

# 2025–2026 Contra Costa County Civil Grand Jury

## Contra Costa County's Internal Audit Division: Time for a Transformation

Report 2602  
April 24, 2026

Approved by the Grand Jury



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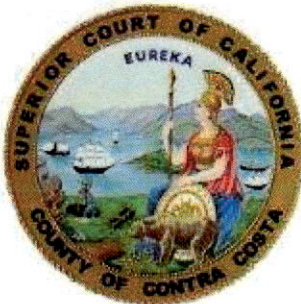
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Accepted for Filing



Hon. Terri Mockler  
JUDGE OF THE SUPERIOR COURT

4/24/26  
Date



## SUMMARY

Internal auditing is a key component of government accountability. Internal auditors provide independent evaluations of financial processes, internal controls, and compliance with laws and policies—giving governing bodies and senior management the information they need to identify risks, strengthen controls, and improve public services. California Government Code Section 1236 recognizes this importance by requiring that all county employees who conduct audits comply with the professional auditing standards of either the Institute of Internal Auditors (IIA) or U.S. Government Accountability Office (Generally Accepted Government Auditing Standards or GAGAS).

Contra Costa County's Internal Audit Division (IAD) does not meet this statutory requirement. The IAD has not undergone an external quality assessment—the primary means of evaluating standards compliance—in more than 25 years. IIA and GAGAS standards require such assessments every three to five years. The IAD's *Policies and Procedures Manual* directs compliance with IIA and GAGAS standards; the IAD's departure from those standards contradicts both its own governing document and California law.

The Grand Jury's review identified the following significant deficiencies relative to these standards:

- **Organizational Independence.** The IAD is housed within the Office of the Auditor-Controller and is responsible for auditing departments and functions also overseen by that office. This creates a structural conflict that professional standards require be addressed through formal safeguards. No such safeguards exist. The conflict is compounded by the fact that IAD personnel prepare the County's Annual Comprehensive Financial Report—a core management function of the Auditor-Controller—creating an additional independence concern when those same personnel audit related financial reporting processes.
- **Functional Oversight.** The Internal Operations Committee of the Board of Supervisors (Board) is responsible for overseeing the IAD and meets with it once per year. This single annual meeting is insufficient to satisfy professional standards governing ongoing communication, audit plan pre-approval, and report distribution. A separate Finance Committee oversees the County's external auditors, creating a divided structure that prevents integrated oversight of the County's overall financial control environment. Neither committee requires members with audit, accounting, or financial expertise, and neither includes public members independent of County management.
- **Audit Charter.** The IAD does not operate under a formal audit charter as required by professional standards. *Administrative Bulletin 212.1*, which defines its work, has never been updated and does not address independence requirements, quality assurance obligations, or the oversight responsibilities of the governing body.
- **Risk-Based Audit Planning.** The IAD's annual audit plan is not based on a documented, organization-wide risk assessment as required by professional standards. The plan is presented to the Board for approval two to three months after it takes effect and after audit work has already begun, reducing Board approval to a retrospective formality rather than meaningful prospective oversight.

- **Quality Assurance.** The IAD does not maintain a documented quality assurance program and has not undergone an external assessment of its compliance with professional standards in more than 25 years. Professional standards require such assessments at least once every three to five years.
- **Communication and Transparency.** The IAD does not distribute completed audit reports to its oversight body and does not post them publicly. The IAD’s website contains a single bullet point related to its audit activities.

The Grand Jury urges the Board to take the following actions:

- Direct the IAD to comply with professional auditing standards
- Establish a dedicated Audit Committee with consolidated oversight responsibility, appropriate expertise, and public membership
- Require the development and Board approval of a formal audit charter
- Mandate a documented risk-based audit planning process with prospective Board approval
- Direct the IAD to undergo an external quality assessment and establish an ongoing quality assurance program

These actions, taken together, would bring Contra Costa County’s internal audit function into conformance with California law and professional standards—enabling it to serve as an effective watchdog for County residents.

## BACKGROUND

Internal auditing is a key component of effective government oversight and accountability. Internal auditors provide independent evaluations of financial processes, internal controls, operational practices, and compliance with laws and policies. These evaluations help governing bodies and senior management identify risks, strengthen controls, and improve the efficiency and effectiveness of public services.

The Internal Audit Division (IAD) of Contra Costa County (County) is organizationally placed within the Office of the Auditor-Controller. The Auditor-Controller is an elected official responsible for the County’s financial accounting, payroll administration, accounts payable, financial systems administration, and preparation of the County’s Annual Comprehensive Financial Report (ACFR). The ACFR is a detailed set of standardized financial statements produced each year in conformance with standards issued by the Governmental Accounting Standards Board. In addition to its audit functions, IAD staff spend roughly 40% of their work hours preparing the County’s ACFR.

The IAD has had one division manager and five accountant-auditors since at least 2000. A County Internal Operations Committee (IOC) survey conducted in 2000 (Appendix B) noted this audit team was smaller than audit teams in nine out of ten other California counties at that time. The survey also ranked IAD in the lowest quartile compared to county population and spending. Since then, Countywide staffing has increased by 38% and its budget is seven times larger.

The County’s *Administrative Bulletin 212.1*, issued in 1975 (Appendix A), defines the County’s internal audit function as evaluating financial records, internal controls, and operating

procedures. The Bulletin establishes expectations that IAD conduct objective analyses and provide management with appraisals and recommendations regarding the activities reviewed. The IAD also maintains a *Policies and Procedures Manual* that defines its scope, operating methods, and the professional auditing standards applicable to its work.

The Board’s IOC oversees the IAD. The IOC is a standing committee of the Board composed of two supervisors. The IOC reviews IAD’s annual activity summary and recommends approval of the proposed audit plan. Final approval rests with the Board.

Internal audit functions in government organizations are typically structured and operated in accordance with recognized professional auditing frameworks. Two frameworks applicable to government internal auditing are the 2024 Generally Accepted Government Auditing Standards (GAGAS) issued by the U.S. Government Accountability Office and the 2024 Global Internal Audit Standards issued by the Institute of Internal Auditors (IIA). These standards establish expectations for independence, governance, risk-based planning, quality assurance, and transparency in the performance of audit work. California Government Code Section 1236 requires that all city, county, and district employees who conduct audits or audit activities follow IIA or GAGAS standards, as appropriate to the specific type of audit.

Government entities that adopt both sets of standards generally use IIA standards for internal control evaluations while using GAGAS standards for grant compliance or financial statement reviews. IAD’s *Policies and Procedures Manual* specifies such an approach:

“It is Division policy to follow applicable professional auditing standards in conducting our audits. Generally, the standards apply as follows:”

<b>IAD Audit Type:</b>	<b>Auditing Standard:</b>
Internal Audits	Standards for the Professional Practice of Internal Auditing (SPPIA) *
Single Audits, Federal Grants	Generally Accepted Government Auditing Standards (GAGAS)

\* SPPIA an older reference for IIA standards

## METHODOLOGY

The Grand Jury used the following investigative methods:

- Interviews with subject matter experts both within and outside the County
- Review of information and documents available through public websites, including meeting agendas and minutes
- A review comparing internal audit and associated governance practices in Contra Costa County to six other California counties
- Review of the Institute of Internal Auditors (IIA) Global Internal Audit Standards
- Review of the U.S. Government Accountability Office’s (GAO) Generally Accepted Government Auditing Standards (GAGAS)
- Review of Board of Supervisors Internal Operations Committee orders, documents, and memoranda

- Review of Board of Supervisors Finance Committee meeting agendas and minutes
- Review of Annual Comprehensive Financial Reports and Independent Auditor's Reports
- Review of County Administrative Bulletins

## DISCUSSION

### Professional Auditing Standards for Internal Audit Functions

This report will review several fundamental principles and requirements embodied by both sets of standards, offering observations of current IAD circumstances and practices as they relate to these requirements. The discussion follows the guiding principles outlined below:

- **Organizational Independence.** Auditors must maintain independence from the organizations and activities they audit, performing their work without undue influence and communicating results objectively to those charged with governance.
- **Functional Oversight.** The governing body charged with internal audit oversight bears responsibility for ensuring that internal audit operates independently, plans its work based on documented risk assessment, and reports findings to parties capable of acting on them.
- **Audit Charter.** The internal audit function should operate under a documented mandate or charter that defines its authority, responsibilities, and reporting relationships and that is approved by the board or governing authority.
- **Risk-Based Audit Planning.** Internal audit plans must be based on documented organizational risk assessments, with audit priorities clearly linked to a systematic assessment of risk exposures.
- **Quality Assurance and External Assessments.** Internal audit teams must engage in ongoing quality assurance programs and undergo external assessments every three to five years to evaluate compliance with the audit standards.
- **Communication and Transparency of Audit Results.** Audit plans and reports must be communicated to internal audit's oversight body and available to the public.

### Organizational Independence

The IAD is housed within the Auditor-Controller's organizational structure. This organizational alignment does not, by itself, preclude independence. However, it creates structural conditions that give rise to recognized independence threats under professional auditing standards. IIA Principle 7 and Standard 7.1 require that internal audit be positioned to perform its work free from interference and maintain a functional reporting relationship to the governing body. Where internal audit assumes responsibilities beyond its audit functions such as preparing management reports—Standard 7.1 requires disclosure to the board, documentation of safeguards in the audit charter, and establishment of alternative assurance processes to preserve independence.

GAGAS §§3.27–3.58 require auditors to identify and evaluate independence threats and apply and document safeguards sufficient to reduce those threats to an acceptable level. (GAGAS uses § to indicate a section; IIA does not. This report follows those conventions.) Two such threats exist in the IAD's current structure. First, the IAD's placement within the Auditor-Controller's reporting hierarchy creates an organizational threat. Second, IAD staff's participation in ACFR

preparation creates a self-review threat, as those same personnel subsequently audit the financial reporting processes and internal controls associated with that report.

The ACFR is the County's primary financial reporting document. Its preparation—including financial statements, note disclosures, and supporting schedules—is a management responsibility of the Auditor-Controller under applicable California law, and its content must conform to generally accepted accounting principles. IAD personnel are regularly assigned to participate in ACFR preparation. This work represents approximately 40% of annual IAD staff time.

This level of participation extends beyond advisory support and constitutes involvement in management functions. IIA Standard 7.1 requires that where internal audit assumes responsibilities beyond its audit function, those responsibilities and any associated safeguards must be disclosed to the board and documented in the audit charter. Under GAGAS §§3.30-3.39, a self-review threat arises when auditors evaluate or rely on work that they or their organization previously performed. IAD staff's participation in ACFR preparation and their subsequent audit of associated financial reporting processes and internal controls meet this definition.

IAD's policies and procedures were reviewed to assess whether formal safeguards had been implemented to address independence threats. Such safeguards may include recusal protocols, independent review of audits involving Auditor-Controller functions, and segregation of audit assignments. No documentation was found confirming the establishment of safeguards for organizational or self-review threats.

The absence of documented safeguards and threat evaluation documentation means the independence threats have not been mitigated to an acceptable level as required by GAGAS §§3.27–3.58. The current structure and assigned responsibilities constitute an independence impairment in fact and appearance with respect to audits of financial reporting, accounting operations, and internal controls—functions that comprise a significant portion of the County's audit scope.

## **Functional Oversight**

### **The Internal Operations Committee of the Board of Supervisors**

IIA and GAGAS standards establish that the governing body, or a dedicated body acting on its behalf, is responsible for oversight of internal audit. This responsibility includes ensuring the internal audit function operates independently, plans its work based on documented risk assessment, and communicates its findings to parties capable of taking appropriate action. IIA Principle 8 requires collaborative and interactive communication between the governing body and internal audit. IIA Standards require that functional oversight include approval of the audit charter under Standard 6.2, approval of the risk-based internal audit plan before work begins under Standard 9.4, and direct communication of internal audit results under Standards 8.1 and 11.3. GAGAS §§3.27–3.58 require that where an audit organization is embedded within the entity it audits, a sufficiently independent oversight body must exist with authority to approve the audit plan, receive audit reports directly, and act on findings without management interference. Without such a body, GAGAS identifies an organizational independence impairment.

In the County, functional oversight of the IAD is assigned to the IOC, a standing committee of the Board composed of two supervisors. A separate Finance Committee, also composed of two supervisors, provides oversight of the County's external auditors. Currently, the same two supervisors serve on both committees simultaneously.

The IOC holds one meeting per year which includes internal audit, at which the IAD summarizes past activities and presents the upcoming annual plan. There is no evidence of ongoing engagement, interim reporting, or structured communication between the IAD and the IOC or the full Board during the audit cycle. Nor is there documented evidence that the IOC has formally approved the IAD's charter, evaluated the adequacy of the IAD's independence safeguards or exercised pre-approval authority over the annual audit plan—the specific responsibilities that IIA Standards 6.2, 8.1, and 9.4 and Principle 8 establish as requirements of effective board oversight of the internal audit function.

IIA Standards 8.1 and 11.3 require internal audit to ensure timely communication of engagement results directly to the governing body for significant findings. GAGAS Chapter 9 requires distribution of completed audit reports, not aggregated summaries, to those charged with governance as each report is issued. GAGAS Chapter 6 requires communication at key points throughout the audit process. A single annual meeting satisfies none of these requirements. IIA Principle 8 requires that the internal audit function actively supports the governing body's oversight responsibilities, which presupposes a governing body with the capacity to receive, evaluate, and act on audit results throughout the year.

The IOC's standing responsibilities encompass personnel policy, labor relations, technology governance, contracts, and general County administration. Internal audit oversight is on the IOC's agenda once per year. These competing responsibilities are inconsistent with the ongoing, substantive engagement that IIA Principle 8 and GAGAS Chapter 6 require of a body performing audit oversight functions.

### **Internal and External Audit Oversight**

The formal separation of internal and external audit oversight into two distinct committees implies a governance design that treats these functions as independent. In practice, they are interdependent. The external auditor's assessment of internal controls over financial reporting relies in part on internal audit's work. Findings from either function can affect the scope and conclusions of the other. A governing body that oversees these functions separately with no mechanism for integrating their findings is ill-positioned to develop a coherent view of the County's control environment or financial reporting risk.

The Government Finance Officers Association's (GFOA) *Audit Committees* best practice recommends that a single audit committee hold direct oversight responsibility for independent auditors and have access to internal auditors' reports and annual work plans—an integrated model that reflects the functional relationship between the two audit streams. The Association of Local Government Auditors also recommends a single audit committee with responsibility for both functions. Because the same two Supervisors serve on the IOC and the Finance Committee, the County's formal separation of these functions produces no diversification of perspective.

Concentration of all audit oversight in two members further compounds these deficiencies. The County operates with an adopted budget exceeding \$7 billion and a workforce exceeding 11,000 employees. A two-member committee is insufficient for an organization of that scale. The GFOA recommends a minimum of three members for an audit committee, with broader membership appropriate for larger governments.

### **Audit, Accounting, and Financial Expertise**

Neither the IOC nor the Finance Committee is required to include members with expertise in auditing, accounting, financial reporting, or risk management. Supervisors are assigned through the Board's committee process without regard to professional qualification. GFOA's *Audit Committees* best practice recommends that governmental audit committees have access to at least one financial expert possessing an understanding of generally accepted accounting principles and financial statements, experience with internal accounting controls, and familiarity with audit committee functions, and specifically identifies governmental accounting expertise as the relevant competency standard. The IIA's guidance on audit committee effectiveness treats financial and audit expertise as threshold conditions for a committee capable of performing its oversight role. California Government Code Section 13886 reflects the same policy direction at the state level, requiring state agencies with internal audit functions to establish audit committees consistent with the framework recommended by the American Institute of Certified Public Accountants. Without a requirement for relevant expertise, the oversight framework does not conform to the governance model that GFOA, the IIA, and California law identify as necessary for effective audit oversight.

### **External Representation**

Neither committee includes external members independent of County management. The County's own Treasury Oversight Committee, established in 1995, provides a direct counterexample: it incorporates officials, district representatives, and public expert members, with conflict-of-interest rules and staff support, to oversee the County's investment and treasury functions. The same governance principles—*independent membership, relevant expertise, and structured oversight*—that the GFOA's *Audit Committees* best practice identifies as necessary for audit committees are already embedded in the County's treasury oversight structure. The Treasury Oversight Committee shows that the structural and procedural elements of this governance model are achievable within the County's existing governance framework.

### **The Case for a Dedicated Audit Committee**

The deficiencies described above reflect a governance structure that lacks the features necessary for effective audit oversight. Taken together—the bifurcation of internal and external audit oversight, the identity of committee membership, the absence of expertise requirements, the absence of external representation, and the competition with unrelated responsibilities—these conditions are each inconsistent with the structural requirements identified in the GFOA's *Audit Committees* best practice.

## Audit Charter

IIA Standards require that internal audit functions operate under a formally defined charter approved by the governing body. IIA Standard 6.2, Internal Audit Charter, requires that the charter define the function's purpose, authority, responsibility, reporting relationships, and commitment to professional standards, and that it be periodically reviewed.

The IAD operates under *Administrative Bulletin 212.1* (Appendix A), issued in 1975, which describes audit authority, responsibilities, and procedures. While the bulletin provides general direction, it does not meet elements required by IIA Standard 6.2 including:

- Referencing current professional auditing standards
- Defining functional oversight responsibilities of the governing body
- Establishing requirements for periodic review and approval of the charter
- Describing quality assurance or external assessment requirements

The bulletin has not been updated to reflect current auditing standards or governance expectations. As a result, the IAD does not operate under a charter that includes all elements required by IIA Standard 6.2, and there is no documented evidence of periodic review or approval by the governing body consistent with current standards.

## Risk-Based Audit Planning

IIA Standards require internal audit to develop an internal audit plan based on a documented assessment of the organization's strategies, objectives, and risks, informed by input from the board and senior management, and performed at least annually (IIA Standards 8.1 and 9.4). These Standards further require that internal audit maintain effective communication with the governing body to support oversight and ensure that audit priorities reflect governance-level perspectives (IIA Standard 8.1). In addition, internal audit methodologies must incorporate a systematic and disciplined approach to risk assessment and audit planning and include documentation sufficient to support the determination of audit priorities (IIA Standard 9.3).

The GAGAS, while primarily addressing the planning of individual performance audits rather than an internal audit function's annual enterprise-wide plan, similarly require auditors to adequately plan audit work, document planning decisions, and base audit scope and methodology on assessments of significance and risk (GAGAS §§8.03–8.07). These requirements reinforce the principle that audit activities must be supported by documented, risk-informed planning.

The IAD described its 2026 annual audit plan to the IOC as “risk-based” in a March 23, 2026, cover memorandum. That memorandum characterizes audit prioritization as based on “perceived risk.” In the materials reviewed—including the March 2026 IOC agenda materials, County *Administrative Bulletin 212.1*, and the IAD *Policies and Procedures Manual*—no documented risk assessment, risk-ranking methodology, linkage between identified risks and proposed audit priorities, or evidence of governing body or senior leadership input was found, as required by IIA Standards 9.3 and 9.4. Without this documentation, the IOC had no basis to evaluate whether the proposed plan addressed the County's highest-risk areas or reflected a comprehensive,

organization-wide risk evaluation, inconsistent with IIA Standards 8.1 and 9.4 and GAGAS §§8.03–8.07.

IIA Standards 8.1 and 9.4 require that internal audit develop a risk-based audit plan using input from both senior management and the governing body, and that ongoing, effective communication with the governing body support its oversight responsibilities. Together, these provisions establish that governing body involvement in audit planning is intended to be prospective and substantive, not retrospective.

The IOC and Board review and approve the IAD’s annual audit plan two to three months after its effective date. During this delay, IAD begins audit work and allocates resources under a plan not yet authorized by the Board. When the plan is presented, audits are underway and major planning decisions have been made, eliminating the Board’s opportunity to shape priorities or address governance-level risks before implementation.

This condition, when considered in conjunction with the absence of a documented risk assessment and governing body input during plan development, indicates that the Board does not exercise meaningful oversight of the audit planning process—inconsistent with the oversight role contemplated by IIA Standards 8.1 and 9.4.

IAD’s annual audit plans are based on a calendar year. This is inconsistent with the County’s fiscal year, which runs July 1 through June 30. Fiscal year alignment would make pre-approval of the audit plan by the Board operationally achievable before audit work begins and provide opportunities for better integration with the operational and budgetary plans of the County.

## **Quality Assurance and External Assessments**

Both IIA and GAGAS standards require audit organizations to maintain a system of quality assurance. The IIA Standard 8.4, External Quality Assessment, requires an external assessment at least once every five years. GAGAS §5.179 requires peer review at least once every three years. The IAD has not undergone an external quality assessment in more than 25 years and lacks a documented quality assurance program. Without these, the IAD cannot objectively demonstrate compliance with IIA or GAGAS standards or document ongoing improvement.

## **Communication and Transparency of Audit Results**

The IAD does not distribute completed audit reports consistent with applicable professional standards. IIA Standards 11.3 and 15.1 require that audit results be communicated directly to the oversight body upon completion of each engagement. GAGAS Chapter 9 requires distribution of completed reports to those charged with governance upon issuance. The IAD does not distribute completed reports to the IOC.

GAGAS Chapter 9 requires that audit organizations make completed audit reports publicly available and document any basis for restricting availability. Public posting of the annual audit plan, while not explicitly required by GAGAS or IIA standards, is recommended by the Association of Local Government Auditors and the National Association of State Auditors, Comptrollers and Treasurers. In a sample of six California counties with populations comparable

to that of Contra Costa County, all six posted their annual audit plans and five posted completed audit reports on their public websites as shown in the following table.

	Posted on County Website?						
	Contra Costa	Orange	Riverside	Santa Clara	Sacramento	Fresno	Alameda
Annual Audit Plan	No	Yes	Yes	Yes	Yes	Yes	Yes
Audit Reports	No	Yes	Yes	Yes	Yes	Yes	No

The IAD’s public website consists solely of the following:

*The purpose of the Internal Audit Division is:*

- *To develop and execute audit programs for the examination, verification, and analysis of financial records, procedures, and internal controls of the county departments.*
- *To produce the Annual Comprehensive Financial Report.*

## Conclusions

The IAD’s *Policies and Procedures Manual* directs compliance with IIA and GAGAS standards. The Grand Jury’s review found that IAD’s current practices depart from both standards in several fundamental respects, as documented in Findings F3 through F27. Significant departures from standards date from at least 2000, as evidenced by the last external quality assessment performed on the IAD. These assessments, required every three to five years under IIA Standard 8.4 and GAGAS §5.179, provide the primary mechanism for evaluating an audit organization’s conformance with professional standards. The absence of these assessments means the IAD cannot demonstrate compliance with California Government Code Section 1236, which requires that all county employees who conduct audits comply with IIA or GAGAS standards.

## FINDINGS

**F1.** California Government Code Section 1236 requires that employees conducting audits for public agencies follow standards of the Institute of Internal Auditors (IIA) or the U.S. Government Accountability Office’s Generally Accepted Government Auditing Standards (GAGAS).

**F2.** The Internal Audit Division’s (IAD) *Policies and Procedures Manual*, Section 2.1, directs that it “follow applicable professional auditing standards in conducting our audits,” and defines which IIA or GAGAS standards are applicable to specific audit situations.

**F3.** The IAD’s placement within the Auditor-Controller’s organizational structure creates an organizational independence threat under GAGAS §§3.27–3.58 and IIA Standard 7.1.

**F4.** The Internal Operation Committee’s (IOC) failure to exercise charter approval, audit plan pre-approval, and direct report receipt as required by IIA Standards 6.1, 6.2, 8.1, 9.4, 11.3 and Principle 8 leaves this organizational independence threat unmitigated, constituting an independence impairment in fact and appearance under GAGAS §3.56.

**F5.** IAD personnel participate in preparation of the County’s Annual Comprehensive Financial Report (ACFR), a management responsibility of the Auditor-Controller.

**F6.** The participation of IAD personnel in ACFR preparation and their subsequent auditing of those same financial reporting processes and controls represents a self-review threat as defined in GAGAS §§3.30 and 3.39.

**F7.** The IAD has no documentation demonstrating that organizational and self-review independence threats have been formally identified, evaluated, or mitigated through safeguards, as required by GAGAS §§3.40–3.58 and IIA Standard 7.1.

**F8.** The IAD has no documentation that the impact of IAD staff participation in ACFR preparation (a non-audit management activity) on independence and objectivity has been formally assessed and disclosed to the oversight body, as required by GAGAS §3.59 and IIA Standards 7.1 and 8.1.

**F9.** The IOC of the Board of Supervisors (Board), consisting of two supervisors, is responsible for functional oversight of the IAD.

**F10.** The IOC holds one meeting per year at which the IAD presents its prior year activities and upcoming audit plan.

**F11.** No documentation was found of additional meetings, interim audit reporting, or direct communication between the IAD and the IOC between annual plan presentations.

**F12.** A single annual meeting does not satisfy the ongoing communication, timely reporting, and report distribution obligations imposed by IIA Principle 8, IIA Standards 8.1 and 15.1, GAGAS §§6.06 and 9.56, each of which requires engagement throughout the year.

**F13.** The Board’s Finance Committee, consisting of two supervisors, is responsible for functional oversight of external audit activity.

**F14.** Neither the IOC nor the Finance Committee requires financial or audit expertise as a condition of membership, inconsistent with the Government Finance Officers Association's (GFOA’s) *Audit Committees* best practice and IIA guidance on audit committee effectiveness, both of which identify such expertise as a threshold condition for effective audit oversight.

**F15.** Neither the IOC nor the Finance Committee includes public members independent of County management as a condition of membership. GFOA's *Audit Committees* best practice recommends that audit committees include public members independent of management to strengthen both the substance and credibility of financial oversight.

**F16.** The County’s IAD operates under *Administrative Bulletin 212.1* (1975), which does not include all the elements of an Audit Charter required by IIA Standard 6.2.

**F17.** The IAD presented its 2026 annual audit plan as “risk based.” However, the plan did not include a documented risk assessment as required by IIA Standards 9.3 and 9.4.

**F18.** IAD has no documented risk-assessment methodology as required by IIA Standard 9.3.

**F19.** IAD’s risk assessments do not include input from the Board or senior County executives, as required by IIA Standards 8.1 and 9.4.

**F20.** The IOC is not provided with information to determine whether proposed annual audit plans address the County’s highest-risk areas, as required by IIA Principle 8, IIA Standards 8.1 and 9.4.

**F21.** IAD implements its annual audit plan without prior Board input or approval, eliminating the Board's opportunity to influence audit priorities before audit work has begun, inconsistent with IIA Principle 8 and IIA Standards 8.1 and 9.4, which collectively require that the board review and approve the risk-based audit plan before implementation.

**F22.** Findings F4, F10, F11, F12, F18, F19, F20, F21, and F26 collectively establish that the IOC and Board do not fulfill the audit oversight responsibilities required by IIA Principle 8 and Standards 8.1 and 15.1, and GAGAS §§3.46 and 6.06 — including charter approval, prospective audit plan approval, ongoing engagement, risk-based planning oversight, and direct receipt of audit reports.

**F23.** The IAD’s schedule is based on a calendar year, inconsistent with the fiscal year that governs the County’s overall planning, budgeting, and operational processes.

**F24.** The IAD does not maintain an ongoing quality assurance and improvement program, as required by IIA Standard 8.3 and GAGAS Chapter 5, which require audit organizations to establish and maintain internal quality assessment processes to evaluate conformance with professional standards.

**F25.** The IAD has not undergone an external quality assessment review in more than 25 years. IIA Standard 8.4 requires an external assessment at least once every five years and GAGAS §5.179 requires an external peer review at least once every three years.

**F26.** The IAD does not distribute its reports to the IOC, as required by IIA standards 11.3 and 15.1 and GAGAS Chapter 9.

**F27.** The IAD does not post its completed audit reports or annual audit plan on its public webpage, inconsistent with GAGAS Chapter 9, which requires public availability of completed audit reports, and the recommendations of the Association of Local Government Auditors and the National Association of State Auditors, Comptrollers and Treasurers.

**F28.** The deficiencies documented in Findings F3 through F8, F16 through F21, F24, F25, F26, and F27 collectively establish that the IAD does not operate in conformance with the IIA and GAGAS standards required by California Government Code Section 1236 and directed by its own *Policies and Procedures Manual*.

## RECOMMENDATIONS

**R1.** By December 1, 2026, the Auditor-Controller should consider directing the IAD to comply with the IIA and GAGAS auditing standards as adopted in IAD’s *Policies and Procedures Manual* and as required by California Government Code Section 1236.

**R2.** By January 1, 2027, the Board of Supervisors should consider evaluating alternative organizational reporting structures for IAD that reduce organizational and self-review threats, including placement outside the Auditor-Controller's span of control.

**R3.** By January 1, 2027, the Auditor-Controller should consider prohibiting IAD personnel from participating in the preparation of the ACFR or performing other management functions to comply with IIA Standard 7.1 and GAGAS §§3.87-3.89.

**R4.** By January 1, 2027, the Board of Supervisors should consider requiring the Auditor-Controller to develop, document, and implement a formal independence safeguards framework consistent with GAGAS §§3.40–3.58 and IIA Standards 7.1. Required safeguards shall include recusal protocols for audits involving Auditor-Controller functions, independent supervisory review of those audits, and documented segregation of duties between IAD personnel participating in ACFR preparation and those auditing associated financial reporting processes.

**R5.** By January 1, 2027, the Board of Supervisors should consider requiring the Auditor-Controller to annually disclose to the IOC, or, if established, the Audit Committee, all identified independence threats and the safeguards implemented to mitigate them, consistent with GAGAS §3.59 and IIA Standard 7.1.

**R6.** By January 1, 2027, the Board of Supervisors should consider requiring an annual review by the IOC of IAD's organizational independence, documented safeguards, and any identified independence impairments to ensure continued compliance with IIA Standard 7.1 and GAGAS §§3.40–3.58.

**R7.** By January 1, 2027, the Board of Supervisors should consider requiring the IAD to report to the IOC no less than quarterly on the status of audit engagements, demonstrating alignment with the approved audit plan and documented risk assessment, consistent with IIA Principle 8, Standards 8.1 and 11.3, and GAGAS Chapter 6.

**R8.** By January 1, 2027, the Board of Supervisors should consider consolidating the internal and external auditor oversight as currently performed by the IOC and Finance Committee into a single Audit Committee.

**R9.** By January 1, 2027, the Board of Supervisors should consider adopting IOC, or Audit Committee, membership that conforms to GFOA's *Audit Committees* best practice guidance by including a minimum of three members, at least one with expertise in governmental accounting principles, internal controls, and audit committee functions, and at least one public member independent of County management.

**R10.** By January 1, 2027, the Auditor-Controller should consider developing an Audit Charter for the IAD aligned with IIA Standard 6.2.

**R11.** By April 1, 2027, the Board of Supervisors should consider reviewing and approving the IAD's Audit Charter, consistent with IIA Standard 6.2, which requires that the governing body approve the internal audit charter and conduct periodic reviews to ensure it remains current.

**R12.** By January 1, 2027, the Auditor-Controller should consider requiring the IAD to adopt and implement a documented risk assessment methodology that includes defined risk factors, risk-ranking or scoring criteria, and a systematic process for identifying and prioritizing risks as required by IIA Standards 9.3 and 9.4.

**R13.** By January 1, 2027, the Auditor-Controller should consider directing the IAD to revise its *Policies and Procedures Manual* and any applicable administrative bulletins to incorporate requirements for a documented, risk-based audit planning process aligned with IIA Standards 9.3 and 9.4.

**R14.** By January 1, 2027, the Auditor-Controller should consider requiring that the annual risk assessment process include documented input from the Board of Supervisors, its designated oversight committee, and senior county leadership, consistent with IIA Standards 8.1 and 9.4.

**R15.** By January 1, 2027, the Board of Supervisors should consider requiring that all audit plans presented for its approval include a summary of the risk assessment methodology, key risks identified, and the rationale used to prioritize audit engagements, consistent with IIA Standards 9.3 and 9.4 and GAGAS §§8.03–8.07.

**R16.** By January 1, 2027, the Board of Supervisors should consider requiring the IAD to document the linkage between identified risks and the audit engagements included in the annual audit plan, including justification for inclusion or exclusion of high-risk areas.

**R17.** By December 1, 2026, the Auditor-Controller should consider directing the IAD to shift the Internal Audit Division's audit planning from a calendar to a fiscal year schedule beginning with the 2027-28 fiscal year.

**R18.** By December 1, 2026, the Board of Supervisors should consider directing the Auditor-Controller to submit the IAD's annual risk-based audit plan for Board approval before the fiscal year to which the plan applies begins.

**R19.** By December 1, 2026, the Auditor-Controller should consider directing the IAD to adopt and maintain an ongoing quality assurance and improvement program, as required by IIA Standard 8.3 and GAGAS Chapter 5.

**R20.** By December 1, 2026, the Auditor-Controller should consider directing the IAD to undergo an external quality assessment review as required by IIA Standard 8.4 and GAGAS §5.179.

**R21.** By December 1, 2026, the Auditor-Controller should consider directing the IAD to distribute all completed audit reports, including management responses, directly to the IOC (or, if established, the Audit Committee) consistent with the direct communication requirements of IIA Standards 11.3 and 15.1 and the report distribution requirements of GAGAS Chapter 9.

**R22.** By December 1, 2026, the Auditor-Controller should consider directing the IAD to post the audit charter, annual audit plan, and all completed audit reports to the County's public website, consistent with GAGAS Chapter 9, which requires that audit organizations make completed audit reports publicly available, and the transparency recommendations of the Association of

Local Government Auditors and the National Association of State Auditors, Comptrollers and Treasurers.

## REQUEST FOR RESPONSES

Pursuant to California Penal Code § 933(b) et seq. and California Penal Code § 933.05, the 2025-2026 Contra Costa County Civil Grand Jury requests responses from the following governing bodies:

<b>Responding Agency</b>	<b>Findings</b>	<b>Recommendations</b>
Contra Costa County Board of Supervisors	F1, F2, F3, F4, F9, F10, F11, F12, F13, F14, F15, F20, F21, F22, F23, F28	R2, R4, R5, R6, R7, R8, R9, R11, R15, R16, R18
Auditor-Controller	F1, F2, F3, F4, F5, F6, F7, F8, F16, F17, F18, F19, F24, F25, F26, F27, F28	R1, R3, R4, R5, R10, R12, R13, R14, R17, R19, R20, R21, R22

These responses must be provided in the format and by the date set forth in the cover letter that accompanies this report. An electronic copy of these responses in the form of a Word document should be sent by e-mail to [ctadmin@contracosta.courts.ca.gov](mailto:ctadmin@contracosta.courts.ca.gov) and a hard (paper) copy should be sent to:

Civil Grand Jury – Foreperson  
725 Court Street  
P.O. Box 431  
Martinez, CA 94553-0091

Reports issued by the Grand Jury do not identify individuals interviewed. Penal Code section 929 requires that reports of the Grand Jury not contain the name of any person or facts leading to the identity of any person who provides information to the Grand Jury.

# APPENDIX A

## Administrative Bulletin Guiding IAD Function

CONTRA COSTA COUNTY  
Office of the County Administrator

### ADMINISTRATIVE BULLETIN

Number: 212.1  
Date: 10-24-75  
Section: Budget & Fiscal

SUBJECT: Internal Audit of County Departments and Offices

Various California state codes require or authorize the County Auditor-Controller to perform audits of the accounts and records of specific County departments, offices and operations. In addition, under the provisions of Section 26883 of the Government Code, the County Auditor-Controller is an agent of the Board of Supervisors in fulfilling its statutory responsibilities for audits of County operations. The internal auditing function is performed by a staff of professional auditors employed in the Internal Auditing Division of the Office of the County Auditor-Controller.

#### PURPOSE

The objective of the County internal auditing function is to assist County management in the proper and effective discharge of its responsibilities by reviewing and evaluating financial records and procedures and by providing reports to management containing objective analyses, appraisals, comments and recommendations concerning the activities reviewed.

The Internal Auditing Division has authority to review and appraise such policies, plans, procedures and records as are necessary to carry out its objective. This authority gives the Internal Auditor full access to all pertinent County records, property, and personnel except as limited by policy of the Board of Supervisors and statutory requirements. As a staff function Internal Auditors have no direct supervisory authority over those persons whose work they review, nor does their review in any way relieve those persons of the responsibilities assigned to them.

#### SCOPE

All County operations and activities are subject to internal audit unless specifically exempted by statute or County policy. Examinations are primarily financial in nature; however, the Internal Auditor is concerned with all phases of County operations wherein he can be of service to County management. Among the activities of the Internal Auditing Division are the following:

1. Reviewing and appraising the soundness, adequacy and application of accounting, financial and operating controls.

2. Examining accounting and related records maintained to account for County revenues, expenditures, assets and liabilities, and evaluating the reliability and adequacy of those records.
3. Determining the extent of compliance with statutory requirements and with established policies and procedures (particularly those relating to financial matters).
4. Ascertaining the extent to which County assets are accounted for and the extent to which they are protected from losses of all kinds.
5. Appraising the effectiveness of accounting and related procedures and making recommendations for improvements.
6. Preparing audited financial statements for special County operations. Special studies and financial analyses are also performed from time to time.

#### PROCEDURES

Audits of most County departments are made on an annual basis at about the same time each year. In certain circumstances, however, audits may be performed more or less frequently than once a year. Department officials are normally contacted by the Internal Auditing Division in advance of the commencement of the audit to arrange a mutually convenient time schedule and to discuss problem areas and changes in department operations. In special circumstances audits are sometimes made without advance notice. Requests from departments for special reviews and analyses are scheduled according to the urgency of their nature and the availability of staff.

Upon completion of the audit a discussion draft of the report is reviewed with the department. This is to assure agreement on factual matters and give the department an opportunity for early corrective action when required. The final written report is directed to the responsible official with information copies to others who are affected.

It is the responsibility of the official to whom the report is directed to send a written reply to the County Auditor-Controller within 30 days of the receipt of the report. When audit comments or recommendations indicate that some specific action should be taken, the reply must state what action has been or will be taken, or the reason such action should not be taken. Upon receipt of the reply, the County Auditor-Controller will transmit an information copy of both the report and the reply to the County Administrator for his review and desired action.

If no response is received within the 30-day time limit, the information copy of the report alone will be sent to the County Administrator with the notation that there has been no reply from the responsible official. Subsequent replies will be sent to the

County Administrator separately, upon receipt.

CONCLUSION

Internal auditing is essential for proper management and control purposes. All personnel should assist when contacted by the internal audit staff in the performance of their studies and analyses.

Orig. Dept.: County Auditor-Controller

Reference: California Government Code Section 26883

*/s/ Arthur G. Will*

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County Administrator

## APPENDIX B

### Table Extract from Contra Costa County Internal Operations Committee report to the Board of Supervisors on June 27, 2000

#### Comparison of County Financial Audit Organizations

County	Number of Financial Auditors*	Population	Exhibit 2 Governmental Fund Expenditures (thousands)	Financial Audtors Per 100,000 Residents		Financial Auditors Per \$100,000,000 Gov. Fund Exp.	
				Number	Rank	Number	Rank
Sonoma	10	430,000	\$700,000	2.33	2	1.43	2
San Mateo	9	700,000	850,000	1.29	4	1.06	3
Ventura	7	730,000	800,000	0.96	6	0.88	4
San Francisco	20	750,000	4,000,000	2.67	1	0.50	10
Fresno	14	760,000	756,000	1.84	3	1.85	1
<b>Contra Costa</b>	<b>6</b>	<b>920,000</b>	<b>974,000</b>	<b>0.65</b>	<b>9</b>	<b>0.62</b>	<b>8</b>
Sacramento	9	1,140,000	1,500,000	0.79	7	0.60	9
Alameda	9	1,400,000	1,400,000	0.64	10	0.64	6
Riverside	3	1,480,000	1,290,000	0.20	11	0.23	11
Santa Clara	11	1,640,000	1,800,000	0.67	8	0.61	7
San Bemardino	17	1,640,000	2,000,000	1.04	5	0.85	5

\* Includes audit director and vacant positions, does not include clerical staff or operational/management/performance audit staff.

(Note: Riverside County shown with the smallest IA staff (3) in 2000 now has an audit staff of 12 FTEs.)