



Grant Parks *California State Auditor*

CONTACT: *Communications Office* | (916) 445-0255

Mendocino County

It Should Continue to Address Its Strained Financial Condition and Can Improve Several Important Operational Processes

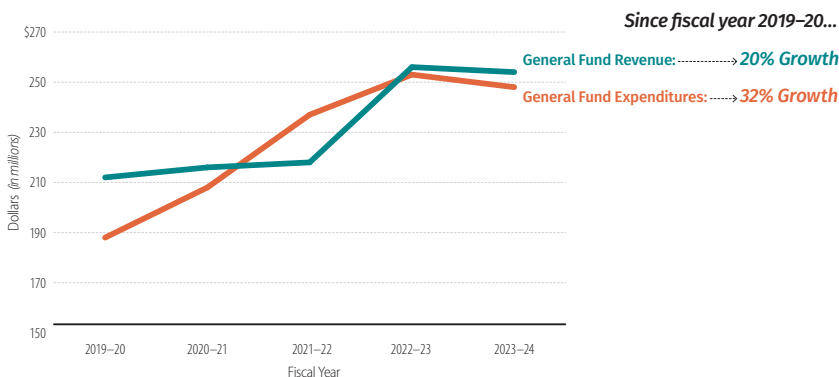
Background

Mendocino County (Mendocino) is a Northern California county governed by a five-member board of supervisors (board) and four other elected officials who play key roles in the operations of the county. Additionally, the board appoints a chief executive officer who is responsible for directing the overall operation of the county. Mendocino's government provides or facilitates services for county residents in several different areas, including public protection, public assistance, and health and sanitation. Mendocino creates a budget each year showing how much it plans to spend in these and other areas. At the end of each fiscal year, Mendocino prepares financial reports showing the amount of funding the county received and spent. Recent concerns regarding Mendocino's financial health, financial reporting, internal controls, and administration of elections resulted in an amendment to state law, which includes the requirement for an audit of Mendocino in these areas.

Key Findings

- Generally stagnant tax revenue, increasing expenditures, and a declining general fund reserve have left Mendocino in a strained financial condition. The county has also experienced persistent budget deficits that will likely require further strategic action, such as revenue increases or expenditure cuts.
- Partly because of its struggles in implementing a new property tax system, the county is behind in completing property tax assessments and in collecting unpaid property taxes.

Mendocino's General Fund Expenditures Increased Faster Than Its Revenue From Fiscal Years 2019–20 Through 2023–24



Key Findings (continued...)

- The county's procurement processes create risk of waste, fraud, and abuse.
 - » Nearly half of the expenditures we reviewed had problems with supporting documentation, such as missing approvals or undocumented justifications.
 - » Mendocino has not exercised adequate oversight of the way the Sheriff's Office and the District Attorney's Office use asset forfeiture funds. In the absence of this oversight, we found that both offices violated prohibitions against direct funding of religious organizations, and the District Attorney's Office made a gift of public funds.
- The auditor-controller-treasurer-tax collector's (ACTTC) Office must take corrective action to address known deficiencies in its procedures and practices, such as the absence of policies for key financial processes.
- Although Mendocino's Elections Office was not at fault for a ballot problem during the 2024 presidential primary election, the office has not ensured the placement of all voters in their correct voting precincts, meaning that these voters may receive incorrect ballots in future elections.

Key Recommendations

- To ensure that it addresses its persistent budget deficit, the board should create a schedule outlining the steps it will take to address its stagnant tax revenue and increasing expenditures, including scheduling board meetings or town halls with the express purpose of discussing the spending areas the county wishes to prioritize for reduction and options for the county to increase revenue.
- To enhance its safeguards against waste, fraud, and abuse, the county should amend its purchasing policies to include clearer requirements for the documentation that departments maintain to support their purchases.
- To ensure that it uses asset forfeiture funds only for allowable purposes, the county should adopt a policy that describes the appropriate and inappropriate uses of asset forfeiture funding and mandates that applicable offices and departments produce an annual report identifying how they used asset forfeiture funds.
- To ensure the consistency and efficiency of its operations, the ACTTC's Office should revise its timeline for creating policies and procedures for key responsibilities and then follow this timeline.
- To provide assurance that it has placed all voters in their correct precinct, the Elections Office should review all voter assignments and verify that they are correct before the next county election.