

**COUNTY OF SAN DIEGO, CALIFORNIA  
BOARD OF SUPERVISORS POLICY**

**Subject**

Outside Auditor: Length of Contract

**Policy  
Number**

A-90

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**Purpose**

To direct staff as to the length of contracts for outside auditor services.

**Background**

In the past, the County contracted with a single firm to serve as the outside auditor for annual financial statements audits, special audits and studies as required. In the private sector the practice has allowed for retention of an auditing firm for an indefinite contract term; the past practice in local government agencies has been to limit the length of the contract term.

Because of the size and complexity of San Diego County's accounting, control and reporting systems, it takes an auditing firm at least two years to become knowledgeable. During the initial contract period, a new contractor generally spends substantial time learning the system and some of these costs are absorbed by the private firm. If the length of the contract is too short it may result in less interest in bidding and/or higher costs.

Over time, the pool of qualifying audit firms has significantly diminished. Disqualifying an audit firm whose contract periodicity has expired may result in the requirement to contract with a less-qualified audit firm.

Current practice requires audit partner rotation rather than a mandatory audit firm rotation. This practice helps ensure that new perspectives are brought to the audit process to maintain a high level of integrity both in fact and appearance.

**Policy**

It is the policy of the Board of Supervisors that the maximum length of a contract for the outside firm performing annual financial statements and related audits is five years. A firm completing the contract for such services may be eligible for consideration during the selection process for additional contract periods, however, mandatory partner rotation is required every five years to both comply with government code as well as maintain a high level of integrity in the audit process.

**Sunset Date**

This policy will be reviewed for continuance by 12-31-20.

**Previous Board Action**

9-15-81 (38)

10-18-88 (48)

4-4-95 (28)

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03-14-06 (11)

12-09-08 (33)

11-05-13 (19)

CAO Reference

1. Chief Administrative Office