ARIZONA AUDITOR GENERAL

Lindsey A. Perry, Auditor General

Melanie M. Chesney, Deputy Auditor General

September 29, 2025

Members of the Arizona Legislature

The Honorable Katie Hobbs, Governor

Executive Director Gandhi
Arizona State Board of Pharmacy

Transmitted herewith is the report *A Performance Audit and Sunset Review of the Arizona State Board of Pharmacy.* This audit was conducted by the independent firm Sjoberg Evashenk Consulting, Inc. 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 State Board of Pharmacy agrees with all the findings and plans to implement or implement in a different manner all the recommendations directed to it. My Office has contracted with Sjoberg Evashenk Consulting, Inc. to follow up with the Arizona State Board of Pharmacy in 6 months to assess its progress in implementing the recommendations. I express my appreciation to the Board's members, Executive Director Gandhi, 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 State Board of Pharmacy members

SJOBERG EVASHENK
CONSULTING, INC

September 27, 2025

Lindsey A. Perry, CPA, CFE
Arizona Auditor General
2910 N. 44th Street, Ste. 410
Phoenix, AZ 85018

Dear Ms. Perry:

Sjoberg Evashenk Consulting is pleased to submit our report containing the results of the 2025 Performance Audit and Sunset Review of the Arizona State Board of Pharmacy (Board). We conducted this audit on behalf of the Arizona Office of the Auditor General pursuant to a November 21, 2022, resolution of the Joint Legislative Audit Committee.

The objectives of this audit were to determine whether the Board (1) complied with its responsibilities for ensuring compliance with the Controlled Substances Prescription Monitoring Program (CSPMP), (2) issued licenses and permits to qualified applicants in a timely manner, (3) followed its procedures for investigating and resolving complaints and doing so in a timely manner, (4) based its license and permit fees on the cost of providing services, and (5) provided required information to the public about licensees and permit holders. This report also provides responses to the statutory sunset factors and our recommendations for improvement.

We appreciate the professionalism and cooperation exhibited throughout the course of this audit by the Board and Board management and staff. Also, we thank you for the opportunity to serve the Arizona Auditor General, and it has been our pleasure to work with you and your staff.

Respectfully submitted,

George J. Skiles

George Skiles, Partner
Sjoberg Evashenk Consulting, Inc.

Arizona Auditor General

Performance Audit and Sunset Review of the Arizona State Board of Pharmacy

September 2025

SJOBERG EVASHENK CONSULTING, INC

455 Capitol Mall • Suite 700 • Sacramento, California • 95814 • Tel 916.443.1300 • www.secteam.com

REPORT HIGHLIGHTS

SJOBERG EVASHENK CONSULTING, INC

Arizona State Board of Pharmacy (Board)

Performance Audit and Sunset Review

Board did not sufficiently enforce compliance with State Controlled Substances Prescription Monitoring Program (CSPMP) requirements, limiting the program's effectiveness and exposing the public to increased risk of prescription drug misuse; and did not resolve complaints in a timely manner, which may negatively affect patient safety

Audit purpose

To determine if the Board met its responsibilities for ensuring compliance with the CSPMP, issued licenses and permits to qualified applicants in a timely manner, resolved complaints timely, and provided information to the public as statutorily required; and to respond to the 10 statutory sunset factors.

Key findings

- Board is responsible for regulating the practice of pharmacy in Arizona, including licensing practitioners, inspecting facilities, investigating unprofessional conduct by licensees, and operating and monitoring the CSPMP, which is intended to track controlled substance prescriptions and dispensations to Arizona residents.
- Board issued most licenses and permits to qualified applicants and within time frames required by rule.
- Board did not verify whether pharmacists it oversees complied with requirements to review the CSPMP prior to dispensing controlled substances because pharmacies are not required to identify pharmacists in the CSPMP, and did not immediately notify pharmacies that failed to report dispensations to the CSPMP daily.
- As of June 2024, thousands of prescribers had not registered with the CSPMP and practitioners had issued more than 15,000 prescriptions without using the CSPMP. The Board lacks the resources to timely identify and report all noncompliance to other professional licensing boards responsible for enforcing CSPMP requirements with their licensees and the authority to compel action beyond issuing notifications.
- Unaddressed CSPMP noncompliance potentially impacts the State's ability to receive CSPMP benefits, including deterring drug abuse and reducing public health risks.
- Board did not resolve within 180 days 46% of complaint investigations it opened in fiscal year 2024, which may negatively affect patient safety and unduly burden licensees under investigation for lengthy periods of time.

Key recommendations

The Board should:

- Verify whether pharmacists complied with statutory requirements to review the CSPMP before dispensing any Schedule II controlled-substance prescription and notify pharmacies of discrepancies in required daily dispensation reporting within 24 hours of identified noncompliance.
- Work with the Governor and Legislature to establish a working group to develop a strategy for identifying noncompliant prescribers in the CSPMP, and increase its review of potentially noncompliant prescribers.
- Investigate and resolve complaints within 180 days.

The Legislature should:

- Consider revising statute to require all practitioners who prescribe Schedule II–V drugs in Arizona to obtain a single, Board–issued and enforced controlled-substance CSPMP registration or clarify whether professional licensing boards are required to take enforcement action when their licensees violate CSPMP requirements.

Table of contents

Board overview

BOARD OVERVIEW

Arizona State Board of Pharmacy (Board)

The Board regulates and controls the practice of pharmacy in Arizona by issuing licenses and permits to qualified applicants; investigating and resolving complaints against licensees; providing information to the public about the status of licensees and permit holders; and operating, monitoring, maintaining, and staffing the Controlled Substances Prescription Monitoring Program (CSPMP). Arizona Revised Statutes (A.R.S.) require the Board to consist of 9 Governor-appointed members who serve 5-year terms. As of July 2025, all Board member positions were filled. In fiscal year 2024, the Board was authorized 29 full-time equivalent staff positions. The Board does not receive any State General Fund appropriations. Rather, its revenues consist primarily of license and permit fees and federal and State grant revenues to operate the CSPMP.

Active licenses in fiscal year 2024	Active permits in fiscal year 2024
37,010	7,736
Facility inspections conducted in fiscal year 2024	
1,452	
Complaints received in fiscal year 2024	
667	

Audit results summary

Key regulatory areas reviewed	Results	
Initial licenses—Process initial license applications within 180 days as required by rule. Key qualifications include education, passage of the pharmacist licensure examination and jurisprudence examination, and a criminal history records check.	Issued timely? ✓	Ensured qualifications met? ✓
Renewal licenses—Process license renewal applications within 180 days. Licensees must complete 20-30 continuing education hours every 2 years, when required.	Issued timely? ✓	Ensured continuing education completed? ✗
Facility inspections—Inspect facilities at least once every 12 or 18 months depending on facility type.	Conducted inspections within time frames? ✗	Followed up on violations? ✓
Pharmacy and manufacturer permits—Process permit applications within 180 days. Permit applicants must provide information on their facility and activities. Key qualifications include demonstrating appropriate facility conditions, lawful possession or control of the premises, responsible management, and for manufacturers, appropriate handling and distribution of drugs or devices.	Issued timely? ✗	Ensured qualifications met? ✓

Key regulatory areas reviewed	Results	
Complaint handling—Investigate and resolve complaints it receives within 180 days.	Investigated all complaints? ✓	Resolved complaints within 180 days? ✗
Public information—Provide specific complaint and licensee information to the public on request and on its website.	Provided via website? ✓	Provided via phone? ✓
CSPMP—Statute requires prescribers to review CSPMP information prior to prescribing controlled substances and dispensers to submit information to the CSPMP about controlled substances they have dispensed.	Ensured prescriber or dispenser compliance? ✗	Timely notified dispensers when required information not submitted within 24 hours? ✗
Other responsibilities reviewed	**Results**	
Fee setting—Establish fees based on the actual cost of providing services consistent with recommended practices.	Assessed costs? ✗	Based fees on actual costs? ✗
Conflicts of interest—Board members/staff sign a disclosure form, Board maintains substantial interest disclosures in a special file, and Board members recuse selves from decisions involving substantial interests.	Board members/ staff signed disclosure form and Board maintained special file? ✗	Board members with conflicts recused selves during Board meetings? ✓
Public records requests and open meeting law— Requirements include responding to public records requests and posting Board meeting recordings on website in 5 working days.	Responded to public records requests? ✓	Meeting recordings posted on website within 5 working days? ✓

Introduction

On behalf of the Arizona Auditor General, Sjoberg Evashenk Consulting has completed a performance audit and sunset review of the Arizona State Board of Pharmacy (Board). This performance audit and sunset review determined whether the Board (1) complied with its responsibilities for ensuring compliance with the Controlled Substances Prescription Monitoring Program (CSPMP), (2) issued licenses and permits to qualified applicants in a timely manner, (3) followed its procedures for investigating and resolving complaints and doing so in a timely manner, (4) based its license and permit fees on the cost of providing services, and (5) provided required information to the public about licensees and permit holders. This report also provides responses to the 10 statutory sunset factors.

Board is responsible for protecting public health by ensuring regulated persons and businesses safely distribute and store medications

The Board was established in 1903 to regulate and control the practice of pharmacy in Arizona and protect the public from unauthorized and unqualified practice of pharmacy and unprofessional conduct by licensees. See textbox for the Board's mission statement.

MISSION

To protect the health, safety, and welfare of the citizens of Arizona by regulating the practice of pharmacy and the distribution, sale, and storage of prescription medications and devices and non-prescription medications.

Source: Arizona State Board of Pharmacy website.

The Board's key statutory responsibilities include:

- Issuing licenses to qualified applicants to practice as pharmacists, pharmacy technicians, pharmacy technician trainees, and pharmacy interns.[1] Licenses must be renewed every 2 years. According to the Board's database, during fiscal year 2024, there were 12,586 actively licensed pharmacists, 13,560 actively licensed pharmacist technicians, 2,615 actively licensed pharmacy interns, and 8,249 actively licensed pharmacist technician trainees. See Sunset Factor 2, pages 31 through 36, for more information on problems we identified with the Board's processing of license renewals.

- Issuing permits to businesses to operate as pharmacies, remote pharmacies or kiosks, wholesalers, manufacturers, medical gas/durable medical equipment suppliers and distributors,

[1] Arizona Revised Statutes (A.R.S.) §32-1904(5).

and third-party logistics providers.[2,3,4] Permits must be renewed every 2 years.[5] According to the Board's database, during fiscal year 2024 there were 7,736 permitted facilities. See Sunset Factor 2, pages 31 through 36, for more information on problems we identified with the Board's processes for issuing permits.

- Inspecting permitted facilities at the time of initial application and every 12 or 18 months throughout the life of the permit depending on the facility type for compliance with Arizona statute and rules and federal laws.[6] According to the Board's database, during fiscal year 2024 the Board conducted 1,452 facility inspections. See Sunset Factor 2, pages 31 through 36 for more information on problems we identified with the Board's inspection time frames.

- Investigating and resolving complaints against licensees.[7] According to Board records, the Board received 667 complaints in fiscal year 2024. See Finding 3, page 23 through 27, for more information on actions the Board can take in response to violations and problems we identified with the Board's complaint resolution timeliness.

- Providing information about licensees to the public, including licensees' disciplinary and nondisciplinary histories.[8] See Sunset Factor 5, pages 36 through 38, for more information on problems we identified with the Board's provision of public information.

- Operating, monitoring, maintaining, and staffing the CSPMP, which was established in 2007.[9] See Findings 1 and 2, pages 12 through 22, for more information on problems we identified with the Board's management of the CSPMP.

---

[2] A.R.S. §32-1930(A).

[3] According to the Board's website, remote dispensing pharmacy and kiosk permits are available to existing resident chain, independent, government, hospital or limited service pharmacies. Wholesaler and third-party logistics permits are available to resident and non-resident applicants with a valid Arizona fingerprint clearance card for the designated representative. Manufacturing permits are available to residents and non-resident businesses, which must be registered with the U.S. Food and Drug Administration.

[4] Arizona Administrative Code (A.A.C.) R4-23-110 defines durable medical equipment as technologically sophisticated medical equipment that may be used by a patient or consumer in a home or residence, such as feeding pumps, hospital beds, and infusion pumps.
A.A.C. R4-23-692 and 693 require permitting specifically for the manufacturing, processing, transfilling, packaging, labeling, selling, leasing, or supplying of durable medical equipment or compressed medical gas.

[5] A.R.S. §32-1931(A).

[6] A.R.S. §32-1904.

[7] A.R.S. §32-1904.

[8] A.R.S. §32-3214.

[9] A.R.S. §36-2602.

CSPMP is central to preventing controlled substance misuse

The CSPMP is intended to track the prescription and dispensation of controlled substances to Arizona residents (see textbox for a definition of controlled substance and other key terms). The CSPMP includes a database that houses information on prescriptions filled, clinical alerts (such as possible misuse or dangerous combinations), and other relevant indicators to help healthcare providers make informed decisions and prevent abuse (refer to Exhibit 1 on page 8 for key users of the State's CSPMP database). Statute requires licensed medical practitioners (prescribers) and licensed pharmacists (dispensers) to register with the CSPMP and review a patient's profile in the CSPMP database prior to prescribing or dispensing certain controlled substances (see textbox on page 6 for Arizona professional licensing boards whose licensees are statutorily required to register with and access the CSPMP database if prescribing or dispensing certain controlled substances).[10,11] Statute also requires pharmacies and dispensing medical practitioners to report information to the CSPMP about certain controlled substances dispensed to individuals.[12] These requirements are intended to provide information to patients, prescribers, and dispensers to help avoid the inappropriate use of Schedule II, III, IV, and V controlled substances. According to the United States Centers for Disease Control and Prevention (CDC), prescription drug monitoring programs play a vital role in reducing and preventing prescription drug misuse and overdose, and when used proactively, they can have a measurable impact on efforts to stem the opioid epidemic.[13]

KEY TERMS

Controlled substance: a drug substance whose manufacture, possession, and use are regulated by a government.

Prescription: a doctor's authorization for a pharmacist to dispense a medication to a patient.

Dispensation: preparing and providing prescribed medications to patients, ensuring accuracy, safety, and proper instructions for use.

Patient utilization report: A report generated from the CSPMP of controlled substances prescribed to Arizona residents.

Source: Audit staff review of A.R.S. §§36-2601 et seq and interviews with Board staff.

Between 2021 and 2024, medical practitioners in Arizona prescribed approximately 12.4 million opiate medications. During the same period, Arizona Department of Health Services reported 7,502 opioid-related deaths and 15,312 non-fatal opioid overdoses, highlighting the continued public health risks associated with controlled substance prescribing.[14]

[10] A.R.S. §36-2606(A)(F)(G).

[11] Statute requires prescribers to obtain a patient utilization report from the CSPMP before beginning a new treatment course with an opioid analgesic or benzodiazepine listed in Schedule II, III, or IV, and at least every 3 months if the prescription remains part of ongoing treatment. Dispensers must also obtain a patient utilization report before dispensing a Schedule II opioid and report all dispensed controlled substances in schedules II through V daily. Controlled substances are classified into schedules based on potential for abuse—Schedule II drugs like oxycodone pose a higher risk, while Schedule IV drugs like Valium pose a lower risk.

[12] A.R.S. §36-2608(A).

[13] Prescription Drug Monitoring Program Training and Technical Assistance Center. (2025). State PDMP Profiles and Contacts. Retrieved 4/29/2025 from https://www.pdmpassist.org/State.

[14] Fentanyl was involved in 65% of non-fatal opioid overdoses between calendar years 2021 and 2024.

Statute requires Board to administer the CSPMP and help enforce statutory use, registration, and reporting requirements

To operate the CSPMP, the Board has a dedicated team responsible for managing the CSPMP database and monitoring the prescribing and dispensing of certain controlled substances in compliance with statutory requirements.[15] The Board grants prescribers and dispensers and their delegates, such as medical assistants and pharmacy technicians, access to the CSPMP database so that they may review a patient's controlled substance prescription history before prescribing or dispensing controlled substances. The Board is also responsible for providing patient and prescriber information related to the CSPMP to authorized individuals and organizations, such as other Arizona professional licensing boards. Specifically, Board CSPMP responsibilities include:

ARIZONA PROFESSIONAL LICENSING BOARDS WHOSE LICENSEES ARE STATUTORILY REQUIRED TO REGISTER WITH AND ACCESS THE CSPMP DATABASE IF PRESCRIBING OR DISPENSING CERTAIN CONTROLLED SUBSTANCES

- Arizona Board of Homeopathic and Integrated Medicine Examiners
- Arizona Board of Osteopathic Examiners in Medicine and Surgery
- Arizona Medical Board
- State of Arizona Naturopathic Physicians Medical Board
- Arizona Regulatory Board of Physician Assistants
- Arizona State Board of Dental Examiners
- Arizona State Board of Nursing
- Arizona State Board of Optometry
- Arizona State Board of Pharmacy
- Arizona State Board of Podiatry Examiners

Source: Audit staff review of A.R.S. §36-2606 and A.R.S. Title 32.

- **Providing access to the CSPMP database.** Each medical practitioner licensed under State law who possesses a current U.S. Drug Enforcement Administration (DEA) registration number and is authorized to prescribe controlled substances is required to register with the CSPMP database.[16] The Board reviews registration submissions for qualifications before authorizing the registration and allowing access to the CSPMP database.

- **Engaging stakeholders through a task force for CSPMP oversight and support.** Pursuant to A.R.S. §36-2603, the Board must appoint a task force of public and private stakeholders to help administer the CSPMP database, and to identify educational, outreach, and support services to medical practitioners and to consult on and recommend exceptions to electronic prescribing requirements. The task force met annually in calendar years 2020 through 2024 and has discussed topics such as updates and enhancements to the CSPMP, including prescriber reporting improvements and updates on CSPMP compliance by prescribers and dispensers.

- **Ensuring that licensees and permitted facilities that dispense controlled substances that are overseen by the Board comply with CSPMP mandatory use and reporting requirements.** The Board is required to ensure that its licensees and permitted dispensers comply with the CSPMP requirements. For example:

[15] The Board contracts with a vendor to provide the State with the software platform used to host the State's CSPMP database.

[16] A.R.S. §36-2606(A).

- Pharmacists are required to obtain a patient utilization report for the preceding 12 months from the CSPMP at the beginning of each new course of treatment.[17] This mandatory use is intended to help dispensers avoid inappropriate or duplicative dispensing and identify patients at risk of misuse or abuse.

- Each pharmacy that dispenses a Schedule II–V controlled substance is required to report the dispensation to the Board's CSPMP database daily. This daily reporting requirement ensures the data remains current and actionable to support safe prescribing and prevent doctor shopping, drug diversion, or adverse drug interactions.[18,19]

See Finding 1, pages 12 through 15, for more information on problems we identified with the Board's management of CSPMP compliance for licensees and permitted facilities.

- **Notifying other professional licensing boards of potential noncompliance with mandatory use requirements.** The Board is required to notify other Arizona professional licensing boards if a licensed or permitted prescriber fails to comply with the CSPMP requirements.[20,21] For example:

  - Medical practitioners are required to obtain a patient utilization report from the CSPMP before prescribing an opioid analgesic or benzodiazepine, and at least quarterly for the duration of the prescription, unless the prescription is exempt under specific statutory criteria.[22]

  - Similar to pharmacies, each medical practitioner who dispenses a Schedule II–V controlled substance is required to report dispensation information to the Board's CSPMP database daily.[23]

  While the Board does not have authority to discipline prescribers licensed by other professional licensing boards, it is responsible for identifying prescriber noncompliance with CSPMP requirements and referring those cases to the other boards for investigation and potential corrective action. See Finding 2, pages 16 through 22, for more information on problems we identified with the Board's management of the CSPMP.

[17] A.R.S. §36-2606(G).

[18] A.R.S. §36-2608 requires medical practitioners and pharmacies report dispensing a controlled substance in the CSPMP no later than the close of business each day.

[19] Per A.R.S. §36-2610, a person who is subject to CSPMP requirements and who fails to report required information, including dispensation data, pursuant to §36-2608, is guilty of a class 2 misdemeanor. A person who knowingly fails to report required information to the Board is guilty of a class 1 misdemeanor.

[20] A.R.S. §36-2607.

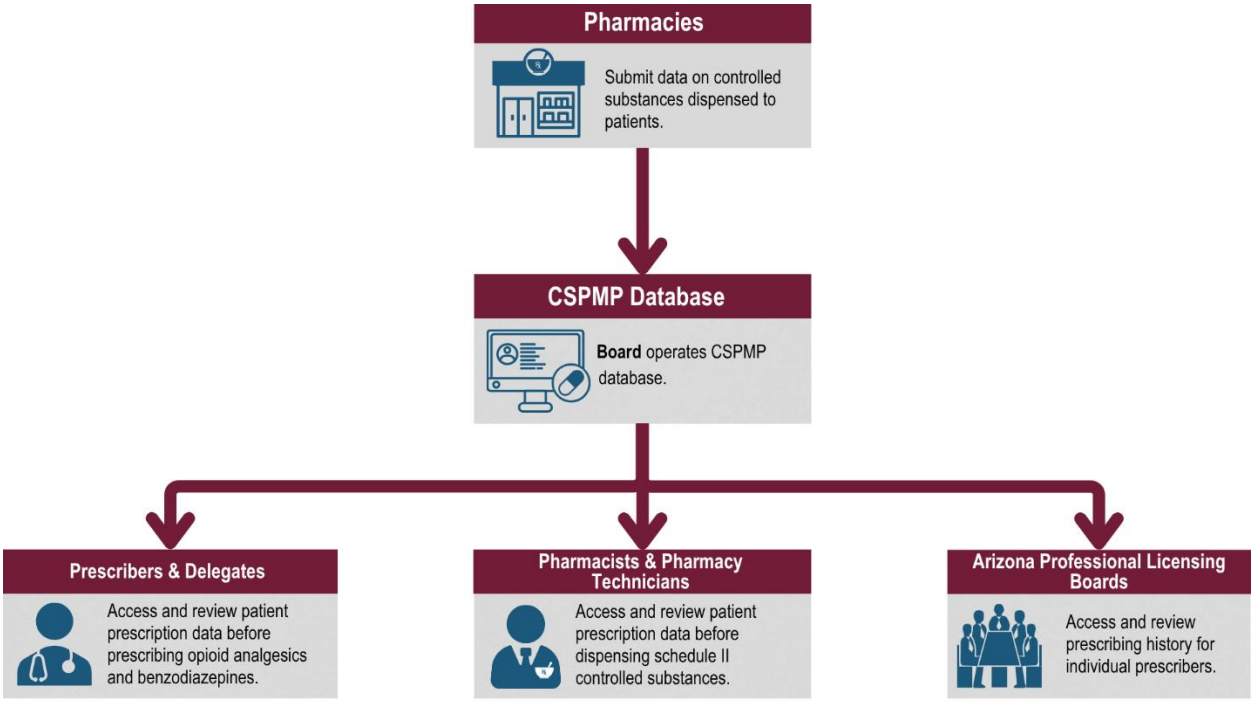
[21] A.R.S. §36-2604(B).

[22] A.R.S. §36-2606(F).

[23] A.R.S. §§36-2608 and 36-2610.

- **Providing information from the CSPMP database.** The Board is allowed to process requests for CSPMP database information when allowed by statute.[24] For example, when law enforcement agencies provide a search warrant for information as part of an ongoing case, the Board will review the request and provide information, as appropriate.

EXHIBIT 1. KEY USERS OF STATE'S CSPMP DATABASE



Source: Audit staff review and summary of A.R.S. §§36-2601 et seq and interviews with Board staff.

Board comprises 9 members supported by 27 staff positions

A.R.S. §32-1902(A) requires the Board to consist of 9 Governor-appointed members who serve 5-year terms. All members are required to be Arizona residents at the time of appointment, and 6 members must be licensed pharmacists practicing in the State, 1 must be a pharmacy technician, and 2 members must represent the public. Of the 6 pharmacists, 1 should be employed by a licensed hospital and 1 must be employed by a community pharmacy. As of July 1, 2025, all 9 Board member positions were filled. Sitting Board members also make up the Complaint Review Committee, which is composed of 4 Board members who are voted upon by the full Board. The Complaint Review Committee meets the week prior to a Board meeting to discuss and make recommendations to the full Board regarding agendized complaints.

The Board was appropriated 29 full-time equivalent positions for fiscal year 2025 and as of July 2025, 27 positions were filled by an Executive Director, Deputy Director, Executive Assistant, Executive Assistant to the Deputy Director, 1 licensing division manager, 6 licensing administrators, 9 compliance staff, and 7

[24] A.R.S. §36-2604(C) authorizes the Board to share data collected by the program with local, state, or federal law enforcement or criminal justice agencies, the Arizona Health Care Cost Containment System, health insurers, court representatives, county medical examiners, and the Arizona Department of Health Services.

CSPMP staff. In addition, the Board had 1 special investigator on military leave and 1 vacant CSPMP Regulatory Compliance Administrator.

The Board reported that all but 1 employee participated in a hybrid remote work program in fiscal year 2024 (see Sunset Factor 2, pages 31 through 36, for issues we identified with the Board's remote work program).

Budget

The Board does not receive any State General Fund monies. Instead, the Board's revenues consist primarily of license and permit fees, a portion of which are appropriated to the Board of Pharmacy Fund (Pharmacy Fund) for operations as part of the State budget process. A.R.S. §32-1907 requires the Board to remit all monies collected from civil penalties and 15% of other monies, including license and permit fees, to the State General Fund, with the Board retaining the remaining 85% of these monies. As shown in Exhibit 2, in fiscal year 2025, most of the Board's revenues consisted of licensing fees, and most of its expenditures were for payroll and related benefits and other operating expenses, such as rent, information technology, and shared services. The Board's fund balance was $3.6 million at the end of fiscal year 2025. See Finding 4, pages 28 through 30, for more information on problems we identified with the Board's license and permit fee setting practices and potentially the Board's financial sustainability.

EXHIBIT 2: SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN PHARMACY AND CSPMP FUNDS' BALANCES FISCAL YEARS 2023 THROUGH 2025 (UNAUDITED)[A]

	2023 (Actual)	2024 (Actual)	2025 (Estimated)
Combined fund balances, beginning of year	**$11,461,224**	**$10,732,701**	**$3,407,160**
Revenues			
Licensing and related fees	$4,248,522	$4,207,736	$4,371,115
Intergovernmental revenue			
Arizona Department of Health Services – Medical Marijuana Fund[B]	1,438,857	1,457,915	1,341,772
Arizona Department of Health Services – Prescription Drug Overdose Prevention Program[C]	229,129	209,854	380,368
Maricopa County Department of Public Health – Overdose Data to Action CDC Cooperative Agreement[D]	89,437	62,510	-
Examination fees	98,001	82,750	49,010
Fines, forfeits, and penalties	76,907	108,266	57,034
Other[E]	328,761	829,275	600,323
Total gross revenues	6,509,614	6,958,306	$6,799,622
Net credit card transaction fees	(90,261)	(92,227)	(91,880)
Remittances to the State General Fund[F]	(715,470)	(1,230,745)	(1,206,471)

	2023 (Actual)	2024 (Actual)	2025 (Estimated)
Total net revenues	**5,703,883**	**5,635,334**	**5,501,271**
Expenditures and transfers			
Payroll and related benefits	3,411,161	3,500,299	3,412,305
Professional and outside services	94,628	272,255	197,776
Travel	88,490	177,271	116,309
Aid to organizations[G]	1,000,000	1,000,000	-
Other operating			
Database access, support, and maintenance[H]	1,280,792	1,162,976	1,125,704
Other[I]	477,549	392,726	367,376
Equipment	78,814	153,890	71,879
Total expenditures	6,431,434	6,659,417	5,291,349
Transfers out	972	1,458	-
Total expenditures	**6,432,406**	**6,660,875**	**5,291,349**
Transfers to the State General Fund[J]	-	6,300,000	-
Net change in fund balances	(728,523)	(7,325,541)	209,922
Combined fund balances, end of year	$10,732,701	$3,407,160	$3,617,082

Source: Auditor staff analysis of AZ 360's June Financial Reports and Board- and Arizona Department of Administration (ADOA)-provided fiscal year 2025 actuals as of June 2025.

Notes:

[A] Exhibit includes financial activity related to the Pharmacy Fund and CSPMP Fund. The CSPMP Fund was established by A.R.S. §36-2605 to fund the Board's management of the CSPMP. Per A.R.S. §32-1907(C), the Board's Executive Director may transfer up to $500,000 annually to the fund. As discussed in Notes B, C, and D, the CSPMP Fund also receives funding from the Arizona Department of Health Services Medical Marijuana Fund, Arizona Department of Health Services Prescription Drug Overdose Prevention Program, and Maricopa County Department of Public Health.

[B] Revenues received from the Arizona Department of Health Services Medical Marijuana Fund were used to pay for access to the CSPMP database (see Note H). The Arizona Department of Health Services works with the Board to check the number of times a certifying physician—one who recommended medical marijuana to a patient—checked the CSPMP database within a 6-month period.

[C] The Arizona Department of Health Services provided these revenues, which it received through a federal Center for Disease Control and Prevention grant agreement, to the Board pursuant to an interagency service agreement for enhancing and maximizing the CSPMP. The revenue fluctuates as a result of changes in the grant amount and the federal fiscal year (September through August) grant cycle.

[D] These revenues consist of U.S. Department of Health and Human Services grant monies provided to the Board as a subrecipient by the Maricopa County Department of Public Health under the CDC Overdose Data to Action cooperative agreement, which provides monies to 90 health departments to reduce drug overdoses and related harmful impacts. The Board received these monies to pay for 85% of the salary of an epidemiologist, which is 1 of the Board's 7 CSPMP staff positions, to provide Prescription Drug Monitoring Program (PDMP) data to Maricopa County organizations, as applicable. This grant ended August 31, 2023.

[E] Other revenue includes miscellaneous contributions and revenues not otherwise categorized, such as private donations and Office of the Arizona State Treasurer deposits. In fiscal year 2024, this revenue increased significantly to $829,275 from $328,761 in fiscal year 2023. The increase is primarily attributable to a $375,750 deposit in June 2024 and a $125,000 deposit in March 2024 that were the result of the Board depositing civil penalties and licensing fees.

[F] Prior to September 14, 2024, the Board was required to remit 100% of civil penalties and 10% of all other revenues to the State General Fund, except monies related to the CSPMP Fund, as required by A.R.S. §32-1907(A). However, effective September 14, 2024, Laws 2024, Ch. 222, required the Board to remit to the State General Fund 15% of all monies it receives through June 30, 2028.

[G] Aid to organizations includes $1,000,000 in each fiscal year that was paid to the University of Arizona for the Arizona Poison Control and Drug Information Center as allowed by A.R.S. §32-1907(D). Due to the fiscal year 2024 transfer to the State General Fund, the Board decided not to make the optional transfer to the University of Arizona for the Arizona Poison Control and Drug Information Center to reduce the risk that other Board activities, such as administration of the CSPMP program, were not financially impacted.

[H] The database access, support, and maintenance expenditures are payments to the CSPMP database vendor to allow prescribers and dispensers across the State to more easily access the CSPMP database and to provide support and maintenance of this access.

[I] Other operating expenditures include rent, insurance, telecommunications, postage, software and computer-related maintenance and support, data processing, and office supplies.

[J] Laws 2024, Ch. 209, Sec. 133, required $6,300,000 of the Board's fund balance to be transferred to the State General Fund in fiscal year 2024 for the purpose of providing adequate support and maintenance for State agencies.

Finding 1. Board has not sufficiently enforced compliance with CSPMP requirements, impacting the effectiveness of the program to reduce public health risks

CSPMP helps support access to legitimate uses of controlled substances, deter drug abuse, and reduce public health risks

As discussed in the Introduction (pages 3 through 11), prescribers' and dispensers' use of the CSPMP is important to support access to and legitimate medical use of controlled substances; identify and deter or prevent drug abuse and diversion; facilitate the identification, intervention with, and treatment of persons with substance abuse problems; and inform public health initiatives through outlining of use and abuse trends. In addition, using the CSPMP database helps prescribers identify and subsequently avoid fatal drug-to-drug interactions and can provide evidence of multiple providers prescribing controlled substances.[25] Further, because pharmacists are not required to dispense a controlled substance if it would be potentially harmful to the patient's health, CSPMP database information can help them exercise professional judgment to determine whether or not to dispense a controlled substance.[26]

Board has not ensured its licensees/permit holders use the CSPMP as statutorily required, a problem previously identified in 2020

The Board has not taken adequate steps to ensure licensed prescribers and dispensers use CSPMP database information as required by statute, a problem the Auditor General reported in its 2020 performance audit and sunset review of the Board.[27] The report identified multiple areas of noncompliance, including insufficient enforcement of the requirement for pharmacists and prescribers to register with and use the CSPMP, as well as the Board's failure to notify or coordinate effectively with other regulatory boards (see Finding 2, pages 16 through 22, for problems with the Board's notifications to other regulatory boards), and recommended the Board develop enforcement processes, monitor pharmacist and pharmacy compliance, and notify licensing boards of prescriber noncompliance.

Although the Board initiated some of the recommended actions—such as identifying unregistered prescribers and sending limited notifications to licensing boards—it has not made sufficient progress to resolve the underlying problems identified in the Auditor General's 2020 report. Specifically, our review found 2 persistent issues in the Board's oversight of the CSPMP have continued to undermine the program's intended impact on public health and safety.

[25] Arizona Department of Health Services 2018 Arizona Opioid Prescribing Guidelines.

[26] A.A.C. R4-23-402 stipulates that, among other requirements, a pharmacist shall interpret prescription orders, which includes exercising professional judgment in determining whether to dispense a particular prescription.

[27] Arizona Auditor General report 20-106 *Arizona State Board of Pharmacy*.

Issue 1: Board's failure to verify pharmacist compliance with mandatory CSPMP review prior to dispensing controlled substance prescriptions undermined the program's ability to prevent diversion and misuse

The Board has not verified whether the more than 12,000 pharmacists it oversees complied with statutory requirements to obtain and review a patient-utilization report from the CSPMP before dispensing any Schedule II controlled-substance prescription, where required.[28] Although pharmacies report daily data on prescriptions filled to the CSPMP, the data does not include the Arizona license number of the dispensing pharmacist. As a result, the Board is unable to determine whether the required CSPMP reviews occurred for any of the dispensations for the roughly 8.7 million controlled-substance prescriptions reported in 2024.

While statute authorizes the Board to define the content and format of data submitted to the CSPMP, the Board has not required pharmacies to include pharmacist-level identifiers in their submissions.[29] Although the reporting standard supports an optional field for a pharmacist's license number or National Provider Identifier, this field is typically left blank.[30] Board staff stated they discussed this issue in CSPMP task force and Board meetings, but the Board chose not to implement changes after stakeholders raised concerns about increased burden to dispensing facilities. The Board has not pursued rulemaking or other regulatory action to mandate the inclusion of pharmacist identifiers in mandatory dispensation reporting.

Without identifying information for individual pharmacists, the Board cannot determine whether pharmacists are complying with the CSPMP requirements. This limits the Board's ability to monitor compliance, investigate potential noncompliance with statutory requirements by pharmacist licensees, or take enforcement actions against repeat offenders. The lack of Board oversight reduces the deterrent effect of the requirement and increases the risk that red flags—such as early refills or multiple controlled substance prescriptions from multiple prescribers—go undetected at the point of sale. Ultimately, this undermines the CSPMP's effectiveness in helping to prevent prescription drug misuse, diversion, and overdose.

[28] A.R.S. §36-2606(G).

[29] A.R.S. §36-2602 grants the Board rulemaking authority to implement a controlled substances prescription monitoring program. Under A.R.S. §36-2608(B), pharmacies must report required data using the latest version of the implementation guide published by the American Society for Automation in Pharmacy. Together, these statutes authorize the Board to adopt rules requiring pharmacies to submit additional information—beyond what is specified in statute—so long as the data fields are supported by the standard reporting format. This includes fields such as pharmacist license numbers or National Provider Identifiers, which would enhance individual accountability.

[30] The National Provider Identifier is the standard Health Insurance Portability and Accountability Act identifier assigned to all covered healthcare providers—including pharmacists—and is used in electronic transactions such as insurance billing for prescription drugs.

Issue 2: Board's educational approach to handling CSPMP complaints is inconsistent with statute and weakens the CSPMP's intended protections

Contrary to statutory requirements that CSPMP noncompliance is subject to disciplinary action, the Board adopted an education-first strategy—built around 10-day grace periods and informal coaching—that is inconsistent with statute and leaves reporting noncompliance largely unenforced.[31] Specifically:

- **Statute requires pharmacies to submit dispensation reports to the CSPMP every 24-hours, but the Board waits 10 days to identify and notify pharmacies of dispensation report discrepancies.** In fiscal year 2024, the Board identified 110 pharmacies that failed to submit required dispensation data to the CSPMP within 24 hours, as required by statute, for 10 consecutive days.[32] Of the 110 total pharmacies identified as noncompliant by the Board, 18 pharmacies were identified as noncompliant with reporting requirements multiple times. According to the Board, although statute requires mandatory reporting every 24-hours, it provided pharmacies a 10-day grace period before taking action to notify the pharmacies, and opted to take an education-first strategy intended to build collaborative relationships with pharmacies and improve compliance through coaching rather than penalties. However, aside from anecdotal information provided by the Board on the impact of its educational efforts, the Board did not track performance data necessary to measure the full impact of the Board's educational efforts to improve compliance with reporting requirements.

  Although statute allows dispensers up to 30 business days to resolve discrepancies in data after the Board notifies them of errors, it does not authorize a grace period for notifying them of the failure to submit reports within the required 24-hour timeframe. By providing pharmacies with 10 days to submit late reports, CSPMP data is not current and individuals seeking to fill multiple prescriptions for controlled substances from different pharmacies during that time may go undetected.

- **Board does not have a formal approach to taking disciplinary action against noncompliant dispensers, which could result in inconsistent case handling.** As discussed earlier, although the Board identified 110 pharmacies that failed to meet the 24-hour reporting requirement, the Board only opened 36 investigations against pharmacies for noncompliance with the statutory reporting requirement. Our review found that 35 investigations (95%) were closed through correspondence with the pharmacies. For the 1 remaining investigation, the Board assessed civil penalties for noncompliance. According to the Board, it took an educational approach to improve reporting compliance in lieu of enforcement action. However, we found that the Board may not have consistently taken disciplinary actions in response to these violations. For instance, we found that 3 pharmacies did not meet the 24-hour reporting requirement twice; however, only 1 of the

[31] A.R.S. §36-2607(C) stipulates that a pharmacist or pharmacy's failure to comply with the requirements of the State's controlled substances prescription monitoring program is subject to disciplinary action. Further, A.R.S. §32-1901.01(A)(6) and (B)(10) defines any violation of federal or state controlled-substance laws or rules as unethical conduct subject to the Board's discipline.

[32] To identify pharmacies that do not comply with the 24-hour reporting requirement, Board staff generate weekly reports detailing pharmacies that fail to meet the 24-hour reporting requirement for 10 consecutive days.

pharmacies received a civil penalty for noncompliance while the other 2 were resolved informally. While statute authorizes the Board to take disciplinary action against dispensers who do not meet CSPMP reporting requirements, the Board lacks a written policy or procedure that includes guidance for when statutory enforcement tools, such as civil penalties, should be used, ensuring all instances of noncompliance are handled consistently.[33]

The Board's noncompliance with statutory requirements to enforce the 24-hour reporting requirement and informally close complaints increases the risk of inconsistent case handling and may leave chronic offenders without meaningful consequences. Incomplete or delayed pharmacy dispensation reporting also increases the risk that when prescribers or pharmacists reference the CSPMP for patient histories, the data maintained in the CSPMP is not real-time, which could result in duplicative or high-risk controlled substance prescriptions—enabling doctor shopping, inappropriate refills, and dangerous drug combinations over a nearly 2-week period. As a result, the effectiveness of the CSPMP to provide real-time data to help provide prescribers and pharmacists with information necessary to make timely clinical decisions and public-health interventions aimed at curbing patient misuse, diversion, and overdose is diminished, and it signals that noncompliance carries minimal risk.

Recommendations to the Board:

1. Verify whether pharmacists complied with statutory requirements to obtain and review a patient-utilization report from the CSPMP before dispensing any Schedule II controlled-substance prescription, where required.
2. Require pharmacist-level identifiers in dispensation reporting to enable pharmacist compliance monitoring.
3. Review pharmacy dispensation reporting compliance on a daily basis and notify pharmacies of discrepancies within 24 hours of identified noncompliance.
4. Develop and implement policies and procedures for Board enforcement activities related to permitted facilities that do not comply with the 24-hour mandatory CSPMP reporting requirement. These policies and procedures should include guidance for when statutory enforcement tools, such as civil penalties and permit suspension or revocation, should be used.

Board Response:

As outlined in its **response**, the Board agrees with the finding and will implement recommendations 1, 2, and 3, and will implement recommendation 4 in a different manner.

[33] A.R.S. §36-2607(C) stipulates that a licensed or permitted medical practitioner, pharmacist, or pharmacy that fails to comply with the requirements of the State's controlled substances prescription monitoring program is subject to disciplinary action by the medical practitioner, pharmacist, or pharmacy's licensing board. Further, A.R.S. §32-1901.01(A)(6) defines any violation of federal or state controlled-substance laws or rules as unethical conduct subject to the Board's discipline. Finally, A.R.S. §32-1927.02 authorizes the Board to discipline a permittee if it determines the permittee or permittee's employee is guilty of unethical conduct pursuant to A.R.S. §32-1901.01(A) and outlines various disciplinary actions the Board may take in response to unethical conduct, including issuing civil penalties and suspending or revoking the permit.

Finding 2. Despite improvements to CSPMP compliance reporting to other professional licensing boards, thousands of prescribers remain unregistered and/or are not using the CSPMP, potentially impacting the State's ability to receive CSPMP benefits

Despite improved reporting of prescriber noncompliance with CSPMP registration and use requirements to other professional licensing boards, thousands of prescribers remain unregistered and practitioners have issued more than 15,000 prescriptions without using the CSPMP

As discussed in the Introduction (pages 3 through 11) and in Finding 1 (pages 12 through 15), the CSPMP plays a critical role in protecting public health by supporting safe prescribing and dispensing of controlled substances, identifying patterns of misuse, and helping prevent diversion. However, the Board has not taken sufficient steps to ensure that licensed prescribers and dispensers use CSPMP database information as required by statute to help the State and Arizona residents realize these benefits, an issue the Auditor General previously identified in its 2020 performance audit and sunset review of the Board.[34] Specifically, the Auditor General found that the Board did not share information with other Arizona professional licensing boards to help them identify and address prescribers who failed to comply with CSPMP requirements, such as checking patient utilization reports before prescribing opioids or benzodiazepines, as required by statute.[35] As a result, those boards lacked the data needed to enforce compliance and hold their licensees accountable under State law.

Although the Board took some initial steps to improve its reporting of noncompliance to other professional licensing boards in response to the Auditor General's previous recommendations, our review of prescriber registration data, prescriber noncompliance, and noncompliance referral outcomes found:

- As of June 2024, 7,465, or 17%, of the 44,211 licensed prescribers authorized by the U.S. DEA to prescribe controlled substances and licensed by other Arizona professional licensing boards were not registered with the CSPMP.[36,37] Similarly, in January 2020, the Board reported that nearly 4,300, or 23%, of the 18,800 licensed prescribers were not registered. These included thousands of practitioners licensed by the Arizona Medical Board, Arizona State Board of Nursing, and Arizona State Board of Dental Examiners—boards whose licensees routinely prescribe controlled substances (see Exhibit 3, page 17).

---

[34] Arizona Auditor General report 20-106 *Arizona State Board of Pharmacy*.

[35] A.R.S. §36-2606(F) requires that medical practitioners, before prescribing an opioid analgesic or benzodiazepine controlled substance listed in Schedule II, III, or IV for a patient, obtain a patient utilization report regarding the patient for the preceding 12 months from the CSPMP database at the beginning of each new course of treatment and at least quarterly while that prescription remains a part of the treatment.

[36] A.R.S. §36-2606(A) requires that each medical practitioner who is issued a registration under the federal Controlled Substances Act and who is licensed under Title 32 and possesses the authority to prescribe or dispense controlled substances in Arizona must be registered with the CSPMP.

[37] A DEA number is an identifier assigned to a health care provider by the DEA that is used for prescribing, dispensing, or administering controlled substances.

EXHIBIT 3. ARIZONA LICENSEES AUTHORIZED BY THE DEA TO PRESCRIBE CONTROLLED SUBSTANCES BUT NOT REGISTERED WITH CSPMP, NOVEMBER 2022 THROUGH JUNE 2024

Arizona licensing oversight board	Unregistered licensees by report month			
	Nov-2022	Jun-2023	Dec-2023	Jun-2024
Medical	2,421	2,568	3,083	3,440
Nursing	1,261	1,356	1,343	1,419
Dental Examiners	1,082	1,076	1,032	1,064
Osteopathic Examiners	663	544	549	661
Physician Assistants	393	378	363	355
Podiatry Examiners	105	99	115	114
Optometry	265	244	91	86
Naturopathic Physicians Medical	62	68	50	51
Total	**6,252**	**6,333**	**6,626**	**7,190**

Source: Auditor analysis of CSPMP Mandatory Use reports.

Although the Board notified other professional licensing boards of noncompliance with CSPMP requirements for registering and checking the CSPMP database prior to prescribing controlled substances, those boards seldom investigated or disciplined violators. To determine what happened after the Board referred noncompliant prescribers to their applicable board, we reviewed 18 of the 230 high-volume prescribers.[38] These prescribers collectively issued more than 15,000 prescriptions without a single query of the CSPMP—1 nurse practitioner was flagged for not querying the database for 9 consecutive months after issuing 2,590 prescriptions. We found that for only 3 of the 18 cases, other professional licensing boards had responded to the Board that they were opening an investigation, but as of May 2025, none reported disciplinary action taken against the 3 prescribers on their respective websites. Exhibit 4, page 18, summarizes how frequently the Board notified other professional licensing boards of each of the 18 high-volume prescribers, the total dispensations involved, and the absence of discipline by the respective professional licensing board.

[38] Our judgmental sample consisted of 18 prescribers—physicians, nurse practitioners, physician assistants, dentists, and optometrists—drawn from the 230 unique names that appeared in monthly top-20 reports from September 2023 through June 2024. We cross-referenced these reports against the unregistered prescriber reports sent every 6-months to Arizona professional licensing boards to identify prescribers that appeared on both reports. Of the 18: nine were not registered with the CSPMP when first reported; 12 were listed in multiple months (one nurse practitioner in 9 separate months and 2,590 prescriptions without a CSPMP query); and none had a documented disciplinary action by its licensing board as of May 2025, despite repeated Board notifications.

EXHIBIT 4. SUMMARY OF INVESTIGATIVE AND DISCIPLINARY ACTIONS TAKEN AGAINST A SAMPLE OF 18 NONCOMPLIANT HIGH-VOLUME CONTROLLED SUBSTANCE PRESCRIBERS THE BOARD REPORTED TO OTHER ARIZONA LICENSING BOARDS BETWEEN JULY 2023 AND JUNE 2024 [B]

CSPMP noncompliant prescriber sample number	AZ licensing oversight board	Number of times oversight board notified	Total dispensations without related CSPMP search[A]	Investigative action taken by applicable board as of May 2025?	Disciplinary action taken by applicable board as of May 2025?
1	Nursing	5	948	No	No
2	Nursing	2	380	No	No
3	Nursing	2	221	No	No
4	Nursing	2	221	No	No
5	Nursing	1	145	No	No
6	Nursing	2	738	No	No
7	Osteopathic Examiners	3	881	No	No
8	Medical	1	100	No	No
9	Physician Assistants	2	198	No	No
10	Osteopathic Examiners	8	2,223	No	No
11	Osteopathic Examiners	8	807	No	No
12	Nursing	9	2,590	No	No
13	Nursing	7	882	No	No
14	Medical Board	6	1,153	Yes	No
15	Medical Board	5	1,295	Yes	No
16	Dental Examiners	5	690	Yes	No
17	Dental Examiners	2	195	No	No
18	Physician Assistants	1	332	No	No

Source: Auditor analysis of Board Mandatory Use Reports (July 2023 through June 2024) and professional licensing board license verification databases, as of May 29, 2025.

Notes:

[A] Amounts reported only include dispensations reported on Board's Mandatory Use reports.

[B] Our judgmental sample consisted of 18 prescribers—physicians, nurse practitioners, physician assistants, dentists, and optometrists—drawn from the 230 unique names that appeared in monthly top-20 reports from September 2023 through June 2024. We cross-referenced these reports against the unregistered prescriber reports sent every 6 months to Arizona professional licensing boards to identify prescribers that appeared on both reports. Of the 18: nine were not registered with the CSPMP when first reported; 12 were listed in multiple months (one nurse practitioner in 9 separate months and 2,590 prescriptions without a CSPMP query); and none had a documented disciplinary action by its licensing board as of May 2025, despite repeated Board notifications.

The Board's inadequate notifications to other professional licensing boards of prescriber noncompliance with CSPMP requirements and its lack of authority to compel action beyond issuing notifications impact the State's ability to receive the full benefits of the CSPMP

The Board implemented 2 processes in response to the Auditor General's 2020 report to ensure controlled substance prescribers registered for CSPMP database access and checked a patient's utilization report prior to prescribing medications, however they have not sufficiently addressed the noncompliance causes. Specifically, the Board:

- **Identifies unregistered prescribers and notifies their respective professional licensing boards of CSPMP noncompliance twice yearly.**[39] However, in the 6 months between the Board's notification reports, other professional licensing boards are unaware that their licensees are unregistered yet issuing prescriptions for controlled substances without checking the CSPMP database first, preventing professional licensing boards from taking timely disciplinary action with their licensees and potentially resulting in duplicative opioid/benzodiazepine prescriptions or dangerous drug interactions.

- **Identifies and reports monthly to other professional licensing boards the top 20 prescribers statewide who issued the most controlled-substance prescriptions without first checking the CSPMP.** However, this Board practice of limiting its report to only 20 of the 44,211 licensed prescribers in the State leaves potentially thousands of noncompliant prescribers unnotified they have committed a violation and unreported to other Arizona professional licensing boards.[40] Board management acknowledged that the actual number of noncompliant prescribers is more than 20 each month, but reported that it lacks a practical method of identifying all instances of true noncompliance because substantial staffing resources are required to research each prescriber flagged as potentially noncompliant. For example, a prescriber may be erroneously flagged in the CSPMP system as potentially noncompliant because:

    - Prescriptions are for an exempted purpose, such as a patient in palliative care or undergoing cancer treatment. Although the CSPMP system has data fields to capture codes for such exemptions, statute does not require prescribers to include such codes on prescriptions or dispensers to enter this information into the CSPMP.

    - The system flagging potential noncompliance is not integrated with a separate system that records prescriber queries in the CSPMP.

  Because the Board is not authorized or responsible to report any prescriber to their respective licensing board without reasonable cause to believe they have failed to comply with statute, it caps monthly reporting to the 20 it has researched. In doing so, however, the Board shields most noncompliant prescribers from enforcement and allows thousands of prescribers to continue

[39] To identify unregistered prescribers, the Board cross-references U.S. DEA registration lists and controlled substance dispensing records reported by pharmacies with CSPMP registration data.

[40] A.R.S. §36-2606(F) requires prescribers to review a patient's controlled-substance history before prescribing opioids or benzodiazepines, and at least quarterly while the prescription continues.

issuing prescriptions for controlled substances without checking the CSPMP database first, undermining the effectiveness and intent of the program.

Although statute requires the Board to report noncompliance to other professional licensing boards, it does not specify at what frequency and how the Board must notify other boards of noncompliance.[41] In the absence of specific statutory guidance, the Board reported that it adopted its current noncompliance reporting based on discussions with the CSPMP task force (see Introduction, page 6, for information on the statutory role of the task force in administering the CSPMP database) and on feedback from stakeholders that reported to the Board that monthly reports of all unregistered or noncompliant prescribers were unmanageable and other professional licensing boards lacked staff resources to investigate every instance of noncompliance.

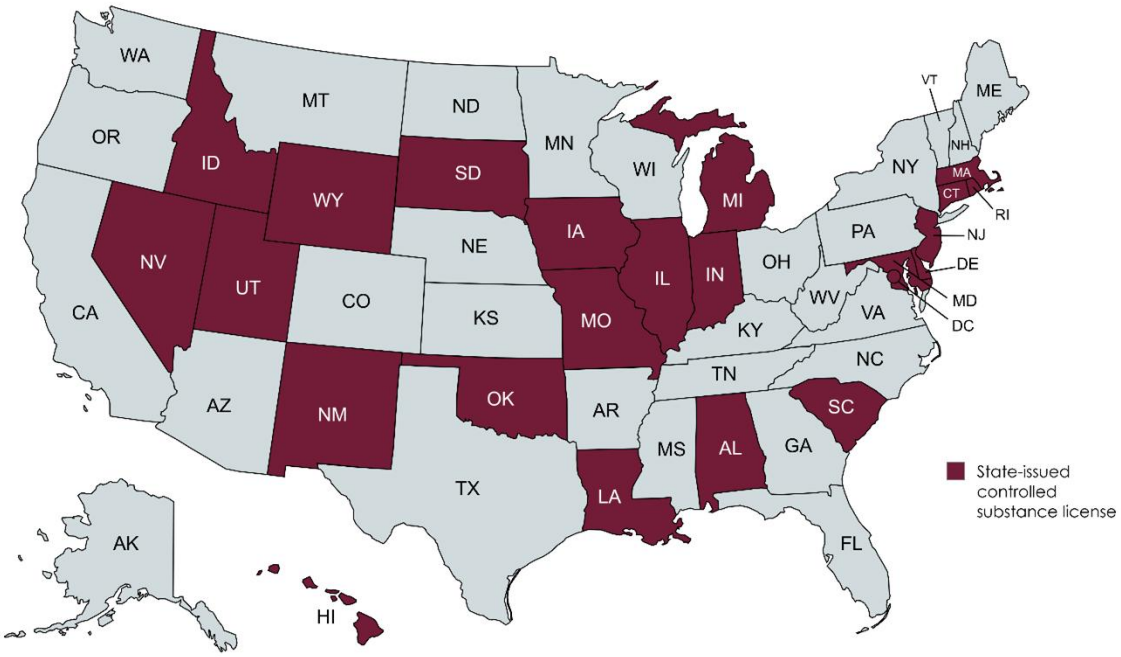
Further, statute limits the Board's enforcement jurisdiction to pharmacists, pharmacies, and other licensees it directly oversees. Since other prescribers—such as physicians, nurse practitioners, dentists, and physician assistants—are regulated by separate Arizona professional licensing boards, the Board lacks authority to compel action beyond issuing notifications.

Without a mechanism to ensure that Arizona professional licensing boards act—or a central registration the Board can enforce—thousands of Arizona prescribers continue writing controlled-substance prescriptions without ever consulting the database. As a result, the CSPMP may present an incomplete view of patient drug histories, increasing the risk that doctor-shopping, duplicative opioid/benzodiazepine prescriptions, and dangerous drug interactions go undetected. Until prescribers face credible, timely consequences, the program will fall short of its intended purpose to prevent misuse, diversion, and overdose.

To address this challenge, 27 other states have established a requirement that all prescribers of controlled substances obtain a controlled substance registration or license from a central authority—often the state pharmacy board (see Exhibit 5, page 21). Some of these states have also granted enforcement authority to these centralized entities for prescriber violations. For example, in Nevada a practitioner must first secure a state controlled-substance registration before the U.S. DEA will issue or renew the federal registration, and the Nevada Board of Pharmacy has authority to investigate and suspend or revoke that state registration for violations. Likewise, New Mexico's Board of Pharmacy may suspend, revoke, or fine controlled-substance registrants for violations of the state's controlled substances laws or regulations. Adopting a similar model in Arizona could help ensure that Arizona prescribers comply with CSPMP reporting requirements by placing all U.S. DEA-registered prescribers in the State under one regulator for prescription monitoring program compliance, allowing direct penalties—suspension of prescribing privileges, administrative fines, or mandated education—regardless of the practitioner's primary licensing board. Given the Board's responsibilities for administering the CSPMP, it would be well-positioned to implement this enforcement model.

[41] A.R.S. §36-2604(B) requires the Board to notify the appropriate Arizona professional licensing board if the Board has reason to believe an act of unprofessional or illegal conduct has occurred. Further, A.R.S. §36-2607(C) requires the Board to report to the appropriate Arizona professional licensing board the failure of a prescriber to comply with the requirements of the State's controlled substances prescription monitoring program. Neither requirement establishes thresholds for noncompliance; rather, statute unambiguously requires that each noncompliant prescriber be reported to the appropriate licensing board.

EXHIBIT 5. STATES THAT HAVE ADOPTED SOME FORM OF CONTROLLED SUBSTANCE LICENSURE



Source: Auditor analysis of information from U.S. Drug Enforcement Administration, Diversion Control Division. *State Controlled Substance License Requirements*. Retrieved 6/5/2025 from https://www.deadiversion.usdoj.gov/drugreg/reg_apps/pract-state-lic-require.html

Recommendations to the Legislature

1. Consider revising statute to require all practitioners who prescribe Schedule II–V drugs in Arizona to obtain a single, Board–issued controlled-substance registration and authorize the Board to enforce compliance with CSPMP registration and use requirements.
2. As an alternative to Recommendation 1, consider revising statute to clarify whether Arizona professional licensing boards are required to take enforcement action when their licensees violate CSPMP registration or use requirements, and to establish time frames for initiating and/or completing such actions.

Recommendations to the Board:

5. Work with the Governor, President of the Arizona Senate, and Speaker of the Arizona House of Representatives to establish and appoint members to a working group to develop a strategic approach for identifying noncompliant prescribers in the CSPMP, such as establishing requirements to enter information in the CSPMP about exempt prescriptions and/or integrating the system that identifies potential noncompliance with the system that records prescriber queries in the CSPMP.
6. Develop and implement a plan that identifies the personnel, information system changes, and methods required to more comprehensively assess noncompliance of prescribers or pharmacies flagged by the CSPMP. This could include selecting a larger review sample of prescribers to determine compliance based on risk, selecting a sample of prescribers randomly, and working with the Governor's Office and Legislature as needed to obtain any necessary resources.

7. Based on the plan referenced in Recommendation 6, increase the Board's review of potentially noncompliant prescribers.
8. Develop and implement a process to at least monthly notify the appropriate Arizona professional licensing boards of prescribers who are not registered with the CSPMP.
9. If statute is revised to require all practitioners who prescribe Schedule II–V drugs in Arizona to obtain a single, Board–issued controlled-substance registration and/or authorize the Board to enforce compliance with CSPMP registration and use requirements, the Board should take steps to implement any statutory provisions and/or requirements included in the revisions, including but not limited to adopting rules as authorized and appropriate, and developing and implementing policies and procedures for complying with statutory requirements.

Board Response:

As outlined in its **response**, the Board agrees with the finding and will implement the recommendations.

Finding 3. Board did not timely investigate complaints, increasing public safety risk and placing undue burden on licensees and permit holders

Board is responsible for investigating and resolving complaints against licensees and permit holders

The Board is statutorily responsible for investigating and resolving complaints alleging violations of statute or rule by licensees and permit holders (see Introduction, pages 3 through 11, for more information about the licenses and permits the Board issues).[42] Based on the findings of an investigation, the Board may take nondisciplinary action, such as dismissing the complaint, issuing an advisory letter, or requiring continuing education courses; or hold a formal hearing that may result in disciplinary action such as issuing a decree of censure, issuing a letter of reprimand, imposing a civil penalty, establishing terms of probation, or suspending or revoking the license or permit.[43] Additionally, the Board may enter into an agreement that imposes discipline, such as limiting the licensee's or permittee's practice, or requires actions such as rehabilitation or retraining to protect the public and ensure safe practice.[44]

The Auditor General has determined that Arizona health regulatory boards should investigate and resolve complaints within 180 days of receiving them. Consistent with this, Board policy establishes a goal for its staff to investigate and Board to adjudicate complaints within 180 days. During audit fieldwork, in April 2025, the Board formally adopted a policy for prioritizing complaint investigations, which identifies 4 levels of prioritization, including "urgent," "high," "medium," and "low priority." However the priority levels do not include time frames for investigation or resolution.[45]

Board did not resolve within 180 days 46% of investigations it opened in fiscal year 2024, and 5% of open investigations had been open for more than 180 days as of February 2025

According to Board complaint data and records, the Board received 667 complaints and opened 794 investigations in fiscal year 2024 and had resolved 755 of these by February 2025.[46] Our review of complaint data found that:

---

[42] A.R.S. §32-1904(4) and (13).

[43] A.R.S. §32-1927(B) and (G); A.R.S. §32-1927.01(B) and (G); and A.R.S. §32-1927.02(B) and (F).

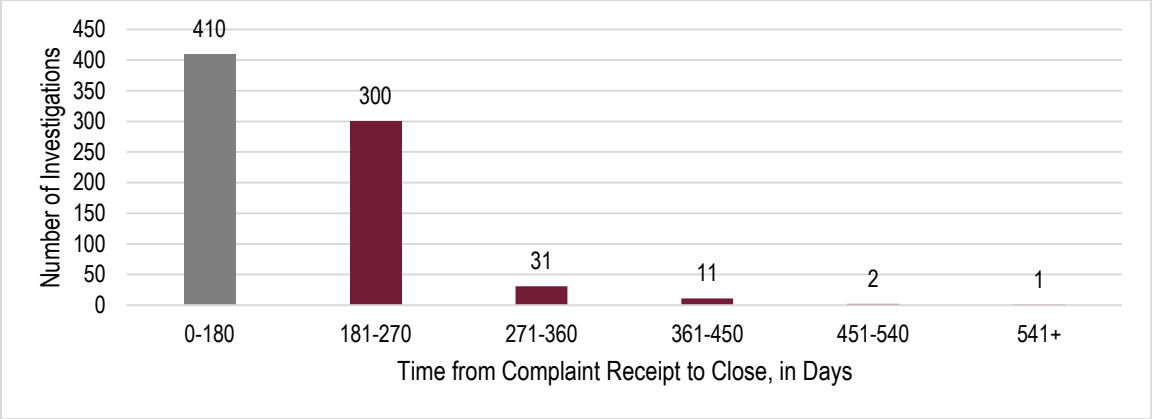
[44] A.R.S. §§32-1927(L)(4), 32-1927.01(L)(4), and 32-1927.02(K)(4). Permissible actions to be included in agreements after a conference with the Board include letters of reprimand; decrees of censure; professional practice restrictions; rehabilitative, retraining or assessment programs including community service, continuing education, successful passage of Board-approved pharmacist licensure examinations, substance abuse treatment or rehabilitation programs; civil penalties; and period and terms of probation, which may include temporary suspension and any or all of the actions listed in this section.

[45] The Board's Prioritization of Complaint Investigations policy, adopted on April 10, 2025, does not specify time frames based on assigned priority, other than requiring the Board to escalate complaint investigations not initiated within 5 months to the next level of prioritization.

[46] The number of investigations is greater than the number of complaints because individual complaints may require the Board to investigate more than one licensee or permit holder. For example, for a complaint against a pharmacy, the Board may also investigate the pharmacist in charge and the pharmacy technician who filled the prescription in question.

- 345 of 755 investigations the Board opened in fiscal year 2024 and closed by February 2025, or 46%, took more than 180 days to resolve (see Exhibit 6).[47] The Board took between 181 and 553 days to resolve these 345 investigations, and 94% of all investigations were resolved within 270 days and 6% of all investigations took between 271 and 553 days to resolve. These 345 untimely investigations included potentially severe allegations such as a pharmacist accused by the U.S. DEA of having stolen hundreds of pills of a controlled substance, which took 553 days to resolve; failure to report domestic violence charges, which took 256 days to resolve; and concern that a licensee was mentally unstable, had attempted a drug overdose, and was unfit to practice, which took 287 days to resolve.

EXHIBIT 6. BOARD TOOK MORE THAN 180 DAYS TO CLOSE 46% OF INVESTIGATIONS OPENED IN FISCAL YEAR 2024



Source: Auditor analysis of report generated from Board's complaints system of closed investigations on February 27, 2025.

- As of February 27, 2025, 39 of the Board's 794 investigations opened in fiscal year 2024, or 5%, remained unresolved and had been open an average of 311 days, ranging between 244 and 486 days pending. For example, an investigation into a remote pharmacy that was not registered with the U.S. DEA and was also noncompliant with remote pharmacy regulations had been open 338 days, and another investigation into a pharmacy unable to account for controlled substances had been open 486 days.

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

Untimely complaint investigation resolution may negatively impact patient safety when delays allow licensees alleged to have violated Board statutes and rules to continue to practice or operate while under investigation even though they may be unfit to do so. For example, the Board took 184 days to resolve a complaint investigation where a licensee had incorrectly filled a prescription for a child, and the individual's license remained active while the case was pending, during which time the licensee could have repeated the error by incorrectly filling other prescriptions, posing a risk to public health and safety. The Board ultimately entered into a consent agreement with this licensee to complete continuing education.

[47] For certain Board actions, the Board tracks the resolution date, not the date Board action was taken. As a result, the number of cases taking more than 180 days to resolve may be less than what is reflected in Board records.

In addition, even when the Board does not substantiate and dismiss complaints, untimely complaint handling subjects licensees and permit holders to unproven allegations of unprofessional 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. Finally, while licensees are under investigation, statute does not permit the Board to make information available to the public regarding pending complaints involving a licensee.[48]

Board's management practices and procedural gaps contributed to systemic delays and untimely complaint resolution

To evaluate complaint adjudication practices of the Board, we selected and reviewed a judgmental sample of 20 complaints.[49] Of these, 9 were not resolved within 180 days, taking between 184 and 442 days to resolve. These 9 investigations reveal several factors that contributed to investigation resolution timelines that extended beyond 180 days. Although in some of these cases there were factors outside of the Board's control, such as the Board waiting for Board ordered evaluations to be completed, we identified systemic problems that impacted the Board's complaint-handling time frame for all 9 untimely complaints.[50,51] Specifically:

- **Executive Director's review and approval processes added months to final adjudication.** Three of 9 complaints were dismissed via the Executive Director's Board-delegated authority (see textbox on page 26). However, the Executive Director's delay in reviewing and approving these dismissals led to resolution time frames that exceeded 180 days. For these 3 complaints, Board staff determined no violation of statute or rule had occurred, but it took the Executive Director 143, 176, and 54 days, respectively, from receipt of staff recommendations to issue the actual dismissal. According to the Executive Director, the delay in reviewing these dismissals was due to workload

[48] A.R.S. §32-3214(A).

[49] See Appendix B, page 52, for more information on our sample selection methodology.

[50] In 1 case that took 253 days to resolve, the Board entered into an interim consent agreement within 30 days of receipt of the complaint and the licensee complied with the agreement to obtain a substance abuse assessment within 60 days, however the assessor provided the report to the Board after an additional 56 days, adding 114 days to the complaint resolution timeline. The other 2 cases took 331 and 442 days to resolve, and involved multiple licensees and permit holders, extensions and delays stemming from legal counsel retention, and issuances of multiple subpoenas and follow-up rounds of information gathering.

[51] Arizona State Board of Pharmacy Complaint Processing Policy, number 6.1, "Overall Processing Time Frame," March 24, 2022, states that although Board staff should exercise due diligence in investigating and adjudicating complaints within a 180-day time frame, it may extend the time frame in order to appropriately address complex complaints with extenuating circumstances and ensure due process.

and not having a deadline or tracking for completing the responsibility. Further, Board policy does not specify timelines for each approval within the Executive Dismissal process.[52]

- **Board meeting calendaring practices contributed to delays of 2 of 20 investigations.** Board meetings are held every other month, and the Executive Director has established a requirement that complete investigation reports must be provided to Board staff 6 weeks before the scheduled Board meeting to enable timely notices to respondents and to prepare Board member review packets. The combination of these two schedule-related factors contributes to delays. For example, Board staff completed an investigation on May 20, 2024, but this complaint was not eligible to be agendized for the Board's June 19, 2024, meeting due to Board staff's internal deadline for completing investigative packets for Board review 6 weeks ahead of each bi-monthly Board meeting. As a result of missing this internal deadline, this case was not heard until the following meeting, on August 21, 2024. The 6-week internal deadline coupled with the practice of holding Board meetings every 2 months resulted in 93 days elapsing between the investigation completion and the Board's review of the case. Additionally, Board policy does not specify timeliness of agendizing complaints for review by the Complaint Review Committee or full Board once an investigation is complete.

DELEGATED AUTHORITY

Board delegated to the Executive Director the authority to adjudicate complaints by entering into interim consent agreements, or issuing dismissals or nondisciplinary penalties for complaints involving matters such as:

- Payment or pricing related matters.
- Customer service issues related to courtesy, dignity, or respect.
- Duration of time to fill a prescription order.
- Use of professional judgment to address a prescription order.
- Medication not in stock, back ordered, or otherwise not immediately available.
- Anonymous complaint with insufficient information to conduct an investigation.
- An individual or entity outside of the Board's jurisdiction.
- Complaints that were referred to another agency for investigation.
- Complaints that were investigated but not substantiated by available evidence, and a violation of pharmacy law was not identified.
- Allegations that were previously investigated and adjudicated by the Board.

Source: Auditor summary of A.R.S. §32-1904(B)(18), (C), and (D); and Substantive Policy Statement (SPS) 2020-12.

- **Board lacks adequate management oversight and tracking systems for complaint handling.** The Board's complaint tracking system cannot record or report all key complaint milestones, such as investigation completion, Board order issuance, or licensee compliance follow-up. As a result, staff cannot reliably monitor elapsed time on open complaints, identify process delays, or track the

[52] Cases that the Executive Director exercises delegated authority to dismiss require multiple levels of review before the final dismissal may be issued. For example, if a Compliance Officer is the lead investigator on the case and believes the matter should be dismissed, their investigative report and recommendation for dismissal go to the Chief Compliance Officer for review and approval before moving onto the Directors' Office for dismissal; within the Directors' Office, both the Executive and Deputy Directors would review the case and sign off on the dismissal. In such cases, there are 4 reviews and approvals for a single dismissal.

causes of delays—including those outside the Board's control, such as law enforcement investigations or legal disputes. This limits the Board's ability to consistently report complaint data, monitor progress, and evaluate its success in meeting its 180-day resolution goal.

For example, the system includes only one "resolution date" field, which is inconsistently used to reflect either the date a Board order is issued or the date a licensee satisfies the terms—both important milestones that the system cannot separately track. Additionally, the system cannot document when complaint resolution timelines justifiably exceed 180 days due to complexity or extenuating circumstances.

Further, as of May 2025, the Board has not established regular reviews to monitor the status and timeliness of open complaints. Executive staff do not conduct comprehensive, routine evaluations of pending complaints, and policies do not assign responsibility for tracking complaints from receipt to closure. Regular reviews would help identify delays, improve timeliness, and ensure compliance with the Board's incremental timeliness policies.

The Board's inability to reliably generate reports on its complaint tracking process is a risk to consistency, timeliness, and managerial oversight of the complaints handling process.

Recommendations to the Board:

10. Investigate and resolve complaints within 180 days.
11. Revise and implement its complaint handling policy to clearly identify and outline each step of the process for which timeliness checks are mandatory according to statute, rule, or recommendation from the Auditor General, or may be warranted based on the priority-level of the complaint.
12. Develop and implement a process for management to review complaint reports of all in-progress and completed complaints and track interim and overall time frames for investigating and resolving complaints to identify bottlenecks and opportunities to improve the complaint handling processes.
13. Update policies and procedures outlining time frames for the Executive Director to review complaints referred for dismissal under delegated authority.
14. Reduce the time between investigation completion and agendizing for review before the Board by either scheduling Board meetings more frequently, or by shortening the internal deadline for complete investigative packet submission ahead of Board meetings, or both.
15. Establish a process to document the reason for missing the submission deadline for an upcoming meeting in compliance with policy regarding permissible investigative timeline extensions for extenuating circumstances.
16. Ensure the Executive Director timely processes all complaints assigned to them for adjudication and resolution as delegated by the Board, including by revising Board policy to define expected time frames for Executive Director review and action.

Board Response:

As outlined in its **response**, the Board agrees with the finding and will implement the recommendations.

Finding 4. Inconsistent with statute and recommended practices, Board's license and permit fees are not based on costs of providing services, which could have an impact on the Board's financial sustainability

Board adjusted its fees without conducting the cost analysis required by statute, despite prior recommendations it do so

Statute requires the Board to establish its fees proportionate to the maximum fee allowed at a level sufficient to cover anticipated expenditures over the following 2 fiscal years.[53] Additionally, standards and guidelines for government fee setting state that user fees should be based on the cost of services provided and reviewed regularly to ensure alignment with these costs.[54] Further, the Board implemented an informal practice to biannually compare its fees to those of other states. While statute does not explicitly mandate a cost analysis or biennial fee comparison, these activities are a practical necessity for the Board to determine anticipated expenditures, and the reasonableness of those expenditures, over the following 2 fiscal years and set proportionate fees.

However, the Board revised its fees through rulemaking in 2024, but it did not conduct a cost analysis or biannual comparison of its fees to other states. The Auditor General's 2020 performance audit and sunset review of the Board similarly found that the Board did not base its licensing and permit fees on the actual costs of providing services.[55] The report identified several fees that were inconsistent with the costs of providing services, such as fees for automated prescription-dispensing kiosk permits, third-party logistics provider permits, in-state and out-of-state pharmacy permits, and pharmacist applications for licensure by reciprocity. The report recommended that the Board develop and implement a method for determining and tracking the direct and indirect costs for its regulatory processes, establish requirements for the periodic review of the Board's fees, and conduct a review of its fees and modify rules, as necessary.

Although Board's fund balance was large and growing, it significantly decreased in fiscal year 2024 in part because of a $6.3 million legislative transfer to the State General Fund to support other State agencies

As shown in Exhibit 7 (see page 29), from fiscal years 2019 to 2023, the Board's annual fund balance continued to grow, with an ending fund balance averaging $8.9 million and average expenditures representing 28% of the Board's total available resources (the beginning fund balance plus annual revenues) each year. The Board's continued annual fund balance growth suggests it was accumulating significantly more than it spent during those years, until fiscal year 2024, when a combination of Board spending and a fund sweep of $6.3 million resulted in a reduction of its fund balance to approximately $1.5

[53] A.R.S. §32-1925(E) and A.R.S. §32-1931(B).

[54] Auditor analysis of the Government Finance Officers Association and the U.S. Government Accountability Office.

[55] Arizona Auditor General report 20-106 *Arizona State Board of Pharmacy*.

million.[56] If Board spending and revenues remain consistent with prior years, the Board could face financial challenges in the near term. However, because the Board did not conduct a cost analysis it cannot effectively assess whether its current fee structure is sufficient or whether it is collecting too much or too little to cover its operating costs.

EXHIBIT 7. BOARD REVENUES, EXPENDITURES, AND FUND BALANCES, FISCAL YEARS 2019 THROUGH 2024[A]

	FY 2019[B]	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
Starting Fund Balance	$6,566,113	$8,156,902	$8,614,405	$9,323,280	$9,697,969	$8,943,476
Revenues/ Transfers In	$4,436,830	$3,657,402	$3,900,922	$4,006,289	$3,946,460	$3,905,055
Expenditures/ Transfers Out[C,D]	$2,846,042	$3,199,898	$3,192,048	$3,631,600	$4,700,952	$11,314,306
Ending Fund Balance	$8,156,902	$8,614,405	$9,323,280	$9,697,969	$8,943,476	$1,534,225
Percentage of Beginning Fund Balance Utilized	25.9%	27.1%	25.5%	27.2%	34.5%	88.1%

Source: Auditor staff analysis of AZ 360's June Financial Reports and Board- and ADOA-provided fiscal year 2025 estimates as of November 2024, and fiscal year 2019 through fiscal year 2022 Annual Financial Reports developed by the Arizona General Accounting Office.

Note:

[A] All values were rounded to the nearest dollar.

[B] In fiscal year 2019, the Board received a one-time payment for unclaimed license fees.

[C] Expenditures and transfers out for all fiscal years include transfers to the CSPMP Fund. Specifically, the Board transferred $500,000 in each of fiscal years 2019 through 2024 from the Pharmacy Fund to the CSPMP Fund.

[D] Laws 2024, Ch. 209, Sec. 133, required $6.3 million of the Board's fund balance to be transferred to the State General Fund in fiscal year 2024 for the purpose of providing adequate support and maintenance for State agencies.

Although the accumulation of the fund balance over several years may reflect a planned use of accumulated funds or an external allocation of resources, the absence of a documented fee analysis makes it unclear whether current fee levels are appropriate to support the Board's operational needs and long-term financial stability. Periodic evaluation of its fees could help ensure that fee levels are commensurate with the cost of regulation and aligned with the Board's financial planning. Such evaluations could also be integrated into the Board's statutorily required 5-year rule review process. By not evaluating the appropriateness of its fees to help ensure they are commensurate with the cost of their regulatory activities, the Board may be collecting more or less revenue than it needs to operate.

The Board did not sustain its efforts to develop a method for determining and tracking the direct and indirect costs for its regulatory processes

Although the Board began implementing the Auditor General's recommendation to develop a method for determining and tracking the direct and indirect costs for its regulatory processes and established policies and procedures for using this method, it did not sustain its implementation efforts. Specifically, as of the Auditor General's 36-month followup report in April 2024, the Board was in the process of working with the

[56] Laws 2024, Ch. 209, Sec. 133, required $6,300,000 of the Board's fund balance to be transferred to the State General Fund in fiscal year 2024 for the purpose of providing adequate support and maintenance for State agencies.

Arizona Governor's Transformation Office (Office) to evaluate the Board's regulatory processes.[57] The Office's assistance included conducting observations of some field inspections and recommending that the Board track the time it spends on various compliance-related activities, including travel time. However, as of May 2025, the Board had not continued efforts to develop a process to analyze and modify the Board's fee structure. As a result, the Board has not determined the direct and indirect costs of its services, established requirements for periodic fee review, or modified its rules to reflect the cost of services as recommended.

Recommendations to the Board:

The Board should:

17. Ensure that all future fee adjustments comply with statutory requirements for aligning fees with actual and anticipated costs.
18. Develop and implement formal procedures for a comprehensive cost and fee review into the Board's required 5-year rule review process, including cost analyses to assess whether fees are aligned with the cost of providing regulatory services.
19. Establish a fund balance policy to define reserve targets and guide the long-term fiscal management of Board resources.
20. Initiate a rulemaking, including obtaining public and stakeholder input on proposed fees, to establish all fees charged if the Board determines the fee(s) are necessary.
21. Conduct a comprehensive fee analysis that includes identification of each fee the Board charges; a calculation of the direct and indirect costs associated with providing each related service; a comparison of each fee to the associated cost of service; and document the results of the analysis, including recommendations for fee adjustments or rulemaking if fees are not cost-based.

Board Response:

As outlined in its **response**, the Board agrees with the finding and will implement the recommendations in a different manner.

[57] Arizona Auditor General 36-month followup to report 20-106 *Arizona State Board of Pharmacy*.

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 agency. 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 was established in 1903 to protect the health, safety, and welfare of the citizens of Arizona by regulating the practice of pharmacy and the manufacturing, distribution, sale, and storage of prescription medications and devices and non-prescription medications. Specifically, the Board is responsible for:[58]

- Issuing licenses to pharmacists, pharmacy technicians, pharmacy technician trainees, and pharmacy interns.
- Issuing permits to pharmacies, remote pharmacies and kiosks, manufacturers, wholesalers, compressed medical gas suppliers and distributors, durable medical equipment suppliers and distributors, and third-party logistics providers.
- Conducting compliance inspections of permitted facilities.
- Investigating complaints and adjudicating violations of applicable state and federal laws and rules.
- Administering the Controlled Substance Prescription Monitoring Program.
- Providing required information about licensees to the public, including licensees' disciplinary and nondisciplinary histories.

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

The Board complied with requirements related to some of its statutory objectives we reviewed.[59] Specifically, the Board:

- **Issued initial licenses we reviewed to qualified applicants.** Our review of a sample of 20 of 6,146 initial applications the Board received in fiscal year 2024 found that the Board issued licenses to qualified applicants who met education and certification requirements, possessed a valid fingerprint clearance card, and paid required licensing fees.

- **Issued most initial licenses within 180-day time frame required in rule.** Based on Board data, the Board processed and approved or denied 6,119 of the 6,146, or 99.5%, of initial applications received in fiscal year 2024 within the 180-day time frame required in rule.[60] We reviewed 8 of the 27 applications that were not processed within 180 days and found that in these cases the

[58] A.R.S. §§32-1904, 32-1930, 32-3214, 32-4304, 32-4801, and 36-2602.

[59] A.R.S. §§32-1904 and 32-1922 through 32-1925; and A.A.C. R4-23-201 through R4-23-204 and R4-23-301 through R4-23-302.

[60] A.A.C. R4-23-202(F)(5).

applicant had submitted an incomplete application so the Board's actual processing time, once it had a complete application, was less than 180 days.

- **Issued renewal licenses we reviewed within 180-day time frame required in rule to qualified applicants**. Our review of a sample of 10 of 11,889 renewal license applications the Board received and renewed in fiscal year 2024 found that the Board issued renewals to applicants that met rule and statutory requirements and renewals were issued timely.[61] Although the renewal applications we reviewed were processed timely, the Board does not have an automated or systematic approach to tracking and monitoring renewal licenses that would enable it to identify licenses at risk for being renewed untimely, such as licensing system reporting or manual tracking through software applications such as a spreadsheet.

However, we identified deficiencies in several Board processes related to its key statutory objective and purpose. Specifically, the Board:

- **Did not issue 1 initial permit application within the time frames required by rule and did not refund the applicant's fee.** We judgmentally selected 15 of 4,525 permits the Board issued between fiscal years 2020 and 2024 to assess compliance with required time frames for permit applications established in Board statutes and rules. [62,63] Our review identified that for 1 of the 15 sampled permits, a medical gas supplier, the Board did not process the application within 60 days as required by rule.[64] In this instance, the Board reviewed and approved the permit application in 61 days, 1 day late. In addition, the Board also did not refund the applicant's fee, as required by statute.[65] The Board attributed this delay to its mistaken belief that permit application processing time frames were measured in business days rather than calendar days, despite Board rules explicitly requiring use of calendar days. This misinterpretation of rule requirements resulted in the Board failing to meet the established review deadline.

[61] A.R.S. §32-1925 and A.A.C. R4-23-602.

[62] Between fiscal years 2020 and 2024 the Board issued permits to 1,775 pharmacies, 1,102 manufacturers, 642 medical gas, 606 wholesaler, 271 third-party logistics, 119 remote pharmacies, and 10 nonprescription retailers.

[63] We judgmentally selected 15 of the 4,525 permits the Board issued between fiscal years 2020 and 2024 to assess compliance with required time frames for permit applications established in Board statutes and rule. Because the Board did not consistently track key dates for each application, we could not generate a complete list from which to draw a random or statistically representative sample. Therefore, we judgmentally selected our sample instead. Our sample included a mix of permit types—such as independent, hospital, chain, and limited-service pharmacies (7); remote pharmacies (2); manufacturers (2); medical gas distributors and suppliers (3); and a wholesaler (1)—and was selected based on facility type and when the application was submitted. These criteria helped ensure our sample reflected a diverse cross-section of permit types across fiscal years 2020 to 2024.

[64] Per A.A.C. R4-23-602, the Board is required to issue a compressed medical gas distributor permit on the same day it determines that an administratively complete application has been received. This determination must occur within 60 days of the application's submission.

[65] A.R.S. §41-1077(A) stipulates that if an agency does not issue an applicant a written notice granting or denying a license within the overall time frame or within the time frame extension pursuant to A.R.S. §41-1075, the agency shall refund the applicant all fees charged.

To improve licensing time frame compliance, the Board had contracted with a new licensing system provider—the same provider that many other Arizona licensing boards have adopted—to create a new system that would enable it to better track licensing and complaint activity. According to management, the development of this system did not meet the needs of the Board, and the Board determined that the best course of action was to cancel that project and contract with a different system provider. As of September 2025, the Board has begun this effort and reported that it will be in a position to provide a status update within the fiscal year.

- **Did not require nor establish a process to verify designated representatives possess valid fingerprint clearance card at renewal, increasing the risk that individuals with disqualifying criminal backgrounds may retain facility representation.** Statute requires that some licensees who are designated as a representative for a permitted facility possess a valid fingerprint clearance card as a requirement for the permit.[66] The purpose of the fingerprint clearance card process is to examine a potential licensee's criminal background history to determine eligibility for a license, and to identify potential disqualifying criminal conduct of licensees on an ongoing basis. Although the Board requires applicants who are the designated representative for a permitted facility have a valid fingerprint clearance card when applying for the permit and when there is a change in the designated representative, the Board does not require nor have a process to verify that these designated representatives maintain valid fingerprint clearance cards. The Board's practice of not requiring designated representatives to maintain an active fingerprint clearance card defeats the purpose of requiring designated representatives to have an active fingerprint card at the time of initial application and increases the risk that a designated representative will continue to represent a facility when they have a disqualifying criminal record.

- **Established a process for inspecting permitted facilities at least once every 12 to 18 months depending on the facility type and met this target for 67% of facilities as of February 11, 2025.** While statute and rule do not include required inspection time frames, the Board established an informal goal to inspect permitted facilities for compliance with Arizona statute and rules once every 12 to 18 months depending on the facility type.[67] Inspections play a critical role in ensuring permitted facilities are safely handling prescription drugs, protecting staff, and safeguarding patient care. As of February 11, 2025, 681 facilities were overdue for inspection and 1,403 facilities, or 67%, were inspected within the target time frame.

  In February 2024, the Board implemented a risk-based process to track and prioritize inspections using a spreadsheet. The spreadsheet includes the inspection status of all permitted facilities that

Compounding is the process of combining, mixing, or altering ingredients to create a medication tailored to the needs of an individual patient. Poor compounding practices could impact the quality of the drug and increase health and safety risk to patients.

Source: U.S. Food and Drug Administration (FDA) website.

[66] A.R.S. §§32-1941(F) and 32-1982(B)(7).

[67] The Board set a target to complete routine compliance inspections for most facility types once every 18-months and a target to inspect higher risk facilities such as compounding pharmacies and outsourcing facilities that compound sterile or nonsterile products including hazardous compounds once every 12-months.

require routine inspections, date of the last inspection, violations issued to the facility, and prioritizes facility inspections to those the Board deems to be at the highest risk. In addition to establishing a risk-based approach to prioritizing inspections, the Board should also consider reviewing its established targets for completing inspections to determine whether the current targets are achievable with existing staffing capacity, but also align with inspection trends and balance associated risks of noncompliance with meeting the Board's statutory objectives.

- **Did not comply with the Arizona Department of Administration (ADOA) remote work policy, limiting operational efficiency and oversight of remote employees.** ADOA's remote work policy for State employees, including Board staff, permits State employees to work remotely if they annually complete remote work agreements.[68] However, prior to April 2025, the Board only had current remote work agreements for 3 of its 25 employees it reported work remotely (see Introduction, pages 8 through 9, for information on the Board remote work program and staffing model).[69] According to the Board, it did not complete the required remote work agreements because it was unaware of ADOA remote work requirements and did not have processes in place to track remote work agreements and ensure it was following ADOA requirements for remote workers. In April 2025, the Board required all 25 remote workers to complete remote work agreements through ADOA's remote work agreement web portal.

  Further, ADOA's remote work policy requires supervisors to establish productivity and quality standards and implement accountability measures for remote employees. While the Board developed some productivity standards for some of its staff, it did not establish comparable standards or accountability measures for all remote staff. According to the Board, due to the unique responsibilities of some staff it is challenging to develop standard metrics to track productivity for all its remote workers. However, the Board could still track some metrics to provide accountability measures for remote staff. For instance, for Board staff working on the CSPMP, the Board could track various outputs, such as the number of noncompliance letters sent to other Arizona professional licensing oversight boards or the number of outreach efforts of staff working with facilities that did not meet mandatory reporting requirements. The Board's inconsistent remote work practices limit operational efficiency and hinder oversight, reducing the Board's ability to demonstrate that remote work arrangements effectively support its regulatory and organizational goals.

- **Did not enforce or help enforce compliance with CSPMP requirements, limiting the program's effectiveness and exposing the public to increased risk of prescription drug misuse and overdose.** The Board failed to ensure full prescriber, pharmacist, and pharmacy compliance with CSPMP statutory mandates by not identifying all noncompliant actors, limiting referrals to other licensing boards, allowing delayed dispenser reporting, and forgoing enforcement tools. To address these issues, we recommend the Board enhance its monitoring and enforcement

[68] ADOA Arizona State Personnel System Statewide Policies and Procedures: Remote Work Program Policy.

[69] As of April 2025, the Board reported that 1 employee works in-office, 1 works fully remotely out of state, 17 employees follow a hybrid schedule of 2 to 3 days in-office per week, and 7 compliance officers primarily work remotely in the field, reporting to the office 2 to 3 days per month for required meetings.

processes, establish clear policies and reporting practices for enforcement, and collaborate with other Arizona professional licensing boards to support and track enforcement actions. See Finding 1 and 2, pages 12 through 22.

- **Did not base license and permit fees on the cost of services, resulting in excessive fund balances and unclear alignment with operational needs.** As discussed in Finding 4 (see pages 28 through 30), the Board revised its fees without conducting a cost analysis to demonstrate its fees are based on its cost to provide services, despite prior recommendations to do so. To address these issues, we recommend the Board address prior audit recommendations; implement a comprehensive, cost-based fee evaluation process; ensure its fees align with statutory requirements and the costs of providing services; and develop fiscal management practices, including a fund balance policy and periodic fee reviews.

Recommendations to the Board:

22. Refund permit or license fees to applicants when the Board fails to meet regulatory time frames, as required by statute.
23. Establish and document a tracking process to record key licensing and permitting timelines, and incorporate this functionality into the Board's planned licensing system. Use this process to monitor compliance with regulatory time frames.
24. As the Board develops and implements a new licensing system, implement short-term measures to track licensing and permitting timelines to better ensure timeliness requirements are met.
25. Develop and implement a process to ensure regulatory time frame requirements for initial and renewal permit applications are met, including measuring compliance with processing time frames using calendar days as required by rule.
26. Develop and implement a process to ensure designated representatives have an active fingerprint clearance card at the time of permit renewal by (a) obtaining the applicant's fingerprint clearance card number and (b) verifying the validity of the card through the Arizona Department of Public Safety online portal.
27. Assess whether current targets for completing facility inspections are consistent with Board expectations, are achievable given available staffing resources, and whether established inspection intervals remain appropriate.
28. Identify and implement productivity and quality standards as well as accountability measures for all remote workers.
29. Document remote worker expectations, performance standards, and accountability procedures in internal policies.
30. Implement a process to ensure all remote workers complete remote work agreements annually, and retain these agreements in personnel files.

Board Response:

As outlined in its **response**, the Board agrees with the findings and will implement recommendations 22, 27, 28, 29, and 30 and will implement recommendations 23, 24, 25, and 26 in a different manner.

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 that duplicate the Board's key statutory objectives and purposes.

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

Our review of the Board's statutes and rules found that the Board has adopted rules when required to do so.

Additionally, the Board is required to review its rules and submit a report to the Governor's Regulatory Review Council (GRRC) every 5 years summarizing its findings as to whether any of its rules should be amended or repealed with any proposed course of action. The report must include an analysis of whether the rules are authorized by, and consistent with, statute. Our review of the Board's 5-year review report developed for GRRC, as well as the work conducted over the course of the audit, did not identify any Board rules the Board has adopted that are inconsistent with its legislative mandate and it has undergone periodic rulemakings to update its rules.

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 provided public access to rulemakings, including soliciting public input when making rules. Specifically, our review of the Board's 3 most recent rulemakings finalized in October 2024, September 2024, and January 2024 found that:

- The Board informed the public of its recent rulemakings and provided opportunities for public input.
- The Board published notices of these proposed rulemakings in the Arizona Administrative Register and provided the contact information for Board staff who could receive public input about the proposed rulemakings.
- The Board allowed the public to submit written comments on proposed rule changes for at least 30 calendar days after it published the first notice of proposed rulemaking for all 3 of the proposed rulemakings. Specifically, for 1 of the rulemakings, the Board did not receive any comments from the public. The Board received public input to modify its proposed rulemaking in 1 instance and subsequently revised its proposed rulemaking in response.

The Board provided public information as required in some instances we reviewed, but not in other instances. Specifically, the Board:

- **Responded to all 3 public records requests we submitted; but did not have a process to acknowledge all public records requests.** Between July 2022 and April 2025, the Board reported receiving 174 public records requests. The Board responded to and fulfilled 164, or 94%, of these within 5 business days. In addition, we submitted 3 requests through the Board's website, and the Board provided the requested information within 0 and 5 business days of the requests. However, the Board did not have a process in place to acknowledge public records requests within 5 business days of receipt, as required by statute, for those requests it was unable to fulfill within 5 business days.[70] In August 2024, when the Board implemented a new public records submission system, system functionality was designed to send automatic acknowledgement notifications for requests submitted through its online public records request platform; however, it continued not to have a process in place to acknowledge requests that were submitted to the Board outside of its online platform, such as through the mail and e-mail. As a result, for 10 of the 174 requests, although the requests were fulfilled within 8 and 50 business days of receipt, the Board did not send acknowledgement receipts for the requests within the required 5 business day time frame. According to the Board, it was unaware of the requirement to send acknowledgement receipts of the requests within 5 business days and indicated that moving forward it would implement a process to acknowledge all requests received regardless of how the request was submitted.

- **Ensured access to public records by promptly answering phone calls during office hours.** Board staff answered all 3 anonymous calls we placed and either provided the requested information or clearly explained the fastest way to obtain it. Although statute does not specifically require the Board to respond to public records requests by phone, A.R.S. §39-121 requires public records to be "open to inspection by any person at all times during office hours." By answering calls, the Board supports timely public access. Board staff correctly supplied the requested information in 2 instances and appropriately withheld information related to an open complaint in 1 instance.

- **Incorrectly posted information longer than allowed by statute.** Statute requires the Board to post disciplinary and nondisciplinary actions taken by the Board on its website for up to 5 years.[71] We reviewed licensee and permit holder records on the Board's website directory for the sample of 20 complaints examined as part of this audit, plus an additional pending complaint from fiscal year 2025, and found that the Board posted or withheld information from its online licensee directory in compliance with statute.

  In addition to posting actions within licensee records in its online directory, the Board posted a webpage with disciplinary actions that included 128 disciplinary actions against licensees that were older than 5 years, inconsistent with statute.[72] Further, the Board had 2 different lists of disciplinary

[70] A.R.S. §39-171(B).

[71] A.R.S. §32-3214(B). All disciplinary actions against a licensee or certificate holder shall be available on the health profession regulatory board's website for not more than five years. If a health profession regulatory board issues a final nondisciplinary order or action, the record of the final nondisciplinary order or action shall be made available on the board's website for not more than five years.

[72] A.R.S. §32-3214(B).

actions posted in different locations that contained different information. Posting disciplinary actions taken by the Board more than 5 years ago violates statute and may unduly impact the rights and business of practitioners that have since remained in good standing. Board staff reported they were unaware that the webpage included references to complaints more than 5 years old and that an old webpage list that conflicted with the new list of disciplinary actions was still accessible on the Board's website. Upon notification, on May 21, 2025, the Board began removal of the noncompliant data and secondary page from its website. The Board completed this effort on August 20, 2025.

Finally, we reviewed the Board's compliance with open meeting law requirements for all 4 Board meetings held in January through March 2025 and found that the Board complied with open meeting law requirements we reviewed, such as posting meeting notices at least 24 hours in advance of the meeting time, and properly noticing the potential for executive sessions on meeting agendas.

Recommendations to the Board:

31. Develop and implement a process to acknowledge public requests received by the Board outside of its online platform, such as through mail and e-mail, within 5 business days.
32. Develop and implement a process to identify and remove all Board disciplinary and nondisciplinary actions/orders against licensees from its website after 5 years as required by statute.

Board Response:

As outlined in its **response**, the Board agrees with the finding 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 reported in Finding 3 (pages 23 through 27), the Board took more than 180 days to resolve nearly half the complaints it received in fiscal year 2024. Specifically, the Board took more than 180 days to resolve 46% of complaints received in fiscal year 2024, ranging between 0 and 553 calendar days to close complaints. An additional 39 cases, or 5% of complaints received in fiscal year 2024, were pending as of the end of February 2025.

The Board's failure to timely and consistently resolve complaints may negatively affect patient safety and may cause an undue burden for licensees under investigation for lengthy periods of time. We recommended that the Board investigate and resolve complaints within 180 days; revise and implement complaint handling policies to define timeliness at each step of the process; establish a process to review complaint reports and monitor investigation timelines; reduce delays between investigation completion and Board review; document reasons for missed internal deadlines when applicable; and ensure the Executive Director timely processes complaints delegated for adjudication. See Finding 3, pages 23 through 27, for more information.

Sunset factor 7: The extent to which the level of regulation exercised by the agency 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 other states. Specifically:[73]

- **Licensing and education requirements—**Arizona, like most states, mandates that pharmacist applicants graduate from a program accredited by the Accreditation Council for Pharmacy Education (ACPE) or be certified by the Foreign Pharmacy Graduate Examination Committee. Specifically, 41 states—including Arizona—require graduation from an ACPE-accredited program. Six states do not specify an accreditation requirement, while only 3 states—Texas, South Carolina, and Washington—accept either a Bachelor's or Doctor of Pharmacy degree.

- **Experience requirements—**Arizona's experience requirements for pharmacist licensure are consistent with those of most other states but fall on the lower end compared to some. Specifically, as shown in Exhibit 8, states generally require experience hours within 5 ranges, and Arizona's requirement of 1,500 internship hours aligns with 25 other states but is less than 10 states that mandate 1,501 or more internship hours for licensure.

Exhibit 8. Comparison of Experience Requirements

Experience Requirements	Number of States within Range
1,200 hours or less	3
Between 1,201-1,500 hours	25
1,501 hours or more	10
Not specified	9
Not required	1
Other	2

Source: Audit staff analysis of other states continuing education requirements for pharmacy board licensees.

- **Examination requirements—**Arizona's pharmacist exam requirements align with those of the majority of other states. Specifically, Arizona requires applicants to pass both the North American Pharmacist Licensure Examination (NAPLEX) and the Multistate Pharmacy Jurisprudence Examination (MPJE), which is consistent with the licensing criteria in 37 other states, including Idaho and Oregon. An additional 8 states either require an exam without specifying which one, or require the NAPLEX, MPJE, and an additional exam. The remaining 5 states do not specify exam requirements.

- **Background checks—**Arizona requires initial license applicants to apply for a fingerprint clearance card as part of its licensing requirements. Twelve other states also require some sort of criminal background check for licensure that may involve a fingerprint-based criminal history

[73] We reviewed the websites or other publicly available regulatory information for each state's pharmacy board as of May 2025, including organizational structures, licensing requirements, and disciplinary authority.

records check or a fingerprint clearance card. The remaining 37 states do not specify background check requirements.

- **Premise inspections—**Similar to other states, Arizona requires permitted facilities to undergo inspection as part of the permitting process. However, states differ in the types of facilities they inspect. For instance, Arizona inspects all resident permitted facilities, though compressed medical gas supplier/distributor and durable medical equipment supplier/distributor facilities do not undergo an opening inspection prior to becoming permitted. In contrast, Utah limits inspections to pharmacies, manufacturers, and wholesalers.

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

The State's conflict-of-interest requirements exist to remove or limit the possibility of personal influence impacting a decision of a public agency employee or public officer. Specifically, 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.[74] 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, 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 anytime there is a change.[75] 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 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 course of the Arizona Auditor General's work, such as employees/public officers failing to disclose substantial interests and participating in matters related to these interests, they have recommended several practices and actions to various school districts, State agencies, and other public entities.[76] These recommendations are based on recommended practices 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

[74] A.R.S. §38-503; Arizona Attorney General. (2018). *Attorney General's Agency Handbook 8.2.1*. Retrieved 4/10/2025 from https://www.azag.gov/office/publications/agency-handbook.

[75] Arizona Department of Administration. (2024). *State personnel system employee handbook*. Retrieved 4/10/2025 from https://drive.google.com/file/d/12uumNZLSBkfp33AaL9uHym0K9e6l9_II/view.

[76] See, for example, 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.

of the importance of complying with the State's conflict-of-interest laws.[77] 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.[78] These recommended practices also indicate that agencies develop a formal remediation process and provide periodic training to ensure that identified conflicts are 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.

Although the Board's conflict-of-interest policy and processes align with some State conflict-of-interest requirements and recommended practices, the Board:

- **Used a disclosure form for Board members that did not align with recommended practices.** The Board's disclosure form for Board members did not require Board members to specify all business interests, business interests of relatives, or secondary employment that could result in a substantial interest—matters that could produce substantial interests—increasing the risk that Board members' conflicts were not properly documented or addressed.[79] Additionally, although the Board member form required members to affirm their understanding of requirements for disclosure of conflicts and recusal, it did not require members to provide an "affirmative no" attestation.

- **Used a disclosure form for Board staff that did align with recommended practices and Arizona Administrative Code.** The Board's disclosure form for Board staff did not require Board staff to specify all business interests, business interests of relatives, or secondary employment that could result in a substantial interest—matters that could produce substantial interests—increasing the risk that Board staff's conflicts were not properly documented or addressed. In addition, the Board's form did not require staff to report whether they had any relatives employed by the State, as required by the ADOA's *State Personnel System Employee Handbook* and conflict-of-interest form.[80]

- **Did not maintain all disclosures of substantial interest in a single special file as required by statute.** Although the Board maintained a file containing annual conflict-of-interest disclosures

[77] 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 4/10/2025 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). (2021). Conflicts of interest: An ECI benchmarking group resource. Retrieved 4/10/2025 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 4/10/2025 from https://www.abo.ny.gov/recommendedpractices/ConflictofInterestPolicy.pdf.

[78] As previously discussed, the ADOA disclosure includes a field for the individual to provide an "affirmative no."

[79] The Board utilized 2 disclosure forms, 1 for Board members and 1 for Board staff, in fiscal year 2024.

[80] A.A.C. R2-5A-305.

forms, the file did not contain recusal disclosures made during Board meetings. Rather, the Board stored recusal disclosures in a file with meeting agendas and minutes. Statute requires all documents necessary to memorialize all disclosures of substantial interest, including disclosure forms and official meeting minutes containing recusal disclosures to be maintained together in a special file available for public inspection.[81]

In May 2025, the Board implemented a conflict-of-interest policy to align with statutory requirements and recommended practices, including revising its disclosure form to align with statutory requirements and recommended practices, and establishing a special disclosure file to organize and publicly maintain all employee and Board member disclosures. As of May 2025, the Board provided evidence of an electronic file containing conflict-of-interest documentation that is available to the public.

Recommendations to the Board:

The Board should:

33. Use a conflict-of-interest disclosure form that addresses State requirements for disclosing conflicts of interest.
34. Continue to store all substantial interest disclosures, including disclosure forms and meeting minutes, in a special file available for public inspection.

Board Response:

As outlined in its **response**, the Board agrees with the finding and will implement the recommendations.

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.

As discussed in Finding 2 (see pages 16 through 22), we made 2 recommendations to the Legislature to (1) consider revising statute to require all practitioners who prescribe Schedule II–V drugs in Arizona to obtain a single, Board–issued and enforced controlled-substance CSPMP registration, or (2) alternatively, clarify whether professional licensing boards are required to take enforcement action when their licensees violate CSPMP requirements.

Additionally, this audit revealed an issue related to fingerprint clearance cards where potential statutory changes warrant consideration (see textbox on page 43). Specifically, although statute requires initial licensure applicants to apply for a fingerprint clearance card, the Board does not require any of its licensees to maintain a fingerprint clearance card at renewal because it does not have the statutory authority to do so.[82] The Arizona Auditor General recommended in its 2020 performance audit and sunset review that the Board should work with the Legislature to amend statute to require licensees to maintain a valid fingerprint clearance card and submit it at renewal. However, as of the Arizona Auditor General's 36-month follow-up

[81] A.R.S. §§38-502(3) and 38-509.

[82] A.R.S. §32-1904(A)(6).

report, the Board had decided not to require licensees to maintain a valid fingerprint clearance card and submit them at renewal because statute already requires licensees to report certain misdemeanors and felonies to the Board.

However, fingerprint clearance cards rely on information from law enforcement agencies, which provides better assurance that an applicant has not been arrested, charged, or convicted of a criminal offense that would preclude their ability to have their license renewed. Therefore, by not requiring licensees to maintain a valid fingerprint clearance card and submit them at renewal, and relying solely on renewal applicants to self-disclose, the Board cannot independently ensure that its licensees have not been arrested or convicted of an offense that would preclude them from renewing their license.

Fingerprint clearance card

A card that the Arizona Department of Public Safety (DPS) issues indicating that the cardholder is not awaiting trial for or has not been convicted of committing only certain precluding criminal offenses, such as sexual assault, forgery, and concealed weapon violations. DPS issues this card based on its review of an applicant's criminal history record information.

If a cardholder is arrested for a precluding offense, DPS is authorized to suspend the card. DPS is also required to notify the cardholder and the entity if the cardholder is employed or licensed by an entity that is statutorily authorized to receive notification that the card is suspended pending the outcome of the arrest.

Source: Audit staff review of A.R.S. §41-1758 et seq.

Recommendations to the Legislature

3. Consider modifying statute to require the Board's licensees to maintain a valid fingerprint clearance card and submit them at renewal.

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

Terminating the Board could impact public health, safety, and welfare if its regulatory responsibilities were not transferred to another entity. The Board is responsible for protecting the public by licensing and regulating pharmacy professionals and permitted facilities, conducting compliance inspections, investigating complaints, and enforcing pharmacy laws, which can help to prevent unqualified practitioners from dispensing medications, unsafe drug practices, and the diversion of controlled substances.

The Board also administers the CSPMP, a key tool in reducing opioid abuse and detecting prescription fraud, which in calendar year 2024, resulted in medical practitioners reporting over 2.7 million opioid prescriptions—data that is critical for prescribers, pharmacists, and law enforcement in monitoring prescribing practices, identifying potential misuse, and upholding public health and safety. The Board's enforcement responsibilities include taking disciplinary actions against individuals and facilities that violate pharmacy laws and regulations.

Without the Board's oversight, regulatory inefficiencies, enforcement gaps, and public safety risks could arise, as federal agencies like the DEA and FDA do not provide the same level of state-specific regulatory enforcement. Although deregulation could reduce compliance costs for businesses, it could also increase risks of medication errors, unsafe compounding practices, and an erosion of public trust in pharmacy services.

Sjoberg Evashenk Consulting makes 34 recommendations to Board and 3 recommendations to the Legislature

Recommendations to the Board

1. Verify whether pharmacists complied with statutory requirements to obtain and review a patient-utilization report from the CSPMP before dispensing any Schedule II controlled-substance prescription, where required.
2. Require pharmacist-level identifiers in dispensation reporting to enable pharmacist compliance monitoring.
3. Review pharmacy dispensation reporting compliance on a daily basis and notify pharmacies of discrepancies within 24 hours of identified noncompliance.
4. Develop and implement policies and procedures for Board enforcement activities related to permitted facilities that do not comply with the 24-hour mandatory CSPMP reporting requirement. These policies and procedures should include guidance for when statutory enforcement tools, such as civil penalties and permit suspension or revocation, should be used.
5. Work with the Governor, President of the Arizona Senate, and Speaker of the Arizona House of Representatives to establish and appoint members to a working group to develop a strategic approach for identifying noncompliant prescribers in the CSPMP, such as establishing requirements to enter information in the CSPMP about exempt prescriptions and/or integrating the system that identifies potential noncompliance with the system that records prescriber queries in the CSPMP.
6. Develop and implement a plan that identifies the personnel, information system changes, and methods required to more comprehensively assess noncompliance of prescribers or pharmacies flagged by the CSPMP. This could include selecting a larger review sample of prescribers to determine compliance based on risk, selecting a sample of prescribers randomly, and working with the Governor's Office and Legislature as needed to obtain any necessary resources.
7. Based on the plan referenced in Recommendation 6, increase the Board's review of potentially noncompliant prescribers.
8. Develop and implement a process to at least monthly notify the appropriate Arizona professional licensing boards of prescribers who are not registered with the CSPMP.
9. If statute is revised to require all practitioners who prescribe Schedule II–V drugs in Arizona to obtain a single, Board–issued controlled-substance registration and/or authorize the Board to enforce compliance with CSPMP registration and use requirements, the Board should take steps to implement any statutory provisions and/or requirements included in the revisions, including but not limited to adopting rules as authorized and appropriate, and developing and implementing policies and procedures for complying with statutory requirements.
10. Investigate and resolve complaints within 180 days.

11. Revise and implement its complaint handling policy to clearly identify and outline each step of the process for which timeliness checks are mandatory according to statute, rule, or recommendation from the Auditor General, or may be warranted based on the priority-level of the complaint.
12. Develop and implement a process for management to review complaint reports of all in-progress and completed complaints and track interim and overall time frames for investigating and resolving complaints to identify bottlenecks and opportunities to improve the complaint handling processes.
13. Update policies and procedures outlining time frames for the Executive Director to review complaints referred for dismissal under delegated authority.
14. Reduce the time between investigation completion and agendizing for review before the Board by either scheduling Board meetings more frequently, or by shortening the internal deadline for complete investigative packet submission ahead of Board meetings, or both.
15. Establish a process to document the reason for missing the submission deadline for an upcoming meeting in compliance with policy regarding permissible investigative timeline extensions for extenuating circumstances.
16. Ensure the Executive Director timely processes all complaints assigned to them for adjudication and resolution as delegated by the Board, including by revising Board policy to define expected time frames for Executive Director review and action.
17. Ensure that all future fee adjustments comply with statutory requirements for aligning fees with actual and anticipated costs.
18. Develop and implement formal procedures for a comprehensive cost and fee review into the Board's required 5-year rule review process, including cost analyses to assess whether fees are aligned with the cost of providing regulatory services.
19. Establish a fund balance policy to define reserve targets and guide the long-term fiscal management of Board resources.
20. Initiate a rulemaking, including obtaining public and stakeholder input on proposed fees, to establish all fees charged if the Board determines the fee(s) are necessary.
21. Conduct a comprehensive fee analysis that includes identification of each fee the Board charges; a calculation of the direct and indirect costs associated with providing each related service; a comparison of each fee to the associated cost of service; and document the results of the analysis, including recommendations for fee adjustments or rulemaking if fees are not cost-based.
22. Refund permit or license fees to applicants when the Board fails to meet regulatory time frames, as required by statute.
23. Establish and document a tracking process to record key licensing and permitting timelines, and incorporate this functionality into the Board's planned licensing system. Use this process to monitor compliance with regulatory time frames.
24. As the Board develops and implements a new licensing system, implement short-term measures to track licensing and permitting timelines to better ensure timeliness requirements are met.

25. Develop and implement a process to ensure regulatory time frame requirements for initial and renewal permit applications are met, including measuring compliance with processing time frames using calendar days as required by rule.
26. Develop and implement a process to ensure designated representatives have an active fingerprint clearance card at the time of permit renewal by (a) obtaining the applicant's fingerprint clearance card number and (b) verifying the validity of the card through the Arizona Department of Public Safety online portal.
27. Assess whether current targets for completing facility inspections are consistent with Board expectations, are achievable given available staffing resources, and whether established inspection intervals remain appropriate.
28. Identify and implement productivity and quality standards as well as accountability measures for all remote workers.
29. Document remote worker expectations, performance standards, and accountability procedures in internal policies.
30. Implement a process to ensure all remote workers complete remote work agreements annually, and retain these agreements in personnel files.
31. Develop and implement a process to acknowledge public requests received by the Board outside of its online platform, such as through mail and e-mail, within 5 business days.
32. Develop and implement a process to identify and remove all Board disciplinary and nondisciplinary actions/orders against licensees from its website after 5 years as required by statute.
33. Use a conflict-of-interest disclosure form that addresses State requirements for disclosing conflicts of interest.
34. Continue to store all substantial interest disclosures, including disclosure forms and meeting minutes, in a special file available for public inspection.

Recommendations to the Legislature

1. Consider revising statute to require all practitioners who prescribe Schedule II–V drugs in Arizona to obtain a single, Board–issued controlled-substance registration and authorize the Board to enforce compliance with CSPMP registration and use requirements.
2. As an alternative to Recommendation 1, consider revising statute to clarify whether Arizona professional licensing boards are required to take enforcement action when their licensees violate CSPMP registration or use requirements, and to establish time frames for initiating and/or completing such actions.
3. Consider modifying statute to require the Board's licensees to maintain a valid fingerprint clearance card and submit them at renewal.

Appendix A. Board has implemented or implemented in a different manner 2 of 18 outstanding recommendations from the Auditor General's 2020 sunset review

The September 2020 Arizona State Board of Pharmacy performance audit and sunset review found that the Board did not fulfill several regulatory responsibilities, base its fees on the cost of providing services, enforce compliance with State Controlled Substances Prescription Monitoring Program (CSPMP) requirements, and provide accurate and complete information to the public. The Arizona Auditor General made 42 recommendations to the Board to address these issues. The Auditor General's April 2024 36-month followup report found that 1 of the 42 recommendations was no longer applicable, and the Board had implemented, implemented in a different manner, or partially 24 of 42 recommendations.

During our audit, we followed up on the 18 recommendations the Board had not fully implemented, and the Board's status in implementing these 18 recommendations is as follows:

Status of 18 recommendations

- Implemented 2
- Not implemented 2
- No longer applicable—superseded by new recommendation(s) 14

The Board has implemented 2 recommendations, and has not implemented 2 recommendations. The remaining 14 recommendations are no longer applicable because we identified similar issues during our audit, resulting in new recommendations in Finding 1 (see pages 12 through 15), Finding 3 (see pages 23 through 27), Finding 4 (see pages 28 through 30), Sunset Factor 2 (see pages 31 through 36), Sunset Factor 5 (see pages 36 through 38), and Sunset Factor 9 (see pages 42 through 43) that encompassed or expanded on these 14 recommendations.

Finding 1: Board did not ensure licensees and facilities we reviewed were qualified to practice and operating safely

2. The Board should work with the Legislature to amend statute to require licensees to maintain a valid fingerprint clearance card and submit them at renewal.

   Not implemented—As reported in the Auditor General's 18-month followup of the Board's 2020 performance audit and sunset review of the Board, in March 2021, the Board convened a task force consisting of Board members and stakeholders that recommended the Board not require licensees to maintain a valid fingerprint clearance card and submit them at renewal because statute already requires licensees to report certain misdemeanors and felonies to the Board. The Board voted to accept the task force's recommendation during its March 2021 regular Board meeting. However, fingerprint clearance cards are based on law enforcement records and provide stronger assurance that licensees have not been arrested or convicted of offenses that may impact their eligibility. As a result, although the Board has not implemented the recommendation and does not plan to do so, we made a

recommendation to the Legislature to address this issue (see Sunset Factor 9, pages 42 through 43, recommendation to the Legislature 3).

7. The Board should consistently meet established inspection time frames by developing and implementing processes for tracking and monitoring the completion of facility inspections.

   No longer applicable—superseded by new recommendation(s)—As of February 2025, the Board implemented a process to track and monitor the completion of inspections; however, the Board still had not met all established inspection time frames. We made a new recommendation in Sunset Factor 2 that incorporates this recommendation (see Sunset Factor 2, pages 31 through 36, and recommendation 27, page 35). Therefore, this recommendation is no longer applicable.

Finding 2: Board's license and permit fees are not based on cost of providing services, resulting in large and growing fund balance

8. The Board should conduct a review of its license and permit fees consistent with government fee-setting standards and guidelines, including ensuring the fees are based on actual costs and promote service efficiency, and then adjust its fees accordingly. Specifically, the Board should:

   a. Develop and implement a method for determining and tracking the direct and indirect costs for its regulatory processes and establish policies and procedures for using this method. The policies and procedures should also require the periodic review of the Board's fees, including tracking and reassessing actual costs and assessing if costs are necessary for providing services.

      No longer applicable—superseded by new recommendation(s)—Although the Board revised its fees through rulemaking in 2024, it did not conduct a cost analysis or conduct a biannual comparison of its fees to other states. We made new recommendations in Finding 4 that incorporates this recommendation (see Finding 4, pages 28 through 30, recommendations 17 through 21). Therefore, this recommendation is no longer applicable.

   b. After implementing this cost methodology, determine the appropriate license and permit fees.

      No longer applicable—superseded by new recommendation(s)—See auditor comment for recommendation 8a.

   c. Consider the effect of proposed fee changes on applicants, licensees, and permit holders and obtain their input when reviewing the fees.

      No longer applicable—superseded by new recommendation(s)—See auditor comment for recommendation 8a.

   d. Adjust its fees in its rules, as necessary.

      No longer applicable—superseded by new recommendation(s)—See auditor comment for recommendation 8a.

Finding 3: State may not be receiving full benefits of the CSPMP because Board has not enforced or helped to enforce compliance with CSPMP requirements

10. The Board should enforce licensed pharmacist and permitted pharmacy compliance with State CSPMP statutes.

    No longer applicable—superseded by new recommendation(s)—The Board has not taken adequate steps to ensure licensed prescribers and dispensers register with and use CSPMP database information as required by statute. We made new recommendations in Finding 1 that incorporates this recommendation (see Finding 1, pages 12 through 15, recommendations 1 through 4). Therefore, this recommendation is no longer applicable.

11. The Board should develop and implement processes to identify licensed pharmacists who have not registered for and are not checking the CSPMP database as required and take enforcement action, as appropriate.

    No longer applicable—superseded by new recommendation(s)—See auditor comment for recommendation 10.

13. The Board should develop and implement a process to identify permitted pharmacies that are outside of Arizona that should have, but are not, registered to submit information accessible through the CSPMP database.

    Implemented—The Board developed and implemented a process to identify pharmacies, including those located outside Arizona, that are not registered to submit required data to the CSPMP. This process involves cross-referencing DEA registration data, CSPMP reporting records, and Board licensing records to identify unregistered or delinquent pharmacies, including those with Arizona permits but located out of State.

14. The Board should ensure that all permitted pharmacies that should be submitting information accessible through the CSPMP database, including those identified as a result of the Board's processes (see Recommendations 12 and 13), are doing so and follow up with any pharmacies that are delinquent in reporting.

    No longer applicable—superseded by new recommendation(s)—See auditor comment for recommendation 10.

Finding 4: Board did not provide required public information on its website or in response to our anonymous phone calls

18. The Board should provide required information on its website by updating it to include:

    a. All required information about licensees and permit holders, including nondisciplinary actions.

       No longer applicable—superseded by new recommendation(s)—The Board posted information longer than allowed by statute. We made a new recommendation in Sunset Factor 5 that

incorporates this recommendation (see Sunset Factor 5, pages 36 through 38, recommendation 32). Therefore, this recommendation is no longer applicable.

19. The Board should ensure that it provides complete and accurate information to the public over the phone by revising and implementing its policies and procedures for providing public information to include how staff should respond to phone calls requesting complaint information.

    No longer applicable—superseded by new recommendation(s)—Board staff answered all 3 anonymous calls we placed and either provided the requested information or clearly explained the fastest way to obtain it (see Sunset Factor 5, pages 36 through 38, recommendation 31).

20. The Board should develop and provide training for its staff once it has developed the policies and procedures outlined in Recommendation 19.

    No longer applicable—superseded by new recommendation(s)—See auditor comment for recommendation 19.

Sunset Factor 2: The extent to which the Board has met its statutory objective and purpose and the efficiency with which it has operated

21. The Board should ensure pharmacy technicians meet training requirements by either requiring pharmacy technician applicants to submit documentation showing they meet training requirements or revising its rule to rely on the national boards' training attestation requirements.

    Implemented—The Board implemented this recommendation by revising A.A.C. R4-23-1102, effective November 30, 2024, to remove the requirement for pharmacy technician applicants to complete a Board-prescribed training program. The revised rule now requires applicants to submit documentation of passing a Board-approved national examination, passing the Foreign Pharmacy Graduate Equivalency Examination (if applicable), or graduating from a Board-approved pharmacy school, to demonstrate applicants meet minimum training and competency requirements.

23. The Board should train staff on these updated policies and procedures and review staff work periodically for compliance.

    Not implemented—The Board reported that a Director reviews deposits and that only one staff member performs cash-handling duties; however, it has not developed a formal training program for cash-handling or provided documentation of periodic compliance reviews.

Sunset Factor 6: The extent to which the Board has been able to investigate and resolve complaints that are within its jurisdiction

28. The Board should investigate and adjudicate complaints in 180 days or less.

    No longer applicable—superseded by new recommendation(s)—Board did not resolve within 180 days 46% of investigations it opened in fiscal year 2024, and 5% of open investigations had been open for more than 180 days as of February 2025. We made new recommendations in Finding 3 that

incorporates this recommendation (see Finding 3, pages 23 through 27, recommendations 10 through 16). Therefore, this recommendation is no longer applicable.

29. The Board should develop and implement time frames for the steps in its complaint-handling process to help ensure complaints are investigated and adjudicated in 180 days or less.

    No longer applicable—superseded by new recommendation(s)— See auditor comment for recommendation 28.

30. The Board should track complaints in accordance with its complaint-handling process steps.

    No longer applicable—superseded by new recommendation(s)— See auditor comment for recommendation 28.

Appendix B. Scope and methodology

Sjoberg Evashenk Consulting 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 objectives of this performance audit and sunset review of the Board. These methods included reviewing applicable State statutes and rules; evaluating Board policies and procedures; interviewing Board staff and Board members; reviewing Board records and information, the Board's annual reports, and website; and reviewing guidance and reports from the Arizona Ombudsman - Citizens' Aide Office, Arizona Governor's Office, Arizona Attorney General's Office, and Arizona Department of Administration. In addition, we used the following specific methods to meet the audit objectives:

- To evaluate if the Board reviews applications for and issues and/or denies initial and renewal licenses/certificates based on applicant qualifications as required by statute and rule and in accordance with statutory time frames, we selected a judgmental sample of 20 of 6,146 pharmacist, pharmacist intern, pharmacy technician, and pharmacy technician trainee initial applications that were issued in fiscal year 2024. We initially selected a random sample of 15 applications and then selected 5 additional applications to ensure variation in license type (pharmacist, intern, pharmacy technician, and pharmacy technician trainee), status of the application at the time of selection, and application date. This approach allowed us to assess whether the Board consistently applied statutory and rule requirements across different applicant types and circumstances. We also selected a sample of 10 of 11,889 renewal applications issued in fiscal year 2024 using a similar approach—random selection with variation in license type, application status at the time of selection, and application submission dates. These selection methods allowed us to review a range of application types and scenarios to assess whether the Board followed statutory and rule requirements consistently.
- To assess the Board's compliance with statutory and rule-established time frames for issuing permits, we selected a judgmental sample of 15 of the 4,525 permits the Board issued between fiscal years 2020 and 2024. Although the population of 4,525 permits is complete, the Board did not consistently use designated fields in its system to track key processing dates—such as when administrative review was completed, when a deficiency letter was sent and documentation received, and when substantive review was completed—nor did system reports capture renewal dates. Because of this, we could not evaluate timeliness across the population and determined that a judgmental sample—based on permit type and when the application was submitted—would be most appropriate to allow us to review a range of application types and scenarios to assess whether the Board followed statutory and rule requirements consistently. Our sample included a mix of permit types—such as independent, hospital, chain, and limited-service pharmacies (7); remote pharmacies (2); manufacturers (2); medical gas distributors and suppliers (3); and a wholesaler (1)—to reflect a diverse cross-section of permit types across the 5-year period reviewed.

- To assess the Board's complaint investigation and resolution processes, including the timeliness of complaint resolution, we judgmentally selected 20 of 667 complaints the Board received in fiscal year 2024 for review to capture a proportionate representation of case characteristics found in the population, including the timeliness of case resolution, license/permit type, allegation, and resolution type.[83] In addition to the 20 judgmentally-sampled investigations we selected to evaluate causes of timeliness delays, we selected 30 additional investigations that took between 181 and 270 days to close that the Board resolved via nondisciplinary and consent agreements to evaluate the accuracy of the timeliness data. Of these latter 30, documentation showed that 10 closed earlier than Board records indicated with 5 of the 10 resolving in under 180 days.
- To assess whether the Board provided information to the public as required by statute and its policies and procedures, we placed 4 anonymous calls to the Board in March 2025, filed public records requests through the online portal, and requested public records via email. The Board did not answer 1 of the 4 anonymous calls placed to the Board. The Board staff did not provide the requested information over the phone and directed 2 of our anonymous callers to either check the Board website or file a public information request through the Board's website. Additionally, we reviewed the Board's website to assess whether the Board provides information to the public on its website consistent with statutory requirements.
- To obtain information for the Introduction, pages 3 through 11, we reviewed the Governor's Budget and Agency Detail for the Board, Board-prepared information regarding budgets, information about Board members and vacancies, and statistics for number of active licenses as of June 2024, initial applications and renewals for fiscal year 2024, and complaints received during fiscal year 2024. In addition, we compiled and analyzed unaudited financial information from the AZ360 *June Financial Reports* for fiscal years 2023, 2024, and 2025, and the State of Arizona *Annual Financial Report* for fiscal years 2019, 2020, 2021, 2022, 2023, and 2024.
- To obtain additional information for the Sunset Factors, we reviewed the Arizona Administrative Register and assessed the Board's compliance with various provisions of the State's open meeting law for all Board meetings held between January 2025 and March 2025. To assess the Board's compliance with the State's conflict-of-interest laws and alignment with recommended practices, we reviewed statute, Board policy and disclosure forms, and recommended practices. To determine the Board's fee-setting practices and authority, we interviewed Board staff and reviewed Board statutes, fee-setting standards, and guidance developed by government and professional organizations. We also reviewed information from various national organizations for pharmacy to compare the level of regulation exercised by the Board as compared to other states or determine best practices in the profession.

Our work on internal controls included reviewing relevant policies and procedures, statutes, and recommended practices and, where applicable, testing compliance and/or alignments with these

[83] Board licensing system records show 695 unique complaint numbers and 822 total investigations for fiscal year 2024. Board staff confirmed that 28 of the 695 represented issues that staff assigned case numbers to monitor, but which did not rise to the level of an alleged violation to investigate. The total number of complaints (667) and investigations (794) represents only true complaints and investigations.

requirements and recommended practices. We reported our conclusions on applicable internal controls in Sunset Factors 2, 5, 6, and 8.

When relying on Board-provided data to support our findings and conclusions, we performed certain tests to ensure the data was sufficiently valid, reliable, and complete to meet the audit objectives. Unless otherwise noted, we determined the Board-provided data was sufficiently valid, reliable, and complete for audit purposes. We selected our audit samples to provide sufficient evidence to support our findings, conclusions, and recommendations. Unless otherwise noted, the results of our testing using these samples were not intended to be projected to the entire population.

We conducted this performance audit 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's members, Executive Director, and staff for their cooperation and assistance throughout the audit.

Board response

The subsequent pages were written by the Board to provide a response to each of the findings and to indicate its intention regarding implementation of each of the recommendations resulting from the audit conducted by Sjoberg Evashenk Consulting, Inc.

Arizona State Board of Pharmacy
Physical Address: 1110 W Washington Street Suite 260, Phoenix, AZ 85007
Mailing Address: P.O. Box 18520, Phoenix, AZ 85005
P) 602-771-2727 F) 602-771-2749 https://pharmacy.az.gov

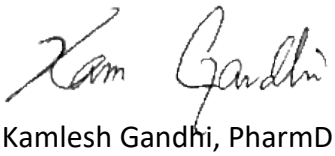
September 19, 2025

Dear Mr. Skiles,

On behalf of the Arizona State Board of Pharmacy, we appreciate the opportunity to have worked with your team on the sunset factor review and performance audit. We will continue to build upon the important work we do to serve the residents of Arizona.

Please accept the Board of Pharmacy's final response to the sunset factor review and performance audit. Should you have any questions, please do not hesitate to contact me.

Sincerely,



Kamlesh Gandhi, PharmD
Executive Director
kgandhi@azpharmacy.gov

Enclosure

Finding 1: Board has not sufficiently enforced compliance with CSPMP requirements, impacting the effectiveness of the program to reduce public health risks.

Board response: The finding is agreed to.

Response explanation: The Board of Pharmacy has not been able to sufficiently enforce compliance with requirements for licensed AZ pharmacists. The CSPMP administrators will continue to collaborate with other licensing boards moving forward in order to identify a way to more efficiently and effectively enforce prescriber CSPMP compliance.

Recommendation 1: Verify whether pharmacists complied with statutory requirements to obtain and review a patient-utilization report from the CSPMP before dispensing any Schedule II controlled-substance prescription, where required.

Board response: The audit recommendation will be implemented.

Response explanation: Up to now, the CSPMP administrators have not been able to measure pharmacist mandatory use compliance. If a pharmacist identifier were to be submitted by the pharmacies in each daily data submission, the CSPMP administrators will be able to measure compliance. In the past, stakeholders expressed concerns about the burden levied on pharmacies of submitting the pharmacist identifier. After much research and consideration, the Board of Pharmacy disagrees. The Board of Pharmacy will seek a rule change to require a pharmacist identifier (license number) to be included in each daily data submission.

Recommendation 2: Require pharmacist-level identifiers in dispensation reporting to enable pharmacist compliance monitoring.

Board response: The audit recommendation will be implemented.

Response explanation: The Board of Pharmacy will work with the Board to pursue a rules package to require a pharmacist identifier to be included in each daily data submission. The CSPMP will create a process to identify noncompliant pharmacists upon a successful rules package.

Recommendation 3: Review pharmacy dispensation reporting compliance on a daily basis and notify pharmacies of discrepancies within 24 hours of identified noncompliance.

Board response: The audit recommendation will be implemented.

Response explanation: The Board of Pharmacy will engage the CSPMP vendor to investigate if an automated daily notice to delinquent data submitters can be developed. If the vendor can develop the product and the Board can afford the enhancement, the CSPMP will implement it. Update will be provided during the 6-month follow-up.

Recommendation 4: Develop and implement policies and procedures for Board enforcement activities related to permitted facilities that do not comply with the 24-hour mandatory CSPMP reporting requirement. These policies and procedures should include

guidance for when statutory enforcement tools, such as civil penalties and permit suspension or revocation, should be used.

Board response: The audit recommendation will be implemented in a different manner.

Response explanation: Board staff will work with the Board to update our policies and procedures. Currently, the CSPMP has policies and procedures to address delinquent reporting, but those policies and procedures need to be revised to include guidance for when multiple episodes of noncompliance occur by a data submitter. In addition, the Board staff will work with the Board to create guidance for when statutory enforcement tools will be used. This recommendation should be implemented on or before July 1, 2026.

Finding 2: Despite improvements to CSPMP compliance reporting to other professional licensing boards, thousands of prescribers remain unregistered and/or aren't using the CSPMP, potentially impacting the State's ability to receive CSPMP benefits.

Board response: The finding is agreed to.

Response explanation: The Board agrees that thousands of prescribers are not registered to use the CSPMP and many are not adhering to the mandate to use the CSPMP before prescribing a prescription. The Board of Pharmacy has no enforcement ability on a prescriber and per statute shall report to the appropriate licensing board the failure of licensed prescriber to comply with the CSPMP requirements. The current volume of prescribers that are noncompliant with CSPMP statutes may be unmanageable for the other healthcare board to address on a monthly basis. Increasing the frequency of these noncompliance reports runs the risk of backing up each board to the point where action is never taken.

Recommendation 5: Work with the Governor, President of the Arizona Senate, and Speaker of the Arizona House of Representatives to establish and appoint members to a working group to develop a strategic approach for identifying noncompliant prescribers in the CSPMP, such as establishing requirements to enter information in the CSPMP about exempt prescriptions and/or integrating the system that identifies potential noncompliance with the system that records prescriber queries in the CSPMP.

Board response: The audit recommendation will be implemented.

Response explanation: Board staff will work with the Board to initiate discussions with the Governor's Office, President of the Arizona Senate, and the Speaker of the Arizona House to appoint members to a working group to discuss potential statute changes requiring ICD-10 codes to be written on all controlled substances prescriptions. If that statute change occurs, then another statute change could be pursued to require the ICD-10 codes to be reported to the CSPMP in the daily data submissions. ARS 36-2606(H) provides exemptions to checking the CSPMP. The statute changes mentioned above would provide the administrators of the CSPMP additional data points to allow for the removal of providers that are exempt from CSPMP query requirements from the noncompliant list.

Recommendation 6: Develop and implement a plan that identifies the personnel, information system changes, and methods required to more comprehensively assess non-compliance of prescribers or pharmacies flagged by the CSPMP. This could include selecting a larger review sample of prescribers to determine compliance based on risk, selecting a sample of prescribers randomly, and working with the Governor's Office and Legislature as needed to obtain any necessary resources.

Board response: The audit recommendation will be implemented.

Response explanation: Board staff will work with the Board to develop and implement a plan to more comprehensively assess noncompliance of prescribers and pharmacies flagged by the CSPMP. The Board will provide an update on these efforts at its 6-month follow-up.

Recommendation 7: Based on the plan referenced in Recommendation 6, increase the Board's review of potentially noncompliant prescribers.

Board response: The audit recommendation will be implemented.

Response explanation: Based on the outcome in recommendation 6, the Board will provide an update on these efforts at its 6-month follow-up.

Recommendation 8: Develop and implement a process to at least monthly notify the appropriate Arizona professional licensing boards of prescribers who are not registered with the CSPMP.

Board response: The audit recommendation will be implemented.

Response explanation: Although the Board of Pharmacy has concerns that a monthly list of prescribers that are not registered with the CSPMP will overburden the other healthcare boards, the Board of Pharmacy will send a list of unregistered prescribers to the other regulatory licensing boards on a monthly basis.

Recommendation 9: If statute is revised to require all practitioners who prescribe Schedule II–V drugs in Arizona to obtain a single, Board–issued controlled-substance registration and/or authorize the Board to enforce compliance with CSPMP registration and use requirements, the Board should take steps to implement any statutory provisions and/or requirements included in the revisions, including but not limited to adopting rules as authorized and appropriate, and developing and implementing policies and procedures for complying with statutory requirements.

Board response: The audit recommendation will be implemented.

Response explanation: The Board agrees with the recommendation and recognizes that statutory revision is necessary to grant the Board authority to issue controlled-substance registrations for all Arizona prescribers with a DEA registration and enforce authority on compliance with CSPMP requirements. The Board supports this statutory change and acknowledges its role in implementing the related regulatory framework if enacted. To prepare for potential legislative changes, the Board will take the following proactive steps: 1) Legislative Engagement: The Board will seek sponsorship for a bill during the upcoming legislative session to require all prescribers of Schedule II–V drugs to obtain a

controlled-substance registration issued by the Board. The proposed language will align with public safety objectives and streamline oversight of CSPMP participation. 2) Preliminary Implementation Planning: In anticipation of potential statutory changes, the Board will begin developing a preliminary implementation framework. This includes: Drafting proposed rule concepts and identifying rulemaking authority; Outlining internal policies and procedures for registration issuance, compliance monitoring, and enforcement; Conducting a high-level operational and IT assessment to identify infrastructure and staffing needs. 3) Budget and Resource Planning: The Board will determine the financial and staffing resources needed to implement and sustain a registration program. This will include consideration of system upgrades, staff training, and potential site inspection requirements. The Board will present this analysis to the appropriate legislative and executive budget stakeholders. 4) Implementation Timeline: The Board will evaluate the need for a delayed implementation date as well as a phased roll-out to account for communication and collaboration to ensure successful roll-out. The Board appreciates the Auditor General's recommendation and will continue to prioritize safe and effective prescribing practices across Arizona through enhanced oversight and collaboration.

Finding 3: Board did not timely investigate complaints, increasing public safety risk and placing undue burden on licensees and permit holders.

Board response: The finding is agreed to.

Response explanation: The Board agrees that all complaints should be investigated and adjudicated in a timely manner to ensure public safety and fairness to licensees and permit holders. We recognize the importance of reducing delays and minimizing the burden on all parties involved. While there is no statutory requirement mandating completion of investigations within 180 days, the Board understands that this is a best practice recommendation by the Office of the Auditor General (OAG) and a benchmark intended to promote timely resolution. The Board acknowledges that not all investigations currently meet this target, and we are actively working to improve our performance in this area. It is important to note that many delays are due to factors outside of the Board's direct control, including but not limited to: 1) respondents entering into interim consent agreements and not complying with terms in a timely manner or being subject to prolonged criminal case proceedings; 2) requests for extensions by respondents or their counsel due to new representation, difficulty obtaining records, or other logistical issues; 3) requests to continue scheduled appearances due to conflicts or legal strategy; 4) Board-directed continuances for further investigation or respondent compliance, and; 5) ongoing civil or criminal investigations by partnering agencies, which may require the Board to pause its activities to avoid interference. Despite these challenges, the Board is committed to reducing avoidable delays through the following ongoing efforts: 1) process improvements to streamline internal workflows and reduce case backlog; 2) case prioritization to address complaints involving significant public safety risk more quickly; 3) tracking and reporting mechanisms to monitor case timelines and identify bottlenecks, and; 4) enhanced coordination with partnering agencies to minimize delays caused by overlapping investigations. The Board remains committed to fulfilling its responsibility to protect the public while also ensuring due process and fairness for licensees and permit holders. We will continue to assess and refine our complaint resolution processes to improve timeliness, transparency, and accountability.

Recommendation 10: Investigate and resolve complaints within 180 days.

Board response: The audit recommendation will be implemented.

Response explanation: The Board will implement Recommendations 11-16 to best position itself to investigate and resolve complaints within 180 days.

Recommendation 11: Revise and implement its complaint handling policy to clearly identify and outline each step of the process for which timeliness checks are mandatory according to statute, rule, or recommendation from the Auditor General, or may be warranted based on the priority-level of the complaint.

Board response: The audit recommendation will be implemented.

Response explanation: The Board will revise “Policy 6.1: Complaint Handling” to clearly identify and outline each step of the process for which timeliness checks are mandatory according to statute, rule, recommendations from the Auditor General, and internal prioritization guidelines. The revised policy will enhance transparency and accountability in the complaint process and serve as a reference for staff to ensure compliance with required timelines. These revisions will be fully implemented on or before July 1, 2026.

Recommendation 12: Develop and implement a process for management to review complaint reports of all in-progress and completed complaints and track interim and overall time frames for investigating and resolving complaints to identify bottlenecks and opportunities to improve the complaint handling processes.

Board response: The audit recommendation will be implemented.

Response explanation: The Board will develop and implement a process for management to review reports of all in-progress and completed complaints and track interim and overall time frames for investigating and resolving complaints. This process will help identify patterns, bottlenecks, and areas for process improvement, enabling data-driven decisions to improve complaint handling efficiency. This review process will be fully implemented on or before July 1, 2026.

Recommendation 13: Update policies and procedures outlining time frames for the Executive Director to review complaints referred for dismissal under delegated authority.

Board response: The audit recommendation will be implemented.

Response explanation: The Board will revise “Policy 6.2: Executive Director Dismissals”. The revised policy will include clearly defined time frames for the Executive Director's review of complaints referred for dismissal under delegated authority. These revisions will align with the Board’s governance structure and existing processes, and will ensure clarity around expectations for timely action. These revisions will be fully implemented on or before July 1, 2026.

Recommendation 14: Reduce the time between investigation completion and agendizing for review before the Board by either scheduling Board meetings more frequently, or by shortening the internal deadline for complete investigative packet submission ahead of Board meetings, or both.

Board response: The audit recommendation will be implemented.

Response explanation: The Board acknowledges the need to shorten the gap between case completion and Board review to ensure timely resolution. The Board will explore the feasibility of: 1) scheduling meetings more frequently, and/or 2) shortening internal submission deadlines for finalized investigative materials. These changes will be evaluated based on Board member availability, administrative workload, and case volume. Any adopted changes will be implemented on or before January 1, 2026, and will be reviewed for effectiveness as part of the Board's broader complaint process improvements.

Recommendation 15: Establish a process to document the reason for missing the submission deadline for an upcoming meeting in compliance with policy regarding permissible investigative timeline extensions for extenuating circumstances.

Board response: The audit recommendation will be implemented.

Response explanation: The Board will develop a process to include documentation of the reason for missing the submission deadline for an upcoming meeting. This process will align with revisions to “Policy 6.1: Complaint Handling” regarding permissible investigative timeline extensions for extenuating circumstances. Policy revisions and process changes will be fully implemented on or before July 1, 2026.

Recommendation 16: Ensure the Executive Director timely processes all complaints assigned to them for adjudication and resolution as delegated by the Board, including by revising Board policy to define expected time frames for Executive Director review and action.

Board response: The audit recommendation will be implemented.

Response explanation: The Board will ensure the Executive Director timely processes all complaints assigned for adjudication and resolution and delegated by the Board through its revisions to “Policy 6.2: Executive Director Dismissals”. Policy revisions will define expected time frames for Executive Director review and action. In addition, the Board will develop a process to periodically review and follow-up on the unresolved complaints awaiting Executive Director review. The policy revisions and processes will be fully implemented on or before July 1, 2026.

Finding 4: Inconsistent with statute and recommended practices, Board’s license and permit fees are not based on costs of providing services, which could have an impact on the Board’s financial sustainability.

Board response: The finding is agreed to.

Response explanation: The Board acknowledges the importance of aligning fees with the actual costs of providing regulatory services to ensure long-term financial sustainability. While the Board has consistently operated within its appropriated budget and has not experienced a funding shortfall, it recognizes that basing fees on cost-of-service is a recommended best practice and aligns with transparency and accountability expectations. There is currently no statutory requirement mandating a formal cost analysis or biannual

comparisons of fees to other states. However, the Board understands the value of these practices and has previously sought assistance from the Governor's Accountability Office ("GAO") to evaluate its compliance functions and fee structure. While GAO provided general guidance, it did not facilitate a full cost analysis. A comprehensive, third-party cost analysis would require dedicated resources not currently appropriated in the Board's budget. An independent analysis is necessary, as the Board does not have the knowledge or expertise to design or conduct a methodologically sound cost analysis. The Board remains open to pursuing this effort in the future if funding becomes available or if statutory requirements are amended to support such activities.

Recommendation 17: Ensure that all future fee adjustments comply with statutory requirements for aligning fees with actual and anticipated costs.

Board response: The audit recommendation will be implemented in a different manner.

Response explanation: In order to conduct a comprehensive and methodologically sound cost analysis, the Board will submit a fund issue in FY27 (and ongoing) to hire a third-party to conduct the analysis.

Recommendation 18: Develop and implement formal procedures for a comprehensive cost and fee review into the Board's required 5-year rule review process, including cost analyses to assess whether fees are aligned with the cost of providing regulatory services.

Board response: The audit recommendation will be implemented in a different manner.

Response explanation: In order to conduct a comprehensive and methodologically sound cost analysis, the Board will submit a fund issue in FY27 (and ongoing) to hire a third-party to conduct the analysis.

Recommendation 19: Establish a fund balance policy to define reserve targets and guide the long-term fiscal management of Board resources.

Board response: The audit recommendation will be implemented in a different manner.

Response explanation: The Board will establish a fund balance policy to define reserve targets and guide the long-term fiscal management of Board resources. The policy will take effect upon a fund issue being approved for a third-party to conduct a comprehensive cost analysis.

Recommendation 20: Initiate a rulemaking, including obtaining public and stakeholder input on proposed fees, to establish all fees charged if the Board determines the fee(s) are necessary.

Board response: The audit recommendation will be implemented in a different manner.

Response explanation: Upon completion of a third-party, comprehensive cost analysis, the Board will initiate a rulemaking. This rulemaking will include public and stakeholder input on proposed fees and will establish all fees charged if the Board determines the fee(s) are necessary.

Recommendation 21: Conduct a comprehensive fee analysis that includes identification of each fee the Board charges; a calculation of the direct and indirect costs associated with providing each related service; a comparison of each fee to the associated cost of service; and document the results of the analysis, including recommendations for fee adjustments or rulemaking if fees are not cost-based.

Board response: The audit recommendation will be implemented in a different manner.

Response explanation: In order to conduct a comprehensive and methodologically sound cost analysis, the Board will submit a fund issue in FY27 (and ongoing) to hire a third-party to conduct the analysis.

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

Board did not issue 1 initial permit application within the time frames required by rule and did not refund the applicant's fee.

Board response: The finding is agreed to.

Response explanation: While the Board understands the reasoning behind this finding, it believes it is reasonable to process applications in the context of business days, and therefore a refund is not warranted in this case. The Board's rules conflict with its statute, and they conflict internally; therefore, when there is a conflict between statute and rule, the statute prevails. However, the Board is committed to addressing the conflict between statute and rules in a future legislative session and/or rule-writing task force.

Recommendation 22: Refund permit or license fees to applicants when the Board fails to meet regulatory time frames, as required by statute.

Board response: The audit recommendation will be implemented.

Response explanation: The Board has already implemented this recommendation. The Board is committed to refunding permit or license fees to applicants when it fails to meet regulatory time frames and believes that it has exercised diligence in providing refunds, when necessary. The conflict between statute and rule will be addressed in a future legislative session or rule-writing task force. The Board will provide an update at its 6-month follow-up.

Recommendation 23: Establish and document a tracking process to record key licensing and permitting timelines, and incorporate this functionality into the Board's planned licensing system. Use this process to monitor compliance with regulatory time frames.

Board response: The audit recommendation will be implemented in a different manner.

Response explanation: The Board acknowledges the importance of ensuring compliance with processing time frames. However, it is unable to realistically establish and maintain a successful tracking process without the assistance of a technologically robust database. Despite the numerous technological limitations of the Board's current database (e.g., unable to calculate "time outs", substantive review time frames,

applicant-requested extensions, applicant-requested continuation requests, etc.), Board staff continues to exercise diligence and refine its processes with respect to 1) performing periodic retrospective review of in-progress applications and closing applications that are administratively or substantively incomplete, and 2) considering and communicating statutory timeframes when preparing and presenting applications for full Board review. The Board will create a policy to memorialize its current efforts, processes, and any revisions thereto on or before July 1, 2026. In its last sunset audit response, the Board indicated that it would implement Thentia to replace its existing database, iGov Solutions, the latter of which is not designed to track compliance with regulatory time frames. After two years of working with Thentia, the vendor made minimal progress and the project was terminated. The Board is currently researching other licensing databases that can facilitate, amongst other things, tracking compliance with regulatory time frames. The Board will provide an update on its search for a new database vendor at its 6-month follow-up.

Recommendation 24: As the Board develops and implements a new licensing system, implement short-term measures to track licensing and permitting timelines to better ensure timeliness requirements are met.

Board response: The audit recommendation will be implemented in a different manner.

Response explanation: The Board acknowledges the importance of ensuring compliance with processing time frames. However, it is unable to realistically establish and maintain a successful tracking process without the assistance of a technologically robust database. Despite the numerous technological limitations of the Board's current database (e.g., unable to calculate "time outs", substantive review time frames, applicant-requested extensions, applicant-requested continuation requests, etc.), Board staff continues to exercise diligence and refine its processes with respect to 1) performing periodic retrospective review of in-progress applications and closing applications that are administratively or substantively incomplete, and 2) considering and communicating statutory timeframes when preparing and presenting applications for full Board review. The Board will create a policy to memorialize its current efforts, processes, and any revisions thereto on or before July 1, 2026. In its last sunset audit response, the Board indicated that it would implement Thentia to replace its existing database, iGov Solutions, the latter of which is not designed to track compliance with regulatory time frames. After two years of working with Thentia, the vendor made minimal progress and the project was terminated. The Board is currently researching other licensing databases that can facilitate, amongst other things, tracking compliance with regulatory time frames. The Board will provide an update on its search for a new database vendor at its 6-month follow-up.

Recommendation 25: Develop and implement a process to ensure regulatory time frame requirements for initial and renewal permit applications are met, including measuring compliance with processing time frames using calendar days as required by rule.

Board response: The audit recommendation will be implemented in a different manner.

Response explanation: The Board acknowledges the importance of ensuring compliance with processing time frames. However, it is unable to realistically establish and maintain a successful tracking process without the assistance of a technologically robust database. Despite the numerous technological limitations of the Board's current

database (e.g., unable to calculate "time outs", substantive review time frames, applicant-requested extensions, applicant-requested continuation requests, etc.), Board staff continues to exercise diligence and refine its processes with respect to 1) performing periodic retrospective review of in-progress applications and closing applications that are administratively or substantively incomplete, and 2) considering and communicating statutory timeframes when preparing and presenting applications for full Board review. The Board will create a policy to memorialize its current efforts, processes, and any revisions thereto on or before July 1, 2026. In its last sunset audit response, the Board indicated that it would implement Thentia to replace its existing database, iGov Solutions, the latter of which is not designed to track compliance with regulatory time frames. After two years of working with Thentia, the vendor made minimal progress and the project was terminated. The Board is currently researching other licensing databases that can facilitate, amongst other things, tracking compliance with regulatory time frames. The conflict between statute and rule will be addressed in a future legislative session or rule-writing task force. The Board will provide updates on its search for a new database vendor and statute/rule modifications at its 6-month follow-up.

Board did not require nor establish a process to verify designated representatives possess valid fingerprint clearance card at renewal, increasing the risk that individuals with disqualifying criminal backgrounds may retain facility representation.

Board response: The finding is agreed to.

Response explanation: The Board acknowledges the concern regarding the absence of a formal process to verify that designated representatives possess valid fingerprint clearance cards at the time of renewal. During the 2024 renewal cycle, staff performed an administrative review of permit renewal applications that specifically indicated a change in designated representative. If a valid Arizona fingerprint clearance card did not accompany the renewal application, staff issued an incompleteness notice and requested the applicant provide a copy within the allowed statutory timeframes.

Recommendation 26: Develop and implement a process to ensure designated representatives have an active fingerprint clearance card at the time of permit renewal by (a) obtaining the applicant's fingerprint clearance card number and (b) verifying the validity of the card through the Arizona Department of Public Safety online portal.

Board response: The audit recommendation will be implemented in a different manner.

Response explanation: The Board's existing policies for initial application include verification of the status of fingerprint clearance cards through the Department of Public Safety (DPS) website; cross-referencing a repository of previously received DPS fingerprint clearance card denials, restrictions, and suspensions; and saving a screenshot of each DPS fingerprint clearance card validation to the permit profile. Each of these processes is also followed when the applicant indicates a new designated representative on renewal application, or when there is a change in designated representative; the Board will update its policies to reflect these efforts. The Board will update its full-service wholesaler and third-party logistics provider renewal applications to require a mandatory upload of the designated representative's fingerprint clearance

card with the renewal application. Of note, the Board's current database does not distinguish uploads, and any document can be uploaded in a mandatory field. In order to ensure compliance with this statutory requirement, the Board will develop a policy and process to audit a sample of renewal applications for compliance with statutory requirements. Application updates, policy updates, and audit processes will be fully implemented on or before July 1, 2026. The Board is currently researching new database vendors and will investigate whether new systems can 1) distinguish the validity of fingerprint clearance card uploads on renewal, and 2) integrate with DPS. The Board will provide an update on its search for a new database vendor at its 6-month follow-up.

Board established a process for inspecting permitted facilities at least once every 12 to 18 months depending on the facility type and met this target for 67% of facilities as of February 11, 2025.

Board response: The finding is agreed to.

Response explanation: The Board acknowledges that it has not met its inspection timelines established in policy. This deficiency is mainly due to the Board's inadequate number of staffing resources. Despite submitting multiple fund issues over the last several years for additional Compliance staff, the Board only recently obtained approval by the legislature in FY26 for the addition of a single Compliance Officer. In order to be successful in meeting its established inspection time frames, the Board requests support from the legislature with approving its fund issues for additional resources.

Recommendation 27: Assess whether current targets for completing facility inspections are consistent with Board expectations, are achievable given available staffing resources, and whether established inspection intervals remain appropriate.

Board response: The audit recommendation will be implemented.

Response explanation: The Board will revise "Policy 6.9: Resident Permittee Inspections" to reflect realistic and achievable inspection targets, considering its current staffing model and workload. The revised policy will balance the Board's public protection mission with operational capacity, and may include: 1) adjusted inspection intervals based on facility type and risk level, and 2) a process for periodic reassessment to ensure targets remain appropriate as resources evolve. These policy revisions will be fully implemented on or before July 1, 2026.

Board did not comply with the Arizona Department of Administration (ADOA) remote work policy, limiting operational efficiency and oversight of remote employees.

Board response: The finding is agreed to.

Response explanation: The Board acknowledges the importance of complying with ADOA's remote work policy, maximizing operational efficiency, and providing meaningful oversight of remote employees. The Board was unaware of ADOA's requirements and will work towards establishing documented productivity and quality standards, as well as accountability measures.

Recommendation 28: Identify and implement productivity and quality standards as well as accountability measures for all remote workers.

Board response: The audit recommendation will be implemented.

Response explanation: The Board will identify and implement productivity and quality standards as well as accountability measures for all remote workers. These standards and measures will be fully implemented on or before July 1, 2026.

Recommendation 29: Document remote worker expectations, performance standards, and accountability procedures in internal policies.

Board response: The audit recommendation will be implemented.

Response explanation: The Board will create or revise existing policies to document remote worker expectations, performance standards, and accountability procedures. These policies will be fully implemented on or before July 1, 2026.

Recommendation 30: Implement a process to ensure all remote workers complete remote work agreements annually, and retain these agreements in personnel files.

Board response: The audit recommendation will be implemented.

Response explanation: The Board understands that ADOA may be automating the collection and retention of remote work agreements. If this is the case, the Board will follow ADOAs direction for completing and retaining remote work agreements. Otherwise, the Board will collect these agreements on an annual basis with the Annual Conflict of Interest and Policy Acknowledgement Form. This process will be implemented upon further instruction from ADOA or March 1, 2026, whichever is sooner.

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 responded to all 3 public records requests we submitted; but did not have a process to acknowledge all public records requests.

Board response: The finding is agreed to.

Response explanation: The Board acknowledges that it was unaware of the statutory requirement to acknowledge all public records requests within five (5) business days. However, upon learning of this requirement during the audit, the Board immediately began acknowledging all public records requests as required by statute.

Recommendation 31: Develop and implement a process to acknowledge public requests received by the Board outside of its online platform, such as through mail and e-mail, within 5 business days.

Board response: The audit recommendation will be implemented.

Response explanation: On May 15, 2025, the Board revised "Policy 1.8: Public Records Requests" policy to address this statutory requirement. The policy now directs staff to acknowledge all non-webform requests—via email, mail, or fax—within five business days. The Board's tracking spreadsheet was updated to include the acknowledgment date for each request. Staff are currently following this procedure, and the policy will be fully implemented on or before January 1, 2026.

Board inconsistently posted information longer than allowed by statute.

Board response: The finding is agreed to.

Response explanation: The Board acknowledges the importance of complying with statute when posting disciplinary and nondisciplinary actions. On May 21, 2025, and August 19, 2025, the Board learned from the auditors of two separate instances of outdated Board webpages containing references to complaints greater than five (5) years old. Upon both notifications, the Board immediately addressed the outdated webpages to comply with this statute. Of note, the Board's existing database is designed to report disciplinary and nondisciplinary action on the Board's verification webpage in compliance with statute.

Recommendation 32: Develop and implement a process to identify and remove all Board disciplinary and nondisciplinary actions/orders against licensees from its website after 5 years as required by statute.

Board response: The audit recommendation will be implemented.

Response explanation: On May 21, 2025, and August 19, 2025, the Board learned from the auditors of two separate instances of outdated Board webpages containing references to complaints greater than five (5) years old. Upon both notifications, the Board immediately addressed the outdated webpages to comply with this statute. In the first instance, the hyperlinks to the outdated webpage were identified and removed from the Board's website on May 21, 2025. In the second instance, disciplinary content appearing on a different outdated webpage was removed from the backend of the Board's website, and a note was added to the outdated webpage redirecting the viewer to the Board's active webpage for Disciplinary Actions. In addition, the Board submitted a request to ADOA to automatically redirect the outdated webpage to the active webpage for Disciplinary Actions. All actions for the second instance were completed by August 21, 2025. Of note, the Board's existing database is designed to report disciplinary and nondisciplinary action on the Board's verification webpage in compliance with statute.

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

Board used a disclosure form for Board members that did not align with recommended practices and a disclosure form for Board staff that did align with recommended practices and Arizona Administrative Code, and did not maintain all disclosures of substantial interest in a single special file as required by statute.

Board response: The finding is agreed to.

Response explanation: The Board was unaware of the Office of Auditor General's ("OAG") recommended practices for establishing safeguards against possible conflicts of interest, as well as revisions to ADOA's disclosure form. In response, the Board updated its Conflict of Interest disclosure form in May 2025 and required all Board members and staff to submit revised forms. It also corrected its form retention practices by consolidating all disclosures and recusals into a single statutorily required file available for public inspection.

Recommendation 33: Use a conflict-of-interest disclosure form that addresses State requirements for disclosing conflicts of interest.

Board response: The audit recommendation will be implemented.

Response explanation: The Board implemented this recommendation in May 2025 by updating its Annual Conflict of Interest Form to include disclosures consistent with ADOA and OAG requirements. All Board members and staff have since completed the revised form.

Recommendation 34: Continue to store all substantial interest disclosures, including disclosure forms and meeting minutes, in a special file available for public inspection.

Board response: The audit recommendation will be implemented.

Response explanation: The Board partially implemented this recommendation in May 2025, when it began storing all conflict of interest disclosure and recusal forms in a single special file available for public inspection. Upon further clarification from the auditors on August 14, 2025, the Board immediately relocated its meeting minutes to the special file. It should be noted that the Board maintained all of the required documentation prior to the audit; however, it was not located in a single, special file.