TRIBAL AND OTHER TRUST FUNDS AND
INDIVIDUAL INDIAN MONIES TRUST FUNDS
MANAGED BY THE U.S. DEPARTMENT OF THE INTERIOR
OFFICE OF THE SPECIAL TRUSTEE FOR AMERICAN INDIANS

Letter to Management

September 30, 2019
November 8, 2019

U.S. Department of the Interior Office of the Special Trustee
for American Indians; and
U.S. Department of the Interior Office of Inspector General:

We have audited the statements of assets and trust fund balances – cash basis of the Tribal and Other Trust Funds as of September 30, 2019, and the related statements of changes in trust fund balances – cash basis for the year then ended, and the related notes to the financial statements; and the statements of assets and trust fund balances – modified cash basis of the Individual Indian Monies Trust Funds (IIM Trust Funds) as of September 30, 2019, and the related statements of changes in trust fund balances – modified cash basis for the year then ended, and the related notes to the financial statements (collectively referred to as the Trust Funds Financial Statements), managed by the U.S. Department of the Interior Office of the Special Trustee for American Indians (OST), and have issued our reports thereon dated November 8, 2019. In planning and performing our audits of the Trust Funds Financial Statements, in accordance with auditing standards generally accepted in the United States of America, in accordance with the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and in accordance with Office of Management and Budget (OMB) Bulletin No. 19-03, Audit Requirements for Federal Financial Statements, we considered internal control as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing opinions on the effectiveness of internal control over financial reporting of the Trust Funds Financial Statements managed by OST. Accordingly, we do not express opinions on the effectiveness of OST’s internal control.

Our audit reports state that the Trust Funds Financial Statements are prepared in accordance with a basis of accounting that is a comprehensive basis of accounting other than generally accepted accounting principles as described in note 2 to the Trust Funds Financial Statements.

Our audit report on the Tribal and Other Trust Funds Financial Statements was qualified because it was not practicable to extend our auditing procedures sufficiently to satisfy ourselves as to the fairness of trust fund balances in the Tribal and Other Trust Funds Financial Statements as of September 30, 2019 due to the effects of certain tribal parties for whom OST holds assets in trust disagreeing with the balances recorded by OST and/or having requested an accounting of their trust funds, and of which certain of these parties have filed claims against the United States Government. Trust fund balances enter into the determination of financial position and changes in trust fund balances. Our audit report on the IIM Trust Funds Financial Statements was unmodified.

During our audits we noted certain matters related to internal control and other operational matters that are presented for your consideration. These comments and recommendations, all of which have been discussed with the appropriate members of management, are intended to improve internal control or result in other operating efficiencies and are not considered to reflect deficiencies, significant deficiencies, or material weaknesses in internal control over financial reporting. All deficiencies, significant deficiencies, and material weaknesses in internal control over financial reporting have been previously communicated to management, as applicable.
Historical Balances

Indian trust assets, including the Trust Funds, are primarily managed under the delegated authority of OST and Bureau of Indian Affairs (BIA). Management of Indian trust assets on behalf of the trust beneficiaries is dependent upon the processing of trust-related transactions within certain information systems of the Department of the Interior (the Department), including but not limited to OST, BIA, Office of Natural Resources Revenue (ONRR), and other Departmental bureaus and offices. BIA and other Departmental bureaus and offices are responsible for managing the natural resources located within the boundaries of Indian reservations and trust lands, as well as the processing of data regarding the ownership and leasing of Indian lands. The allocation of receipts and disbursements by OST to trust beneficiaries are significantly dependent and reliant upon the receipt of timely and accurate information derived from records maintained by BIA, ONRR, and other Departmental bureaus and offices.

Special Deposit Accounts – Tribal and IIM

As of September 30, 2019 and 2018, there were approximately 10,900 and 11,200 special deposit accounts reflected in the IIM subsidiary ledger in TFAS with balances totaling approximately $22.7 million and $22.0 million, respectively. In accordance with Title 25 of the Code of Federal Regulations and as directed by BIA, historically OST recorded receipts into special deposit accounts within the IIM subsidiary ledger when the recipient trust fund account was unknown at the time of receipt. When BIA determines the appropriate trust fund account(s), OST transfers the amount from the special deposit account(s) to the designated trust fund account(s) in accordance with BIA instructions. Beginning in fiscal year 2003, the Office of Historical Trust Accounting (OHTA) began working with OST and BIA to distribute funds in special deposit accounts that were opened on or before December 31, 2002. At September 30, 2019 and 2018, the majority of special deposit accounts represent historical balances that continue to require resolution and OHTA management is actively pursuing the resolution of these accounts.

Trust Fund Balances – IIM

A historical “undistributed interest” house account of approximately $1,205,000 existed at September 30, 1990. The balance as of September 30, 2019 and 2018 was approximately $3,524,000 and $3,421,000, respectively. Interest earned on these funds is recorded in the house account. The allocation of these funds has not been determined.

During fiscal years 2002 and 2004, approximately $922,000 and $375,000, respectively, was transferred from certain special deposit accounts to “undistributed interest” house accounts in connection with the review of certain special deposit accounts performed by OST, together with BIA and a contractor. Interest earned on these funds was recorded in current IIM accounts through September 30, 2005. Beginning October 1, 2005, interest earned on these funds was recorded in the respective undistributed interest accounts. The balances as of September 30, 2019 were approximately $1,542,000 and $682,000, respectively, and as of September 30, 2018 were approximately $1,497,000 and $662,000, respectively. The allocation of these funds has not been determined.

During fiscal year 2010, approximately $2,764,000 was transferred from a special deposit account to an “undistributed interest” house account in connection with reviews of special deposit accounts performed by OST. Interest earned on these funds is recorded in the undistributed interest account. The balances as of September 30, 2019 and 2018 were approximately $3,644,000 and $3,537,000, respectively. The allocation of these funds has not been determined.
Cash – Tribal

As of September 30, 2019 and 2018, there were three accounts in TFAS with negative balances totaling approximately $377,000 for the years then ended. Each of these balances was carried forward from the previous accounting system.

OST management has developed issue papers and proposed action plans for these matters, has shared this information with departmental personnel, and is the subject of continuing interdepartmental discussions. We encourage management of OST to continue to work with appropriate officials within the Department to resolve these matters as soon as practicable.

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Our audit procedures are designed primarily to enable us to form opinions on the Trust Funds Financial Statements and, therefore, may not bring to light all weaknesses in policies or procedures that may exist. We aim, however, to use our knowledge of the organization gained during our work to make comments and suggestions that we hope will be useful to you.

We would be pleased to discuss these comments and recommendations with you at any time.

Distribution

This communication is intended solely for the information and use of the Department of the Interior’s management, the U.S. Department of the Interior Office of Inspector General, Office of Management and Budget, the U.S. Government Accountability Office, and the U.S. Congress, and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

KPMG LLP