ARIZONA AUDITOR GENERAL

Lindsey A. Perry, Auditor General

November 3, 2026

Members of the Arizona State Legislature

The Honorable Katie Hobbs, Governor

Executive Director Gandhi
Arizona State Board of Pharmacy

We have issued an initial followup report regarding the implementation statuses of the recommendations from the September 2025 *Performance Audit and Sunset Review of the Arizona State Board of Pharmacy* report (see report 25-112) conducted by the independent firm Sjoberg Evashenk Consulting, Inc. under contract with the Arizona Auditor General. This audit was in response to a November 21, 2022, resolution of the Joint Legislative Audit Committee and was conducted as part of the sunset review process prescribed in Arizona Revised Statutes §41-2951 et seq.

The September 2025 report made 34 recommendations to the Arizona State Board of Pharmacy (Board). My Office contracted with Sjoberg Evashenk Consulting, Inc. to conduct initial followup work with the Board and as of this initial followup report, 10 recommendations have been implemented, 1 recommendation has been implemented in a different manner, 17 recommendations are in process, 4 recommendations are not yet applicable, and 2 recommendations have not been implemented. My Office will separately report to the Joint Legislative Audit Committee on the status of the 3 recommendations Sjoberg Evashenk Consulting, Inc. made to the Legislature in its September 2025 performance audit and sunset review report.

My Office has contracted with Sjoberg Evashenk Consulting to follow up with the Board again at 24 months to assess its progress in implementing the 23 outstanding recommendations.

Sincerely,

Lindsey A. Perry

Lindsey A. Perry, CPA, CFE
Auditor General

Arizona State Board of Pharmacy
Initial Followup Report

The September 2025 Arizona State Board of Pharmacy (Board) performance audit and sunset review found that the Board did not sufficiently enforce compliance with State Controlled Substances Prescription Monitoring Program requirements, limiting the program's effectiveness and exposing the public to increased risk of prescription drug misuse; did not resolve complaints in a timely manner, which may negatively affect patient safety. We made 34 recommendations to the Board.

Board's status in implementing 34 recommendations

Implementation status	Number of recommendations
☑ **Implemented**	10 recommendations
☑ **Implemented in a different manner**	1 recommendation
Implementation in process	17 recommendations
Not yet applicable	4 recommendations
☒ **Not implemented**	2 recommendations

At the January 30, 2026, Joint Health and Human Services Committee of Reference hearing the Board reported that it had implemented 11 recommendations, and as reported above, our review found that the Board has implemented or implemented in a different manner 11 recommendations. We will conduct a 24-month followup in Fall 2027 with the Board on the status of the recommendations that have not yet been implemented. In addition, the Arizona Auditor General will separately report to the Joint Legislative Audit Committee on the status of the 3 recommendations we made to the Legislature in the September 2025 performance audit and sunset review report.

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

1. The Board should 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.

   Not implemented—According to the Board, implementation of this recommendation depends on the implementation of recommendation #2, which it is in the process of implementing. As discussed in recommendation #2, the Board has initiated a rulemaking to require pharmacist-level identifiers in dispensation reporting, and plans to implement the rule by January 2027. We will further assess the Board's implementation of this recommendation during the 24-month followup.

2. The Board should require pharmacist-level identifiers in dispensation reporting to enable pharmacist compliance monitoring.

   Implementation in process—Pharmacists' state license numbers are necessary for the CSPMP to measure pharmacist use of the system, rather than the pharmacy's use of the system. The CSPMP Director informed the Board during its October 2025 meeting that current rules do not require pharmacies to enter pharmacist identifiers in CSPMP data submissions. This restricts the ability of Board staff to measure pharmacist compliance with CSPMP requirements. During the October meeting, Board members directed Board staff to hold a stakeholder meeting, including large chain and independent pharmacies, with personnel specializing in the CSPMP information system and related information systems to assess challenges, potential costs, and the overall feasibility of requiring pharmacists to enter an identifier in data submissions. This meeting was held on January 13, 2026, to discuss the potential for a new rule requiring the submittal of pharmacist identifiers, potential concerns with such a rule, and how the Board could create clarity regarding requirements if such a rule were adopted. In its February board meeting, Board members decided to move this discussion to a rules task force to initiate the rulemaking process, pending the Governor's approval. The Board anticipates initiating the rulemaking in September 2026 and completing implementation of this recommendation by December 2027. We will further assess the Board's implementation of this recommendation during the 24-month followup.

3. The Board should review pharmacy dispensation reporting compliance on a daily basis and notify pharmacies of discrepancies within 24 hours of identified noncompliance.

   Implemented at 6 months—In January 2026, the Board created a system-generated notification system that identifies and automatically sends a notice of noncompliance to pharmacies that did not submit a daily report, notifying them of the requirement to report dispensing information daily and that they had not reported the information for the prior day and are therefore delinquent, and requesting that they submit the missed report(s). In January and February 2026, the CSPMP system sent an average of 25 notices daily to pharmacies that failed to submit their daily required report.

4. The Board should 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.

   Implementation in process—As discussed in recommendation #3, in January 2026, the Board revised its policy and procedure to start sending daily notices to pharmacies identified as delinquent in CSPMP reporting. These revisions included requiring the Board to open a complaint if a pharmacy does not resolve the delinquent reporting and demonstrate compliance within 30 business days. Board management reported that it is currently in the process of developing draft complaint guidelines that would allow Board staff to provide guidance to the Board, based on precedent and adopted disciplinary guidance, during Board meetings. This could include the range of nondisciplinary and disciplinary actions that might be warranted given the number of incidents, extent to which noncompliance is repeated, and other contextual factors related to the pharmacy.

We will further assess the Board's implementation of this recommendation during the 24-month followup.

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.

5. The Board should 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.

   Implementation in process—In June 2026, the Legislature and the Governor signed Laws 2026, Ch. 94, which amended Arizona Revised Statutes (A.R.S.) §§ 36-2525, 36-2602, 36-2603, 36-2604, 36-2606, and 36-2608 to repurpose the existing CSPMP Task Force, originally created to establish the CSPMP in Arizona, into a CSPMP compliance workgroup focused on identifying and addressing prescriber and pharmacy noncompliance within the CSPMP system. It also imposed additional reporting requirements on the dispensing medical practitioner or pharmacy, such as the date the prescription was sold to the ultimate user. With these changes, the Board hopes to enhance accountability and strengthen coordination with licensing boards. The Board anticipates completing implementation of this recommendation in July 2027, when the updated reporting requirements become effective. We will further assess the Board's implementation of this recommendation during the 24-month followup.

6. The Board should 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.

   Implementation in process—The Board has not yet developed or implemented the recommended plan. As discussed in recommendation #5, Laws 2026, Ch. 94 repurposed the existing CSPMP Task Force into a compliance-focused CSPMP compliance workgroup to enhance accountability and strengthen coordination with licensing boards. The Board anticipates that the workgroup will play a key role in developing and implementing 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 change will become effective January 1, 2027.

   Further, beginning in January 2026, the Board began sending 40 noncompliant prescribers to their respective licensing boards for further review each month, an increase from 20 noncompliant

prescribers monthly in 2025. While the CSPMP system flags every prescriber that is potentially noncompliant with requirements for use of the CSPMP, it is incapable to examine each for allowable exceptions, as described in the September 2025 performance audit and sunset review. Therefore, while the system identifies potentially noncompliant prescribers, manual efforts are needed to determine actual noncompliance.[1] According to the Board, it took approximately 36 hours to verify the noncompliance of 40 prescribers. This is important information that the Board could provide to the CSPM compliance workgroup in working with them to develop a plan. The Board believes that increasing the number of prescribers for whom the Board must verify noncompliance and submitting those results to the respective licensing boards will require additional staffing resources, and believes that progress in this area must focus on interagency coordination to strengthen compliance enforcement. We will further assess the Board's implementation of this recommendation during the 24-month followup.

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

   Implementation in process—Although not based on a developed plan, as described in recommendation #6, in January 2026 the Board increased to 40, previously 20, the number of non-compliant prescribers to their respective licensing boards for further review each month. Further, as discussed in recommendation #5, Laws 2026, Ch. 94 amended A.R.S. §§ 36-2525, 36-2602, 36-2603, 36-2604, 36-2606, and 36-2608 to repurpose the CSPMP Task Force into a compliance-focused workgroup to enhance accountability and strengthen coordination with licensing boards, effective January 1, 2027. While not a specific responsibility of the CSPMP compliance workgroup, the Board plans to use this as a resource in developing such a plan. We will further assess the Board's implementation of this recommendation during the 24-month followup.

8. The Board should 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.

   Implemented at 6 months—In December 2025, the Board began sending monthly reports to other Arizona professional licensing boards about prescribers who are not registered with the program. This process is documented in Board policy, which was revised in December 2025. Between December 2025 and February 2026, the Board has sent reports containing thousands of unregistered prescribers to the Board of Dental Examiners, Arizona Medical Board, Naturopathic Physicians Board of Medical Examiners, Board of Nursing, Board of Optometry, Board of Osteopathic Examiners, Arizona Regulatory Board of Physician Assistants, and the Board of Podiatry Examiners.

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

[1] The current monitoring approach incorporates risk-based factors such as prescription volume, prescriptions over a Morphine Milligram Equivalent threshold, overlapping opioids and benzodiazepines, and opioids prescribed to opioid naive patients.

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.

Not yet applicable—During the October 2025 Board meeting, the Board and Board management discussed potentially pursuing legislation that would require controlled substance registration. The Board expressed concerns regarding the resources that might be required to license and regulate all individuals who prescribe Schedule II–V drugs in Arizona, which would include individuals licensed by the Board of Dental Examiners, Arizona Medical Board, Naturopathic Physicians Board of Medical Examiners, Board of Nursing, Board of Optometry, Board of Osteopathic Examiners, Arizona Regulatory Board of Physician Assistants, and the Board of Podiatry Examiners—and possibly other boards. Board members asked the Executive Director to pursue discussions with legislators prior to the 2027 legislative session. The Executive Director reported they plan to meet with the Chair of the House or Senate Health and Human Services Committees before September 2026 to gauge interest in sponsoring a bill. According to the Executive Director, this will allow the Board time to determine resource needs and fee requirements for a controlled substance registration that would need to be considered with any proposed legislation. If the legislature adopts such a bill during its 2027 legislative session, the Board believes it will be able to implement this recommendation by October 2027. We will further assess the Board's implementation of this recommendation during the 24-month followup.

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

10. The Board should investigate and resolve complaints within 180 days.

    Implementation in process—A review of the Board's complaint log reflecting complaints received between January 2026 and June 2026, show that the Board received complaints or initiated investigations relating to 434 incidents of potential licensee non-compliance. Of these, the Board resolved 334 complaints, with 13 taking longer than 180 days and 321 taking less than 180 days to resolve. As of August 28, 2026, 100 of these 434 complaints remained outstanding, with 16 having been unresolved for more than 180 days. Overall, this revealed that less than 7% of complaints received during this period were open for more than 180 days as of August 2026, a significant improvement since the September 2025 performance audit and sunset review, which found that the Board did not resolve within 180 days 46% of complaint investigations it opened in fiscal year 2024. To evaluate the Board's progress over a longer period of time, we will further assess the Board's implementation of this recommendation during the 24-month followup.

11. The Board should 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.

    Implementation in process—Board staff have begun drafting revisions to its complaint handling policy to clearly identify and outline each step of the process for which timeliness checks are

required, but these revisions remained underway as of August 2026. Since October 2025, Board staff also updated the Board's complaint report to include the complaint prioritization level, days elapsed since receipt of complaint, adjudication date, and bottlenecks / missed submission deadline / obstacles to timely complaint adjudication. However, this report does not yet include all steps for which a timeliness check is required, including the dates that:

- The licensee was notified of the complaint,
- Information was requested or subpoenaed from the licensee,
- The licensee complied with the request for information,
- The investigative report is completed,
- The Executive Director dismissed or adjudicated delegated complaints, and
- The date the disciplinary order was effectuated.

The type of information that should be contained in the complaint report and how it should be administered is also not yet fully addressed in policy, as recommended. The Board reported challenges in tracking this information in a centralized and efficient manner. While much of this information is maintained in the Board's licensing system, the system cannot produce reports that allow for management review and oversight. The Board has found it inefficient to require staff to record all of this information in multiple places, but plans to further enhance reporting in its manually generated complaint report in the short term, and plans to fully implement this recommendation through the implementation of a new licensing system by December 2028, as described in recommendation #23.[2] We will further assess the Board's implementation of this recommendation during the 24-month followup.

12. The Board should 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.

    Implementation in process—As described in recommendation #11, Board staff modified its existing complaint report to include the complaint prioritization level, days elapsed since receipt of complaint, adjudication date, and any bottlenecks, missed submission deadline, and/or obstacles to timely complaint adjudication. As discussed in recommendation #11, this report does not include all relevant milestones needed to monitor the progression of complaint handling from receipt to resolution. The Board anticipates establishing policies and procedures related to management's role in tracking and monitoring complaints by January 2028 and completing implementation of this recommendation when it implements a new licensing system by December 2028. We will further assess the Board's implementation of this recommendation during the 24-month followup.

[2] The Board anticipates that it will be in a position to secure a contract with a vendor to begin implementation of a new system by December 2027, after it obtains budget authority to procure a new licensing system, and full implementation of the system is anticipated to take an additional 12 to 18 months.

13. The Board should update policies and procedures outlining time frames for the Executive Director to review complaints referred for dismissal under delegated authority.

    Implemented at 6 months—In February 2026, Board staff updated the Board policy on Executive Director dismissals of complaints and created a tracker to document weekly individual and collaborative reviews of complaints pending dismissal by the Executive Director. The policy now requires the Executive Director to review and approve or deny all proposed dismissals within one week of receiving the recommendation. Our review of the policy and tracking log for the month of February found that both require the Executive Director and Deputy Director to individually and collaboratively review all complaints referred to the Executive Director for dismissal at least weekly, and the reviews are documented in the tracking log.

14. The Board should 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.

    Implemented in a different manner—In October 2025, the Board considered the frequency of scheduled Board meetings, and agreed to maintain its bi-monthly meeting cadence, meeting every-other-month unless meetings are cancelled or special meetings are scheduled. However, between December 2025 and March 2026, the Board took three actions intended to reduce the time for complaint investigation completion and agendizing completed complaint investigations for review before the Board. Specifically:

    - In December 2025, the Board discussed reasons for which additional special meetings may be scheduled in 2026, such as tabling a large number of agenda items in one meeting and carrying them over to another meeting that may already have a full slate of agenda topics, or to handle legislative matters during legislative session.
    - In February 2026, the Board approved in Board policy additional delegated authorities for the Executive Director with the intent to expedite the adjudication of some complaints. This new authority is in addition to the previously delegated authority to dismiss certain types of complaints without Board action. Examples of the types of complaints delegated to the Executive Director for adjudication include failure to complete continuing education, failure to notify the Board of a criminal charge, failure to renew licenses in a timely manner, failure to respond to subpoenas, and failure to conduct controlled substance inventories, among others. The Board also created a tracker to document all complaints for which the Executive Director has the authority to adjudicate the matter. Unlike the previously delegated authority to dismiss certain complaints, which are reported to the Board but do not require Board action, the Executive Director must submit to the Board for ratification a report showing actions taken pursuant to the Board's newly delegated authority.
    - In March 2026, Board staff began developing a process to track all actions taken through the Executive Director's delegated authority for Board ratification.

    We found that the Executive Director regularly exercised this authority. Specifically, between January 1 and August 18, 2026, the Board received 200 complaints that the Executive Director dismissed under delegated Board authority. On average, these complaints were resolved in 74

days, with only 3 (1.5%) that exceeded 180 days. The Board's delegated authority appears to have been effective in reducing the proportion of complaints that exceeded 180 days, as discussed in recommendation #10.

15. The Board should 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.

    Implementation in process—As discussed in recommendation #11, Board staff have begun drafting revisions to its complaint handling policy, but these revisions do not yet address the documentation of extenuating circumstances and revisions to the policy remained underway as of August 2026. Board staff also modified its complaint report to include the complaint prioritization level, days elapsed since receipt of complaint, adjudication dates, and any bottlenecks or extenuating circumstances contributing to potential delays. The Board anticipates completing implementation of this recommendation by January 2027. We will further assess the Board's implementation of this recommendation during the 24-month followup.

16. The Board should 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.

    Implemented at 6 months—As described in recommendation #14, in February 2026, the Board approved additional delegated authorities authorizing the Executive Director to adjudicate complaints, beyond the Executive Director's previous authority to dismiss certain types of complaints. This recommendation specifically relates to the Executive Director's timely handling of dismissals under their original delegation of authority. By March 2026, the Board had adopted policies requiring the Executive Director to review all complaints that are ready for the Executive Director's review, pursuant to this authority, within 1 week of receiving the results of the investigation from staff.[3] In addition, the Board implemented an Excel tracking form documenting the review of Deputy Director and Executive Director on a weekly basis. Our review of this tracking sheet revealed compliance with the Board policy—the Executive Director and Deputy Director met weekly to review investigative reports submitted during that week—and, as described in recommendation #14, this review process appears to be successful. As described in recommendation #14, between January 1 and August 18, 2026, the Board received 200 complaints that the Executive Director dismissed under delegated Board authority. On average, these complaints were resolved in 74 days, with only 3 (1.5%) that exceeded 180 days.

[3] 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.

Finding 4: Inconsistent with statue 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.

17. The Board should ensure that all future fee adjustments comply with statutory requirements for aligning fees with actual and anticipated costs.

    Implementation in process—As of March 2026, Board staff have been working with the Arizona Department of Administration (ADOA), General Services Procurement Office to finalize a request for information or proposals (RFI/RFP) for a comprehensive fee and cost analysis. Due to budgetary constraints, the Board submitted a budget request for this project in August 2026 and anticipates that the earliest it will be able to secure the services of a firm to complete this work is December 2027, giving it time to prepare an RFP and select a vendor. Upon doing so, it anticipates completion of this analysis by June 2028. We will further assess the Board's implementation of this recommendation during the 24-month followup.

18. The Board should 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.

    Not Yet Applicable—According to the Board, implementation of this recommendation is dependent on its implementation of recommendation #17. Therefore, this recommendation is not yet applicable. We will further assess the Board's implementation of this recommendation during a future followup.

19. The Board should establish a fund balance policy to define reserve targets and guide the long-term fiscal management of Board resources.

    Implementation in process—According to the Board, as discussed in recommendation #17, the development of a fund balance policy is part of the comprehensive fee and cost analysis being procured through ADOA-Procurement. We will further assess the Board's implementation of this recommendation during the 24-month followup.

20. The Board should 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.

    Not Yet Applicable—According to the Board, implementation of this recommendation is dependent on its implementation of recommendation #17. Therefore, this recommendation is not yet applicable. See discussion of recommendation #17 for additional information. We will further assess the Board's implementation of this recommendation during a future followup.

21. The Board should 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.

Not yet applicable—As discussed in recommendation #17, as of March 2026, the Board has initiated a procurement of a comprehensive fee cost analysis through ADOA-Procurement. According to the Board, this study is intended to identify each fee the Board charges, calculate the direct and indirect costs associated with providing each related service, compare each fee to the associated cost of service, recommend fee adjustments to align with the cost of service, and develop a fund balance reserve policy. The study will culminate in documented results and recommendations for fee adjustments if adjustments are needed. However, this recommendation is not yet applicable because its implementation depends first on the Board identifying a vendor capable of providing the service and budget authorization to initiate the study. The Board anticipates this study will be completed by June 2028. We will further assess the Board's implementation of this recommendation during the 24-month followup.

Sunset Factor 2: We identified 6 areas, including 9 recommendations, where the Board could better meet its statutory objective and purpose.

22. The Board should refund permit or license fees to applicants when the Board fails to meet regulatory time frames, as required by statute.

    Implemented at 6 months—Between October 2025 and April 2026, the Board issued 283 licenses and permits. Our review of a system-generated log of applications submitted to the Board revealed all but one license or permit was issued within 180 days, as required in rule. For this one licenses that was not issued in a timely manner, the Board notified the applicant of the delay and issued a refund to the applicant.

23. The Board should 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.

    Implementation in process—The Board reported taking the following 4 key steps to implement this recommendation.

    - In January 2026, Board staff updated its permit tracking spreadsheet to include filters designed to help facilitate more timely processing of resident permits by organizing different application types, and assigning them to staff for processing.
    - In March 2026, as a short-term solution, Board staff began working with its licensing system vendor to incorporate additional data fields to capture dates associated with key milestones of the application review and approval process, as well as explore costs and feasibility associated with building out calculations to highlight time lapsed and remaining time to complete key milestones to clearly identify those applications at risk of exceeding required timelines, including automatically calculating and populating key dates, such as dates the administrative and substantive reviews should be completed or when the application should be scheduled for Board approval.

- As of September 2026, the Board reported continuing to work with its vendor to improve the tracking and reporting of key timeframes. These steps were designed to better enable the Board to capture key events and milestone dates.

Along with these efforts, in March 2026 the Board had been working with the Arizona Department of Administration to develop a request for proposals to obtain proposals from potential database vendors to replace its current licensing system. As of September 2026, the Board reported that it was still in the process of developing the request for proposals. While the Board is working with its current vendor for short-term improvements that will better enable it to track application processing, its current system is considered a legacy system that does not fully meet its needs and support for the system is expected to end in the coming years. As discussed in recommendation #11, the Board anticipates that it will be in a position to secure a contract with a vendor to begin implementation of a new system by December 2027, and full implementation of the system is anticipated to take an additional 12 to 18 months. We will further assess the Board's implementation of this recommendation during the 24-month followup.

24. The Board should, 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.

    Implementation in process—As discussed in recommendation #23, Board staff have taken steps to improve its tracking of licensing and permitting timelines, including updating its tracking spreadsheet, and has been in the process of implementing additional improvements, such as updating policies and system functionality, working with its current database vendor to incorporate necessary data fields, and soliciting estimates from other database vendors. However, as of March 2026, the Board has not yet fully developed or implemented these short-term measures to track licensing and permitting timelines to better ensure timeliness requirements are met while longer-term solutions are developed. We will further assess the Board's implementation of this recommendation during the 24-month followup.

25. The Board should 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.

    Implementation in process—See explanation under recommendations #23 and #24 for additional information on the steps taken by the Board to improve tracking of initial and renewal applications. The Board also provided direction to staff clarifying that the administrative review of applications must be completed within 60 calendar days and the substantive review must be completed within 120 calendar days, consistent with statute. The Board also stated that in August 2026 its rules writing task force began to initiate a rulemaking that resolves the conflict between rules and statute, in which Board rules reference calendar days instead of business days when determining compliance. We will further assess the Board's implementation of this recommendation during the 24-month followup.

26. The Board should 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.

    Not implemented—While the Board's new and renewal applications for full-service wholesalers and third-party logistics providers includes a mandatory upload of the designated representative's fingerprint clearance card, as of August 2026, Board staff had not developed a procedure to verify compliance with fingerprint clearance card requirements. The Board reported that it believed the Department of Public Safety (DPS), which issues fingerprint clearance cards, would notify the Board if/when a designated representative commits a precluding violation or when a fingerprint clearance card is otherwise no longer valid. However, the Board cannot be assured that DPS will notify it if/when a licensee or designated representative's fingerprint clearance card has been revoked or is otherwise no longer valid. Specifically, to receive a fingerprint clearance card, an applicant must list the sponsoring agency—an organization such as an employer or a licensing board—that is requiring the individual to obtain a card. If a cardholder lists their employer as the sponsoring agency, DPS will notify the employer and not the Board of Pharmacy when a card is no longer valid. Absent guaranteed notifications to the Board of Pharmacy, verifying the validity of applicants' fingerprint clearance cards using the DPS website is imperative for ensuring that applicants have not committed any precluding offenses.

    However, the Board reported working with its legal counsel to determine the most appropriate method for implementing the recommendation and complying with statute. The Board reported challenges resulting from differences in how statute imposes fingerprint clearance card requirements on licensees or designated representatives. Specifically, statute requires licensees to provide evidence of a valid fingerprint clearance card when submitting an initial application, but does not require that the licensee possess a valid fingerprint clearance card when renewing their licenses or otherwise thereafter.[4] Statute further requires third-party logistics providers, which are permit holders, to submit the valid finger print clearance card of their designated representative with the completed application, but does not specify whether this includes both initial and renewal applications.[5] Finally, statute requires the designated representative of a full-service wholesale permittee to possess a valid fingerprint clearance card for as long as the individual remains a designated representative.[6] The Board reported that it is determining the appropriate protocols to follow for different types of licensees, permit holders, and designated representatives. We will further assess the Board's implementation of this recommendation during the 24-month followup.

27. The Board should 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.

[4] A.R.S. §32-1904(A)(6)

[5] A.R.S. §32-1941(F)

[6] A.R.S. §32-1982(A) and (B)(7)

Implemented at 6 months—In January 2026, Board staff revised its assignment of compliance officer territories to enhance operational efficiency of its facility inspections, balance workload, and account for future shifts in staffing. Further, in February 2026, the Board found its 24-month inspection cycle to be unachievable and revised its policy on resident permittee inspections to reflect new inspection cycle goals, which now reflects goals to inspect high-priority facilities, such as compounding pharmacies, hospital pharmacies, and facilities that compound sterile, non-sterile, or hazardous compounds, on a 2-year cycle and all other facilities on a 3-year cycle. Finally, Board staff incorporated into its tracking spreadsheet proactive alerts that are intended to notify staff of upcoming standard-priority cycle goal deadlines.

28. The Board should identify and implement productivity and quality standards as well as accountability measures for all remote workers.

    Implementation in process—Board staff reported that they are in the process of implementing productivity, quality standards performance expectations, as well as accountability measures for all remote workers. Specifically, according to the Board, ADOA is implementing a new performance management system called AZPerforms that state agencies can use for this purpose, and the Board is currently working with ADOA to roll out this system by July 2026. The Board believes that this system will facilitate the implementation of performance standards and evaluation methods. In the meantime and in addition, staff are exploring possible implementation of standardized 1-on-1 coaching resources provided by ADOA to further document expectations and outcomes, as well as increase transparency of those discussions to the executive leadership at the Board office. The Board anticipates full implementation of this recommendation by December 2026. We will further assess the Board's implementation of this recommendation during the 24-month followup.

29. The Board should document remote workers expectations, performance standards, and accountability procedures in internal policies.

    Implementation in process—As discussed in recommendation #28, Board staff are exploring solutions to implement productivity, quality standards performance expectations, as well as accountability measures for all remote workers, and anticipates completing this effort by December 2026. As part of this effort, the Board reported that it will update its procedures and internal policies, once the standards and accountability measures have been identified and established. We will further assess the Board's implementation of this recommendation during the 24-month followup.

30. The Board should implement a process to ensure all remote workers complete remote work agreements annually, and retain these agreements in personnel files.

    Implementation in process—In December 2025, the Board began utilizing the ADOA's new remote work portal to establish remote work agreements for its employees.[7] We reviewed the Board's roster of employees and ADOA's report showing all active remote work agreements, and confirmed that every employee has an active remote work agreement on file with ADOA. According

[7] https://remotework.az.gov/employee-resources/remote-work-agreement

to the Board, ADOA will notify each employee prior to the expiration date of their agreement to facilitate the annual renewal process. According to the Board, it will obtain and review ADOA reports annually to confirm all active employees approved to work remotely have active remote work agreements on file. We examined the ADOA report received by the Board in 2026, and found that the Board verified that active employees approved to work remotely have active remote work agreements on file. To evaluate the Board's progress over a longer period of time, we will further assess the Board's implementation of this recommendation during the 24-month followup.

Sunset Factor 5: We identified 2 areas where the Board could improve public access to information.

31. The Board should 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.

    Implemented at 6 months—In November 2025, the Board implemented an updated policy relating to public records requests that directs staff to acknowledge all requests received through email, phone, mail, or other methods besides the online portal, which sends an automatic notification, within 5 business days of receipt, and the Board updated its public records request tracking spreadsheet to include the acknowledgment date for each request. Our review of the tracking spreadsheet revealed 73 requests for information submitted between October 2025 and February 2026, and reflected that the Board notified requesting parties of the Board's receipt of their request within 5 days for all requests.

32. The Board should 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.

    Implemented at 6 months—Based on information we provided during the 2025 performance audit and sunset review, the Board took steps to remove hyperlinks to outdated pages that included Board orders for disciplinary action that were older than 5 years, and requested ADOA to remove public access to outdated webpages. The Board reports information on disciplinary and non-disciplinary actions in two places on its website. It maintains a spreadsheet identifying all licensees with disciplinary orders over the prior 5-year period. This spreadsheet is manually updated; as new orders are added each quarter, references to old orders are removed. Our review of disciplinary and non-disciplinary actions posted through this spreadsheet found that the Board has removed references of disciplinary actions that are more than 5 years old.

    The Board also reports disciplinary and non-disciplinary actions through the licensee portal on its website, which is linked directly to the Board's licensing system, allowing the public to look up licensee information such as the status of the license and whether disciplinary action has been taken against the licensee. According to the Board, the licensing system is programmed to disable visibility into disciplinary actions that are older than 5 years. Our review of 10 board actions taken in 2020 (more than 5 years ago) revealed that for each, the Board order reflecting the disciplinary action was inaccessible by the public and records of non-disciplinary actions had been removed from the website.

Sunset Factor 8: We identified 2 areas where the Board could better adhere to conflict-of-interest requirements and recommended practices.

33. The Board should use a conflict-of-interest disclosure form that addresses State requirements for disclosing conflicts of interest.

    Implemented at 6 months—As of March 2026, all Board members and staff have updated their conflict-of-interest forms using the standard ADOA forms, which addresses all State requirements for disclosing conflicts-of-interest, and Board policy requires the use of ADOA-approved forms on an annual basis.

34. The Board should continue to store all substantial interest disclosures, including disclosure forms and meeting minutes, in a special file available for public inspection.

    Implemented at 6 months—During the audit and in response to our discussions with the Board, the Board began storing all conflict-of-interest disclosure and recusal forms in a single special file available for public inspection, as required by statute, and began storing meeting minutes that reflect Board members recusals in that same special file.