



Board of Directors
California Electronic Recording
Transaction Network Authority
Bakersfield, California

In planning and performing our audit of the financial statements of California Electronic Recording Transaction Network Authority (the Authority) as of and for the year ended June 30, 2021, in accordance with auditing standards generally accepted in the United States of America, we considered the entity's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

Material weaknesses

We consider the following deficiency in the entity's internal control to be a material weakness.

- The receipt of payments from member agencies to satisfy employee compensation and pension liability were recorded as revenue which did not constitute an appropriate accounting method under U.S. GAAP. In addition, the entity withdrew from the SBCERA pension plan and the net pension liability was not recorded. The adjustments to reconcile the employee compensation and net pension liabilities resulted in material audit adjustments to correct a material overstatement of revenue, overstatement of employee compensation liability and understatement of net pension liability.

Other deficiencies in internal control and other matters

During our audit, we became aware of other deficiencies in internal control and other matters that are opportunities to strengthen your internal control and improve the efficiency of your operations. While the nature and magnitude of the other deficiencies in internal control were not considered important enough to merit the attention of the board of directors, they are considered of sufficient importance to merit management's attention and are included herein to provide a single, comprehensive communication for both those charged with governance and management.

- The detailed fixed asset listing was not reconciled to the general ledger.
- Depreciation expense was not being evaluated on a regular basis and depreciation expense was not recorded for the current fiscal year.
- Journal entries for prior year close and audit adjustments were not recorded which caused the financial records and general ledger beginning balances to not reconcile to the 2019-20 audited financial statements and beginning net position was out of balance.

Management's response

California Electronic Recording Transaction Network Authority also referred to as CeRTNA, agrees to the findings of the audit of the financial statements as of June 30, 2021, and for the year then ended. Significant changes occurred during the year covered in this audit such as a change in management, employee benefits, and release of liabilities owed to San Bernardino and Kern Counties. CeRTNA employees are no longer members of SBCERA and all the obligations related to the pension liabilities of prior employees have been satisfied.

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The Authority's written response to the material weaknesses and other deficiencies in internal control identified in our audit was not subjected to the audit procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various entity personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

The purpose of this communication is solely to describe the scope of our testing of internal control over financial reporting and the results of that testing. This communication is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control over financial reporting. Accordingly, this communication is not suitable for any other purpose.



CliftonLarsonAllen LLP

Glendora, California
October 28, 2022