

SECTION 1 Mendocino's Financial Condition is Gradually Declining and Requires Corrective Action

- 1.1 **Recommendation:** To ensure that it maintains a reserve balance sufficient to facilitate its operations during emergencies and serve as a buffer during economic downturns, the county should, before its board adopts its 2026-27 budget, revise its policy on general fund reserves to incorporate a new target reserve level. In doing so, the county should consider the stability of its revenue sources, the likelihood of unexpected expenditures, and the guidance published by the GFOA. At a minimum, the county's new reserve level should be no less than the minimum recommended by the GFOA of two months of expenditures.
- 1.2 **Recommendation:** To ensure that the county does not lose property tax revenue because of delayed assessments, the Assessor's Office should, by March 2026, develop tools such as aging reports showing the length of time since qualifying events, to assist in the management of its assessment workloads. These tools should, at a minimum, allow staff and managers to identify which properties are at highest risk of lost property tax revenue if the county does not assess them in a timely fashion.
- 1.3 **Recommendation:** To recoup unpaid property tax payments to the degree possible, the ACTTC should continue to take steps to resume holding regular default tax property auctions by October 2026. If the ACTTC's Office needs external assistance to hold the auction on time, it should obtain such assistance.
- 1.4 **Recommendation:** To ensure its staff's ability to appropriately and efficiently resolve issues with its property tax system, the Assessor's Office should, by June 2026, document clear policies and procedures pertaining to property tax assessments and the management of property tax-related information in its system.
- 1.5 **Recommendation:** To ensure that it addresses its persistent budget deficit, the board should, by March 2026, create a schedule outlining the steps it will take to address its stagnant tax revenue and increasing expenditures. This schedule should include 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, such as by increasing tax rates. The board's goal should be for the 2026-27 budget it adopts to reflect the results of this process to the maximum extent possible.

SECTION 2 The County's Procurement and Financial Reporting Process Leave it Vulnerable to Waste, Fraud, and Abuse of Public Funds

- 2.1 **Recommendation:** If the legislature wishes to restrict to certain purposes local governments' use of asset forfeiture funds, it should amend the Substances Act to specify those purposes. For example, the Legislature could restrict the use of these funds to only law enforcement purposes.
- 2.2 **Recommendation:** To enhance its safeguards against waste, fraud, and abuse, the county should, by June 2026, amend its purchasing policies to include clearer requirements for the documentation that departments must maintain to support their purchases. These new requirements should include an expectation that departments maintain a receipt or invoice record of what they purchased, they should document the reasons for the purchase, and they should reconcile payments for travel that they made in advance of the trip.
- 2.3 **Recommendation:** To ensure it uses asset forfeiture funds only for allowable purposes and to provide transparency and promote accountability for that use, the county should adopt a county policy by June 2026 that does the following:

- a. Describes the appropriate and inappropriate uses of asset forfeiture funding. The policy should specifically address whether the county allows donations of these funds to private entities, and if it does allow such donations, it should include the ways in which the county will ensure that it protects against political or personal interests influencing such donations.
 - b. Requires that all applicable offices and departments include asset forfeiture funds in the county's annual budget with a clear description of their intended use.
 - c. Mandates that all offices and departments that receive and use asset forfeiture funding produce an annual report that identifies how they used such funds. The county should make this report available to the public and discuss it at a public board meeting.
 - d. Directs the ACTTC to regularly perform audits of the use of asset forfeiture funds at a prescribed interval, with no more than three years passing between audits.
- 2.4 **Recommendation:** To ensure that it closely adheres to advisable contracting practices, the county should, by June 2026, consider sources of best practices, such as the Department of General Services procurement checklist, and revise its contracting and purchasing policies to align with such practices as applicable.
- 2.5 **Recommendation:** To ensure that departments justify all sole-source agreements, the county should, by June 2026, develop a sole-source justification expectation document and distribute to departments. The expectations document should refer to county policy on sole-source procurement and provide examples and explanations of adequate and inadequate justifications.
- 2.6 **Recommendation:** To ensure that departments properly advertise all contracts for bid and submit those contracts for board consideration, the county should, by March 2026, begin tracking when a department enters into successive contracts with the same vendor for the same service and take action to address such situations with the responsible departments.
- 2.7 **Recommendation:** 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, including bank reconciliations and journal entries, by March 2026. It should then follow this timeline.
- 2.8 **Recommendation:** To maximize the county's accounting system's capabilities and to ensure consistent documentation of the work its staff perform, the county executive's office and the ACTTC's Office should, by September 2026, collaboratively develop a plan for using more of the system's capabilities. At a minimum, the plan should address electronic processing of journal entries and bank reconciliations. It should also include goals for how the county will use the system, assign responsibility to specific staff for managing the county's efforts to reach those goals, and create deadlines for achieving the goals.
- 2.9 **Recommendation:** To ensure that the ACTTC's Office receives necessary information from departments in a timely manner, the county executive's office and the ACTTC's Office should, by June 2026, collaborate on a protocol that outlines the key expectations for the timeliness and content of these communications. These offices should meet monthly to coordinate and share information about requests that have gone unfulfilled and to identify successful approaches to sharing information that they can replicate.
- 2.10 **Recommendation:** To ensure that the county is fully prepared to address future changes resulting from new accounting standards, the ACTTC's Office should, by June 2026, establish a plan for how it will approach these changes. At a minimum, the plan should designate which staff in the ACTTC's Office are responsible for monitoring changes in relevant standards and specify how the office will communicate with other county departments about their responsibilities for gathering, analyzing, and providing required information.

SECTION 3 A Vendor Mistake and a Weak County Process Caused Ballot Errors in the 2024 Primary Election

- 3.1 **Recommendation:** To safeguard the county against poor performance by elections-related vendors, the Elections Office should, as soon as possible, secure a contract agreement with its ballot printing vendor that specifies the compensation the vendor will receive and how the county will address poor contract performance.

- 3.2 **Recommendation:** To provide assurance that it has placed all voters in the correct precinct, the Elections Office should review all voter precinct assignments and verify that they are correct before the next county election. The Elections Office should prioritize reviewing the placement of voters who live in areas of the county that may be at higher risk of misplacement, such as areas where voting district boundaries have changed recently. When it completes this review, the Elections Office should report the results to the board and identify the potential impact on any previous elections.

- 3.3 **Recommendation:** To ensure that it assigns voters to the correct precincts when voting district boundaries change, the Elections Office should, by June 2026, create procedures for responding to district boundary changes. These procedures should include using automated assistance from GIS or similar automated approaches to making assignments. They should also identify the steps that Elections Office staff will take to review a sample of assignments from high-risk areas to determine whether voters' placement are correct.

CORRECTIVE ACTION PLAN (CAP)
CALIFORNIA STATE AUDITOR REPORT ON MENDOCINO COUNTY
REPORT 25-049

Section	Recommendation	Responsible Parties	Recommended Completion Date	Status	CAP
SECTION 1 - Mendocino's Financial Condition is Gradually Declining and Requires Corrective Action	1.1	Executive Office	June 2026	In Progress	The Executive Office has drafted an amended policy and anticipates bringing the amended policy to the Board in March 2026.
	1.2	Assessor-Clerk Recorder	March 2026		Look to Elected Official for update
	1.3	Auditor-Controller/ Treasurer-Tax Collector	October 2026		Look to Elected Official for update
	1.4	Assessor-Clerk Recorder	June 2026		Look to Elected Official for update
	1.5	Board of Supervisors	March 2026	In Progress	<p>The Executive Office has completed a revenue analysis to identify how much revenue would be created from a potential general sales tax.</p> <p>Based on current taxable sales levels reported by the California Department of Tax and Fee Administration (CDTFA) a 1/4-cent (.25%) sales tax could generate: approximately \$5.5 million annually if applied across all incorporated and unincorporated areas; or approximately \$2.2 million annually if limited to unincorporated areas.</p> <p>Actual revenue would vary depending on total taxable sales, exemptions, and any concurrent local measures reaching the statutory cap of 9.25%. As a note two of the four incorporated cities in Mendocino County are already at the 9.25% cap. If it is the will of the Board is to have the tax be countywide, the Board could appeal to the legislature to raise the cap.</p> <p>The Board of Supervisors will work with the Executive Office, Assessor, Auditor-Controller, and Treasurer-Tax Collector on the creation of a schedule to outline steps it will take to address its stagnant tax revenue and increasing expenditures.</p>

CORRECTIVE ACTION PLAN (CAP)
CALIFORNIA STATE AUDITOR REPORT ON MENDOCINO COUNTY
REPORT 25-049

Section	Recommendation	Responsible Parties	Recommended Completion Date	Status	CAP
SECTION 2 - The County's Procurement and Financial Reporting Process Leave it Vulnerable to Waste, Fraud, and Abuse of Public Funds	2.1	State Legislature	No date recommended		
	2.2	Executive Office	June 2026	In Progress	<p>The Board of Supervisors amended Policy 1 (Purchasing, Leasing, and Contracting Policy) on December 16, 2025. The Executive Office has completed a procedural guide to work in conjunction with Policy 1. Staff involved in purchasing are in the process of being trained.</p> <p>The Executive Office will begin working on Policy 18 (Travel and Meal Policy) with the goal of having an amended policy by the recommended date. The Executive Office will reach out to the Auditor's Office to collaborate on updating the policy.</p>
	2.3	Executive Office	June 2026	In Progress	The Executive Office is requesting direction on how to proceed with this recommendation.
	2.4	Executive Office	June 2026	In Progress	The Board of Supervisors amended Policy 1 (Purchasing, Leasing, and Contracting Policy) on December 16, 2025 which addressed additional components of the Department of General Services' checklist. The Executive Office will work with County Counsel to continue reviewing Policy 1 to incorporate additional components of the DGS' checklist as may be applicable, with the goal of having a subsequent amended policy by the recommended date.

CORRECTIVE ACTION PLAN (CAP)
CALIFORNIA STATE AUDITOR REPORT ON MENDOCINO COUNTY
REPORT 25-049

Section	Recommendation	Responsible Parties	Recommended Completion Date	Status	CAP
SECTION 2 - The County's Procurement and Financial Reporting Process Leave it Vulnerable to Waste, Fraud, and Abuse of Public Funds	2.5	Executive Office	June 2026	Completed	The Board of Supervisors amended Policy 1 (Purchasing, Leasing, and Contracting Policy) on December 16, 2025 which included expectations around exceptions to bid, including sole source justifications. With the implementation of the amended Policy 1, the process for documenting Exception to Bids has become automated through the contracting system, Cobblestone. Departments are required to answer prompts and/or provide documentation for the exception. Documentation and/or written explanations will include but is not limited to the circumstances leading to the selection of the vendor, including alternatives considered, the department's rationale for selecting the specific vendor, and the basis upon which the department determined the cost to be reasonable. Lastly, the procedural guide provides examples of adequate and inadequate justifications to exception to bids.
	2.6	Executive Office	March 2026	Completed	The Board of Supervisors amended Policy 1 (Purchasing, Leasing, and Contracting Policy) on December 16, 2025, which included expectations around competitive bidding. The amended policy addresses the issue of contract splitting. Expectations around contract splitting are also documented in the procedural guide. The procedural guide has been distributed to all staff involved in any aspect of purchasing during a training held by the Executive Office in January and early February 2026.
	2.7	Auditor-Controller/ Treasurer-Tax Collector	March 2026		Look to Elected Official for update

CORRECTIVE ACTION PLAN (CAP)
CALIFORNIA STATE AUDITOR REPORT ON MENDOCINO COUNTY
REPORT 25-049

Section	Recommendation	Responsible Parties	Recommended Completion Date	Status	CAP
SECTION 2 - The County's Procurement and Financial Reporting Process Leave it Vulnerable to Waste, Fraud, and Abuse of Public Funds	2.8	Executive Office & Auditor-Controller/ Treasurer-Tax Collector	September 2026	In Progress	The Executive Office and Auditor-Controller's Office met on January 27, 2026 to discuss each office's roles and responsibilities. The offices identified a handful of process improvement initiatives to begin with, including journal entry processing via a automated workflow, use of interdepartmental billing module for internal service departmental billing, and first steps in an automated bank reconciliation process. The offices have scheduled monthly check-ins.
	2.9	Executive Office & Auditor-Controller/ Treasurer-Tax Collector	June 2026	In Progress	The Executive Office and Auditor-Controller's Office met on January 27, 2026 to outline each office's roles and responsibilities. The Auditor-Controller's office will be creating a policy and procedure and sending out the expectations to departments. The offices have agreed that the Executive Office will be looped in on communications with departments, when a department is not responsive to the Auditor-Controller Office's request. The Executive Office will hold departments accountable to ensure there are timely and complete responses to the Auditor-Controller's Office. The office's have scheduled monthly check-ins.
	2.10	Auditor-Controller/ Treasurer-Tax Collector	June 2026		Look to Elected Official for update
SECTION 3 - A Vendor Mistake and a Weak County Process Caused Ballot Errors in the 2024 Primary Election	3.1	Registrar of Voters	As soon as possible		Look to Elected Official for update
	3.2	Registrar of Voters	Before next county election		Look to Elected Official for update
	3.3	Registrar of Voters	June 2026		Look to Elected Official for update