales made in Arizona during the year.

- **Enforcing the MSA's Public Health Provisions:** TEU is charged with enforcing public health provisions of the MSA, especially when violations of those provisions have a direct impact on Arizona citizens.

Public Advocacy Division *(continued)*

These provisions place restrictions on the PMs' marketing practices in an effort to protect public health.

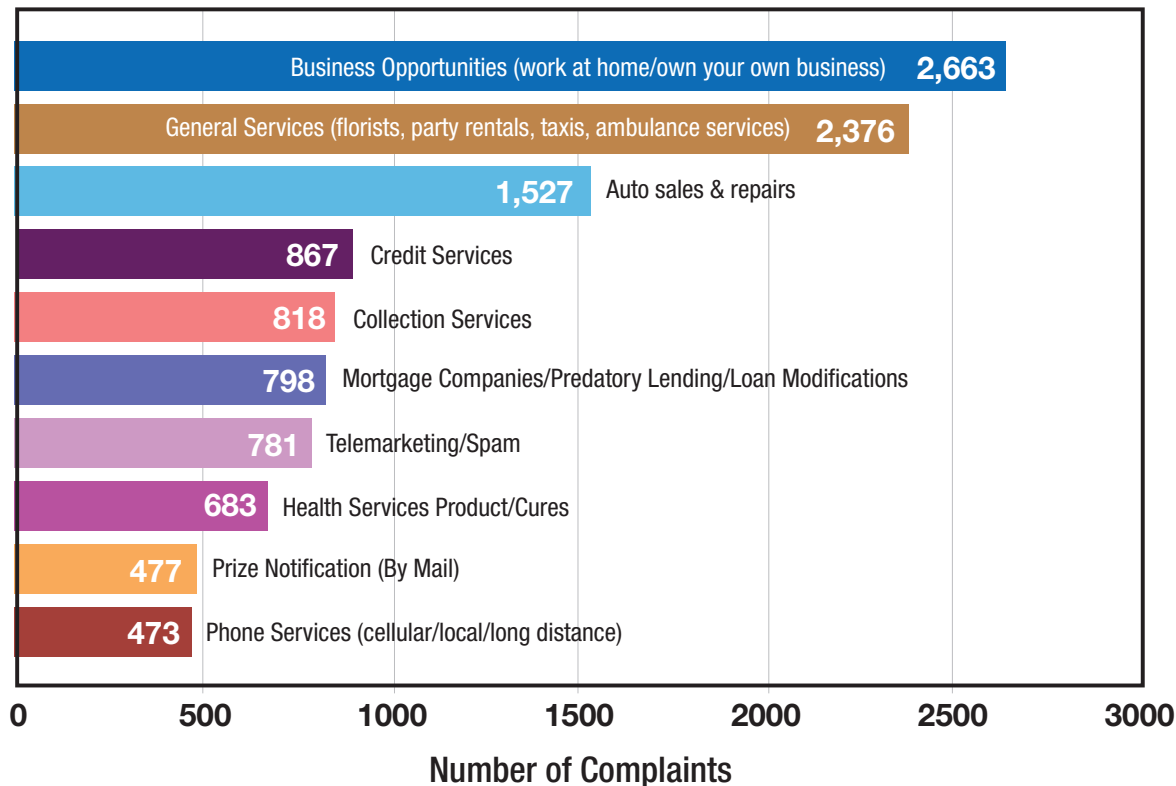
In December 2008, Arizona signed onto a settlement agreement with Santa Fe Natural Tobacco Company, a participating manufacturer, resolving claims that Santa Fe distributed brand name merchandise to consumers in Arizona in violation of the MSA. From 2000-2004, Santa Fe shipped 1,850 decorative tin signs bearing its brand name "Natural American Spirit" to consumers in Arizona. Pursuant to the terms of the settlement agreement, Santa Fe will not distribute brand name merchandise in the future.

- **"Counter Strike" Youth**

Tobacco Program: In partnership with the Arizona Department of Health Services, the Arizona Attorney General's Office has developed and maintained the Arizona "Counter Strike" Youth Tobacco Program. The goal of the program is to reduce youth access to tobacco in retail outlets by systematically monitoring retailer compliance with State laws which prohibit the sale of tobacco products to minors. The program also serves to coordinate and encourage local enforcement of these laws.

In the past fiscal year, 4,984 undercover inspections of tobacco retailers were performed by special agents, local law enforcement officers and youth volunteers working with the program. These inspections resulted in 581

Consumer Complaints Fiscal Year 2009 (July 1, 2008 - June 30, 2009)



criminal citations being issued to clerks who sold tobacco to youth volunteers during these undercover operations.

In 2008, TEU entered into an Assurance of Voluntary

Compliance with Shell Oil, a large, nationwide tobacco retailer. TEU has entered into similar agreements with 10 of the nation's largest tobacco retailers. These agreements require retailers to adopt

numerous practices aimed at reducing youth access to tobacco products.

Environmental Enforcement Section (EES) Highlights

Mission:

To provide the highest quality legal advice and representation to client agencies for the fair enforcement of civil environmental law and civil natural resources law

Overview:

The Section provides advice, enforcement and representation related to state and federal environmental and natural resources law. The Section is divided into three components. The Civil Unit advises, represents and litigates on behalf of the Arizona Department of Environmental Quality (ADEQ) for various programs, including water quality, safe drinking water, hazardous waste and waste management. The Tanks

and Air Unit advises, represents and litigates on behalf of ADEQ's air and underground storage tank programs. The Superfund Programs Unit advises, represents, and litigates on behalf of ADEQ involving matters arising under Superfund laws.

Major Accomplishments/Achievements

- **IDEXX Reference Laboratories:** EES represented ADEQ in this hazardous waste matter. ADEQ inspected the IDEXX facility after receiving a complaint about improper disposal of broken specimen slides. Broken glass slides are classified as medical sharps and constitute a stick hazard. Such waste must be properly packaged prior to disposal. Failure to do so may give rise

to civil penalties. IDEXX admitted liability and altered its disposal practices. Additionally, it paid an \$80,000 civil penalty to the State.

- **Gringo Pass:** This case was an enforcement action for penalties and injunctive relief brought against Gringo Pass, Inc. Gringo Pass is located in Lukeville, Arizona, along the U.S.-Mexico border and is an owner and operator of three underground storage tanks that leaked regulated substances into the environment. ADEQ contacted Gringo Pass informing it of its obligations to investigate and remediate the release, but to no avail. Gringo Pass either refused written correspondence with ADEQ or responded with insufficient information. ADEQ issued a Compliance Order to Gringo Pass in 2006, and

Gringo Pass failed to comply. EES, on behalf of ADEQ, filed suit seeking an enforceable order under which Gringo Pass will investigate and clean up its contamination. Gringo Pass settled and paid \$40,000 to reimburse ADEQ for its costs of investigation and enforcement. Gringo Pass also agreed to cooperate with ADEQ in a State investigation of the site.

- **In re: Union 76:** EES represented ADEQ against ConocoPhillips' claims for awards from the State Assurance Fund (the Fund) for underground storage tank cleanup costs. ConocoPhillips and Unocal, the prior owners of the gas stations at issue, were reimbursed the maximum amount per release

permitted by statute. EES argued that ConocoPhillips was not eligible for additional reimbursements because it did not exhaust its self-insurance policies, as required by statute. In December, 2008, the administrative law judge agreed, and ADEQ's Director affirmed that the appellant was in fact not eligible for additional reimbursements. In January 2009, ConocoPhillips appealed the decision to the Superior Court but later withdrew the appeal. ADEQ saved \$83,323 in unwarranted payments from the Fund in this case alone. The appellant also withdrew its administrative appeals for claims totaling \$97,123 in pending cases raising the same issue. The appellant asserted that if it had been successful in its legal position, it would have brought additional claims for

more than \$1.5 million. By prevailing on the legal issues in this case, the State potentially saved more than \$1.5 million.

- **ASARCO Bankruptcy:** The ASARCO case is the largest environmental bankruptcy in United States history. EES has assisted ADEQ in negotiating settlements to resolve the environmental liabilities regarding several facilities:

a. Sacaton: The 2,020-acre Sacaton Mine Complex includes an open pit mine, tailings, waste rock piles, and several mining appurtenances near Casa Grande. ASARCO mined the facility from 1979 to 1984. The overburden, waste rock and tailings are segregated into separate piles. Past storms have eroded the tailings, with

evidence of contaminants moving into local waterways. The parties agreed to a settlement of \$20 million for remediation and mitigation costs, plus transfer of the site, all to be placed into a Custodial Trust to handle the remediation work. On June 5, 2009, the Bankruptcy Court approved this settlement agreement.

b. Salero Ranch Mine Site and Trench Camp Mine:

The 200-acre Salero Ranch mining property near Nogales includes several old, inactive mine workings that have numerous, inactive adits (horizontal tunnels into an underground mine), vertical shafts, tunnels and waste rock/overburden piles. The on-site evaporation ponds

receive approximately 1.5 gallons-per-minute of acid mine drainage. An ephemeral stream has evidence of contaminants etched into the streambed. The 40-acre Trench Camp property, also near Nogales, was mined for copper, lead and zinc between 1939 and 1957. The mining site contains an abandoned mill and smelter site, one waste rock pile and four tailings piles. The parties settled the claims for the Salero and Trench Camp sites jointly for \$2.8 million of remediation costs, plus transfer of both sites into the Custodial Trust. On June 5, 2009 the Bankruptcy Court approved this settlement agreement.

c. Helvetia: The Helvetia property is located on the western flank of the Santa Rita Mountains near Tucson. Helvetia contains approximately 50 separate piles of waste rock, slag and tailings. Some or all of the piles may be mineralized with acid-generating minerals that exhibit oxidation and/or erosion. The parties agreed to settle the claims related to the Helvetia Mine Site for \$880,000. The settlement will be treated as an “unsecured claim” payable to the State. On June 5, 2009 the Bankruptcy Court approved this settlement agreement.

d. Natural Resources

Damages: In 2006, the United States Department of

the Interior and the State of Arizona filed Claims in the ASARCO bankruptcy case for natural resource damages to Mineral Creek as a result of releases from the ASARCO Ray Mine. The Arizona claim also alleged natural resource damages to the Gila River from the ASARCO Ray Mine and the ASARCO Hayden Complex. The parties settled the claims, and ASARCO will transfer three ASARCO-owned tracts of land to the Arizona Game and Fish Commission (one tract has water rights) consisting of approximately 1,000 acres on the Lower San Pedro River. The settlement also involves an additional allowance of a \$4 million general unsecured claim for construction and maintenance of wetlands

Public Advocacy Division *(continued)*

and other improvements on the San Pedro to benefit wildlife. The total value of the settlement is between \$7 and \$8.5 million. On April 23, 2009 the Bankruptcy Court approved the settlement agreement between ASARCO, the United States and the State of Arizona.

e. Hayden Smelter: The approximately 200-acre Hayden smelter processes ore from the company's copper mines. Two large emission stacks dominate the horizon with several smaller stacks visible at buildings throughout the complex. There is a large slag pile on the eastern end of the facility, adjacent to the town. The State of Arizona, EPA, and ASARCO entered into an agreement for ASARCO to

clean up the contamination in local residential neighborhoods at a cost of \$13 million, with additional work to be done at the facility property. The Bankruptcy Court approved this settlement agreement, and substantial work has been completed by ASARCO.

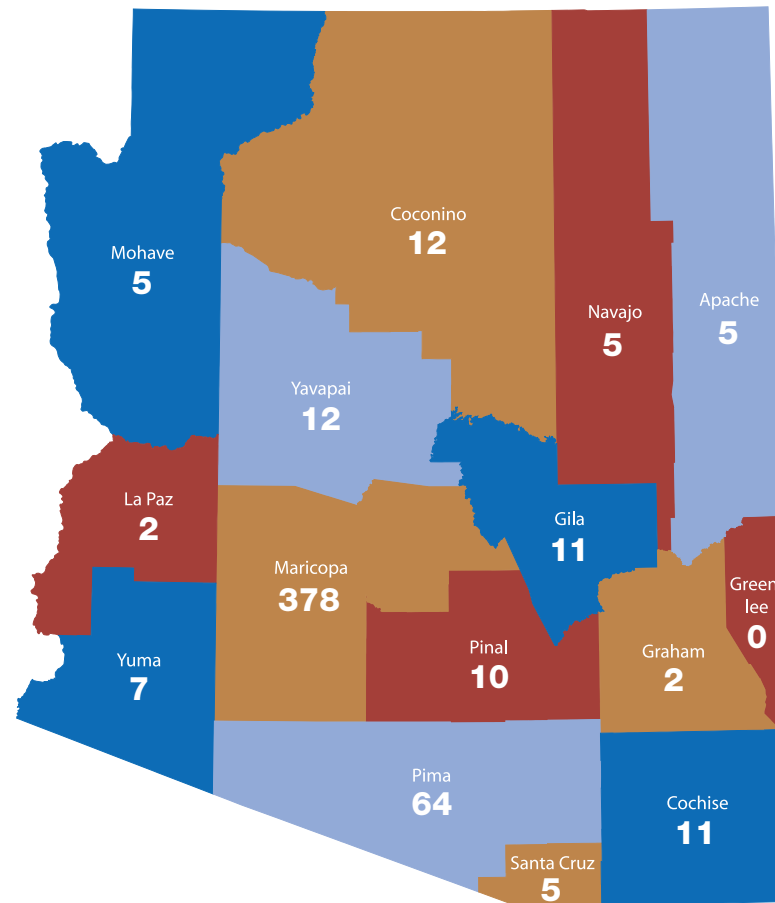
Silver Bell Mining: EES obtained Court approval of the settlement which provides for a \$175,000 civil penalty and the implementation of enhanced inspections at the Silver Bell Mine west of Marana, to guard against unauthorized discharges from the mine workings.

Automation Plating: EES obtained Court approval on April 8, 2009 of the settlement which provides for the payment of a \$100,000 civil penalty and the

implementation of an Environmental Management System if Automation Plating decides to continue operating its facility in Marana.

Phelps Dodge Sierrita: EES obtained Court approval of the settlement which provided for the payment of a \$45,000 civil penalty and the funding of a

\$60,000 Supplemental Environmental Project to purchase a hybrid school bus for the community of Green Valley.



• Community Events. Attorney General Terry Goddard and staff conducted 529 community events and presentations across Arizona during the year. These included crime and fraud prevention forums and presentations on topics such as identity theft, methamphetamine prevention, Internet safety, civil rights, consumer scams, protecting Arizona seniors, victims rights and life care planning. This map (at left) shows the number of events in each county.

Public Advocacy Division *(continued)*

Record Number of Web Hits:

The Attorney General's Office Web site (www.azag.gov) had 788,166 visits during the fiscal year, breaking the record set in the previous year by more than 10,000.

Improvements to the site include the addition of a Foreclosure Resource Center, which provides

useful information for consumers at risk of losing their home. Also added during the year were Office links to social networking sites such as Facebook, MySpace and Twitter.

It's now much easier for consumers to file an online complaint with the Office. A new "File a Complaint" button on the home page makes it simpler to submit grievances in several categories.

Senior Sleuths Project: This initiative is a new effort of the Attorney General's Office to help Arizona seniors protect themselves and prevent others from becoming victims of fraud and abuse.

In Arizona, seniors comprise a growing and vital part of state's population. By 2020, it's projected that 25 percent of Arizonans will be over 60 years of age. Seniors are often vulnerable to financial exploitation and are

targeted by unscrupulous people attempting to defraud them through home repair ripoffs, living trust scams, bogus charities and other financial schemes.

The Office is recruiting senior volunteers and training them to identify and report scams and fraud, including Medicare fraud, and use their knowledge to educate other seniors.

To make it a success, the Senior Sleuths Project is partnering with AARP, Arizona Senior Medicare Patrol program, Adult Protective Services, the Arizona Area Agencies on Aging, Beatitudes Center Duet and other retiree and senior organizations.

Endangered Person Alert: The creation of a new statewide public safety alert system was announced in October by Attorney General Terry Goddard, Arizona

Department of Public Safety Director Roger Vanderpool, and Art Brooks, President and CEO of the Arizona Broadcasters' Association.

The Arizona Endangered Person Alert system will notify the public when an adult suffering from a significant health problem or a medically-diagnosed disability (such as Alzheimer's disease) goes missing under unexplained or suspicious circumstances.

"The Endangered Person Alert system will provide critical protections for Arizona's vulnerable adults. This new statewide resource will provide greater security and peace of mind to families caring for loved ones with dementia and other serious health problems," Goddard said.

The alert is a voluntary collaboration between law enforcement and broadcasters statewide. It employs an existing DPS media

notification system and therefore creates no additional costs to state or local agencies.

"This new alert procedure will expedite the recovery of missing adults.

It provides clear criteria to law enforcement and gives broadcasters the tools to protect the most vulnerable members of their communities," Brooks said.

The Endangered Person Alert will be initiated by DPS when local first responders determine that providing information to the public could assist in the safe recovery of a missing person.



The Attorney General's Office Web site (www.azag.gov) drew a record 788,166 visits during the year.



Chief Counsel Juliet Peters

Mission:

To provide the Department of Economic Security (DES) with high-quality representation and timely legal advice which promotes the safety, well-being and self-sufficiency of children, vulnerable adults and families.

Division Summary

The Child and Family Protection Division (CFP) provides comprehensive legal representation to the Arizona Department of Economic Security, with more than 319 employees in locations throughout Arizona. CFP is divided into three practice groups:

- *Protective Services Section (PSS)*
- *Child Support Enforcement Section (CSE)*
- *Civil & Criminal Litigation and Advice (CLA)*

Protective Services Section

The Protective Services Section of the Attorney General's Office provides comprehensive legal representation to the Arizona Department of Economic Security (ADES) and the Child Protective Services (CPS) branch of ADES. The Protective Service Section (PSS) shares the same goal as CPS: to protect children, preserve families,

and achieve permanency for Arizona's children. The attorneys and staff of PSS provide legal representation to CPS throughout Arizona's 15 counties; PSS maintains offices in Flagstaff, Kingman, Mesa, Phoenix, Prescott, Sierra Vista, Tucson and Yuma.

Trial Practice. PSS attorneys engage in an intense, litigation-focused practice in the juvenile division of the Arizona Superior Courts. Trial lawyers in PSS handle thousands of legal actions each year generally

referred to as "dependency cases" – actions brought to protect abused and neglected children, either by removing children and placing them in the legal custody of CPS or by establishing protective measures while social services are provided in the family's home. If attempts to reunite families prove unsuccessful, PSS attorneys represent CPS in actions to achieve permanent

placement of children through severance of parental rights, guardianship and adoption procedures.

Appellate, Policy, and Training

Activities. Appellate lawyers in PSS appear before the Arizona Court of Appeals to defend successful trial court judgments. PSS lawyers also advise ADES on legal issues arising from federal and state



The Protective Services Section works to protect children, preserve families and achieve permanency for children throughout the State.

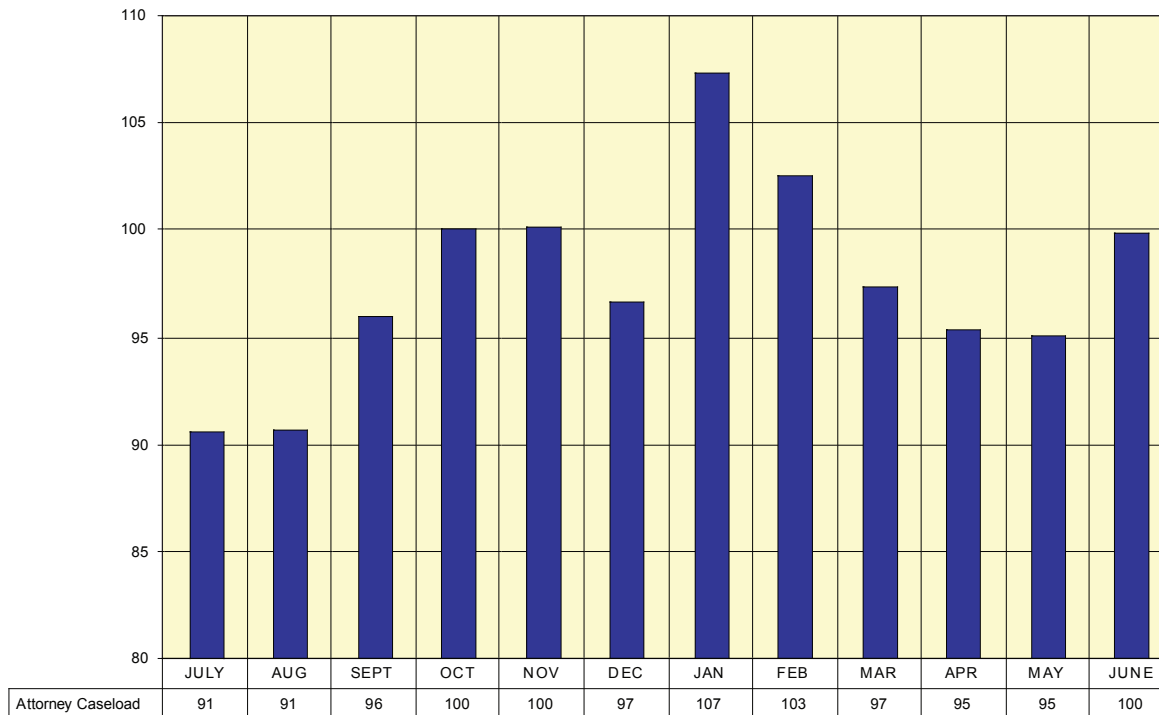
Child and Family Protection Division *(continued)*

statutes, regulations and court decisions. They also provide training and support to CPS caseworkers, supervisors and members of the judiciary.

Accomplishments

During FY08 PSS concentrated its resources on implementing and standardizing best practices across the State, developing and refining consistent statewide forms, training policies and procedures. PSS also streamlined its intake process for new dependency petitions. PSS also worked with DES to draft and implement new legislation which will allow the public release of more information in fatality and near fatality cases. Case permanency conferences and procedures were also implemented to ensure permanency for dependent children.

FISCAL YEAR 2009 ATTORNEY CASELOADS



The ABA has recommended that the dependency caseload for an agency attorney should be 60 to 80. As noted in the chart, PSS attorney caseloads in FY09 were significantly higher than this standard. Additionally, during the last few months of FY09, all attorneys took two days mandatory furlough per month while continuing to meet the challenges of these high caseloads. PSS encountered a 4% increase in dependency cases this past year, a trend which has been linked historically to increased economic strain on Arizona families.

In FY09 PSS attorneys and staff:

- Protected more than 11,466 children from abuse and neglect.
- Filed 2,471 new dependency petitions involving 4,713 children.
- Filed 1,497 severance motions and petitions.
- Filed 455 guardianship motions
- Filed 165 adoption petitions.
- Helped reunite 2,607 children with their parents.
- Placed 464 children with permanent guardians.
- Helped 1,754 children be adopted by relatives or foster parents.
- Represented ADES in 254 appeals filed in FY09.
- Prevailed in 99% of all appeals resolved in FY09.

Child and Family Protection Division *(continued)*

Criminal & Civil Litigation and Advice Section

CLA provides advice and representation for all DES programs except Child Protective Services and Child Support Enforcement and acts as DES' lawyers in its day to day business operations.

CLA Criminal Unit lawyers prosecute individuals and contractors who defraud the State of Arizona through DES programs, as well as parents who willfully fail to provide support for their children.

The CLA civil unit:

- Collected \$404,222 through wage and bank garnishments – a 100% increase since FY06.
- Obtained 198 civil judgments in civil collections cases totaling \$622,798.

The CLA criminal unit:

- Obtained 250 criminal sentences and restitution orders totaling \$665,718.
- Collected \$420,249 in restitution prior to sentencing.
- Obtained orders for fines totaling \$18,300.
- Obtained orders for 12,458 hours of community service.

Other CLA accomplishments:

The Section helped craft Senate Bill 1047 (Child Safety), which broadened the definition of “abuse” and “neglect” to protect children exposed to dangerous chemicals or equipment in the production of dangerous drugs, such as methamphetamine, or reckless exposure to criminal sexual conduct and sexually explicit materials.

CLA & PSS led a two-day statewide summit of law enforcement, county attorneys, CPS, and others to create a template for each county to use in redrafting its Joint Investigative Protocol to protect child victims, promote cooperation, and increase communication with the goal of enhancing the ability of the responsible entities to and effectively investigate allegations of child abuse and neglect statewide.

In *Arizona Association of Providers for Persons with Disabilities v. the State of Arizona*, CLA and CFP's Division-wide Appeals Team successfully fought in a Superior Court Preliminary Injunction barring the implementation of DES cost-saving measures in connection with the FY09 mid-year budget reduction.

In *Kottwitz v. Blessing*, CLA, in conjunction with the Civil Division, obtained the withdrawal of the plaintiffs' complaint in a class action brought in Federal District Court seeking declaratory and injunctive relief requiring DES to meet federally required processing and payment timelines.

In *SEIU Local 5 Arizona v. the State of Arizona*, CLA and the Employment Law Section

successfully prevented SEIU from enjoining ADOA, ADOR, ADES and other state agencies from implementing reductions in forces in response to the Legislature's budget changes.

In *Zoe M. v. Blessing*, CLA and the Civil Division negotiated a settlement based on DES's ability to fund developmental services for infants and toddlers.

Child and Family Protection Division *(continued)*

Civil Case Count By Program	
Program	Opened
Adoption Subsidy	7
Adult Protective Services	4
Adult Protective Services Review Team	28
Arizona Early Intervention Program-AZEIP	18
Business Enterprise Program (BEP)	1
Cash Assistance	1
Childcare Administration	10
Civil and Criminal Litigation and Advice	1
Comprehensive Medical And Dental Program	2
Division Of Benefits/Medical Eligibility	1
Division Of Business & Finance	2
Division of Children Youth and Families	2
Division of Developmental Disabilities	146
Employee Services And Support	2
Employment Services Administration	1
Equal Employment Opportunity Commission/ Office of Equal Opportunity	15
Food Stamp Plus Another	1
Foster Care Licensing	9
General Assistance	1
Guardian Subsidy	5
Intergovernmental Agreement (IGA)	177
Internal Affairs	62
Medical Assistance Under Division of Benefits and Medical Eligibility	2
Mental Health	30
Personnel (all Programs)	159
Protective Services Review Team	140
Unemployment Insurance Contributions/Unemployment Insurance Benefits (all types)	182
Vocational Rehab & Blind Services	9
Grand Total	1018

Civil Collection Cases		
Program	Filed	Judgments Entered
Cash Assistance	10	6
Any Combination	7	5
Childcare Assistance	15	12
Div. of Developmental Disabilities	1	2
Employee Related	30	9
Food Stamp	0	1
Food Stamp Plus Another	8	7
Foster Care	0	0
Parental Assessment	2	2
Unemployment Insurance Benefits	198	154
Unemployment Insurance Contributions	0	0
Grand Total	271	198

Summary of Garnishment Collection	
3rd Quarter '08	\$126,184.30
4th Quarter '08	\$104,453.61
1st Quarter '09	\$59,866.34
2nd Quarter '09	\$113,718.12
Grand Total	\$404,222.37

Child and Family Protection Division *(continued)*

Criminal Prosecution Cases						
Program	Cases Filed	Cases Sentenced	Restitution Ordered	Restitution Paid Prior to Sentencing	Fines Collected	Community Svc
Cash Assistance	8	8	\$8,696.00	\$2,826.00	\$600.00	190
and Food Stamps			\$13,849.00	\$7,657.00		
Child Care Recipient	3	4	\$28,376.00	\$6,150.00	\$200.00	325
Child Support Escape	4	4				124
Employee DDD	1	2	\$11,460.04			240
Employee Cash Asst.	2	3	\$535.00			
and Food Stamps			\$19,450.67	\$206.26		
Food Stamp	11	3		\$19,139.00	\$400.00	50
UIB	164	234	\$583,351.90	\$384,271.59	\$17,100.00	11,529
Grand Totals	193	258	\$665,718.61	\$420,249.85	\$18,300.00	12458
Total Restitution Ordered & Paid Prior to Sentencing :				\$1,085,968.46		

Child Support Enforcement Section

The Child Support Enforcement (CSE) Section provides legal advice and representation to the DES Division of Child Support Enforcement (DCSE), ensuring Arizona kids receive the parental support they are entitled to. CSE handles a high-volume litigation caseload to establish paternity and to establish, modify and enforce child support orders.

Establishing paternity is often the first step in the child support process. After paternity has been established, CSE can take legal action to pursue child support. At the end of FY09, DCSE had more than 220,000 open child support cases statewide; between 7,000 and 8,000 of them are ongoing cases.

In FY09, CSE:

- Obtained child support judgments of more than \$43.7 million.
- Established paternity for 2,645 children.
- Established new child support orders for 5,395 families.
- Resolved 4,352 actions for modification of support.
- Represented the State in over 24,000 court appearances.
- Assisted DCSE to collect over \$360 million in support (\$10 million more than in FY08).
- Collected \$405,370 in support in bankruptcy cases.
- Collected \$246,474 in non-Family Court litigation relating to liens and foreclosures



Chief Counsel Pam Culwell

Mission:

A dynamic team of legal professionals representing Arizona in many areas of civil law with dedication, integrity and innovation.

Division Summary

The Civil Division is comprised of seven sections that focus on specialty areas of civil law including natural resources; tax, bankruptcy and collections; liability management; employment; public health; public safety; transportation; contract review; procurement; licensing and enforcement; education, and complex case litigation.

Major Cases

• ***Arpaio v. Maricopa County Board of Supervisors; Arizona Association of Chiropractic, et al. v. Brewer; Arizona Farm Bureau v. Brewer; Arizona Property & Casualty Insurance Guaranty Fund, et al. v. Brewer; Industrial Commission of Arizona v. Martin, et al.; AAPPD v. State; and, Zoe M., et al. v. Blessing:*** We defended the constitutionality of bills aimed at addressing the State's budget deficit by (1) transferring existing public money associated with par-

ticular government programs to the general fund; (2) requiring transfer of public money initially appropriated to the counties to the state general fund; and (3) requiring reductions in agency spending. The plaintiffs sought declarations that the transfer bills were unconstitutional and injunctions prohibiting future transfers or requiring return of money already transferred. Our Office prevailed in the trial court.

• ***Mayer Unified School District, et al., v. Winkleman, et al.:*** Mayer Unified School District and Gadsden Unified School District sought a declaration that over 800 easements and rights of way granted by the State Land Department between 1929 and 1967, primarily to the Arizona Department of Transportation and many county and local governments, were void for failure to pay compensation. If the school districts were successful, the State Land Commissioner would have been responsible for reviewing each of the easements and rights of way, and easement holders would have had to pay current value to continue holding their interests. Hundreds of millions of dollars were at risk. This year, the Arizona Supreme Court found that the case could be dismissed because the school districts' claims were

not brought within the statute of limitations. The United States Supreme Court denied certiorari.

• ***Gila River Indian Community v. State:*** Successfully negotiated a federal in-lieu selection in exchange for a parcel of state trust land within the exterior boundaries of the Gila River Indian Reservation. This means that the State may select a piece of land in Arizona, owned by the United States government, in exchange for the piece of state-owned land which is bordered on all sides by the Gila River Indian Reservation. The trust land parcel was appraised at \$2,000,000. A comparable in-lieu parcel will likely appraise at \$30,000,000. The Gila River Indian Community also paid the State Land Department's \$100,000 in-lieu application fee.

- ***Pruett v. Arizona Department of Game and Fish:***

Upheld the Department's decision to deny an exemption from the law prohibiting individuals from owning chimpanzees.

Pruett claimed that she needed the chimp to meet her medical needs.

- ***Lee v. Arizona Board of Regents:***

Obtained a jury verdict in favor of Arizona State University's exercise of academic freedom in denying the plaintiff a promotion to full professor.

The plaintiff claimed race and national origin discrimination.

- ***Show Low Unified School District v. Arizona Department of Education; Page Unified School District v. Arizona Department of Education; Snowflake Unified***

School District v. Arizona Department of Education; Blue Ridge Unified School District v. Arizona Department of Education; and, East Valley Institute of Technology v. Arizona Department of Education:

We represented the Arizona Department of Education in multiple administrative actions brought by school districts challenging ADE's audit calculations regarding funding for student enrollment. We negotiated settlement agreements which recouped \$1,637,656 from school districts following ADE audits.

- ***San Pedro Valley easements:***

We helped protect Fort Huachuca's mission, along with protecting native wildlife and habitat for native plants, by assisting the Department of Commerce, Department of

Veteran's Services and the Arizona Military Affairs Commission with their efforts to fund two conservation easements in the San Pedro Valley.

- ***Department of Liquor Licenses and Control v. Metro Sports Bar:***

We successfully represented the department in securing the surrender of Metro's liquor license, with a prohibition from applying for any liquor license for five years and a \$50,000 penalty, following the death of a man in a motorcycle accident. The man, who was underage, had been served by Metro and had a blood alcohol level of 0.227 at the time of his death.

- ***Innocence Project***

Curriculum Review: We analyzed every lesson plan in the 585-hour Basic Peace Officer Course to determine if the plans effectively teach material aimed at preventing faulty evidence. We identified elements of the plans that need to be altered and identified topics for advanced officer training.

Money Awards and Savings

A. Civil Penalties

1. Accountancy Board	\$171,232.00
2. Athletic Trainers Board	1,250.00
3. Barber Board	1,250.00
4. Chiropractic Board	18,000.00
5. Cosmetology Board	30,250.00
6. Dental Board	2,000.00
7. Dept. of Fire, Building and Life Safety	300.00
8. Dept. of Liquor Licenses and Control	159,725.00
9. Dept. of Weights and Measures	11,700.00
10. Dispensing Opticians Board	1,500.00
11. Medical Board	10,000.00
12. Nursing Care Administrators	4,500.00
13. Nursing Board	500.00
14. Office of Pest Management	3,000.00
15. Physical Therapy Board	250.00
16. Pharmacy Board	56,201.00
17. Registrar of Contractors	2,500.00
18. Veterinary Medical Examiners	3,000.00
19. Department of Health Services	773,000.00
Total	\$1,250,158.00

B. Cost Recovery Awards

1. Accountancy Board	\$98,245.74
2. Behavioral Health Examiners	28,000.00
3. Cosmetology Board	29,370.00
4. Dental Board	1,494.84
Total	\$158,110.58

C. Restitution for Victims Awards

1. Accountancy Board	\$10,210.00
2. Dental Board	11,222.00
3. Registrar of Contractors	10,000.00
Total	\$31,432.00

D. Cost Savings to Agencies

1. Outside counsel fees in non-conflict tort liability cases: Agency expenses for outside counsel in these cases decreased significantly even though the number of cases filed remained steady:	
FY06	\$2,339,453.26
FY07	1,416,519.52
FY08	684,514.50
FY09	357,421.50

Before the State Board of Equalization, we successfully defended the Department of Revenue's assessments of full cash value, resulting in savings to the State of approximately \$29,500,000.

Before the Board of Tax Appeals, we successfully defended the Department of Revenue's decisions concerning money owed by taxpayers resulting in approximately \$13,900,00 in taxes saved or recovered.



Chief Counsel Melanie Pate

Mission:

To enforce civil rights laws and eliminate discrimination statewide by increasing public awareness of civil rights issues. These goals are reached through investigation, enforcement, education and the provision of services to victims, including dispute resolution services. The Division continues to focus on outreach and education involving vulnerable populations.

Division Summary

The Civil Rights Division (CRD) enforces the Arizona Civil Rights Act, which prohibits discrimination in employment, voting, public accommodations and housing, by investigating, mediating and litigating civil rights complaints.

The Division provides conflict resolution services and mediation programs statewide. It not only responds to complaints, but seeks to reduce discriminatory conduct through education and outreach in the community.

CRD is comprised of two sections: Compliance and Litigation. The Compliance Section screens and investigates complaints involving civil rights violations and provides education and outreach to the public.

The Litigation Section is responsible for litigation in state and federal courts involving civil rights violations and provides legal resources for drafting legislation, education and outreach.

The Conflict Resolution Program, a component of the Litigation Section, provides services statewide, including mediation, facilitation, conciliation and training. The mediation programs encompass civil rights, truancy and victim-offender issues.

Division Highlights

- The Compliance Section investigated 1,418 discrimination charges and resolved 939 cases, including 195 housing charges, 648 employment charges and 96 public accommodations charges.
- The Compliance Section issued 21 determinations in cases where reasonable cause was found to believe that unlawful discrimination had occurred. Many of these cases were successfully conciliated before litigation became necessary.
- The Litigation Section resolved 114 charges of discrimination either through mediation, conciliation or litigation and performed work on hundreds of other charges filed with the Division. As a result of its litigation, conciliation and mediation efforts,

the Litigation Section obtained in excess of \$900,000 in monetary relief for charging parties.

- The Division's Conflict Resolution Program mediated 127 civil rights matters and facilitated 67 agreements. As a result of the Conflict Resolution Program's efforts, charging parties received more than \$422,000 in monetary relief and also obtained significant injunctive relief to assist the parties in finding common ground in resolving charges of discrimination.

Among the agreements facilitated by the Conflict Resolution Program:

- In an employment matter involving allegations of sex discrimination, the respondent agreed to pay the charging party \$65,000 and pay for six months of COBRA coverage.

Civil Rights Division *(continued)*

- As a result of a charge of discrimination alleging sex discrimination against an employer, the parties reached an agreement under which the respondent paid the charging party \$38,000 and provided a letter of reference.
- In a charge involving alleged violations of the Arizona Fair Housing Act, the respondent agreed to incorporate the disabled charging party's recommendations into its design plans for renovating its store.
- After mediation on a charge alleging violations of the Arizona Fair Housing Act against a fitness club, the parties entered into a mediation agreement wherein the respondent agreed to install a second lift to assist disabled

persons into its pool and spa and provided a free membership to the charging party.

In addition to their civil rights mediations, the Conflict Resolution Program trains volunteers to serve as mediators in various Superior Court Alternative Dispute Resolution programs and coordinates mediations for various courts in the State.

Besides actively litigating numerous lawsuits filed in court, the Litigation Section helped parties resolve 33 charges through conciliation agreements achieved prior to the conclusion of the Division's administrative investigations. Through these conciliation efforts, the charging parties obtained more than \$164,000 in monetary relief. The conciliation agreements also resulted in substantial non-monetary relief for disabled persons in the form of physical changes to places of public

accommodations, such as the building of access ramps and retrofitting where necessary to ensure disabled persons could access the businesses and their services. Agreements also required sign language interpreters or other accommodations be provided for deaf persons in places of public accommodation.

In seeking to enforce fair housing, equal employment, and public accommodations laws throughout Arizona, the Litigation Section pursued 29 lawsuits in state and federal trial and appellate courts alleging violations of the Arizona Civil Rights Act and Arizona Fair Housing Act. These cases included:

- ***State v. Marquee Holdings, Inc., et al.***: The State filed a lawsuit against the defendant, which operates AMC Theaters



The Civil Rights Division of the Attorney General's Office was honored with a "Most Valuable Partner Award" from the U.S. Department of Housing and Urban Development (HUD). The award was presented in recognition of the Division's "exemplary practices" in furthering HUD's efforts to promote equal opportunity in housing. Pictured from left are Rebecca Flanagan, director of HUD's Phoenix field office; Assistant Attorney General Sandra Kane, and Civil Rights Division Chief Melanie Pate.

in Arizona, seeking to expand the number of theaters that provide closed captioning for deaf movie patrons and descriptive audio technology for blind movie patrons. After protracted litigation, the parties entered into a settlement

agreement wherein AMC agreed to more than double the number of auditoriums it equips with captioning and descriptive narration technology in Arizona as it transitions its theaters to digital technology during the next 30 months.

- ***State v. Harkins Amusement Enterprises, Inc., et al.***: In this landmark disability rights litigation, the State filed a lawsuit seeking to expand accessibility for deaf and blind persons by requiring Harkins Theaters to provide movies that have captioning and descriptive audio. U.S. District Court granted the defendants' motion to dismiss, and the State appealed to the Ninth Circuit Court of Appeals. The State's appeal has been supported by more than 20 amicus curiae, including the United States Department of Justice, the Screen Actors' Guild, the Alexander Graham Bell Foundation, the National Association of the Deaf and numerous other disability rights advocates throughout the nation.
- ***State v. Scottsdale Condominium HOA, et al.***: In this fair housing case, the Division filed a lawsuit against a homeowners association and its president and property manager alleging that the defendants had discriminated against a tenant by refusing to provide her with a parking space closer to her unit as a reasonable accommodation and retaliating against her after she requested the accommodation. The case was resolved via a consent decree wherein the defendants paid the charging party \$65,000, paid the Division \$10,000 and revised the homeowners association's policies regarding how it would handle future requests for reasonable accommodation.
- ***State v. Woodstone Apts, et al.***: This fair housing case involved allegations that the defendant discriminated against a former tenant because of her disability and failed to explore a reasonable accommodation for the tenant's disability before evicting her. The Division filed a lawsuit and resolved the case under a Consent Decree that required the defendant to pay the charging party \$9,000 and revise its policies regarding what the defendant must do before evicting persons with disabilities.
- ***State v. Marana Health Center.*** This sex discrimination case involved allegations that the defendant had discriminated against a female doctor who applied to be the defendant's medical director. The State and the defendant settled the case via a consent decree which required the defendant to conduct training and revise its policies regarding complaints of discrimination. The charging party, who was represented by private counsel, and the defendant entered into a separate confidential settlement agreement for an undisclosed monetary settlement.
- ***State v. Carondelet Health Network.*** In this employment discrimination case, the State filed a lawsuit alleging that the defendant had discriminated against a female employee by refusing to interview her for a position. The parties settled the matter through an agreement wherein the defendant agreed to pay the charging party \$45,000 and required the employee who was alleged to have discriminated attend training.
- ***State v. Buggy Inn, L.L.C.***: This litigation involved allegations that the defendant had violated the Arizona Americans with Disabilities Act ("AzDA") by denying a patron entry to its premises with his service animal. The case was settled in the form of a consent decree under which the defendant agreed to pay the charging party \$8,000 and revise its policies regarding access for service animals and persons with disabilities if it reopened.
- ***State v. Del Castillo.*** In this case, the Division filed a lawsuit alleging that the defendant had sexually harassed a female co-tenant. The Division obtained a default

judgment against the defendant and the court awarded the charging party \$2500 in actual damages and \$10,000 in punitive damages.

- ***State v. SW General, Inc.:***

The State alleged in its lawsuit that the defendant discriminated against the charging party based upon her race and national origin and then retaliated against her by transferring her to a less desirable position after she complained about the discrimination. The State and the defendant entered into a settlement agreement under which the defendant agreed to revise its anti-discrimination policies and confirmed it had provided training to its employees on anti-discrimination laws. The charging party, who was represented

by private counsel, entered into a separate confidential settlement agreement for an undisclosed amount.

- ***State v. Old Concho Community Assistance Center, Inc.:***

The State filed a lawsuit alleging that the defendant had violated the Arizona Fair Housing Act by failing to grant the tenant charging party's request for a reasonable accommodation. The parties resolved the case via a consent decree which required the defendant to pay the charging party \$4000 and make substantial revisions to its policies and procedures.



Solicitor General
Mary O'Grady

Mission Statement:

The Solicitor General's Office provides leadership in appeals, election law, ethics, independent advice, legal opinions, public access laws, and continuing legal education. It is committed to excellence, fairness and integrity.

Solicitor General's Office

The Solicitor General's Office is responsible for:

- *Ensuring the quality of the Attorney General Office's appellate practice;*
- *Overseeing the preparation and publication of official Attorney General opinions;*
- *Representing the Clean Elections Commission and Secretary of State on election law issues and handling civil election law and campaign finance enforcements;*
- *Providing independent advice to State government agencies and boards in administrative proceedings in which Assistant Attorney Generals serve as advocates;*
- *Reviewing constitutional challenges to State laws;*
- *Coordinating the Attorney General Office's continuing legal education (CLE) program;*
- *Providing advice to all attorneys of the AG's Office involving ethics issues;*
- *Coordinating the work of the Open Meeting Law Enforcement Team and the Public Records Task Force.*

Major Accomplishments in Fiscal 2009

A Significant Year for Arizona Before the U.S. Supreme Court and Arizona Supreme Court

United States Supreme Court Practice

Arizona was a party in three cases that the United States Supreme Court accepted for review. The cases included two criminal cases (*Arizona v. Gant* and *Arizona v. Johnson*) that addressed Fourth Amendment issues involving searches of vehicles and passengers. In both cases, the State's arguments emphasized the importance of protecting the safety of law enforcement officers. In *Gant*, the Court clarified the rules that apply to vehicle searches following the arrest of a recent occupant, and in *Johnson*, the

Court clarified when police officers may conduct a pat-down search of a passenger following a lawful traffic stop.

The Court also reviewed one civil case, *Horne v. Flores*, which arose out of litigation in federal court concerning Arizona's educational programs for students who are classified as English Language Learners. In this decision, the Court clarified the standards that lower courts should apply to determine whether to grant the relief from a 2000 judgment against the State.

The Arizona Supreme Court accepted review of several cases important to the State of Arizona. These included cases concerning the constitutionality of a limited voucher program (*Cain v. Horne*); requirements relating to warrants seizing wire transfers (*Arizona v. Western Union Financial Services*); the

statute of limitations for challenging certain easements on state trust lands (*Mayer Unified School District v. Winkleman*); the requirements for notice of claims against public entities (*Backus v. State*); Indian Child Welfare Act requirements (*Steven H. v. ADES, Valerie M. v. ADES*); and the application of Arizona's DUI laws (*State v. Zaragoza*).

The Court also issued decisions in several election law cases and death penalty cases that were direct appeals from the superior court to the Arizona Supreme Court. In all, the Attorney General's Office represented a party in 21 of the 41 cases in which the Arizona Supreme Court issued a published opinion in fiscal year 2009.

Defending Arizona's Election Laws

In fiscal 2009, attorneys from the Solicitor General's Office continued to represent the State in lawsuits challenging the constitutionality of Arizona's election laws.

- **Identification at the Polls and Proof of Citizenship.**

In fiscal 2008, the State successfully defended the requirements regarding identification at the polls and proof of citizenship when registering to vote. These requirements were part of the Proposition 200 citizens' initiative approved in 2004. In fiscal 2009, attorneys filed briefs for the appeals that are now pending before the Ninth Circuit.

- **Disenfranchisement of Convicted Felons.** In fiscal 2008, U.S. District Court upheld the constitutionality of our laws pertaining to the disenfranchisement of convicted felons. In fiscal 2009, lawyers briefed these legal issues for the Ninth Circuit appeal of the district court decisions.

- **Arizona's Clean Elections Act.** Attorneys from the Solicitor General's Office also continued their defense of the matching funds provision of the Arizona Clean Elections Act. This work included defeating efforts to prevent candidates in the 2008 election cycle from receiving matching funds. Since the 2008 elections ended, discovery in the litigation continued and summary judgment motions are pending.

- **Laws Governing Independent Candidates for President.** Arizona received an adverse decision from the Ninth Circuit in a challenge to Arizona's filing deadline for independent candidates for President and its prohibition against out-of-state petition circulators. Although the district court had upheld the constitutionality of Arizona's laws, the Ninth Circuit reversed that decision. In response to the Ninth Circuit ruling, the State's lawyers filed a petition for certiorari to the U.S. Supreme Court, but that petition was denied.

Representing the State in School Choice Litigation

The Solicitor General's Office worked with lawyers from the Civil Division of the Attorney General's Office to defend

Arizona's laws regarding school choice. This included *Cain v. Horne*, in which the Arizona Supreme Court invalidated a limited voucher program; *Hibbs v. Garriott*, a challenge to the State's tuition tax credit law pending in the Ninth Circuit, and *Greene v. Garriott*, a challenge to the State's corporate tuition tax credit law pending in State court.

In *Hibbs*, the Ninth Circuit reversed a district court decision dismissing an Establishment Clause challenge to the State's tuition tax credit law, and a motion for rehearing is pending. In *Greene*, the Arizona Court of Appeals upheld the constitutionality of Arizona's corporate tuition tax credit law, and a petition for review to the Arizona Supreme Court is pending.

Significant Achievements

Reorganization of the Law Library.

In fiscal 2009, the Solicitor General's Office assumed management responsibility for the Office's law library. The law library staff has been reduced to one person, which has required other SGO staff to assist with the library. We also increased efforts to use volunteers to help with the library's work. The library has streamlined procedures for ordering books, increased training opportunities attorneys and paralegals on legal research skills, and placed an increased emphasis on electronic research tools.

Election-Year Work. Because the Solicitor General's Office handles the State's legal work concerning elections and campaign finance, each election year brings an increased workload. The 2008 election year was notable for the volume of litigation concerning the validity of initiative petitions because a number of initiatives failed to obtain sufficient signatures to qualify for the ballot. In addition to handling litigation concerning nomination petition challenges and whether initiatives qualify for the ballot, the lawyers review ballot language and new election procedures, handle campaign finance and election law enforcement matters referred by the Secretary of State, and advise the Secretary of State and Clean Elections Commission on legal issues that arise.

Budget-Related Litigation. The State's budget crisis resulted in several lawsuits challenging various aspects of the budget. The Solicitor General's Office handled three special actions before the Arizona Supreme Court challenging transfers of monies to the State general fund and coordinated with lawyers from other divisions handling budget-related cases that were pending in trial courts.

Attorney General Opinions. The Solicitor General's Office coordinates the production of Attorney General's opinions. In fiscal 2009, the Attorney General issued opinions concerning such matters as school finance, election laws, redistricting requirements for certain school districts, air pollution control

measures, and online meetings related to the State's Open Meeting Law.

Appellate Practice. The Solicitor General's Office continued its work preparing, reviewing, and editing briefs for state and federal appellate courts and coordinating oral argument preparation. In fiscal 2009, the Solicitor General's Office reviewed more than 330 briefs and coordinated more than 30 moot courts.

Continuing Legal Education. The Solicitor General's Office, together with the Office's Continuing Legal Education Committee, offers programs to ensure that lawyers have relevant educational opportunities that will fulfill the State Bar's continuing legal education requirement. In fiscal 2009, the Office offered 36 continuing legal education programs for

a total of 58 CLE hours. The programs covered issues such as legal ethics, electronic filing, public records laws and trial practice skills.



Chief Counsel Mark Wilson

Mission:

The Finance Division supports the Attorney General's Office with a multidisciplinary team of information services, financial and legal professionals. We provide legal advice, litigation, budgetary, contract, accounting and financial control services to the Office and to the Executive and Judicial Branches of State Government.

Division Summary

The Finance Division is comprised of four Sections: the Administrative Law Section, Bankruptcy and Collection Enforcement Section, the Financial Services Section and the Information Services Sections.

The **Administrative Law Section (ALS)** is comprised of lawyers and legal support teams. ALS represents approximately 60 State agencies in matters concerning public monies, procurement, finance, open meetings, public records and general agency advice. Clients include: the judiciary (and its associate programs), Secretary of State, Department of Administration, Department of Commerce, Department of Corrections, Department of Emergency and Military Affairs, Department of Homeland Security, Depart-

ment of Housing, Department of Gaming, Government Information and Technology Agency, Arizona Exposition and State Fair, State Retirement and the State Lottery, to name a few.

ALS' successes are measured by the time and expertise it uses to provide legal advice to the State and client agencies. ALS' 60-plus agencies are represented by approximately 12 Assistant Attorneys General. These lawyers are the State's experts on public monies, procurement, contracting and financial issues. ALS' responsibilities range from

Significant Organizational Change in the Office

The creation of the Finance Division marked the first major organizational change in the Attorney General's Office in the last decade. In FY07, ALS and FSS were moved from other Divisions into the newly created Finance Division. In FY08, ISS was moved into the Division, and in FY09, BCE came aboard. The Division strives to bring the legal and business sides of the Office together to improve the work product of both. By working together as a Division, ALS is better able to observe the effect and consequences of legal advice it may give, thus helping the Section tailor its advice to better serve the business needs of the State.

negotiating multi-million dollar contracts, assisting in State bonding issues, providing public monies and procurement advice and assisting agencies with their licensing and certification issues. ALS' successes are measured in its partnerships with the client agencies and assistance it provides them in performing their statutory missions in a creative and cost-effective manner.

The **Bankruptcy and Collection Enforcement Section (BCE)** is comprised of lawyers,

collectors and legal support teams. BCE represents virtually all of the State agencies in debt-related matters. In FY09, BCE collected \$8.1 million that state agencies had been unable to obtain. BCE joined the Division this fiscal year when it was determined that the nature of debt collections dictated that BCE work closely with FSS on billing and accounting issues and ISS on software issues. BCE's debt collection responsibilities range from routine collection and bankruptcy matters to complex litigation to establish debt.

Finance Division *(continued)*

The **Financial Services Section (FSS)** is comprised of CPAs, accountants, procurement officers and other financial services professionals. FSS is responsible for overseeing and running the financial operational services of the Attorney General's Office. In FY07, FSS implemented a program of critically examining its workflow processes to assure that it operates in an efficient manner. That program continues today. FSS strives to assure work is being performed in a "private business" appropriate model. Implementing this approach has saved hours of data entry, eliminated repetitive processes, improved accuracy and freed employees to do more demanding and productive work.

The **Information Services Section (ISS)** is comprised of computer engineers, software professional, trainers and help desk professionals. ISS is responsible for overseeing and operating the information technology services of the Office. ISS has been responsible for implementation of the Office's new case management system. It is anticipated that this new system will provide better management and insight into the Office's criminal and civil case loads.