



County Executive Office

Larry Parrish  
County Executive Officer

July 22, 2004

Honorable Board of Supervisors  
County of Riverside  
Robert T. Andersen Administrative Center  
4080 Lemon Street, 4th Floor  
Riverside, CA 92501-3651

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**SUBJECT: Survey on County Audit Committees**

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Board Members:

Regarding the Auditor-Controller's request to appoint members of the Board to an audit committee, on July 13, 2004, the Board asked for more detail on what other counties in the state are doing. My office surveyed 22 counties, including the neighboring counties of San Bernardino, Los Angeles, Ventura, Orange and San Diego. We also surveyed a number of counties with whom we regularly exchange budgetary and financial information, including the counties of Kern, Santa Barbara, San Luis Obispo, Santa Clara and Alameda, in addition to a random sample of other counties such as Marin, Fresno, Imperial, and Lake among others.

Of our immediate neighbors, San Bernardino, Ventura and Orange have elected auditor-controllers like Riverside County. Los Angeles and San Diego have appointed finance officers who fulfill that statutory role. Consequently, they each have audit committees to assure transparency and public accountability. Of the three with elected auditor-controllers, San Bernardino and Ventura do not have audit committees. Orange County has an audit committee established in response to their bankruptcy.

Among the other 17 counties polled, 16 have elected auditor-controllers. Of those, four have audit committees and 12 do not. Across the entire survey group, among those that have both elected auditor-controllers and audit committees, the most frequent reason given for having audit committees was to help Board members understand and appreciate the auditing process by direct participation in the oversight process.

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Among counties with elected auditor-controllers that choose not to have audit committees, the most frequent reason given was that the elected nature of the office provided the independence and public accountability intended by an audit committee. A number expressed the thought that to have both would be redundant. Several indicated the idea had been considered for the purpose of educating and/or engaging Board members, but they decided against it because of the risks of politicizing the audit process and potentially exposing it to undue political influence.

Attached is a detailed listing of the complete survey results for your reference.

Respectfully submitted,



LARRY PARRISH  
County Executive Officer

**Partial Survey of California Counties  
Regarding Audit Committees**

County	Elected Auditor?	Audit Committee?	Notes
Riverside	Yes	No	
Los Angeles	No	Yes	The Auditor-Controller is appointed by the Board. The members of the Audit Committee are deputies from each Board office, with the Auditor-Controller's Chief of Audits as staff. The Committee oversees both internal and external audits, though the Auditor-Controller procures the external auditor. The official departmental audit cycle is five years, although that is frequently not possible to achieve due to other requests, mostly driven by the Board, which redirect the yearly audit plan.
Orange	Yes	Yes	The Audit Oversight Committee was formed in 1994-95, when Internal Audits was also split off as separate department. Both these moves were a direct result of the county's bankruptcy. The members of the Audit Oversight Committee are the Chair & Vice Chair of the Board, the elected Auditor-Controller, the County Executive Officer, and one member of the public. The Treasurer-Tax Collector originally sat on the Committee, but no longer attends, and holds the position ex officio. An annual risk assessment is done for audit planning purposes.
San Bernardino	Yes	No	According to staff in the audits division, the Auditor is working on a proposal for an Audit Committee, but this has not yet reached the attention of Administrative Office staff. The reasons given by Auditor-Controller staff for considering an audit committee are issues of "good governance," making sure the CAO & Board understand the auditing process, selecting auditors, etc.
San Diego	No	Yes	They have an appointed Auditor-Controller who reports to an appointed Chief Financial Officer.
Ventura	Yes	No	

**Partial Survey of California Counties  
Regarding Audit Committees**

County	Elected Auditor?	Audit Committee?	Notes
Alameda	Yes	No	
Alpine	Yes	No	
Amador	Yes	No	
Butte	Yes	Yes	Their audit committee was just set up in response to a Grand Jury report.
Contra Costa	Yes	No	
Del Norte	Yes	No	
El Dorado	Yes	No	
Fresno	Yes	Yes	Their audit committee members include two members of the Board of Supervisors, County Counsel, the County Administrative Officer, and the head of the Department Heads Council. The committee approves the selection of the external auditor. The elected Auditor-Controller presents to the Audit Committee, and internal audits reports out to the committee.
Imperial	Yes	No	
Inyo	Yes	No	
Kern	Yes	No	Their county has not considered an audit committee. The elected Auditor satisfies the need for public accountability, and they make all audit reports publicly available.
Lake	Yes	Yes	They have had an audit committee for approximately six years. Their audit committee members include two members of the Grand Jury, the County Administrative Officer, the Auditor-Controller, the Chair of Board of Supervisors, and one member of the public. Both external & internal audits are reported to the committee. The Auditor-Controller, who was contacted personally, is very positive on the experience, and has no problems with the issue of autonomy. She emphasized the importance of a good long-term working relationship with the County Administrative Officer facilitating this.

**Partial Survey of California Counties  
Regarding Audit Committees**

County	Elected Auditor?	Audit Committee?	Notes
Marin	Yes	Yes	This county has what they call an Audit Advisory Board, which is technically the same as what would be considered an audit committee in the private sector. Arranging it as an advisory board avoids Brown Act requirements in their view. The Advisory Board is Chaired by the Auditor-Controller, and members include the Assistant Auditor-Controller, the CAO, two Board members and one member at large selected by the Auditor-Controller. The Advisory Board was chartered in 1994 to meet at least twice a year, but meets as needed as deemed by either the Auditor-Controller or the Board of Supervisors. They currently meet once each quarter.
San Luis Obispo	Yes	No	Interviewed the Auditor-Controller. He indicated he has considered forming an audit committee, but the negatives outweighed the benefits. Specifically, a benefit he considered was that Board members might develop a greater appreciation of the audit process if they see it up close. The negative side that outweighed this is that rather than basing audit planning strictly on risk analysis, Board members on such a committee might exert political influence on the audit process to target adversaries. Likewise, a public member might get appointed that could have an ax to grind. Another factor that entered the decision was that the CAO was not excited about it.
Santa Barbara	Yes	No	
Santa Clara	No	Yes	They call it the Finance and Government Operations Committee, which is comprised solely of two members of the Board of Supervisors.