

## ARIZONA AUDITOR GENERAL

Lindsey A. Perry, Auditor General

Melanie M. Chesney, Deputy Auditor General

September 19, 2025

Members of the Arizona Legislature

The Honorable Katie Hobbs, Governor

Executive Director Rivera  
Arizona Regulatory Board of Physician Assistants

Transmitted herewith is the report *A Performance Audit and Sunset Review of the Arizona Regulatory Board of Physician Assistants*. This audit was conducted by the independent CPA firm Walker & Armstrong, LLP under contract with the Arizona Auditor General and was in response to a November 21, 2022, resolution of the Joint Legislative Audit Committee. The performance audit was conducted as part of the sunset review process prescribed in Arizona Revised Statutes §41-2951 et seq. I am also transmitting within this report a copy of the Report Highlights to provide a quick summary for your convenience.

As outlined in its response, the Arizona Regulatory Board of Physician Assistants agrees with all the findings and plans to implement all the recommendations. My Office has contracted with Walker and Armstrong, LLP to follow up with the Arizona Regulatory Board of Physician Assistants in 6 months to assess its progress in implementing the recommendations. I express my appreciation to the Board's members, Executive Director Rivera, and Board staff for their cooperation and assistance throughout the audit.

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

Sincerely,

*Lindsey A. Perry*

Lindsey A. Perry, CPA, CFE  
Auditor General

cc: Arizona Regulatory Board of Physician Assistants members

# Arizona Regulatory Board of Physician Assistants

Board timely issued initial and renewal licenses, but did not timely resolve complaints, increasing the risk to public safety, and failed to establish oversight and accountability mechanisms for its staff, potentially resulting in inefficient and ineffective operations, noncompliance with Board statutes and policies, and waste of public resources

## Performance Audit and Sunset Review

September 2025  
Report 25-108



**Walker & Armstrong**

CERTIFIED PUBLIC ACCOUNTANTS AND ADVISORS



September 19, 2025

Lindsey A. Perry, CPA, CFE  
Arizona Auditor General  
2910 North 44<sup>th</sup> Street, Suite 410  
Phoenix, Arizona 85018

Dear Ms. Perry:

We are pleased to submit our report in connection with our performance audit and sunset review of the Arizona Regulatory Board of Physician Assistants. The performance audit was conducted as part of the sunset review process prescribed in Arizona Revised Statutes §41-2951 et seq.

As outlined in its response, the Board agrees with all the findings and plans to implement the recommendations. We will follow up with the Arizona Regulatory Board of Physician Assistants in 6 months to assess its progress in implementing the recommendations.

We appreciate the opportunity to provide these services and work with your Office. Please let us know if you have any questions.

Sincerely,

Walker & Armstrong, LLP  
Phoenix, Arizona

## Arizona Regulatory Board of Physician Assistants (Board)

Board timely issued initial and renewal licenses, but did not timely resolve complaints, increasing the risk to public safety, and failed to establish oversight and accountability mechanisms for its staff, potentially resulting in inefficient and ineffective operations, noncompliance with Board statutes and policies, and waste of public resources

### Audit purpose

To assess whether the Board issued and renewed licenses and registrations in accordance with statute and rule requirements, investigated and resolved complaints within its jurisdiction in a timely manner and imposed disciplinary action consistent with the nature and severity of violations, provided information to the public as required by statute, and complied with State conflict-of-interest requirements, and to provide responses to the 10 statutory sunset factors.

### Key findings

The Board:

- Is responsible for regulating physician assistants in Arizona including issuing and renewing licenses and registrations; investigating and resolving complaints; and providing information to the public about licensees.
- Issued/denied initial and renewal licenses/registrations within required time frames, took consistent enforcement to address substantiated violations for complaints we reviewed, and involved the public in rulemaking.
- Did not resolve 94% of complaints it closed in fiscal year 2024 within 180 days, and 46% of open complaints had been open for more than 180 days as of June 2024, potentially impacting patient safety. For example, the Board took more than 2 years to resolve a complaint alleging a licensee failed to comply with the standard of care by prescribing high doses of opioids to multiple patients for long-term use without sufficient clinical justification.
- Did not establish oversight and accountability mechanisms for staff, potentially resulting in inefficient and ineffective operations, noncompliance with Board statutes and policies, and waste of public resources, including mismanaging staffing resources that contributed to performance shortfalls and a staff performance incentive pay program was not aligned with many of the Board's statutory objectives.

### Key recommendations

The Board should:

- Investigate and resolve complaints within 180 days.
- Develop and implement policies and procedures for completing, tracking, and monitoring complaint investigations.
- Establish and implement staff oversight accountability measures consistent with Board policy.
- Review and revise its performance incentive program to ensure alignment with measurable, meaningful performance outcomes tied to its key statutory objectives and purposes and staff responsibilities.

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# BOARD OVERVIEW

## Arizona Regulatory Board of Physician Assistants

The Arizona Regulatory Board of Physician Assistants (Board) regulates physician assistants by issuing and renewing licenses and registrations; investigating and resolving complaints; and providing information to the public about license and registration holders. The Board is statutorily required to consist of 11 Governor-appointed members who serve for 4-year terms beginning and ending on July 1. As of April 2025, 10 of 11 Board member positions were filled. In fiscal year 2024, the Board was authorized 61.5 full-time equivalent (FTE) staff positions. The Board does not receive any State General Fund monies. Rather, the Board's revenues consist primarily of licensing and registration fees, a portion of which are appropriated.







**Active licenses and registrations as of April 2025: 5,255**

**Complaints opened in fiscal year 2024: 107**

## Audit results summary

Key regulatory areas reviewed	Results			
<b>Individual licenses</b> —Process initial applications within 120 days. Key qualifications include graduation from an approved physician assistant post graduate education program.	Issued timely?	✓	Ensured qualifications met?	✓
<b>License renewals</b> —Process renewal applications within 75 days. Licensees must complete 40 hours of continuing education every 2 years.	Issued timely?	✓	Continuing education met?	✓
<b>Complaint handling</b> —Investigate complaints it receives and take action to address violations within 180 days.	Resolved complaints in a timely manner?	✗	Followed statutory adjudication requirements?	✓
<b>Public information</b> —Provide specific complaint and licensee information to the public on request and on its website.	Provided via website?	✓	Provided via phone?	✗

## Audit results summary (continued)

Other responsibilities reviewed	Results			
<b>Fee setting</b> —Establish fees based on the actual costs of providing services.	Assessed costs?		Based fees on actual costs?	
<b>Conflicts of interest</b> —Sign a disclosure form, maintain substantial interest disclosures in a special file, and recuse oneself from decisions involving substantial interests.	Board members and staff signed annual disclosures?		Board maintained a special file and Board members with conflicts recused selves during Board meetings?	
<b>Rulemaking and open meeting law</b> —Requirements include involving the public in rulemaking and posting recorded minutes on the Board’s website in 5 days.	Involved public in rulemaking?		Posted recorded minutes on the Board’s website in 5 days?	



# INTRODUCTION

On behalf of the Arizona Auditor General, Walker & Armstrong has completed a performance audit and sunset review of the Arizona Regulatory Board of Physician Assistants (Board). This performance audit and sunset review determined whether the Board (1) issued and renewed licenses and registrations in accordance with statute and rule requirements, (2) investigated and resolved complaints within its jurisdiction in a timely manner and imposed disciplinary action consistent with the nature and severity of violations, (3) provided information to the public as required by statute, and (4) complied with State conflict-of-interest requirements and aligned its conflict-of-interest processes with recommended practices. This report also provides responses to the statutory sunset factors.

## Board mission and responsibilities include ensuring that regulated persons are competent to safely practice

The Board was established in 1984 to regulate physician assistants in Arizona (see textbox for definition of physician assistant).

The Board's key statutory responsibilities include:

- Issuing and renewing physician assistant licenses and telehealth registrations to qualified applicants. As shown in Table 1 (see page 4), the Board had 5,211 active licenses and 44 active telehealth registrations as of April 2025.
- Investigating and adjudicating complaints against licensees and registration holders. The Board is statutorily authorized to take various disciplinary and non-disciplinary actions if it determines that a statutory violation has occurred, including license revocation and civil penalties (see textbox for more information in disciplinary and non-disciplinary actions the Board may take).

In fiscal year 2024, the Board opened 107 complaint investigations in relation to complaints received from the public (see Finding 1, pages 8 through 13, and Sunset Factor 6, page 27, for more information on our findings related to the Board's processes for handling complaints).

- Providing information to the public, including licensees' disciplinary and

### Physician assistant

An individual with a post graduate medical degree who holds a license to practice medicine under the supervision of a licensed physician.

Source: Walker & Armstrong staff analysis of information from Board statutes.

### Examples of disciplinary and non-disciplinary actions the Board may take

#### Disciplinary actions

- |                               |  |
|-------------------------------|--|
| * Revoke license              | * Impose a probationary term                                   |
| * Suspend license             | * Impose civil penalty up to \$10,000 per violation of statute |
| * Issue a letter of reprimand |  |
| * Issue a decree of censure   |  |

#### Non-disciplinary actions

- |                            |                                |
|----------------------------|--------------------------------|
| * Issue an advisory letter | * Require continuing education |
|----------------------------|--------------------------------|

Source: Walker & Armstrong staff review of Arizona Revised Statutes (A.R.S.) §32-2551.

non-disciplinary histories (see Sunset Factor 5, pages 25 through 27, for more information on issues we identified with the Board’s provision of public information).

**Table 1: Board license and registration types; number of active licenses and registrations; and education and experience requirements**  
**As of April 2025**  
(Unaudited)

License or registration type	Active licenses and registrations	Education requirements for license or registration <sup>1</sup>
<b>License</b>		
Physician Assistant	5,211	Graduate from an approved physician assistant post graduate education program.
<b>Registration</b>		
Telehealth registration <sup>2</sup>	44	Maintain a full, unrestricted physician assistant license in a state, territory, or possession of the United States.
<b>Total active licenses and registrations</b>	<b>5,255</b>	

<sup>1</sup> In addition to education requirements, physician assistants must also pass a professional exam, approved by the Board, to obtain a license.

<sup>2</sup> Telehealth registration allows out-of-state physician assistants to provide remote care to Arizona patients, rather than seeing them in-person.

Source: Walker & Armstrong staff analysis of A.R.S. §§32-2521 through 32-2528 and 36-3606 and licensing information provided by Board staff.

## Board comprises 11 members supported by 61 staff positions

A.R.S. §32-2502 requires the Board to consist of 11 Governor-appointed members who serve 4-year terms beginning and ending on July 1. Board membership must include 5 actively licensed physician assistants, 2 licensed osteopathic physicians, 2 licensed medical physicians, and 2 public members. All members, other than public members, must have practiced medicine in Arizona for the previous 5 years. As of April 2025, 10 Board member positions were filled and 1 licensed medical physician Board position was vacant.

Statute authorizes the Board chairperson to establish subcommittees consisting of Board members assigned by the Board chairperson, as deemed necessary, to carry out the functions of the Board.<sup>1</sup> As of April 2025, the Board had 3 active subcommittees, including 2 subcommittees comprised of Board members and Arizona Medical Board members, with which the Board shares its executive director and staff, as follows:

- Joint Legislative and Rules Committee which is responsible for reviewing statutes, rules, and regulations and recommending changes or action to the Board (consists of 5 members of the Board, all positions filled as of April 2025).

<sup>1</sup> A.R.S. §32-2504(11)(D).

- Biannual Joint Officers Committee which is responsible for meeting with appointed board members of the Arizona Medical Board to discuss matters of common interest (consists of 5 members, including 3 members of the Arizona Medical Board and 2 members of the Board—the chairperson and vice chairperson—both Board member positions filled as of April 2025).
- Executive Director Selection and Retention Committee which is responsible for meeting with appointed members of the Arizona Medical Board to select an executive director (consists of 14 members, including 12 members of the Arizona Medical Board and 2 members of the Board—the chairperson and vice chairperson—both Board member positions filled as of April 2025).

Meetings of the Board’s subcommittees are open to the public.

The Board and the Arizona Medical Board, with which it shares an executive director and staff, were authorized 61.5 full-time equivalent (FTE) staff positions for fiscal years 2024 and 2025. As of April 2025, the Board reported that a total of 57.5 FTE positions were filled as follows:

- 49 full-time employees, consisting of an executive director, deputy director, chief medical consultant, department managers—chief operating officer, chief technology officer, investigations manager, and licensing manager—as well as licensing, complaint investigation, information technology (IT), and administrative staff, and internal medical consultants.
- 7 full-time contracted employees for licensing, complaint investigations, and IT.
- 5 part-time employees, totaling 1.5 FTE positions for medical consultants.

As of April 2025, 25 employees worked fully remote, 26 worked hybrid schedules, and 10 were required to work fully in-office.<sup>2</sup> The Board reported that it maintained 54 workstations at its office. See Finding 2, page 15, and Sunset Factor 2, pages 21 and 22, for more information on our findings on the Board’s compliance with State remote work policies.

## Board’s revenues primarily consist of fees from regulated community and its expenditures were mostly for personnel costs

The Board’s operations are administered in conjunction with the Arizona Medical Board, with which it shares an operating fund. The Board does not receive any State General Fund monies. Instead, the Board’s revenues consist of licensing and other fees, a portion of which are appropriated to the Arizona Medical Board to pay for both boards’ operations as part of the State budget process. The Board is statutorily required to remit 10% of all monies received to the State General Fund and to deposit the remaining 90% into the Arizona Medical Board Fund.<sup>3</sup> However, effective September 15, 2024, Laws 2024, Ch. 222, requires the Board to remit to the State General Fund 15% of all monies it receives through June 30, 2028.

Board staff record the Board’s and the Arizona Medical Board’s revenues in separate accounts within its accounting system and deposit both boards’ revenues in the Arizona Medical Board Fund. However, Board staff do not separately account for the costs associated with administering each board with the

<sup>2</sup> The Board reported that employees working hybrid schedules varied by position and supervisor discretion and ranged from 1 to 4 days per week working remotely. Additionally, the Board reported having no staff working from outside of Arizona.

<sup>3</sup> A.R.S. §32-2506.

exception of costs related to compensation, travel, and training for members of each board. As shown in Table 2, in fiscal years 2023 through 2025, the 2 boards' combined expenditures or estimated expenditures were primarily associated with personnel costs, professional services such as legal fees paid to the Arizona Attorney General's Office, temporary staffing, and investigation services, and other operating expenses, such as such as rent, IT services, software support and maintenance, financial services, supplies, and insurance. Between fiscal years 2023 and 2025, the Arizona Medical Board Fund's fiscal year ending fund balance decreased from about \$11 million to \$5.4 million due to a transfer of \$9.3 million of the Board's fund balance to the State General Fund required by the State approved budget for fiscal year 2025. Based on the 2 boards' fiscal year 2025 estimated revenues and expenditures, the Arizona Medical Board Fund's fiscal year 2025 ending fund balance is estimated at \$5,435,376, or about 68 % of the 2 boards' annual operating expenditures for the fiscal year.

**Table 2: Schedule of revenues, expenditures, and changes in fund balance**  
**Fiscal years 2023 through 2025**  
(Unaudited)

	2023 (Actual)	2024 (Actual)	2025 (Estimated)
<b>Fund balance, beginning of year</b>	<b>\$10,366,718</b>	<b>\$11,002,830</b>	<b>\$ 2,892,604</b>
<b>Revenues</b>			
Licensing and fees	927,637	1,035,343	1,223,040
Charges for goods and services <sup>1</sup>	5,490	4,900	6,175
Fines, forfeits, and penalties	12,600	7,900	21,938
Credit card transaction fees	(17,178)	(48,709)	(22,871)
Remittances to the State General Fund <sup>2</sup>	(93,846)	(104,419)	(184,146)
<b>Total Board net revenues</b>	<b>834,703</b>	<b>895,015</b>	<b>1,044,136</b>
Arizona Medical Board net revenues <sup>3</sup>	7,667,525	8,547,458	9,547,344
<b>Total Board and Arizona Medical Board net revenues</b>	<b>8,502,228</b>	<b>9,442,473</b>	<b>10,591,480</b>
<b>Expenditures and transfers</b>			
Payroll and related benefits	4,768,537	4,808,198	4,894,783
Professional and outside services <sup>4</sup>			
Legal services	554,011	630,161	515,864
Outside medical consultants	150,750	277,125	435,260
Contracted employee services	671,851	798,878	644,830
Other	23,857	22,244	16,121
Staff travel	17,185	3,662	8,358
Board member expenditures <sup>5</sup>	8,240	15,991	7,803
Other operating <sup>6</sup>	1,330,639	1,453,004	1,460,576
Furniture, equipment, and software <sup>7</sup>	256,306	230,061	53,000
Transfers to other agencies <sup>8</sup>	84,740	13,375	12,113
Transfers to State General Fund <sup>9</sup>	-	9,300,000	-
<b>Total expenditures</b>	<b>7,866,116</b>	<b>17,552,699</b>	<b>8,048,708</b>
Excess of revenues over (under) expenditures	636,112	(8,110,226)	2,542,772
<b>Fund balance, end of year</b>	<b>\$11,002,830</b>	<b>\$ 2,892,604</b>	<b>\$ 5,435,376</b>

- <sup>1</sup> Charges for goods and services consist of fees for various services such as fingerprinting and providing a license verification for licensure in another state.
- <sup>2</sup> The Board is required to remit to the State General Fund 10% all monies received by the Board in accordance with A.R.S. §32-2506 and all civil penalties in accordance with A.R.S. §32-2531. For fiscal years 2025 through 2028, the Board is required to remit to the State General Fund 15% all monies received by the Board.
- <sup>3</sup> Amount is the net revenues available from the Medical Board to pay for the Board and the Medical Board's combined expenditures. The Board and Medical Board are not required to and do not separately account for each board's financial activities. However, separate accounts are used to track revenues and board member expenditures for each board. Therefore, the Medical Board's presented net revenues include the Medical Board's revenues less its board member expenditures and remittances to the State General Fund.
- <sup>4</sup> Professional and outside services expenditures primarily consist of legal fees paid to the Arizona Attorney General's office and fees for contracted outside medical consultants and employment services.
- <sup>5</sup> Board member expenditures consist of compensation to Arizona Regulatory Board of Physician Assistants board members in accordance with A.R.S. §32-2503 and board member travel.
- <sup>6</sup> Other operating expenditures consist of various expenditures such as rent, IT and software support services, financial services, supplies, and insurance.
- <sup>7</sup> The Board reported purchases of computers, equipment, and software in fiscal years 2023 and 2024 and estimated purchases of primarily software in fiscal year 2025.
- <sup>8</sup> Transfers to other agencies primarily consist of transfers pursuant to an interagency service agreement with the Arizona Department of Administration to make improvements to facility boardrooms shared between the Board and other State agencies and another with the Office of Administrative Hearings to conduct formal hearings.
- <sup>9</sup> Laws 2024, Ch. 209, Sec. 133, required a transfer of \$9.3 million of the Board's fund balance to the State General Fund for the purpose of providing adequate support and maintenance for agencies of the State.

Source: Walker & Armstrong staff analysis of the State of Arizona *Financial Transparency* data files, the State of Arizona *Annual Financial Report* for fiscal years 2023 and 2024, and Board provided fiscal year 2025 estimates.



## Board did not resolve most complaints in a timely manner, which may affect patient safety

### Board is responsible for investigating and resolving complaints against licensees

The Board is responsible for investigating and resolving complaints against licensees. Specifically, statute authorizes the Board to investigate and resolve complaints alleging that a licensee has engaged in unprofessional conduct, is incompetent, or is mentally or physically unable to safely perform health care tasks.<sup>4</sup> The Board has established a complaint-handling process that includes assigning complaints to investigators based on their experience or area of expertise and designating each complaint a priority level that reflects the potential risk of harm to the public based on the nature of the allegation (see text box, page 9). Although the Board expects investigators to use these priority levels to manage and prioritize their individual workloads, the Board had not operated using time frames for completing complaint investigations or resolving complaints.<sup>5</sup> The Arizona Auditor General has determined that Arizona health regulatory boards should investigate and resolve complaints within 180 days of receiving them to ensure timely enforcement and protection of the public.

The Board has internal medical consultants as part of its staff and contracts with medical consultants with a similar specialty as a licensee under investigation, to review complaints alleging quality-of-care deficiencies. For example, physician assistants may specialize in dermatology, cardiology, or emergency medicine.<sup>6</sup> The Board's outside medical consultant coordinator is responsible for reviewing each complaint case file to assess whether the case involves a medical specialty beyond the scope of the Board's internal medical consultants or whether the Board's internal consultants have the capacity to conduct a timely review. Based on this assessment, the coordinator is responsible for determining whether it is necessary to engage an outside medical consultant to ensure the complaint is appropriately and efficiently reviewed. If needed, the coordinator will then use the Board's internal list of previously contracted practitioners in the licensee's specialty to select someone who can assist with consulting on the case.<sup>7</sup>

<sup>4</sup> A.R.S. §§32-2504(5) and 32-2551.

<sup>5</sup> See pages 12 and 13, for additional information on the Board's lack of time frames for key steps in its complaint-handling process.

<sup>6</sup> Unlike physicians who obtain specialty board certifications, physician assistants may complete on-the-job training specific to specialty areas.

<sup>7</sup> The Board requires medical consultants to sign a confidentiality agreement and attest to having no conflicts-of-interest in cases they review (see Sunset Factor 8, pages 28 and 29, for additional information on the Board's safeguards against possible conflicts-of-interest).

## Board's process for handling complaints

- 1) Board receives a complaint from the public or opens one internally.<sup>1</sup>
- 2) Medical examiner administrative coordinator determines if the Board has jurisdiction. If within the Board's jurisdiction it sends a notice to the licensee and complainant that an investigation is being opened or sends to the executive director for dismissal if without merit.
- 3) Medical examiner administrative coordinator assigns a priority level (1-3) and an investigator to the case
  - 1—sexual misconduct, drug or alcohol abuse, severe quality of care violation, such as inappropriate prescribing of medications resulting in death.
  - 2—violations of quality of care or professional conduct related to patient care that do not present imminent danger to the public (those not prioritized as level 1 or 3), such as failure to diagnose a medical condition.
  - 3—professional conduct complaints unrelated to patient care, such as failure to provide medical records or billing-related complaints.
- 4) Investigator sends a request for licensee response and subpoenas to licensee and involved parties, as applicable.
- 5) Investigator investigates the complaint—including receiving and reviewing documents, interviewing witnesses, and sending followup document requests—and writes the report.
- 6) Investigations manager reviews non-quality of care investigations or medical consultant reviews quality of care investigations report to ensure that adequate support for the investigation has been obtained and report is appropriate and approves the complaint to proceed to step 7 or 8 below.
- 7) Staff Investigational Review Committee (SIRC) reviews cases with substantiated violations and provides its recommendation to the Board.<sup>2</sup>
- 8) Executive director or Board may dismiss a complaint or refer the case to the Office of Administrative Hearings for a formal hearing or the Board may issue a disciplinary or non-disciplinary order.

<sup>1</sup> The Board opens complaints when applicants self-report unprofessional conduct during the initial or renewal application process, or when background checks reveal undisclosed conduct considered unprofessional.

<sup>2</sup> The SIRC committee is comprised of the Board's staff, including its executive director, deputy executive director, investigations manager, chief medical consultant, and Board operations manager who review and determine the accuracy and completeness of the case file, obtain legal advice from the Board's assistant attorney general, and develop a recommendation to be presented to the Board for disciplinary or non-disciplinary action.

Source: Walker & Armstrong staff review of the Board's procedures and information provided by Board staff.

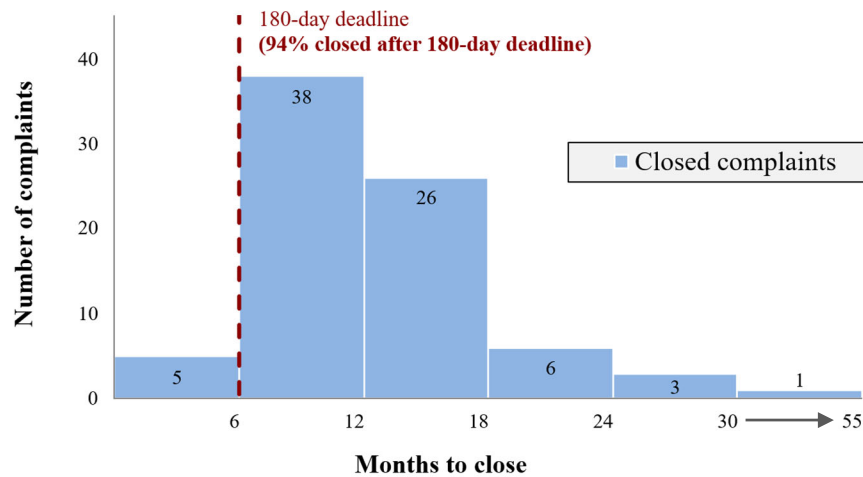
## Board did not resolve within 180 days 94% of complaints it closed in fiscal year 2024 and 46% of open complaints had been open for more than 180 days as of June 2024

Our review of the information in the Board's complaint database found:

- 74 of 79 complaints the Board closed in fiscal year 2024, or 94%, took more than 180 days to resolve (see Figure 1, page 10), consisting of 4 priority 1, 68 priority 2, and 2 priority 3 complaints. The Board took between 189 and 1,625 days—or nearly 4.5 years, to investigate and resolve or refer these 74 complaints to the Office of Administrative Hearings for a formal

hearing. These complaints included allegations such as a licensee inappropriately touching a patient and a licensee inappropriately prescribing controlled substances, including dangerous combinations of medications, allowing early refills, and unjustifiably increasing dosages.

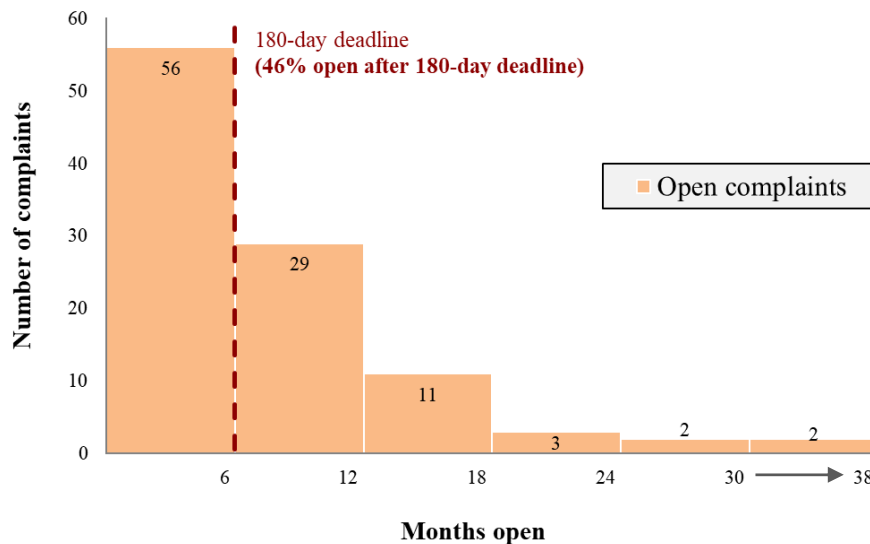
**Figure 1: Board took more than 180 days to resolve 94% of complaints closed in fiscal year 2024**



Source: Walker & Armstrong staff analysis of complaints closed in fiscal year 2024 as indicated in the Board's database.

- As of June 30, 2024, 47 of the Board's 103 open complaints, or 46%, had been open for more than 180 days (see Figure 2), consisting of 1 priority 1, 44 priority 2, and 2 priority 3 complaints. These 47 complaints had been open between 184 days and 1,130 days—or more than 3 years, as of June 30, 2024. These complaints included allegations such as a licensee delaying a patient's diagnosis, resulting in a prolonged healing process; a licensee prematurely discharging a patient despite concerning health indicators, thereby increasing the risk of harm; and a licensee practicing outside their professional scope, violating the federal Health Insurance Portability and Accountability Act (HIPAA), and having an inappropriate relationship with a patient.

**Figure 2: 46% of Board's open and unresolved complaints had been open longer than 180 days, as of June 30, 2024**



Source: Walker & Armstrong staff analysis of complaints indicated as open in the Board's database.



## Board's failure to timely resolve complaints may negatively affect patient safety and may cause undue burden for licensees under investigation for lengthy periods of time

Untimely complaint resolution may negatively impact patient safety when delays allow licensees to continue to practice while under investigation for allegedly violating standards of care or committing other violations indicating that they may be unfit to do so. For example:

- In one instance, the Board took 803 days, or more than 2 years to resolve a complaint alleging a licensee failed to comply with the standard of care by prescribing high doses of opioids to multiple patients for long-term use without sufficient clinical justification, despite risk factors such as existing medical conditions, incompatible medications, and abnormal drug screening results—placing patients at risk of serious harm or death. The Board substantiated the complaint and ordered a decree of censure against the physician assistant's license for unprofessional conduct for failing or refusing to establish and maintain adequate records on patients and engaging in the practice of medicine in a manner that harms or may harm patients. However, the licensee was allowed to continue practicing for more than 2 years, and was the subject of 4 additional complaints, before the Board took action and thus may have continued to provide patient services that fell below the standard of care during that time, leaving the public at risk.
- In another instance, the Board took 516 days to resolve a complaint alleging that a licensee had significantly deviated from the standard of care, including prescribing high-dose and dangerous combinations of opioids without clinical justification, failing to conduct required drug screenings or consult the Controlled Substances Prescription Monitoring Program, and not referring patients with chronic pain to a specialist.<sup>8</sup> These prescription practices created a substantial risk of respiratory depression, addiction, dependency, overdose, and death. Following its investigation, the Board substantiated the allegations and placed the licensee on probation. However, during the investigation, the licensee maintained an active license and was allowed to continue practicing without restriction for more than a year. As a result, the licensee may have continued providing care that did not meet accepted standards of care, potentially placing additional patients at risk.

In addition, even when the Board does not substantiate and dismisses complaints, untimely complaint handling subjects licensees to unproven allegations of professional or harmful conduct for longer than necessary. Untimely complaint handling may also create an undue burden for licensees who are under investigation, as they may be required to be responsive to Board requests for information or documentation for a lengthy period of time. For example, the Board took 735 days to dismiss a complaint alleging that the licensee prescribed medication for COVID-19 in a manner inconsistent with established best practices and without a clear understanding of the medication's appropriate use. Finally, while licensees are under investigation, statute does not permit the Board to make information available to the public regarding complaints involving a licensee, thereby delaying making licensees' disciplinary information available to the public, which can be useful in making healthcare decisions.<sup>9</sup>

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<sup>8</sup> A.R.S. §36-2606(A)(F) requires licensed medical practitioners to review a patient's profile in the State's Controlled Substances Prescription Monitoring Program database prior to prescribing or dispensing certain controlled substances. The Controlled Substances Prescription Monitoring Program tracks the prescribing and dispensing of controlled substances, alerts users to possible drug misuse or dangerous combinations, and includes other indicators to help healthcare providers make informed decisions to help prevent abuse.

<sup>9</sup> A.R.S. §32-3214.

## Board failed to use its statutory authority and lacked time frames and performance expectations to help ensure timely complaint investigation and resolution

We reviewed all 21 complaints that were both opened and closed during fiscal year 2024.<sup>10</sup> None of these complaints had been resolved within 180 days; therefore, we completed an in-depth review of the complaints to determine the cause of the delays and found that there were multiple contributing factors in most cases. Specifically, the Board:

- **Failed to timely issue subpoenas and request the court enforce subpoenas when licensees or third parties failed to respond to information requests/subpoenas**—Although statute authorizes the Board to issue subpoenas to licensees or others involved in or with information on an investigation, and these subpoenas can be enforced by the Superior Court of Arizona, the Board did not timely issue subpoenas or request the Superior Court enforce its subpoenas to help ensure licensees or third parties timely responded to its information request and subpoena deadlines.<sup>11</sup> Specifically, in 5 complaints we reviewed, it took an average of 136 days for the Board to receive a response from a licensee for a complaint notice, and the Board either did not issue or did not timely issue a subpoena in these cases when individuals failed to meet the Board's deadline for submitting information. Additionally, in 10 complaints we reviewed for which the Board did issue a subpoena, it took an average of 145 days for the Board to receive the subpoenaed information, and the Board did not request the Superior Court to enforce any of the subpoenas when individuals failed to meet the subpoena deadlines. For example, in 1 case we reviewed, the Board received a complaint on January 24, 2024, with an allegation of deviations in standard of care and sent a request to the licensee for a response and records with a deadline of February 7, 2024. The licensee did not submit the requested records by the deadline, but the Board did not issue a subpoena for the records from the licensee's supervising physician until May 24, 2024, requesting that records be provided by June 7, 2024, nearly 6 months after receiving the complaint. Further, the requested records were not fully provided until October 1, 2024, resulting in the Board waiting a total of 251 days to receive the necessary information to investigate the complaint.
- **Lacked time frames, associated performance measures, and tracking and monitoring for complaint-handling**—The Board had not established time frames for key complaint-handling steps and had not adopted performance goals or benchmarks for timely complaint resolution, which likely contributed to untimely complaint resolution. For example, our review of the 21 complaint files found:
  - For 10 complaints, the Board took an average of 64 days after receipt of the complaint for initial information requests to be sent to licensees. The Board lacks required time frame for its staff to send initial information requests.
  - For 5 complaints, we found that the complaint file indicated that the investigations were idle without any documented investigative activity for an average of 87 days. The Board

<sup>10</sup> We reviewed 26 complaints including the total population of 21 complaints recorded in the Board's database as opened and closed in fiscal year 2024 and a random sample of 5 of 98 complaints from those recorded in the Board's database as open, but not yet closed in fiscal year 2024. Twenty-four of the 26 complaints we reviewed were open for longer than 180 days.

<sup>11</sup> A.R.S. §32-2552.

lacks time frame requirements and/or performance measures related to investigation progress and/or completion.

- For 15 complaints, it took an average of 59 days for the Board's executive administrative assistant to issue a dismissal letter following the executive director's dismissal of the complaint. The Board had not established a required time frame for dismissal letters to be sent to licensees.<sup>12</sup>

The Board also lacked a process for consistently and systematically tracking and monitoring complaint-handling timeliness. Board management reported that it managed complaints on a case-by-case basis due to the variability of circumstances related to each complaint. Additionally, the Board's investigations manager reported reviewing staff workloads and regularly inquiring about individual case progress. However, the Board lacked policies and procedures outlining a process and requirements for regularly and consistently tracking and monitoring complaint-handling timeliness. Additionally, absent established time frame requirements or performance measures related to complaint handling, the Board lacked measures for consistently assessing its staffs' investigation progress and timeliness (see Finding 2, pages 14 through 19, for additional information on the Board's lack of performance measures for Board staff).

- **Lacked a time frame for outside medical consultants to accept or reject a case for review—**  
The Board provided complaint case files to outside medical consultants for review, but did not have a policy for nor did it require them to respond within a specified time frame as to whether they were independent and had availability to review the cases (see pages 8 and 9 for information on the Board's complaint-handling process).

## Recommendations to the Board

1. Investigate and resolve complaints within 180 days.
2. Establish a time frame for requesting subpoenaed enforcement from the Superior Court of Arizona after deadlines are missed.
3. Request the Superior Court of Arizona enforce subpoenas when licensees and/or third parties miss deadlines for providing subpoenaed information.
4. Develop and implement policies and procedures that include required time frames for completing key steps in a complaint investigation, including how long it should take to send initial requests to licensees for a response to a complaint, issue subpoenas, time the Board may grant licensees to respond to complaint allegations or outside medical consultants to accept cases for review, and issue dismissal letters.
5. Develop and implement policies and procedures for tracking and monitoring complaint handling, including establishing a mechanism to document and track completion of key steps in the complaint-handling process, assigning responsibilities to Board staff to use management reports to actively monitor the progress of complaint investigations and address reasons for delays, and regular reporting to the Board on the timeliness of complaints.

Board response: As outlined in its [response](#), the Board agrees with the finding and will implement the recommendations

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<sup>12</sup> A.R.S. §32-2504(B) authorizes the Board to delegate authority to its executive director to dismiss unsubstantiated complaints after the Board's investigation.

Inconsistent with recommended practices, Board's executive director delegated key responsibilities to staff without establishing oversight and accountability mechanisms, potentially resulting in inefficient and ineffective operations, noncompliance with Board statutes and policies, and waste of public resources

Board's executive director is responsible for overseeing its day-to-day operations and should establish accountability mechanisms to ensure delegated responsibilities are performed as intended

Board statute assigns the executive director the authority to perform the Board's administrative duties and to employ staff necessary to carry out its functions.<sup>13</sup> According to the GAO, although an entity's management should assign responsibility and delegate authority to achieve the entity's objectives, management retains responsibility for implementing internal controls, including establishing accountability mechanisms to ensure delegated responsibilities are performed as intended.<sup>14</sup> This includes monitoring that assigned duties are carried out in accordance with established requirements and within expected time frames.

In addition, the National State Auditors Association recommends that regulatory boards implement a systematic process to monitor staff performance, ensure compliance with policies and procedures, assess data reliability and operational effectiveness, adopt necessary improvements, and report on key outcomes.<sup>15</sup> This includes maintaining internal controls over financial activities, aligning resources with workload needs, and ensuring accurate and timely communication with the public and stakeholders.

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<sup>13</sup> A.R.S. §32-2505.

<sup>14</sup> U.S. Government Accountability Office. (2014). *Standards for internal control in the federal government* (GAO-14-704G). Retrieved May 31, 2025, from <https://www.gao.gov/assets/gao-14-704g.pdf>

<sup>15</sup> National State Auditors Association. (2004). *Carrying out a state regulatory program: A best practices document*. Retrieved April 19, 2025, from [https://www.nasact.org/files/News\\_and\\_Publications/White\\_Papers/Reports/NSAA%20Best%20Practices%20Documents/2004\\_Carrying\\_Out\\_a\\_State\\_Regulatory\\_Program.pdf](https://www.nasact.org/files/News_and_Publications/White_Papers/Reports/NSAA%20Best%20Practices%20Documents/2004_Carrying_Out_a_State_Regulatory_Program.pdf)

## Board's executive director failed to establish oversight and accountability mechanisms for delegated responsibilities, resulting in potentially inefficient and ineffective Board operations and waste of public resources, poor performance, and noncompliance with statute and Board policies

The Board's executive director failed to provide oversight and establish accountability mechanisms, such as performance monitoring systems, management reports, and sufficient internal controls and policies, to ensure staff were appropriately performing key responsibilities delegated to them, resulting in potentially inefficient and ineffective Board operations; noncompliance with statutes and Board policies; increased risk of errors, abuse, and fraud; potential waste of public resources; and reduced operational control that could diminish public confidence in the Board. Specifically:

- **Lack of centralized management for staff performance and inconsistent oversight and accountability resulted in poor performance, and noncompliance with Board policy**—Board policy requires supervisors to establish productivity and quality standards and implement accountability measures for their employees, and the Board's executive director delegated this responsibility to the Board's department managers. However, the executive director failed to establish oversight and accountability measures to ensure department managers fulfilled these responsibilities, resulting in inconsistent oversight and accountability for Board staff, poor staff performance, and noncompliance with Board policy. Specifically, based on interviews with Board supervisors and staff and review of documentation provided to demonstrate staff productivity, we identified that department managers set inconsistent expectations, inconsistently tracked and monitored staff productivity, and had limited assurance that critical functions were being performed efficiently or effectively. For example:
  - The Board's investigations department manager did not establish or document clear productivity and quality standards to ensure accountability, as required by Board policy. Instead, Board investigators were assigned complaints and expected to independently manage their caseloads. Additionally, although the investigations department manager reported reviewing staff workloads and regularly inquiring about individual case progress, as discussed in Finding 1, pages 8 through 13, the Board did not resolve within 180 days, 94% of complaints it resolved in fiscal year 2024.
  - The Board's chief operating officer (COO) required support services staff to work primarily in the office due to manual, paper-based processing of applications and payments, allowing supervisors to provide direct supervision and oversight of their staff. However, other departments—including licensing, complaints, and IT—permitted staff to work remotely but did not establish formal accountability measures for their staffs' productivity and quality as required by Board policy. Instead, managers in these departments monitored staff performance and productivity using informal practices or subjective judgment, such as reviewing staff workloads and inquiring about individual case progress or holding informal team meetings to discuss the status of projects.
- **Lack of consistent time reporting and tracking practices increased the risk of errors and abuse**—The Board's executive director delegated responsibly for payroll related functions to the Board's COO, but did not establish oversight and accountability measures to ensure consistent



and accurate time accounting across the Board's various Departments. Specifically, although the COO required department managers to approve time reports each pay period, most department managers required staff to submit total hours worked at the end of each pay period and department managers used inconsistent methods for tracking and/or verifying the number of hours worked reported by their staff. For example, 1 department manager used morning and afternoon check-in emails to track and verify the number of hours their staff worked during a pay period. Conversely, another department manager used employee time-off requests to assess the reasonableness of staff's reported hours for the period. For example, if a staff member requested 2 vacation days during the pay period, the manager would ensure that those 2 days were reported as vacation hours and, if so, assume the remainder of the reported hours were reasonable, but did not otherwise track or verify staff hours worked. These inconsistent practices increased the risk of errors or abuse.

- **Lack of IT project performance measures resulted in Board spending more than \$3.2 million on IT without ensuring systems worked as needed to operate efficiently, potentially wasting public monies**—The Board's executive director failed to establish documented performance metrics and accountability mechanisms for IT projects, despite the Board spending more than \$3.2 million over 2 fiscal years on IT staff and contractors. This lack of oversight and accountability resulted in operational inefficiencies and potential waste of public monies. For example, when we requested information on IT staffing responsibilities, we found that Board IT staff and contracted IT providers had many duplicated responsibilities. Additionally, despite the millions of dollars spent on IT over 2 fiscal years, which largely consisted of paying the salaries of 5 IT staff and 4 IT contractors, during the audit, the Board's website could not process most license applications or accept credit card payments; instead, Board staff had to process applications and credit card payments manually, including 1 employee who spent the majority of their 40-hour work week manually processing credit card payments.
- **Staffing resources were mismanaged, contributing to performance shortfalls**—As previously discussed, the Board did not timely investigate and resolve complaints. The Board's executive director attributed this issue to insufficient staffing. However, the executive director lacked a staffing or workload analysis to support this conclusion. Additionally, the executive director reported that when an investigator experienced a high workload, the Board preferred not to reassign cases so they could use delays as grounds for termination—prioritizing personnel issues over timely resolving complaints to protect the public.
- **Staff performance incentive pay program was not aligned with many of the Board's statutory objectives**—The Board's executive director did not evaluate whether the established performance metrics and related incentive payments were effective to support operational efficiency and the Board's overall objectives. Statute authorizes the Board's executive director to establish a performance incentive pay program based on the Board's goals and objectives for the purpose of promoting efficiency and effectiveness.<sup>16</sup> The Board's performance incentive pay program, which applies to all Board employees, was initiated in 2002 and has since included 3 measures that needed to be met to pay employee incentives: (1) approving medical doctor licenses within 30 days, (2) mailing at least 95% of complaint resolution letters within 15 days of the Board meeting at which they were resolved, and (3) sending at least 75% of complaint notices that an investigation is being opened by the Board within 5 business days of the date a complaint

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<sup>16</sup> A.R.S. §38-618.

is received. Using these performance measures, the Board has distributed over \$1.2 million in bonuses since 2015.<sup>17</sup> However, these performance measures excluded several key Board functions, including but not limited to issuing physician assistant licenses, renewing medical doctor and physician licenses, timely investigating complaints, providing licensee information to the public, and completing IT projects to eliminate manual processes and improve the Board's efficiency. As a result, the program provided incentive payments to staff whose work was unrelated to some key performance measures and in some cases, was disbursed despite poor departmental performance, such as investigative staff who did not timely investigate and resolve complaints receiving incentives for timely approval of license applications, which undermines the program's purpose and fails to incentivize staff performance related to several of the Board's statutory objectives and purposes.

- **Executive director received incentive pay without formal Board approval, potentially violating Board statute**—Although State law requires the Board to set the executive director's compensation, the Board did not authorize incentive payments the Board's executive director received as part of their compensation, as required by statute.<sup>18</sup> Specifically, the Board has not modified its incentive pay program since it reviewed and approved the program in 2002. Additionally, as previously discussed, the Board's policy states that all employees receive incentive pay. Our review of the Board's incentive pay program found the Board's former executive director received incentive pay as a Board employee prior to becoming its executive director in March 2014, and continued to receive incentive payments, which may have totaled up to \$2,400 annually, after assuming this role until they retired.<sup>19</sup> Because the Board's chief operating officer calculates and provides incentive pay information to Arizona Department of Administration (ADOA) payroll, the former executive director did not authorize their own incentive pay. However, according to Board staff, the Board was not provided information about the executive director's incentive pay.<sup>20</sup> The Board's executive director, who was appointed to the position in July 2025, also received incentive pay as a Board employee prior to becoming executive director, and may be continuing to receive incentive payments since assuming the role.
- **Weak or non-existent internal controls in multiple areas increased the risk of errors, fraud, and diminished confidence in the Board, and contributed to operational inefficiencies and statutory noncompliance**—During the audit, we identified multiple areas in which the Board's executive director and/or Board staff to whom the executive director delegated responsibilities failed to implement internal controls, including:
  - **Cash handling**—As discussed in Sunset Factor 2 (see pages 23 and 24), the Board's executive director failed to establish State-required cash-handling procedures that included separation of duties and verification between payments received and amounts recorded in the Board's licensing system, increasing the risk of errors and fraud.
  - **Continuing education audits**—As discussed in Sunset Factor 2 (see page 22), although statute requires the Board to audit 10% of licensees for continuing medical education

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<sup>17</sup> Based on Walker & Armstrong staff analysis of the State of Arizona *Financial Transparency* data files for fiscal years 2015 through 2024.

<sup>18</sup> A.R.S. §§32-1405(B) and 32-2505(B).

<sup>19</sup> The Board's former executive director retired in April 2025.

<sup>20</sup> The Board's interim executive director has also received incentive pay since being promoted to that position in April 2025.

(CME) compliance, Board staff reviewed all renewal applications because the Board lacked a system to track which licensees were required to complete CME, causing inefficiencies such as diverting staff time from doing other higher-priority work and potentially contributing to complaint resolution delays.

- **Conflict-of-interest**—The Board’s conflict-of-interest policy requires Board staff to submit annual conflict-of-interest disclosure forms; however, the Board’s COO, to whom the executive directed delegated responsibility for implementing the policy, stated they were unaware that the State’s conflict-of-interest law applies to contracted employees. As a result, none of the Board contracted employees had submitted disclosure forms to the Board, increasing the risk that these employees did not disclose conflicts that could impair or affect their official conduct (see Sunset Factor 8, pages 28 and 29, for additional information).
- **Public records**—The Board’s executive director also failed to ensure staff responded to public records requests in accordance with statutory and policy requirements, which resulted in providing inaccurate information to the public (see Sunset Factor 5, pages 25 through 27, for additional information), thereby risking diminished public confidence in the Board’s transparency and accountability.

## Executive director implemented decentralized management approach reportedly intended to empower department managers that lacked verification and performance monitoring

The executive director used a decentralized management approach and reported that empowering department managers to independently oversee operations and manage their teams would motivate them and foster ownership, and reported trusting that managers were following policies and procedures and effectively managing their areas. In practice, this trust was not supported by verification or performance monitoring, and the executive director was unaware of several critical issues and, in some instances, was misinformed or not fully apprised of departmental practices.

### Recommendations to the Board

6. Establish and enforce productivity and quality standards for each department and position, and implement accountability measures consistent with Board policy to ensure performance expectations are met.
7. Develop and implement policies and procedures for consistently tracking Board staff hours worked to help ensure that staff are compensated only for actual time worked and reduce the risk of abuse.
8. Evaluate the roles and responsibilities of Board IT staff and contractors to identify and eliminate unnecessary duplication and ensure IT expenditures are aligned with Board needs and priorities, including documenting its evaluation.
9. Develop and implement performance monitoring and accountability measures for IT projects, including but not limited to establishing IT project budgets, timelines, and planned outcomes and functionalities.



10. Conduct a comprehensive employee productivity and workload analysis to identify process inefficiencies and staffing challenges, support effective resource allocation, and justify staffing and budget requests.
11. Review the Board's performance incentive pay program and related policies to ensure alignment with measurable, meaningful performance outcomes tied to its key statutory objectives and purposes and staff responsibilities, and revise or eliminate components that do not drive accountability or results.
12. Implement a process to annually evaluate whether performance metrics and related incentive payments effectively support operational efficiency and the Board's overall objectives.
13. Work with the Arizona Medical Board to ensure executive director compensation is established and approved by the Board in accordance with statute and that any performance incentives paid to the executive director are clearly authorized and documented.
14. Work with the Arizona Medical Board and its assistant attorney general to review performance incentive payments made to the executive director since 2015 to determine if the payments violated statute and seek reimbursement for any unallowable payments.
15. Establish performance monitoring and verification procedures for all responsibilities delegated to department managers to help ensure the executive director can hold the managers accountable for meeting their delegated responsibilities.

Board response: As outlined in its [response](#), the Board agrees with the finding and will implement the recommendations.

# SUNSET FACTORS

Pursuant to A.R.S. §41-2954(D), the legislative committees of reference shall consider but not be limited to the following factors in determining the need for continuation or termination of the Board. The sunset factor analysis includes additional findings and recommendations not discussed earlier in the report.

## **Sunset factor 1: The key statutory objectives and purposes in establishing the Board.**

The Board's key statutory responsibility is to protect the public from unlawful, incompetent, unqualified, impaired or unprofessional physician assistants by: licensing and registering qualified physician assistants; investigating and adjudicating complaints about licensees; and providing licensee information to the public.

## **Sunset factor 2: The Board's effectiveness and efficiency in fulfilling its key statutory objectives and purposes.**

The Board complied with statutory and rule requirements related to its statutory objective and purposes for 3 areas we reviewed. Specifically, the Board:

- **Reviewed and approved initial and renewal applications within required time frames—**The Board's administrative rules require it to approve or deny initial and renewal applications for licensure within 120 and 75 days, respectively.<sup>21</sup> Our review of the Board's database for initial applications received and issued or denied found that the Board approved all 454 initial physician assistant license applications, and 5 of 152 collaborative arrangements we reviewed, in fiscal year 2024 within the required time frames. Similarly, our review of 10 of 2,182 renewal applications the Board received in fiscal year 2024 found that the Board approved the renewal applications we reviewed within the required time frames.<sup>22</sup>
- **Verified that initial and renewal applicants met licensure requirements for applications we reviewed—**Our review of a stratified random sample of 20 of 606 initial applications the Board received and approved in fiscal year 2024 found that the Board verified applicants' qualifications for licensure (see Table 1, page 4).<sup>23</sup> Additionally, we reviewed a sample of 10 of 2,182 renewal applications the Board received in fiscal year 2024, and found 1 of the 10 applications was eligible for a continuing education audit, while the other 9 renewal applicants indicated holding current national certification from a board-approved organization. Our review

<sup>21</sup> Arizona Administrative Code (AAC) R4-17-102.

<sup>22</sup> The Board's licensing database does not include information on applications for collaborative arrangements, nor does it capture the date a renewal application is submitted, as the system treats renewals as extensions of an existing license rather than new applications. As a result, the database does not record the date information is received. Due to the limitation of the Board's database, we were unable to assess the collaborative arrangements or renewal application population to determine the Board's overall time frame for applicable applications.

<sup>23</sup> The Board received a total of 798 initial applications in fiscal year 2024; however, only 606 of those received were approved before fiscal year end. Our sample size was based on initial applications that were received and approved in fiscal year 2024.

found that licensee either met continuing education requirements or held valid national certifications, and that the Board conducted audits to ensure that licensee maintained appropriate documentation supporting compliance with continuing education requirements outlined in rule (see Appendix, page a-1, for more information on our sampling methodology).<sup>24</sup>

- **Took consistent and progressive enforcement action to address substantiated violations for complaints we reviewed**—Our review of all 21 complaints recorded in the Board’s database as opened and closed in fiscal year 2024 found that the Board took consistent enforcement action for similar allegations against licensees for similar substantiated violations.<sup>25</sup> For example, in 2 cases we reviewed where the licensee failed to search the Controlled Substances Prescription Monitoring Program’s central database tracking system before prescribing controlled substances to patients, as required by State law, the Board took consistent enforcement action by issuing an advisory letter in both cases.<sup>26</sup>

However, we identified deficiencies in the Board’s processes for 6 areas in which the Board can improve its effectiveness and efficiency in fulfilling its statutory objectives and purposes. Specifically, the Board:

- **Did not evaluate the appropriateness of its fees, resulting in the Board potentially charging fees in excess of the cost necessary to provide services**—Government fee-setting standards state that fees should be reviewed periodically and align with the cost of providing services.<sup>27</sup> Based on our review of the Board’s policies and procedures, financial information, and interviews of Board management and staff, the Board did not evaluate relevant information necessary for budget projections and lacked a formal process for analyzing employee productivity to assess staffing requirements. In addition to not having a well-developed budgeting framework as a basis to establish fees, the Board failed to implement a systematic approach for setting fees to align fees with the actual costs of delivering Board services. Based on our review of the Board’s financial information, the Board’s fees have exceeded its operational costs in each of the 3 years shown in Table 2 (see page 6). Board staff reported that fees were not a barrier to licensure and that the Board lacked the appropriate tools, resources, and training to properly assess fees and budgetary projections.
- **Failed to establish productivity and quality metrics for remote workers, resulting in noncompliance with State and Board policy, potentially limiting oversight and operational efficiency, and reducing the Board’s ability to demonstrate that remote work arrangements effectively support the Board’s objectives**—State remote work policies require boards permitting remote work to establish and enforce employee productivity and accountability standards.<sup>28</sup> Additionally, Board policy requires supervisors to implement performance metrics

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<sup>24</sup> CME is not required for licensees that are nationally certified. However, the Board does not track which licensees are nationally certified, so it reviews 100% of licensees to either verify national certification or audit their CME. Our sample of renewal applications found that 9 of 10 were verified by the Board as having a national certification and therefore no CME was required.

<sup>25</sup> Four of the 24 public complaints we reviewed had substantiated violations of Board statute or rule.

<sup>26</sup> A.R.S. §36-2606.

<sup>27</sup> We reviewed a legislative study on fee setting practices of government agencies. (See Appendix A, page a-2, for more information.)

<sup>28</sup> Arizona Department of Administration. (February 6, 2023). *Remote Work Program (Policy #: ASPS/HRD-PA5.01)*. Retrieved April 19, 2025, from <https://hr.az.gov/sites/default/files/documents/files/Remote%20Work%20Program%20Policy%20-%20ASPS-HRD-PA5.01%20Eff.%202-6-23.pdf>

and monitoring processes to ensure that remote employees meet expected productivity and quality standards. Our observations and interviews of staff and Board management and review of reports provided by the Board found that the Board failed to establish productivity and quality metrics for all employees authorized to work remotely and lacked documentation to support the Board's evaluation of the metrics that are established. See additional information in Finding 2, pages 14 through 19, regarding the Board's lack of oversight and performance metrics. We recommended that the Board establish and enforce productivity and quality standards for each department and position, and implement accountability measures consistent with Board policy to ensure performance expectations are met.

- **Performed continuing education audits in excess of what was required under statute, potentially wasting staff resources that could be utilized on other Board priorities**—Statute requires the Board's licensees to complete at least 40 hours of continuing education programs approved by the Board in the 2 preceding years before their license renewal date.<sup>29</sup> However, physician assistants that are certified by a national organization are usually required to complete more rigorous CME requirements than required by the Board. For example, the National Commission on Certification of Physician Assistants—a Board approved organization—requires its certificate holders to complete 100 hours of CME every 2 years, rather than the 40 hours every 2 years required by the Board.<sup>30</sup> Statute also requires the Board to verify CME compliance and randomly audit at least 10% of renewing physician assistants who are not certified by a national organization that the Board has approved.<sup>31</sup> Our review of the renewal process with Board staff found that the Board did not have a mechanism to track which renewing licensees were certified with an approved national certifying organization. As a result, the Board requires all renewal applicants to submit either proof of CME completion or certification from an approved national certifying organization at the time of their renewal application. For all renewal applications, staff then verified CME records for those who submitted CME documentation and verified certification for those who submitted proof of national certification. Although the Board is meeting its statutory requirement, reviewing CME records for all renewals uses resources that could be otherwise used to meet other Board objectives, such as timely complaint handling (see Finding 1, pages 8 through 13, for more information on the Board's untimely complaint handling).
- **Did not establish accountability mechanisms for executive director's delegated responsibilities**—Although statute authorizes the executive director to perform the Board's administrative duties and employ staff necessary to carry out its functions, the executive director retains responsibility for internal control and oversight. However, as discussed in Finding 2, pages 14 through 19, the executive director did not implement accountability mechanisms—such as performance monitoring, internal controls, or management reporting—to verify that delegated responsibilities were performed in accordance with statutes, policies, and operational goals. This decentralized approach potentially resulted in inefficient and ineffective Board operations, inconsistent departmental practices, noncompliance with legal requirements, and potential waste of public resources. For example, staff time reporting and productivity tracking varied across

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<sup>29</sup> A.R.S. §32-2523(A).

<sup>30</sup> The National Commission on Certification of Physician Assistants. (n.d.). *Continuing Medical Education*. Retrieved 6/23/25 from: <https://www.nccpa.net/maintain-certification/continuing-medical-education/>

<sup>31</sup> A.R.S. §32-2523(A).

departments, key functions lacked oversight, and the Board spent over \$3.2 million on IT systems and services without ensuring functionality or accountability. In addition, the Board's incentive pay program lacked performance alignment and was applied inconsistently, while staffing decisions were based on assumptions rather than data. These deficiencies reduced operational control, hindered the Board's ability to fulfill its statutory responsibilities, and may have contributed to public transparency concerns and diminished trust in the Board's governance. We recommended that the Board establish and enforce productivity standards and accountability measures; conduct a comprehensive workload and staffing analysis; evaluate and streamline IT functions; review and revise the performance pay program; and ensure the executive director's compensation complies with statutory requirements (see pages 18 and 19 for our recommendations to address these issues).

- **Failed to comply with the *State of Arizona Accounting Manual (SAAM)* requirements for reconciliations, efficiency, and separation of duties**—The Board did not comply with the SAAM requirements for cash handling. Specifically, payments recorded in the licensing system were not reconciled to the amounts deposited or entered into the accounting system as required by the SAAM.<sup>32</sup> This means an employee could mark a license as paid in the licensing system without actually depositing the payment, and there would be no process in place to identify the discrepancy or misappropriation.

In addition, SAAM identifies increasing operational efficiency, safeguarding assets, and achieving organizational goals as key objectives of an effective internal control system.<sup>33</sup> Furthermore, SAAM requires agencies to implement separation of duties to minimize opportunities for individuals to commit and conceal errors or irregularities during routine operations.<sup>34</sup> Despite these requirements, the Board's cash-handling process lacks adequate controls. Cash payments received by mail are first recorded on a handwritten log, which is used solely to investigate applicant complaints regarding nonpayment but not to reconcile payments to the licensing or accounting systems. The cash is then passed to an accountant who re-records the payments in an Excel spreadsheet and enters them into the licensing system, duplicating the initial effort. This spreadsheet and the cash are then provided to another staff, who prepares the bank deposit, records the receipts in the accounting system, and who has access to the licensing system.

This process not only duplicated work, but also assigned incompatible duties to staff. Because the process is manual, lacks independent verification, and allows a single individual to both record and deposit funds while having access to the licensing system, there is an increased risk that cash could be stolen, or records could be altered without detection.

- **Failed to implement an efficient process for accepting credit card payments, increasing the risk of errors and concerns related to data security**—Most of the Board's applications did not allow applicants to use a credit card to pay online. Because of this, the Board required applicants to mail in paper authorization forms with their credit card information. The Board's process

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<sup>32</sup> SAAM 20.10.14 states that all bank accounts must be reconciled monthly.

<sup>33</sup> SAAM 05.05.4 states that one of the characteristics commonly found among professional organizations' definitions of internal controls is that the objective of internal controls includes increasing efficiency, feedback on achieving organizational strategic goals, and safeguarding assets.

<sup>34</sup> SAAM 05.07.5 states that segregation of duties is primarily intended to reduce the situations under which an individual might have the ability to perpetrate and conceal errors and irregularities in the normal course of duties. No one should be in a position to be tempted by or accused of inappropriate activity.

required an accountant to manually process the credit card payments using a credit card machine, enter the payment in the licensing system, then shred the forms. Due to the high volume of mailed-in forms, a significant amount of staff time is devoted to this task, increasing the risk of manual entry errors and security concerns if the forms are not properly destroyed.

## Recommendations to the Board

16. Develop and implement policies and procedures for periodically evaluating and setting fees to ensure its fees are structured based on the actual cost of the Board's operations.
17. Work with the Arizona Medical Board to develop and implement a process to use relevant historical and projected data to develop the Board's annual budget request.
18. Develop and implement a tracking system to identify licensees required to submit CME and reduce unnecessary staff workload during renewals.
19. Evaluate the appropriate scope of annual CME audits in accordance with statutory requirements and adjust practices accordingly.
20. Develop and implement policies and procedures for cash-handling that comply with SAAM requirements, including separation of duties, documentation, and independent verification to safeguard funds.
21. Evaluate and, if deemed appropriate, implement secure electronic payment options to reduce reliance on mailed payments, improve processing efficiency, and enhance the security of applicant financial data.

Board response: As outlined in its [response](#), the Board agrees with the findings and will implement the recommendations.

### **Sunset factor 3: The extent to which the Board's key statutory objectives and purposes duplicate the objectives and purposes of other governmental agencies or private enterprises.**

Our review did not identify any other governmental agencies or private enterprises with the same key statutory objectives and purposes as the Board. For example, we did not identify any federal agency or private entity with authority to regulate the licenses overseen by the Board. Additionally, according to the U.S. Bureau of Labor Statistics and the Federation of State Medical Boards, all 50 states require physician assistants to be licensed by a state regulatory entity.<sup>35,36</sup>

### **Sunset factor 4: The extent to which rules adopted by the Board are consistent with legislative mandate.**

Our review of the Board's statutes and rules found that the Board had adopted rules when required to do so and did not identify any Board rules that are inconsistent with statute.

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<sup>35</sup> Bureau of Labor Statistics, U.S. Department of Labor, Occupational Outlook Handbook, Physicians and Surgeons, at <https://www.bls.gov/ooh/healthcare/physician-assistants.htm#tab-4> (visited January 20, 2025).

<sup>36</sup> Federation of State Medical Boards, About Physician Licensure, How physicians gain licenses to practice medicine, <https://www.fsmb.org/u.s.-medical-regulatory-trends-and-actions/guide-to-medical-regulation-in-the-united-states/about-physician-licensure/> (visited January 20, 2025).



**Sunset factor 5: The extent to which the Board has provided appropriate public access to records, meetings, and rulemakings, including soliciting public input in making rules and decisions.**

The Board has encouraged input from the public before adopting its rules and informed the public of its actions and expected impacts including providing licensees' disciplinary and non-disciplinary information on its website. Specifically, the Board:

- **Involved the public in adopting rules**—The Board informed the public of its rulemaking and their expected impacts and provided opportunities for public input for rules it finalized in July 2021, July 2022, and January 2024. Specifically, the Board published notices of its proposed rulemakings in the Arizona Administrative Register and included a statement detailing these proposed rules' impact on the public. Additionally, the Board provided contact information in the notices for Board staff who would receive public input about the proposed rulemaking in the notices, as well as provided information on the time and place where a public meeting would be held. According to the Board's Notice of Final Rulemaking, there were no public comments received for these rules.
- **Posted public disciplinary information on its website for complaints we reviewed**—Statute requires the Board to publish certain information pertaining to licensee disciplinary histories, such as final non-disciplinary and disciplinary actions, on its website.<sup>37</sup> Our review of all open and closed complaints in fiscal year 2024 found that the Board had taken non-disciplinary or disciplinary action to address 1 of these complaints and properly posted the required information on its website.<sup>38</sup>

However, we identified 3 areas in which the Board can improve its provision of information to the public. Specifically, the Board:

- **Did not acknowledge the receipt of all public records requests**—Statute requires that State agencies, including the Board, acknowledge the receipt of a public record request within 5 business days.<sup>39</sup> Additionally, Board policy requires acknowledgment of the receipt of public record requests within 24-hours of receiving the request. However, our review of the Board's public records request tracking log found it did not contain a field to document the date on which the Board acknowledged the receipt of a public records request. Additionally, our review of procedures and interviews with Board staff indicated that no acknowledgement of requests are provided if the request is received by mail or fax, rather that staff try to process them as quickly as possible so that the notification of receipt and the delivery of the requested information are satisfied at the same time. However, based on our review of logged requests, the Board took up to 20 days to provide the requested public records and therefore did not comply with statutory requirements to acknowledge the receipt of the request within 5 days or Board policy to acknowledge the receipt of the request within 24-hours.
- **Did not provide sufficient public information in response to anonymous phone calls we made**—Statute requires the Board to provide public information related to licensees upon request

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<sup>37</sup> A.R.S. §§32-2507 and 32-3214.

<sup>38</sup> A.R.S. §32-4801(A)(2).

<sup>39</sup> A.R.S. §39-171(B).

such as the name, address of record, status of license, and disciplinary actions taken against the licensee by the Board.<sup>40</sup> As part of our procedures to obtain public information, we placed 3 anonymous phone calls to the Board and found in 2 of the 3 calls we made, the Board's instructions on accessing information from its website were inadequate and did not provide us with the necessary information to obtain accurate information. For example, the Board's staff did not provide the location on the Board's website to obtain the requested information or the details on how to make a public records request for information not available on the Board's website. Additionally, for the last call we made to the Board to obtain public information, Board staff informed us that no licensees exist with a last name that begins with "W" despite the Board having over 200 licensees with a last name beginning with "W," based on our review of the Board's licensee database.

- **Complied with open meeting law requirements we reviewed with 2 exceptions**—The recorded minutes we reviewed for 2 Board meetings and 1 committee meeting we attended complied with most of the provisions of open meeting law we tested, such as providing the date and time of the meeting, members present, and description of matters considered.<sup>41,42</sup> The Board also posted required notices, including agendas, at least 24 hours prior to meetings and an audio recording of the minutes within 5 days of meetings.<sup>43,44</sup> However, we found that the Board did not state the location of the meeting for the record in accordance with open meeting law requirements for the meetings we reviewed.<sup>45</sup> Specifically, the Board posted the audio recordings of the meetings on its website as required, although no location was stated. The Board's written minutes include the location of the meeting, but were not posted to its website within 5 days of meetings. Additionally, the Board did not post a statement on its website indicating the physical location of where its meeting agendas would be posted, in accordance with State open meeting law.<sup>46</sup>

## Recommendations to the Board

22. Ensure its staff are properly trained and follow the Board's policy to acknowledge the receipt of all public records requests within 24 hours of receipt of the request.
23. Update its public records request tracking log to include a field for the date the Board sends an acknowledgement of receipt of a request.
24. Provide information to the public regarding licensees as required by statute.

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<sup>40</sup> A.R.S. §32-2507.

<sup>41</sup> A.R.S. §38-431.01(C)(1).

<sup>42</sup> We attended all Board meetings held between December of 2024 and February 2025, which included December 2024 and February 2025 Board meetings and a December 2024 Biennial Joint Officers Committee meeting.

<sup>43</sup> A.R.S. §38-431.02(G).

<sup>44</sup> A.R.S. §32-4801(A)(2).

<sup>45</sup> We reviewed the December 2024 and February 2025 Board meetings.

<sup>46</sup> A.R.S. §38-431.02(A)(1).



25. Update the Board’s website to include a statement indicating the physical location of the meeting agendas.

26. State the location of the Board meetings for the record in accordance with State open meeting laws.

Board response: As outlined in its [response](#), the Board agrees with the findings and will implement the recommendations.

**Sunset factor 6: The extent to which the Board timely investigated and resolved complaints that are within its jurisdiction.**

As discussed in Finding 1, pages 8 through 13, we found that the Board took longer than 180 days to resolve 74 of 79 complaints it closed in fiscal year 2024. Additionally, as of June 30, 2024, 47 of the Board’s 103 open complaints had been open for more than 180 days. Although the Board has the statutory authority to subpoena records and request court enforcement when licensees or third parties fail to respond, it had not consistently issued subpoenas timely and did not request court enforcement for not responding. Additionally, the Board lacked time frames and performance metrics to ensure timely resolution of complaints. As a result, untimely complaint resolution may negatively impact patient safety when delays allow licensees to continue practicing while under investigation for allegedly violating Board statutes and rules. Further, even when the Board does not substantiate and dismisses complaints, untimely complaint resolution subjects licensees to unproven allegations of professional or harmful conduct for longer than necessary. We recommended that the Board resolve complaints within 180 days, use the full extent of its statutory authority to issue and enforce subpoenas, and establish and monitor time frames for completing key steps in a complaint investigation process.

**Sunset factor 7: The extent to which the level of regulation exercised by the Board is appropriate as compared to other states or best practices, or both.**

We compared Arizona’s level of regulation to all 49 other states and found that the level of regulation the Board exercises is similar to most other states. Specifically:<sup>47</sup>

- **Education requirements**—Arizona and 47 other states require applicants to have graduated from an accredited physician assistant program before becoming licensed. However, unlike 11 other states, Arizona does not require a baccalaureate or higher degree in addition to graduating from an accredited program.
- **Examination requirements**—All 50 states require a passing score on an examination for licensure. Additionally, Arizona and 24 other states require a national certification of the applicant’s accredited program and passing score on the Physician Assistant National Certifying Exam for initial licensure.
- **Continuing education requirements**—Arizona and 48 other states require documentation and submission of continuing education prior to license renewal or an active certification with the National Commission on Certification of Physician Assistants.

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<sup>47</sup> American Academy of Physician Associates. (n.d.). *Statutory and regulatory requirements for initial licensure and license renewal*. Retrieved January 20, 2025, from <https://www.aapa.org/download/19739/>.

## Sunset factor 8: The extent to which the Board has established safeguards against possible conflicts of interest.

Our review of the Board's processes to safeguard against possible conflicts of interest found that the Board had not required contracted employees to complete conflict-of-interest disclosure forms or required Board members or staff to complete annual conflict-of-interest training. The State's conflict-of-interest requirements exist to remove or limit the possibility of personal influence from impacting a decision of a public agency employee or public officer. Statute requires employees of public agencies and public officers, including Board members, to avoid conflicts of interest that might influence or affect their official conduct.<sup>48</sup> These laws require employees/public officers to disclose substantial financial or decision-making interests in a public agency's official records, either through a signed document or the agency's official minutes. Statute further requires that employees/public officers who have disclosed conflicts refrain from participating in matters related to the disclosed interests. To help ensure compliance with these requirements, the ADOA's *State Personnel System Employee Handbook* and conflict-of-interest disclosure form (disclosure form) require State employees to disclose if they have any business or decision-making interests, secondary employment, and relatives employed by the State at the time of initial hire and any time there is a change.<sup>49</sup> The ADOA disclosure form also requires State employees to attest that they do not have any of these potential conflicts, if applicable, also known as an "affirmative no." Finally, A.R.S. §38-509 also requires public agencies to maintain a special file of all documents necessary to memorialize all disclosures of substantial interest and to make this file available for public inspection.

Additionally, in response to conflict-of-interest noncompliance and violations investigated in the past, such as employees/public officers failing to disclose substantial interests and participating in matters related to these interests, the Arizona Auditor General has recommended several practices and actions to various school districts, State agencies, and other public entities.<sup>50</sup> Further, best practices outline procedures for managing conflicts of interest in government and are designed to help ensure compliance with State conflict-of-interest requirements by reminding employees/public officers of the importance of complying with the State's conflict-of-interest laws.<sup>51</sup> Specifically, conflict-of-interest recommended practices indicate that all public agency employees and public officers complete a disclosure form annually. Recommended practices also indicate that the form include a field for the individual to provide an "affirmative no," if applicable.<sup>52</sup> These recommended practices also indicate that agencies develop a formal remediation process and provide periodic training to ensure that identified conflicts are

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<sup>48</sup> A.R.S. §38-503.

<sup>49</sup> Arizona Department of Administration. (2025). *State personnel system employee handbook*. Retrieved 6/22/25 from <https://hr.az.gov/resources/employee-handbook>.

<sup>50</sup> For example, see Auditor General Reports 24-211 *Concho Elementary School District*, 21-404 *Wickenburg Unified School District—Criminal indictment—Conflict of interest, fraudulent schemes, and forgery*, 19-105 *Arizona School Facilities Board—Building Renewal Grant Fund*, and 17-405 *Pine-Strawberry Water Improvement District—Theft and misuse of public monies*.

<sup>51</sup> Recommended practices we reviewed included: The World Bank, Organization for Economic Cooperation and Development (OECD), & United Nations Office on Drugs and Crime (UNODC). (2020). *Preventing and managing conflicts of interest in the public sector: Good practices guide*. Retrieved 6/22/2025 from <https://www.unodc.org/documents/corruption/Publications/2020/Preventing-and-Managing-Conflicts-of-Interest-in-the-Public-Sector-Good-Practices-Guide.pdf>; Ethics & Compliance Initiative (ECI). (2016). *Conflicts of interest: An ECI benchmarking group resource*. Retrieved 6/22/2025 from <https://www.ethics.org/wp-content/uploads/mdocs/2021-ECI-WP-Conflicts-of-Interest-Defining-Preventing-Identifying-Addressing.pdf>; and New York State Authorities Budget Office (NYS ABO). (n.d.). *Conflict of interest policy for public authorities*. Retrieved 6/22/2025 from <https://www.abo.ny.gov/recommendedpractices/ConflictOfInterestPolicy.pdf>.

<sup>52</sup> As previously discussed, the ADOA disclosure includes a field for the individual to provide an "affirmative no."

appropriately addressed and help ensure conflict-of-interest requirements are met. Finally, recommended practices indicate that publicly disclosing board members' interest as the reason for refraining from participating in decisions is important for fully disclosing and memorializing the disclosure of interest as they relate to those decisions.

Our review of the Board's conflict-of-interest practices found that it complied with some State conflict-of-interest requirements and implemented most recommended practices. For example, we found that for all complaints opened and closed in fiscal year 2024, the Board obtained attestations of independence from outside medical consultants who reviewed case files (see additional information on the Board's process for complaints in Finding 1, pages 8 through 13). Additionally, the Board maintained a statutorily required special file of all disclosures of substantial interest. Further, consistent with recommended practices, the Board's policy requires all employees and Board members to submit conflict-of-interest forms annually, either disclosing or affirming no conflicts exist, and the form includes all statutorily required disclosures. We found that all Board members and staff complied with this requirement in fiscal year 2024. Additionally, Board members recused themselves from voting on meeting agenda items for which they had disclosed a substantial interest during the 2 Board meetings we observed in December 2024 and February 2025.<sup>53</sup>

However, although the State's conflict-of-interest laws require all State employees—including contracted employees—to disclose any substantial interests and the Board's policies required Board staff to complete conflict-of-interest training and disclosure forms, the Board's policies did not include contract employees in its definition as Board staff.<sup>54</sup> As a result, the Board did not require 24 employees it contracted with in fiscal year 2024 to complete conflict-of-interest disclosure forms, which increased its risk that contracted employees engaged in tasks in which they had an undisclosed conflict. In addition, the Board has not implemented the recommended practice to provide periodic conflict-of-interest training to Board members and employees.<sup>55</sup>

## Recommendations to the Board

27. Update its policy to require contracted employees to complete annual conflict-of-interest disclosure forms.
28. Obtain conflict-of-interest disclosure forms for all contracted employees and assess whether any conflicts exist.
29. Provide periodic training on conflicts of interest for Board members, staff, and contracted employees.

Board response: As outlined in its [response](#), the Board agrees with the finding and will implement the recommendations.

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<sup>53</sup> The Board documented members' recusals within its meeting minutes.

<sup>54</sup> A.R.S. §38-502.

<sup>55</sup> The Board's policies and procedures provide for training on conflicts-of-interest at the time a Board member or employee is onboarded, but no subsequent, periodic training is provided.

**Sunset factor 9: The extent to which changes are necessary for the Board to more efficiently and effectively fulfill its key statutory objectives and purposes or to eliminate statutory responsibilities that are no longer necessary.**

This performance audit and sunset review did not identify any statutory changes that are necessary for the Board to more efficiently and effectively fulfill its key statutory objectives and purpose. Nor did we identify any statutory responsibilities that are no longer necessary.

**Sunset factor 10: The extent to which the termination of the Board would significantly affect the public health, safety, or welfare.**

Terminating the Board would affect the public's health, safety, and welfare if its regulatory responsibilities were not transferred to another entity. As stated in Sunset Factor 1 (see page 20), the Board is responsible for ensuring that physician assistants are qualified to provide medical services and for investigating and adjudicating complaints against licensees alleging incompetence or unprofessional conduct. Additionally, the Board is responsible for disclosing pertinent information, including disciplinary history, about licensees to the public. These functions help safeguard the public by ensuring patients receive care from qualified practitioners and addressing misconduct that could harm individuals or communities. In 2024, Arizona had approximately 4,200 licensed physician assistants who provided care in various specialties, often serving as primary healthcare providers in areas with physician shortages.<sup>56</sup> Terminating the Board without an alternative regulatory framework could jeopardize the public's access to safe and effective healthcare from these practitioners.

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<sup>56</sup> National Commission on Certification of Physician Assistants. (2025, May). *2024 Statistical Profile of Board Certified Physician Assistants*. Retrieved May 29, 2025, from <https://www.nccpa.net/wp-content/uploads/2025/05/2024-Statistical-Profile-of-Board-Certified-PAs.pdf>.

# SUMMARY OF RECOMMENDATIONS

## Walker & Armstrong makes 29 recommendations to the Board

The Board should:

1. Investigate and resolve complaints within 180 days.
2. Establish a time frame for requesting subpoenaed enforcement from the Superior Court of Arizona after deadlines are missed.
3. Request the Superior Court of Arizona enforce subpoenas when licensees and/or third parties miss deadlines for providing subpoenaed information.
4. Develop and implement policies and procedures that include required time frames for completing key steps in a complaint investigation, including how long it should take to send initial requests to licensees for a response to a complaint, issue subpoenas, time the Board may grant licensees to respond to complaint allegations or outside medical consultants to accept cases for review, and issue dismissal letters.
5. Develop and implement policies and procedures for tracking and monitoring complaint handling, including establishing a mechanism to document and track completion of key steps in the complaint-handling process, assigning responsibilities to Board staff to use management reports to actively monitor the progress of complaint investigations and address reasons for delays, and regular reporting to the Board on the timeliness of complaints.
6. Establish and enforce productivity and quality standards for each department and position, and implement accountability measures consistent with Board policy to ensure performance expectations are met.
7. Develop and implement policies and procedures for consistently tracking Board staff hours worked to help ensure that staff are compensated only for actual time worked and reduce the risk of abuse.
8. Evaluate the roles and responsibilities of Board IT staff and contractors to identify and eliminate unnecessary duplication and ensure IT expenditures are aligned with Board needs and priorities, including documenting its evaluation.
9. Develop and implement performance monitoring and accountability measures for IT projects, including but not limited to establishing IT project budgets, timelines, and planned outcomes and functionalities.
10. Conduct a comprehensive employee productivity and workload analysis to identify process inefficiencies and staffing challenges, support effective resource allocation, and justify staffing and budget requests.

11. Review the Board's performance incentive pay program to ensure alignment with measurable, meaningful performance outcomes tied to its key statutory objectives and purposes and staff responsibilities, and revise or eliminate components that do not drive accountability or results.
12. Implement a process to annually evaluate whether performance metrics and related incentive payments effectively support operational efficiency and the Board's overall objectives.
13. Work with the Arizona Medical Board to ensure executive director compensation is established and approved by the Board in accordance with statute and that any performance incentives paid to the executive director are clearly authorized and documented.
14. Work with the Arizona Medical Board and its assistant attorney general to review performance incentive payments made to the executive director since 2015 to determine if the payments violated statute and seek reimbursement for any unallowable payments.
15. Establish performance monitoring and verification procedures for all responsibilities delegated to department managers to help ensure the executive director can hold the managers accountable for meeting their delegated responsibilities.
16. Develop and implement policies and procedures for periodically evaluating and setting fees to ensure its fees are structured based on the actual cost of the Board's operations.
17. Work with the Arizona Medical Board to develop and implement a process to use relevant historical and projected data to develop the Board's annual budget request.
18. Develop and implement a tracking system to identify licensees required to submit CME and reduce unnecessary staff workload during renewals.
19. Evaluate the appropriate scope of annual CME audits in accordance with statutory requirements and adjust practices accordingly.
20. Develop and implement policies and procedures for cash-handling that comply with SAAM requirements, including separation of duties, documentation, and independent verification to safeguard funds.
21. Evaluate and, if deemed appropriate, implement secure electronic payment options to reduce reliance on mailed payments, improve processing efficiency, and enhance the security of applicant financial data.
22. Ensure its staff are properly trained and follow the Board's policy to acknowledge the receipt of all public records requests within 24 hours of receipt of the request.
23. Update its public records request tracking log to include a field for the date the Board sends an acknowledgement of receipt of a request.
24. Provide information to the public regarding licensees as required by statute.
25. Update the Board's website to include a statement indicating the physical location of the meeting agendas.

26. State the location of the Board meetings for the record in accordance with State open meeting laws.
27. Update its policy to require contracted employees to complete annual conflict-of-interest disclosure forms.
28. Obtain conflict-of-interest disclosure forms for all contracted employees and assess whether any conflicts exist.
29. Provide periodic training on conflicts-of-interest for Board members, staff, and contracted employees.



## Scope and methodology

We have conducted a performance audit and sunset review of the Board on behalf of the Arizona Auditor General pursuant to a November 21, 2022, resolution of the Joint Legislative Audit Committee. The audit was conducted as part of the sunset review process prescribed in A.R.S. §41-2951 et seq.

We used various methods to address the audit's objectives. These methods included reviewing the Board's statutes, rules, website, policies and procedures, and supporting documentation, and interviewing Board staff. In addition, we used the following specific methods to meet the audit objectives:

- **License issuance and renewal**—To determine whether the Board issued and renewed licenses in accordance with statute and rule requirements, we reviewed information from the Board's files and database for several samples of license applications, including initial and renewal applications approved or denied in fiscal year 2024. Our work included reviewing the application files and associated documents, such as transcripts, exam scores, proof of background check, and other applicable documents. The applications we reviewed were as follows:
  - 20 initial applications consisting of a stratified random sample of 15 physician assistant licenses and 5 collaborative arrangements from 454 initial physician assistant and 152 collaborative arrangement applications approved by the Board in fiscal year 2024.
  - A random sample of 10 of 2,182 license renewal applications approved by the Board in fiscal year 2024.
- **Complaint-handling and timeliness of resolution**—We reviewed the Board complaint files and database information for all publicly received complaints recorded in the Board's database as opened and closed in fiscal year 2024. Additionally, we used dates for when complaints were received and closed from the Board's database to calculate the number of days the Board took to resolve all complaints it closed in fiscal year 2024 and to identify the number of open complaints as of June 30, 2024, including those that had been open for more than 180 days. Further, we reviewed notes in the Board's database to determine priority levels assigned to complaints.
- **Public information**—We reviewed the non-disciplinary and disciplinary information on the Board's website for complaints selected for testing and placed 3 anonymous phone calls from personal phone numbers in January 2025 to assess whether the information provided was accurate and consistent with statutory requirements. We assigned 3 Walker & Armstrong staff to call the Board during business hours over the course of the month and ask a series of questions to determine whether Board staff would provide public information and/or non-public information.

We created 9 questions related to 3 licensees (three questions per licensee) to ask Board staff; some of the questions were items the Board staff should provide and others were items they



should not provide. To keep the calls anonymous and not associated with Walker & Armstrong, the calls were made from our personal phones, instead of using our business lines.

- **Fee setting**—To assess the Board’s fee-setting practices, we interviewed the Board’s executive director, deputy director, and chief operating officer; reviewed and compared the Board’s statutes, rules, and policies; and reviewed the Board’s revenues, expenditures, and fund balance for fiscal years 2023 and 2024 and estimates for fiscal year 2025. In addition, to determine whether the Board appropriately established fees, we interviewed Board staff, reviewed the applicable statutes and rules for the Board’s fees, and reviewed a study of fee-setting practices of government agencies.<sup>57</sup>
- **Conflicts of interest**—To assess the Board’s compliance with State conflict-of-interest requirements, we reviewed the Board’s sunset factor response and evaluated whether the Board’s conflict-of-interest practices comply with the State’s conflict-of-interest statutes (A.R.S. §38-501 et seq. and the Arizona Attorney General’s Agency Handbook, Ch. 8) and recommended practices by: reviewing the Board’s policies, procedures, and processes for ensuring the Board complies with the State’s conflict-of-interest statutes and recommended practices; and reviewing the Board’s compliance with State conflict-of-interest requirements and its policies and procedures by reviewing employee/contracted employee/Board member conflict-of-interest disclosure forms for 2024, reviewing the Board’s special file of conflict-of-interest forms, reviewing Board meeting minutes for fiscal year 2024, and observing Board meetings held in December 2024 and February 2025 to observe the Board’s process during meetings.
- **Introductory information**—To obtain information for the introductory section of our report, we reviewed the Board’s website, information provided by the Board regarding staffing, and active licenses as of May 2024. In addition, we compiled and analyzed unaudited financial information from the Board provided financial data, reporting files and the State of Arizona Annual Financial Report for fiscal years 2023 and 2024, and Board provided estimates for fiscal year 2025.
- **Other information for sunset factors**—To obtain additional information for the sunset factors section of our report, we reviewed the Arizona Administrative Register regarding the Board’s rulemakings finalized in fiscal years 2021 through 2024 and assessed the Board’s compliance with various provisions of the State’s open meeting law for 2 Board meetings held in December 2024 and February 2025. Finally, we reviewed the level of regulation for physician assistants in all 50 states by reviewing the American Academy of Physician Associates compiled listing of requirements for licensure as of January 2025.<sup>58</sup>

Our evaluation of the Board’s internal controls included reviewing the Board’s policies and procedures for ensuring compliance with Board statutes and rules and, where applicable, testing its compliance with these policies and procedures. We reported our conclusions on any internal control deficiencies in our findings and responses to the statutory sunset factors.

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<sup>57</sup> Mississippi Joint Legislative Committee on Performance Evaluation and Expenditure Review. (2002). *State agency fees: FY 2001 collections and potential new fee revenues* (Report No. 442). Retrieved February 18, 2025, from [https://www.peer.ms.gov/sites/default/files/peer\\_publications/rpt442.pdf](https://www.peer.ms.gov/sites/default/files/peer_publications/rpt442.pdf).

<sup>58</sup> American Academy of Physician Associates. (n.d.). Statutory and regulatory requirements for initial licensure and license renewal. Retrieved January 20, 2025, from <https://www.aapa.org/download/19739/>.

We selected our audit samples to provide sufficient evidence to support our findings, conclusions, and recommendations. Unless otherwise noted, the results of our testing of these samples are not intended to be projected to the population as a whole.

We conducted this performance audit and sunset review in accordance with Generally Accepted Government Auditing Standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We express our appreciation to the Board, its executive director, and staff for their cooperation and assistance throughout the audit, as well as the Arizona Auditor General's Office for their support.

# BOARD RESPONSE

# ARIZONA

## REGULATORY BOARD OF PHYSICIAN ASSISTANTS

Katie Hobbs  
Governor

1740 W. Adams Street, Ste. 4000 Phoenix, AZ 85007  
Phone: (480) 551-2700 · Toll Free (877) 255-2212 · Website: [AZPA.GOV](http://AZPA.GOV)

Raquel Rivera  
Executive Director

September 19, 2025

Lisa S. Parke, CPA  
Walker & Armstrong  
Via email: [lpinke@wa-cpas.com](mailto:lpinke@wa-cpas.com)

Re: Arizona Regulatory Board of Physician Assistants – Sunset Review: A.R.S. §41-2951 et seq.

Dear Ms. Parke:

The Arizona Regulatory Board of Physician Assistants (“Board”) has reviewed and provided responses to the Performance Audit and Sunset Review. The Board’s staff, as well as the Board itself, appreciated the professionalism and courtesy of Walker & Armstrong. The Board has begun addressing the findings and implementing the recommendations. The Board looks forward to meeting with the Committees of Reference to discuss the positive changes already made.

Respectfully,



Raquel Rivera  
Executive Director

Enclosure: Board’s Response(s)  
Cc: Ms. Susan Reina, Board Chair

**Finding 1:** Board did not resolve most complaints in a timely manner, which may affect patient safety

Board response: The finding is agreed to.

Response explanation: The Board continues to strive to resolve complaints in 180 days. However, the staff of the Board is also tasked by statute to carry out the administrative responsibilities of the Arizona Medical Board. In FY24, the Medical and PA Boards received and opened a combined total of over 1,430 investigations, which impacts an investigator's ability to meet the 180 day goal. For FY25, the Board requested additional funding for 4 investigators and was approved funding for 2 additional investigators, which have been filled. Despite the addition of two investigators, in FY25, the average number of days to complete an investigation exceeded 200 days due to this high volume. Additionally, in FY25, the Board opened 157 investigations on PAs; closed 133 PA investigations, with 131 open investigations at the end of the fiscal year. For FY27, in lieu of additional investigators, the Board will be requesting funding to add investigative aides to assist Investigators with administrative tasks associated with each case investigated such as processing referrals; sourcing and uploading information; responding to complainants requests for updates; downloading records and images received; and following-up on deficient subpoenas. This will alleviate the administrative workload to allow Investigators to focus on more critical investigative work such as conducting interviews, performing site inspections, and drafting investigative reports. Process improvements identified through this audit and agreed to by the Board are also expected to positively impact the Arizona Medical Board moving forward.

**Recommendation 1:** Investigate and resolve complaints within 180 days.

Board response: The audit recommendation will be implemented.

Response explanation: In FY25, Investigators completed 83 PA cases in less than 12 months and averaged 167 days to complete those investigations. The Board has recently implemented the following changes to allow for more timely processing of complaints: 1) Creation of an investigation timeline with goals and key timeframes for each stage of the investigation; 2) Creation of a tracking spreadsheet for the Manager to monitor the progress of staff compliance with the investigation timeline and identify any reasons for delays in cases. The Board's Investigations Manager has recently developed an Investigative Timeline with goals and timeframes for the 6 stages of each investigation. The Board's IT staff will continue to develop monitoring mechanisms within the database to alert staff and Managers to deficient items to ensure cases move forward through the investigative process.

**Recommendation 2:** Establish a time frame for requesting subpoenaed enforcement from the Superior Court of Arizona after deadlines are missed.

Board response: The audit recommendation will be implemented.

Response explanation: The Board will work with the Arizona Attorney General's office to encourage compliance with Board issued subpoenas.

**Recommendation 3:** Request the Superior Court of Arizona enforce subpoenas when licensees and/or third parties miss deadlines for providing subpoenaed information.

Board response: The audit recommendation will be implemented.

Response explanation: The Board will work with the Arizona Attorney General's office to establish a timeframe and process to request the Superior Court of Arizona to enforce Board subpoenas when appropriate. Staff will continue to work with IT to develop an alert mechanism for staff to identify deficient subpoenas that require staff action.

**Recommendation 4:** Develop and implement policies and procedures that include required time frames for completing key steps in a complaint investigation, including how long it should take to send initial requests to licensees for a response to a complaint, issue subpoenas, time the Board may grant licensees to respond to complaint allegations or outside medical consultants to accept cases for review, and issue dismissal letters.

Board response: The audit recommendation will be implemented.

Response explanation: The Investigations Manager has developed an Investigative Timeline with key timeframes and goals for the 6 stages of each investigation which was implemented in July 2025. The OMC policy will be revised to include a 2-week timeframe for potential OMCs to accept case reviews. The Investigation Process Policy will also be updated to include key timeframes for investigative stages. Board staff has initiated development of templated letters for quicker processing of dismissal letters and will research if any further automation of this process can be configured within the database.

**Recommendation 5:** Develop and implement policies and procedures for tracking and monitoring complaint handling, including establishing a mechanism to document and track completion of key steps in the complaint-handling process, assigning responsibilities to Board staff to use management reports to actively monitor the progress of complaint investigations and address reasons for delays, and regular reporting to the Board on the timeliness of complaints.

Board response: The audit recommendation will be implemented.

Response explanation: The Investigations Manager has developed a plan and began documenting the monitoring of staff performance at the end of FY25. This includes a sample review of each staff investigator and their ability to meet key timeframes for each stage of the investigation. Investigations and IT Staff will continue to work together to develop queries to track and quantify the investigative tasks and timeframes completed to allow for the monitoring of complaint-handling and performance management. The Board anticipates that implementation of the recommendations to develop performance reports for staff will aid in future staffing requests to the Arizona Legislature.



**Finding 2:** Inconsistent with recommended practices, Board's executive director delegated key responsibilities to staff without establishing oversight and accountability mechanisms, potentially resulting in inefficient and ineffective operations, noncompliance with Board statutes and policies, and waste of public resources.

Board response: The finding is agreed to.

Response explanation: The Board acknowledges that administrative deficiencies can be improved and has started to make the necessary changes.

**Recommendation 6:** Establish and enforce productivity and quality standards for each department and position, and implement accountability measures consistent with Board policy to ensure performance expectations are met.

Board response: The audit recommendation will be implemented.

Response explanation: Board staff will establish quality standards and SMAART goals for each department along with productivity and monitoring metrics to ensure accountability for managers and staff.

**Recommendation 7:** Develop and implement policies and procedures for consistently tracking Board staff hours worked to help ensure that staff are compensated only for actual time worked and reduce the risk of abuse.

Board response: The audit recommendation will be implemented.

Response explanation: Board staff will work to develop a policy and procedure to ensure tracking of staff hours will be consistent across all departments for teleworking staff.

**Recommendation 8:** Evaluate the roles and responsibilities of Board IT staff and contractors to identify and eliminate unnecessary duplication and ensure IT expenditures are aligned with Board needs and priorities, including documenting its evaluation.

Board response: The audit recommendation will be implemented.

Response explanation: Starting in April 2025, the Board initiated a comprehensive review of all existing IT contracts to identify and eliminate any duplication of services and to pursue more cost-effective solutions that align with the Board's strategic objectives. As part of these efforts, the Board is planning a transition from Zoom to Google Meets by January 2026 and has already changed its email marketing vendor to reduce costs. Since 2010, the Board has provided online payment functionality for Physician Assistant (PA) renewals. In July 2024, recognizing the need for broader online services and within the constraints of available funding, the Board began development of a comprehensive web portal. This new portal will serve both Physician (MD) and Physician Assistant (PA) licensees, enabling secure online application submission and document uploads. The portal is currently in the testing phase, with an anticipated go-live date of December, 2025. Looking ahead, the Board intends to collaborate with the Arizona Department of Administration – Arizona Strategic Enterprise Technology (ADOA-ASET) Digital Government team in FY27 to modernize its public-facing websites. In addition, the Board is actively researching and developing a method for tracking IT staff time by task. This initiative

aims to produce detailed reports that will support more effective project management and resource allocation by capturing time spent and task-specific data.

**Recommendation 9:** Develop and implement performance monitoring and accountability measures for IT projects, including but not limited to establishing IT project budgets, timelines, and planned outcomes and functionalities.

Board response: The audit recommendation will be implemented.

Response explanation: The Board will implement this recommendation. Beginning in April 2025, the Executive Director and Chief Technology Officer have established standing weekly meetings to review the status of ongoing IT projects and address any emerging issues, which are documented and tracked through completion. In addition, a monthly meeting is held to formally review and prioritize the IT Project List, ensuring that all initiatives have projected timelines and status checks to ensure they remain strategically aligned with the agency's goals and operational needs. These monthly meetings also include the Chief Operations Officer to ensure that IT projects and budget requests are evaluated within the context of the Board's financial resources and planning. This collaborative approach supports effective project governance and ensures that IT investments are both mission-driven and fiscally sustainable.

**Recommendation 10:** Conduct a comprehensive employee productivity and workload analysis to identify process inefficiencies and staffing challenges, support effective resource allocation, and justify staffing and budget requests.

Board response: The audit recommendation will be implemented.

Response explanation: The Board will implement this recommendation as part of the development of productivity measures and will analyze the results on a quarterly basis to identify and address productivity and workload trends to support process improvements and to support budget requests going forward.

**Recommendation 11:** Review the Board's performance incentive pay program and related policies to ensure alignment with measurable, meaningful performance outcomes tied to its key statutory objectives and purposes and staff responsibilities, and revise or eliminate components that do not drive accountability or results.

Board response: The audit recommendation will be implemented.

Response explanation: The Board will implement this recommendation. The Board strongly supports the use of PIP to improve the performance and effectiveness of staff by motivating employees, attracting talent, and aligning efforts with strategic goals. In FY25, the Board's performance incentive pay program was audited by Arizona Department of Administration and it was determined that the program was driving the right behaviors. The Board's budget has included a Special Line item to support PIP since 2017, and prior to that time was funded by a footnote allowing the board to use up to 7% of the prior year's balance from the Arizona Medical Board Fund. The Arizona Medical Board reviews and approves the annual budget. Staff has consistently met the PIP measures since 2015, but acknowledges that performance goals can be updated and revised to better drive accountability and performance across all departments.

**Recommendation 12:** Implement a process to annually evaluate whether performance metrics and related incentive payments effectively support operational efficiency and the Board's overall objectives.

Board response: The audit recommendation will be implemented.

Response explanation: The Board will annually evaluate performance metrics and incentive payment parameters to support efficiency and accountability. The Board also continues to explore non-monetary incentives in line with the Governor's statewide strategic priority to engage and retain productive, self-motivated, and dedicated staff.

**Recommendation 13:** Work with the Arizona Medical Board to ensure executive director compensation is established and approved by the Board in accordance with statute and that any performance incentives paid to the executive director are clearly authorized and documented.

Board response: The audit recommendation will be implemented.

Response explanation: The Board will share the Sunset Audit findings with the Arizona Medical Board and address the findings and recommendations related to the executive director's compensation.

**Recommendation 14:** Work with the Arizona Medical Board and its assistant attorney general to review performance incentive payments made to the executive director since 2015 to determine if the payments violated statute and seek reimbursement for any unallowable payments.

Board response: The audit recommendation will be implemented.

Response explanation: The Board will share the Sunset Audit findings with the Arizona Medical Board and address the findings and recommendations related to the executive director's compensation.

**Recommendation 15:** Establish performance monitoring and verification procedures for all responsibilities delegated to department managers to help ensure the executive director can hold the managers accountable for meeting their delegated responsibilities.

Board response: The audit recommendation will be implemented.

Response explanation: The Board will implement this recommendation and ensure each manager has SMAART goals that are related to their departmental and staff goals. The Board will work to develop database queries to capture managerial tasks performed. The Executive Director will meet with Managers and review their delegated responsibilities then perform a quarterly review of the Manager and their departments progress toward measured goals and consideration of process improvements or staffing needs.

**Sunset factor 2:** The Board's effectiveness and efficiency in fulfilling its key statutory objectives and purposes.

**Board did not evaluate the appropriateness of its fees, resulting in the Board potentially charging fees in excess of the cost necessary to provide services.**

Board response: The finding is agreed to.

Response explanation: The Board agrees to this finding as the fees have not been raised since 2007. The Board will research and evaluate PA licensure fees and renewal timeframes to ensure the appropriateness of its fees in comparison to the costs for PA licensing and investigations undertaken.

**Recommendation 16:** Develop and implement policies and procedures for periodically evaluating and setting fees to ensure its fees are structured based on the actual cost of the Board's operations.

Board response: The audit recommendation will be implemented.

Response explanation: The Board will develop a process for the Board to evaluate the fees charged by the Board.

**Recommendation 17:** Work with the Arizona Medical Board to develop and implement a process to use relevant historical and projected data to develop the Board's annual budget request.

Board response: The audit recommendation will be implemented.

Response explanation: The Board will share the Sunset Audit findings with the Arizona Medical Board and address the findings and recommendations related to the budget.

**Board performed continuing education audits in excess of what was required under statute, potentially wasting staff resources that could be utilized on other Board priorities.**

Board response: The finding is agreed to.

Response explanation: The Board continues to explore ways to capture the current number of NCCPA certified PAs in Arizona in order to audit 10% of those who are not certified.

**Recommendation 18:** Develop and implement a tracking system to identify licensees required to submit CME and reduce unnecessary staff workload during renewals.

Board response: The audit recommendation will be implemented.

Response explanation: The Board continues to explore ways to capture the current number of NCCPA certified PAs in Arizona in order to audit 10% of those who are not certified. It is expected that this effort will be assisted by ongoing efforts of the Arizona Medical Board to streamline its continuing medical education audit review and verification process.

**Recommendation 19:** Evaluate the appropriate scope of annual CME audits in accordance with statutory requirements and adjust practices accordingly.

Board response: The audit recommendation will be implemented.

Response explanation: The Board continues to explore an efficient and accurate tracking system to ensure efficient auditing of CME hours.

**Board failed to comply with the *State of Arizona Accounting Manual (SAAM)* requirements for reconciliations, efficiency, and separation of duties.**

Board response: The finding is agreed to.

Response explanation: The Board concurs with the audit finding and is implementing enhanced reconciliation procedures to strengthen alignment between licensing and financial data. Support Services staff will continue to provide Licensing staff with daily reports of processed applications, which will now be subject to daily reconciliation to minimize discrepancies and reduce errors. Additionally, the Chief Operating Officer, Licensing Manager, and Executive Director will conduct monthly reconciliation meetings. These meetings will focus on comparing revenue data recorded in AZ360 with licensing data maintained in the Board's internal database, with the goal of improving accuracy, accountability, and operational efficiency.

**Recommendation 20:** Develop and implement policies and procedures for cash-handling that comply with SAAM requirements, including separation of duties, documentation, and independent verification to safeguard funds.

Board response: The audit recommendation will be implemented.

Response explanation: The Board will implement the recommended measures. Currently, cash handling involves multiple staff with certain staff recording all incoming checks in a mail log, which is subsequently reviewed by another staff and compared to a monthly check log documenting all checks received. In instances where checks are returned to the payee, they are verified against the return log to ensure proper documentation. To complete the reconciliation process, the check log is reconciled with the bank statement at month-end by Support Services staff. This procedure is designed to comply with the State of Arizona Accounting Manual (SAAM) requirements, particularly those related to reconciliation protocols and separation of duties.

**Board failed to implement an efficient process for accepting credit card payments, increasing the risk of errors and concerns related to data security.**

Board response: The finding is agreed to.

Response explanation: The Board will be able to process credit card payments electronically through the web portal starting in November 2025, which should make the process more efficient and decrease the risk of errors and data security concerns.

**Recommendation 21:** Evaluate and, if deemed appropriate, implement secure electronic payment options to reduce reliance on mailed payments, improve processing efficiency, and enhance the security of applicant financial data.

Board response: The audit recommendation will be implemented.

Response explanation: The Board's current process has been evaluated, and it has been determined that the current process, which includes documenting checks returned and received on the mail log by staff, comparison to the check log each month, and reconciliation with bank statements will continue for the next three months in anticipation of our transition to secure, electronic web portal payments for all licenses. This month end process is conducted by multiple

staff members, and not one individual in compliance with the SAAM requirements for reconciliation and separation of duties.

**Sunset factor 5:** The extent to which the Board has provided appropriate public access to records, meetings, and rulemakings, including soliciting public input in making rules and decisions.

**Board did not acknowledge the receipt of all public records requests.**

Board response: The finding is agreed to.

Response explanation: The Board has updated this process and log to ensure that for each public record request received, the date of receipt, date of acknowledgement, and date of completion of the request are documented going forward.

**Recommendation 22:** Ensure its staff are properly trained and follow the Board's policy to acknowledge the receipt of all public records requests within 24 hours of receipt of the request.

Board response: The audit recommendation will be implemented.

Response explanation: The Board has implemented the recommendation as of August 12, 2025. Going forward, all public records requests will have a documented acknowledgement date on the log.

**Recommendation 23:** Update its public records request tracking log to include a field for the date the Board sends an acknowledgement of receipt of a request.

Board response: The audit recommendation will be implemented.

Response explanation: The Board has implemented this recommendation as of August 12, 2025.

**Board did not provide sufficient public information in response to anonymous phone calls we made.**

Board response: The finding is agreed to.

Response explanation: The Board will provide re-training to ensure that all staff are informed of where to direct public records requests. The Board will ensure that public records staff are asking appropriate information to obtain sufficient information to assist with the requests.

**Recommendation 24:** Provide information to the public regarding licensees as required by statute.

Board response: The audit recommendation will be implemented.

Response explanation: The Board will ensure that public records staff are asking appropriate information to obtain sufficient information to assist with the requests.



**Board complied with open meeting law requirements we reviewed with 2 exceptions.**

Board response: The finding is agreed to.

Response explanation: The Board agrees to the findings as described and immediately started citing the location of board meetings upon notification of the auditors during the audit. Upon notification of the draft report findings, the Board immediately updated its website to ensure a statement was added to include the physical location of meeting agendas.

**Recommendation 25:** Update the Board's website to include a statement indicating the physical location of the meeting agendas.

Board response: The audit recommendation will be implemented.

Response explanation: The Board has implemented this recommendation as of August 12, 2025. The statement has been added to our Board Meeting, Agenda & Minutes section on our website: "The Board posts all agendas in three locations available to the public. The Board posts a physical copy inside the public notices glass case on the first floor of the 1740 West Adams Building, in Phoenix, Arizona 85007. The Board posts a digital copy of the agenda on the Board's website under the Board Meeting, Agenda & Minutes section. The Board also posts a digital copy of the agenda to the Arizona Public Meetings website: <https://publicmeetings.az.gov>. All updates to the agenda are posted in the same locations. The Board's website is the primary place to view the agendas as updates are more readily available through electronic means."

**Recommendation 26:** State the location of the Board meetings for the record in accordance with State open meeting laws.

Board response: The audit recommendation will be implemented.

Response explanation: The Board promptly implemented this finding during the audit upon verbal notification of the finding from Auditor staff. The Board also updated the opening Board Chair script for in-person and teleconference meetings to ensure the location of every meeting is conducted in full compliance with open meeting laws.

**Sunset factor 8:** The extent to which the Board has established safeguards against possible conflicts of interest.

**Board did not require contracted employees to complete conflict-of interest disclosure forms or require Board members or staff to complete annual conflict-of-interest training.**

Board response: The finding is agreed to.

Response explanation: Promptly upon receiving the Governor's direction to improve conflict of interest disclosures in February 2024 the Board developed its conflict of interest policy and disclosure forms. The Board will be reviewing its current policy to ensure consistency with the ADOA Conflict of Interest-Disclosure policy going forward.

**Recommendation 27:** Update its policy to require contracted employees to complete annual conflict-of-interest disclosure forms.

Board response: The audit recommendation will be implemented.

Response explanation: The Board implemented this recommendation during the audit and since February 2025, all contractors have signed disclosure forms at onboarding and will be required to do so annually.

**Recommendation 28:** Obtain conflict-of-interest disclosure forms for all contracted employees and assess whether any conflicts exist.

Board response: The audit recommendation will be implemented.

Response explanation: The Board implemented this recommendation during the audit and since February 2025, all contractors have signed COI disclosure forms at onboarding and will be required to update them annually thereafter.

**Recommendation 29:** Provide periodic training on conflicts-of-interest for Board members, staff, and contracted employees.

Board response: The audit recommendation will be implemented.

Response explanation: Conflict of interest training is provided to new Board members as part of the initial onboarding process. Additional training was most recently provided to the Board at its February 28, 2024 meeting and will again be provided at the Board's upcoming August 27, 2025, meeting. This training will also be attended or viewed by all Board staff as part of their annual COI training with documented evidence maintained by the Board. The Board anticipates providing training on at least an annual basis going forward.

