

COMMONWEALTH CASINO COMMISSION
(A GOVERNMENTAL FUND OF THE COMMONWEALTH
OF THE NORTHERN MARIANA ISLANDS)

INDEPENDENT AUDITORS' REPORTS ON
INTERNAL CONTROL AND ON COMPLIANCE

YEAR ENDED SEPTEMBER 30, 2017

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

Mr. Edward C. Deleon Guerrero
Executive Director
Commonwealth Casino Commission

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 statement of revenues and expenditures of the Commonwealth Casino Commission (CCC) for the year ended September 30, 2017, and the related notes to the statement of revenues and expenditures, and have issued our report thereon dated December 14, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the statement of revenues and expenditures, we considered CCC'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 statement of revenues and expenditures, but not for the purpose of expressing an opinion on the effectiveness of CCC's internal control. Accordingly, we do not express an opinion on the effectiveness of CCC's internal control.

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section 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. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Responses as item 2017-001 that we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether CCC's statement of revenues and expenditures 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*.

CCC's Response to the Finding

CCC's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Responses. CCC's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 results 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

December 14, 2018

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Schedule of Findings and Responses
Year Ended September 30, 2017

Revenue

Finding No. 2017-001

Criteria: Revenue should be recorded when incurred, should be reviewed and should be supported.

Condition: During FY2017, the CNMI Department of Finance (DOF) recorded revenue of \$196,217 under Business Unit (BU) 7171, a BU assigned to the Commonwealth Casino Commission (CCC), however, the amount collected was not related to CCC revenue. In addition, DOF collected \$4,975 which was recorded in the wrong BU (BU1681). Audit adjustments were proposed to correct these conditions.

Cause: The cause of the above condition is the lack of reconciliation of account balances between CCC and DOF.

Effect: The effect of the above condition is the misstatement of CCC's financial statements.

Recommendation: We recommend that CCC and DOF reconcile records on a monthly basis. In addition, DOF should file and maintain records supporting recorded revenue. Lastly, revenue recorded in the general ledger should be reviewed and approved.

Auditee Response and Corrective Action Plan:

Name of Contact Person: Charlie Atalig, Acting Executive Director

Corrective Action: The Commonwealth Casino Commission ("CCC") is working to improve internal processes and has employed a seasoned accountant who has been tasked to perform monthly reconciliations of CCC to DOF records as well as maintain communications with DOF on discrepancies.

Proposed Completion Date: Immediate

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Unresolved Prior Year Findings
Year Ended September 30, 2017

There are no unresolved findings from prior year audits of CCC.