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Arizona House of Representatives
Phoenix, Arizona 85007

August 27, 2026

Kris Mayes
Arizona Attorney General
2005 North Central Avenue
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Dear Attorney General Mayes:

As you know, in my capacity as Speaker of the Arizona House of Representatives, I have been conducting a legislative investigation into allegations involving rate increases received by Sunshine Residential Homes in 2023 and 2024. To preserve the integrity of that investigation—as well as parallel law-enforcement investigations—I have not publicized our investigative steps or any interim conclusions that may have been reached.

However, your Office's August 20, 2026 Memorandum cannot remain unaddressed. That Memorandum reflects serious deficiencies that call into question whether the investigation was conducted in good faith and for legitimate purposes. The Memorandum suggests that your Office failed to pursue critical issues and reached conclusions that directly conflict with reliable evidence—including information provided by the very witnesses your Office claims to have interviewed. Those failures raise the specter that your Memorandum was intended to influence the November election by attempting to inoculate the Governor from a perceived political vulnerability.

In light of the foregoing, I respectfully request that your Office provide specific written answers to the following questions by no later than 5:00 p.m. on September 4, 2026.

1. Did you investigate any crimes that may have been committed by Simon Kottoor or Sunshine, including an offer to wrongly influence a public officer in 2022 that was corroborated by multiple witnesses whom you claim to have interviewed?

Your Office's Memorandum rightly notes that Arizona's bribery statute "is purposefully broad, ensuring it covers all possible forms of attempts to wrongly influence public officers," including offers made to corruptly influence public officers. Your report claims you did not find "*any* evidence" of such conduct.

However, the very witnesses that you claim to have interviewed have described an instance in which Simon Kottoor offered something of value to a government official to wrongly influence a decision about a rate increase request. In particular, former DCS Director Michael Faust revealed that, in the fall of 2022, Simon Kottoor told Faust that Kottoor would recommend that Governor-elect Hobbs retain Faust as DCS Director if Faust would approve a rate increase for Sunshine. Faust refused Kottoor's offer, and DCS did not grant a rate increase for Sunshine during Faust's tenure. Faust also immediately reported Kottoor's offer to then-Deputy

Director Robert Navarro. Another senior DCS employee, Alex Ong, also confirmed that he had contemporaneous knowledge of Kottoor's offer. *See* Ong Testimony at 106-108.

Faust was a credible candidate to remain as DCS Director, was interviewed by Governor Hobb's transition team for the role, and had the support of many DCS personnel to remain.[1] But he subsequently was not retained as DCS Director.

Any credible investigation that involved interviews of Faust, Navarro, and Ong should have revealed this event. And this event is serious enough that—*if* your Office's investigation uncovered the event—it should have been investigated and at least addressed in the Memorandum. Yet the Memorandum entirely omits the event. Kottoor's apparent offer to Faust is not merely relevant because it could potentially constitute a crime in itself. It also provides the context for Sunshine's subsequent rate increases, as it showed senior DCS personnel that Kottoor had the apparent ability and willingness to use his influence with Governor Hobbs to obtain a rate increase. In other words, it is essential to understanding how Sunshine obtained rate increases in 2023 and 2024.

2. Why did you uncritically rely on David Lujan's self-serving statements, when those statements were contradicted by both documentary evidence and the testimony of other witnesses whom you claim to have interviewed?

Your Office's Memorandum relies heavily on former DCS Director David Lujan's version of events. Indeed, Lujan's account provides the backbone for your Office's conclusion that no misconduct occurred with respect to Sunshine's 2023 and 2024 rate increases. Yet key aspects of Lujan's account cannot withstand even minimal scrutiny.

For example, your report claims that Lujan simply "[r]el[ied] on staff recommendations" when he "approved the rate increase in May 2023," and that "both Ong and Navarro recommended" it. But both Ong and Navarro dispute this claim. Both Ong and Navarro consistently and credibly indicated that they *opposed* the May 2023 rate increase. As Ong testified, "consistently, our recommendation was to deny it." Ong Testimony at 170-171. However, Ong had the impression that "Director Lujan [was] going to grant [the rate increase] no matter what" Ong said. *Id.* at 172. Ong ultimately went along with granting the rate increase only because he thought that Lujan would fire agency staff if they continued to oppose it. *Id.* at 174, 177. In Ong's words, he was "afraid of the Director firing all of us, because we did not support what he wanted to do." *Id.* at 177. Navarro also indicated that he did not support the rate increase, and Lujan in fact fired him just weeks later. Contemporaneous documentary evidence corroborates Ong's and Navarro's statements. This evidence directly contradicts a central part of your Office's conclusions, and it calls into question Lujan's credibility on all other points as well. No diligent investigator could have overlooked these issues.

Your report also parrots Lujan's claim in September 2023—in response to a request from the Governor's Office for talking points—that Sunshine's rate increase request "was and still is the only congregate care provider rate increase request that I have received since taking the position." This claim was false, and Lujan knew it. For example, shortly before the email, in July 2023, DCS rejected a rate increase request that had been submitted by another congregate care provider, Power House. Ong testified that Lujan would have been involved in the decision to deny the increase and in fact would have made "the final call." Ong Testimony at 215, 257. The fact that Lujan would make such a demonstrably false statement while trying to justify his involvement in the Sunshine rate increase raises serious questions about Lujan's credibility and motivations. Yet your Office's Memorandum does not address the issue at all.

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[1] Evidence indicates that the Hobbs transition team interviewed several candidates for DCS Director on the morning of December 15, 2022. That *same* morning, Sunshine personnel met with Governor-Elect Hobbs. Sunshine also made a $100,000 contribution to the Hobbs inaugural committee that was dated December 15, 2022.

Your report also uncritically repeats Lujan's claim that "Simon [Kottoor] told me that Faust had verbally promised him a rate increase in 2022 and never came through." Faust has stated publicly: "Any insinuation that I had committed to give [Sunshine] a rate increase is an outright fabrication. There's no way in hell I would have done that." Navarro specifically denied that Sunshine was ever promised a rate increase under Faust's tenure. Ong similarly agreed in his testimony that any such statement by Kottoor would have been a "lie." Ong Testimony at 210-211. If Kottoor did actually make such a claim, Lujan should have known it to be false. Clearly, if Lujan had asked either Navarro or Ong—two of Lujan's most senior employees—they would have informed him of the claim's falsity. Moreover, the claim is fundamentally implausible in light of DCS's longstanding practices and repeated denials of congregate care rate increases. At best, Lujan allowed himself to rely on a statement that he surely understood not to be truthful.

This alleged statement by Kottoor raises another concern. If Kottoor did in fact make that statement—and made it in an effort to obtain a rate increase—then your Office should have considered whether the statement evidences a fraud scheme or artifice in violation of A.R.S. § 13-2310. The Senate referral to your Office specifically requested that you investigate potential violations of that statute. Your Office's Memorandum inexplicably does not address the issue.

3. Why did you go to such lengths to deny that there was a perception within DCS that Simon Kottoor had influence with the Governor as a result of his political contributions, when the relevant evidence indicates that senior DCS personnel *did* have that perception and that Sunshine seems to have actively cultivated that perception?

Your Office's Memorandum goes to great lengths to deny that DCS personnel were aware of Sunshine's outsized political contributions or that those contributions had created a perception within the agency that Sunshine had influence with the Governor. The available evidence indicates otherwise. As Ong emphasized during his testimony, "you know, they [*i.e.*, Sunshine] donated to the Hobbs campaign and were trying to push for the rate increase. I think it's pretty obvious those two things are tied together." Ong Testimony at 158. The available evidence suggests that Sunshine's leadership worked hard to cultivate the perception within DCS that Sunshine had influence with the Governor.

Ong testified that all members of the DCS team involved in approving Sunshine's rate increases were aware of Sunshine's political contributions at the time they were considering Sunshine's rate increase requests in 2023. *See* Ong Testimony at 114. Ong also agreed that "[e]verybody" involved in the DCS procurement decision making process was aware of photos of Hobbs at an event at Sunshine's headquarters, which were contained in social-media posts by Sunshine personnel. *Id.* at 115-16. According to Ong, these sorts of factors created a perception within the agency that Sunshine's leadership had close connections to the Governor. *See* Ong Testimony at 120 ("Q: Would you agree that Simon and Abi wanted people at DCS to think they had political influence with the Governor? A: Yes. Q: Would you agree that Simon and Abi had, in fact, created that appearance through these [social media] posts and through these donations? A: Yes, that was the impression I got."). There was even a perception that Sunshine might have sufficient influence with the Governor to have an uncooperative DCS employee fired. Ong Testimony at 156-157 ("It looked like he [Kottoor] could go to the Governor, get you fired, whatever he needs to do? A. Yeah."). Contemporaneous written communications between Ong and Navarro, a week before Sunshine's 2023 rate increase was approved, corroborate these concerns. *See, e.g.*, May 18, 2023 Teams Chat (Ong: "honestly man I don't feel safe". Navarro: "I don't either…I feel like a dead man walking" Ong: "if he didn't want to approve he would have alrea[dy] said no").

Whether intentionally or not, Governor Hobbs's own conduct fed into the perception that Sunshine had carefully cultivated. The Hobbs's social-media accounts posted pictures of her at Sunshine headquarters with Kottoor and Sunshine leadership, including "Katie Hobbs for Governor" posters, in late 2022. Governor Hobbs also tweeted about Kottoor being part of her Inaugural Committee Team. Governor Hobbs personally met with at least Sunshine personnel on the morning of December 15, 2022, *the same morning* the Governor-Elect's transition team interviewed candidates for Director of DCS. Governor Hobbs sat representatives of Sunshine in the VIP section at the inaugural ceremony on January 5. She posed for photos with Sunshine leadership at the inaugural gala on January 7. Ong testified that, in its offices, Sunshine displayed photos of Sunshine leadership with Governor Hobbs—something that both Ong and Lujan independently noticed when attending meetings at the facility. *See* Ong Testimony at 135, 186.

These facts paint a completely different picture than the sanitized account presented in your Office's Memorandum. Although they of course do not establish any illegality on their own, they provide essential context for the rate increases received by Sunshine in 2023 and 2024. And your Office's attempts to sweep these facts under the rug raises serious questions about the nature of your investigation.

4. **Why did you accept at face value the claim that the 2023 Sunshine rate increase was justified by Sunshine's threat to move beds to the ORR program, when the evidence demonstrates that Sunshine had been making this threat for years; DCS had repeatedly rejected rate increases despite those threats; and the threats either were hollow or not an imminent risk to DCS's capacity?**

Your Office's Memorandum accepts at face value the claim that Sunshine's 2023 rate increase was justified by the risk that Sunshine might shift bed capacity to the federal Office of Refugee Resettlement ("ORR") program. However, substantial evidence seriously undermines this claim. Your Office does not seem to have made any serious effort to evaluate the plausibility of the stated justification for the rate increase.

Since at least 2021, Sunshine had repeatedly raised the prospect of moving beds to ORR in connection with its requests for a rate increase. Despite those recurring threats, DCS had repeatedly rejected Sunshine's rate increase requests, and Sunshine never followed through by moving substantial bed capacity to ORR.

When DCS rejected Sunshine's January 2023 rate increase request, the agency specifically considered the risk that denying rate increases could cause providers to shift capacity to ORR. *See, e.g.*, Memorandum of Robert Navarro to Director Matt Stewart, Feb. 2, 2023, at 3 (raising the "risk of losing capacity as we are competing with ORR and Tribal" if the agency were to "Deny requested Rate Increases"). Despite the recognition that denying Sunshine's rate increase request might spur the company to shift capacity to ORR, Ong indicated in his testimony that "everyone" at DCS agreed that Sunshine's rate increase should be denied. *See* Ong Testimony at 90, 233-234, 236. Ong further testified that, even in May 2023, he did not believe that the risk of Sunshine moving bed capacity to ORR warranted a rate increase. *Id.* at 233-250. Indeed, nothing material had changed with respect to ORR between February 2023 (when DCS denied Sunshine's rate increase request, despite recognition of the ORR risk) and May 2023 (when DCS hurriedly approved Sunshine's new rate increase request). Your Office's Memorandum entirely ignores this critical fact.

Moreover, there was no *imminent* risk of DCS losing capacity to ORR. Sunshine was contractually obligated to provide the existing bed capacity to DCS through the end of the existing contract, *i.e.*, April 2024. Sunshine could only have immediately reduced DCS's capacity by breaching its contract with the agency—something Sunshine never threatened to do. *See* Ong Testimony at 237, 240. In addition, at the time, Sunshine was not even licensed to operate as an ORR provider. *See* Ong Testimony at 153-154. DCS would have known as soon as Sunshine pursued such a license, because DCS itself handled such licensing. *Id.* Thus, there was no risk that Sunshine might *immediately* reduce the capacity available to DCS. Instead, DCS would have had nearly a year to plan for any potential bed reductions. In addition, a potential loss in capacity from Sunshine would have coincided with the execution of new contracts with other congregate care providers, offering an opportunity to increase bed capacity from other providers. Notably, in April 2024, DCS did not face a shortage of congregate care providers. Instead, DCS's problem was the need to *cut* providers, not keep them on board—

nearly 25% of providers did not get a contract *at all* in April 2024. *See* Evaluation Tool, Solicitation No. BPM005892, Congregate Care Services. While DCS was giving Sunshine enormous rate increases, DCS was putting cheaper, more efficient providers out of business.

5. Did your investigation take into account the fact that the 2023 rate increase violated the terms and conditions of the procurement contract between congregate care providers and DCS?

When DCS awarded congregate-care contracts running from 2019 to 2024, it set terms and conditions that governed the whole contract set to ensure equal treatment. In terms set by DCS and agreed to by all providers (including Sunshine), rate increase requests could *only* be granted at certain times. In particular, "[a] price increase adjustment shall only be considered at the time of a contract extension," "must be received by the Department sixty (60) days prior to contract extension," and any granted price increase must be made "effective upon the effective date of the contract extension." *See* Special Terms and Conditions, § 20. But Sunshine's May 2023 rate increase request was not made in connection with a contract extension. In fact, there was no contract extension period in 2023. Moreover, the rate increase took effect at a time other than "the effective date of [a] contract extension." Thus, the May 2023 rate increase received by Sunshine directly violated the terms and conditions of the congregate care contract. And the Contract Amendment granting the rate increase purports to rely on contract provisions that, as Ong acknowledged in his testimony, did not in fact authorize it. *See* Amendment 13; Ong Testimony at 203 ("Q: So you would agree that both of the sections cited in the contract amendment do not, in fact, authorize the amendment? A: Right. We were outside of our process that we had outlined in the T's and C's.").

No other provider received the opportunity to obtain a rate increase that contradicted the contractual terms and conditions. Only Sunshine was permitted to evade the contractual terms and conditions. This fact was not lost on DCS at the time. In the correspondence granting the May 2023 rate increase, DCS acknowledged that "we are not currently opening up rate adjustments to other providers." *See* May 26, 2023 Correspondence to Simon Kottoor, Re: Request for Increase in Daily Bed Rate. When asked in his testimony whether "there was any legal basis" for DCS to grant Sunshine's rate increase and at the same time "not even open up the process to any other provider," Alex Ong responded, "Not that I know of." Ong Testimony at 220. Navarro had raised this potential legal issue in connection with Sunshine's January 2023 rate increase request. *See* Memorandum of Robert Navarro to Director Matt Stewart, Feb. 2, 2023, at 3 (warning that "the Department wouldn't have solid ground to approve some [providers' rate increase requests] and deny others. . . . Would need to get legal advice on the risk.").

The fact that the May 2023 rate increase violates the contractual terms and conditions—and that no other provider was offered that unprecedented opportunity—raises serious questions about the increase. But your Office appears not to have even considered those serious questions.

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I look forward to your answers.

Sincerely,

Steve B. Montenegro
Speaker of the House
Arizona House of Representatives
Legislative District 29