

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, 2018

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

Mr. Charlie O. Atalig  
Acting Executive Director  
Commonwealth Casino Commission

We have audited, in accordance with the 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, 2018, and the related notes to the statement of revenues and expenditures, and have issued our report thereon dated July 8, 2020.

### **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 have not been identified. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Responses as item 2018-001 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 one instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Responses as item 2018-001.

## 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*

July 8, 2020

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Schedule of Findings and Responses  
Year Ended September 30, 2018

Related Party Transactions

Finding No.: 2018-001

Criteria: Related party transactions should be of similar terms and conditions that would prevail in arm's length transactions.

Condition: The spouse of a CCC Board member entered into a lease agreement for a warehouse with the exclusive casino licensee.

Cause: Management of CCC is unable to determine whether the lease agreement is of similar terms and conditions that would prevail in arm's length transactions.

Effect: The transaction may not be at arm's length, which is not compliant with accounting principles generally accepted in the United States of America, as adequate evidence has not been provided.

Recommendation: We recommend that CCC await the results of an investigation, if an investigation occurs.

Auditee Response and Corrective Action Plan:

**Name of Contact Person:** Mr. Charlie Atalig, Acting Executive Director

**Corrective Action:** CCC provided the CNMI Office of the Attorney General with information concerning the payments in question, and the proper investigative agency has been provided with information sufficient to begin an investigation.

**Proposed Completion Date:** Ongoing

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Unresolved Prior Year Comments  
Year Ended September 30, 2018

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