

NORTHERN MARIANA ISLANDS RETIREMENT FUND
(A COMPONENT UNIT OF COMMONWEALTH
OF NORTHERN MARIANA ISLANDS)

INDEPENDENT AUDITORS' REPORTS ON
INTERNAL CONTROL AND ON COMPLIANCE

YEAR ENDED SEPTEMBER 30, 2016

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Ms. Larrisa Larson
Acting Administrator
Northern Mariana Islands Retirement Fund:

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Northern Mariana Islands Retirement Fund (NMIRF), a component unit of the Commonwealth of the Northern Mariana Islands, which comprise the statement of fiduciary net position as of September 30, 2016, and the related statement of changes in fiduciary net position for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated July 18, 2017. Our report was qualified due to our inability to determine the effects of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions* on NMIRF's financial statements.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered NMIRF's internal control over financial reporting (internal control) to determine the 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 NMIRF's internal control. Accordingly, we do not express an opinion on the effectiveness of NMIRF'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 described in the accompanying Schedule of Findings and Responses (page 3), we identified a certain deficiency in internal control that we consider to be a material weakness.

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. We consider the deficiency described in the accompanying Schedule of Findings and Responses as item 2016-001 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether NMIRF's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Deloitte & Touche LLC

July 18, 2017

NORTHERN MARIANA ISLANDS RETIREMENT FUND

Schedule of Findings and Responses
Year Ended September 30, 2016

Defined Contribution Plan

Finding No. 2016-001

Criteria: An effective system of internal control includes procedures to periodically monitor investments.

Condition: The Defined Contribution Plan (DCP) was created by Public Law 15-13 to provide an individual account retirement system for any person employed by the Commonwealth of Northern Mariana Islands (CNMI) government and its component units. The Northern Mariana Islands Retirement Fund (NMIRF) is responsible for the general administration and operation of the DCP. As of September 30, 2016, DCP investments of \$25,872,905 were not properly monitored or recorded. This condition was corrected through a proposed audit adjustment.

Cause: The cause of the above condition is the lack of procedures to monitor investments of DCP.

Effect: The effect of the above condition is the misstatement of DCP investment accounts.

Recommendation: We recommend that NMIRF establish and implement monitoring procedures for the DCP investments which include, but may not be limited to, examination of monthly trust reports from the fund manager and reconciliation to the general ledger.

Identification as a Repeat Finding: Finding No. 2015-001.

Auditee Response and Corrective Action Plan:

Management has not responded to this finding. Our finding is not affected by this missing information.

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Unresolved Prior Year Comments
Year Ended September 30, 2016

The status of unresolved findings is discussed in the Schedule of Findings and Responses section of this report.