



OFFICE OF
INSPECTOR GENERAL
U.S. DEPARTMENT OF THE INTERIOR

Independent Auditors' Reports on the Tribal and Other Trust Funds and Individual Indian Monies Trust Funds Financial Statements for Fiscal Years 2022 and 2021



OFFICE OF
INSPECTOR GENERAL
U.S. DEPARTMENT OF THE INTERIOR

NOV 10 2022

Memorandum

To: Jerold Gidner
Director, Bureau of Trust Funds Administration

From: Kathleen Sedney *Kathleen Sedney*
Assistant Inspector General for Audits, Inspections, and Evaluations

Subject: *Independent Auditors' Reports on the Tribal and Other Trust Funds and Individual Indian Monies Trust Funds Financial Statements for Fiscal Years 2022 and 2021*
Report No. 2022-FIN-031

This memorandum transmits the KPMG LLP (KPMG) auditors' reports of the Tribal and Other Trust Funds (Tribal) and Individual Indian Monies Trust Funds (IIM) financial statements for fiscal years (FYs) 2022 and 2021 (collectively, the Trust Funds Financial Statements). These funds are managed by the Bureau of Trust Funds Administration (BTFA).

Under a contract issued by the BTFA and monitored by the Office of Inspector General, KPMG, an independent public accounting firm, audited the Trust Funds Financial Statements for the FYs that ended September 30, 2022, and September 30, 2021. The contract required that the audit be performed in accordance with U.S. generally accepted government auditing standards, Office of Management and Budget audit guidance, and the Government Accountability Office and the Council of the Inspectors General on Integrity and Efficiency *Financial Audit Manual*.

In its audits of the Trust Funds Financial Statements, KPMG reported:

- The IIM financial statements were fairly presented, in all material respects, in accordance with a basis of accounting that is a comprehensive basis of accounting other than generally accepted accounting principles
- A qualified opinion, consistent with prior years, on the Tribal financial statements because it was unable to satisfy itself as to the completeness of trust fund balances
- No material weaknesses in internal control over financial reporting (including safeguarding assets) and compliance with laws and other matters

In connection with the contract, we reviewed KPMG's reports and related documentation and inquired of its representatives. Our review, as differentiated from an audit of the financial statements in accordance with U.S. generally accepted government auditing standards, was not

intended to enable us to express, and we do not express, opinions on the Trust Funds Financial Statements or conclusions about the effectiveness of internal control over financial reporting. KPMG is responsible for the attached auditors' reports, dated November 10, 2022, and the conclusions expressed therein. Our review disclosed no instances where KPMG did not comply, in all material respects, with U.S. generally accepted government auditing standards.

Because we are not offering recommendations, we do not require a response to this report. We will notify Congress of our findings in our next semiannual report, as required by law. We will also post a public version of this report on our website.

We appreciate the courtesies and cooperation extended to KPMG and our staff during this audit. If you have any questions regarding this report, please contact me at 202-208-5745.



**TRIBAL AND OTHER TRUST FUNDS
MANAGED BY THE U.S. DEPARTMENT OF THE
INTERIOR BUREAU OF TRUST FUNDS ADMINISTRATION**

Financial Statements

September 30, 2022 and 2021

(With Independent Auditors' Report Thereon)



KPMG LLP
Two Park Square, Suite 700
6565 Americas Parkway, N.E.
Albuquerque, NM 87110-8179

Independent Auditors' Report

U.S. Department of the Interior Bureau of Trust Funds Administration and
U.S. Department of the Interior Office of Inspector General:

Report on the Audit of the Financial Statements

Qualified Opinion

We have audited the financial statements of the Tribal and Other Trust Funds managed by the U.S. Department of the Interior Bureau of Trust Funds Administration (BTFA), which comprise the statements of assets and trust funds balances – cash basis as of September 30, 2022 and 2021, and the related statements of changes in trust fund balances – cash basis for the years then ended, and the related notes to the financial statements.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Tribal and Other Trust Funds managed by BTFA as of September 30, 2022 and 2021, and the changes in the trust fund balances for the years then ended in accordance with the cash basis of accounting described in note 2.

Basis for Qualified Opinion

It was not practicable to extend our auditing procedures sufficiently to satisfy ourselves as to the completeness of trust fund balances in the accompanying statement of assets and trust fund balances – cash basis as of September 30, 2022 and 2021 given we were unable to send account confirmations to Tribal and Other trust funds beneficiaries due to certain parties for whom BTFA holds assets in trust having filed claims against the United States Government requesting an accounting of their trust funds, which prevents us from communicating with the involved beneficiaries.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS), the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and Office of Management and Budget (OMB) Bulletin No. 22-01, *Audit Requirements for Federal Financial Statements*. Our responsibilities under those standards and OMB Bulletin No. 22-01 are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Tribal and Other Trust Funds and BTFA and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Emphasis of Matter – Basis of Accounting

We draw attention to note 2 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting as described, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.



Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the cash basis of accounting described in note 2 and for determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Tribal and Other Trust Funds' ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and OMB Bulletin No. 22-01 will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and OMB Bulletin No. 22-01, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of BTFA's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Tribal and Other Trust Funds' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.



Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements as of and for the year ended September 30, 2022, we considered the internal control over financial reporting (internal control) for the Tribal and Other Trust Funds managed by BTFA 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 internal control. Accordingly, we do not express an opinion on the effectiveness of the internal control for the Tribal and Other Trust Funds managed by BTFA. We did not test all internal controls relevant to operating objectives as broadly defined by the *Federal Managers' Financial Integrity Act of 1982*.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements of the Tribal and Other Trust Funds managed by BTFA as of and for the year ended September 30, 2022 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 financial statements. 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* or OMB Bulletin No. 22-01.

Purpose of the Reporting Required by *Government Auditing Standards*

The purpose of the communication described in the Report on Internal Control Over Financial Reporting and the Report on Compliance and Other Matters sections 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 internal control or compliance for the Tribal and Other Trust Funds managed by BTFA. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

Albuquerque, New Mexico
November 10, 2022

**TRIBAL AND OTHER TRUST FUNDS
MANAGED BY THE U.S. DEPARTMENT OF THE INTERIOR
BUREAU OF TRUST FUNDS ADMINISTRATION**

Statements of Assets and Trust Fund Balances – Cash Basis

September 30, 2022 and 2021

(In thousands)

Assets	2022	2021
Cash and cash equivalents (note 3)	\$ 1,367,733	1,023,956
Investments (note 4)	<u>5,492,372</u>	<u>3,907,090</u>
Total assets	<u>\$ 6,860,105</u>	<u>4,931,046</u>
Trust Fund Balances		
Trust fund balances (notes 6 and 8)	<u>\$ 6,860,105</u>	<u>4,931,046</u>

See accompanying notes to financial statements.

**TRIBAL AND OTHER TRUST FUNDS
MANAGED BY THE U.S. DEPARTMENT OF THE INTERIOR
BUREAU OF TRUST FUNDS ADMINISTRATION**

Statements of Changes in Trust Fund Balances – Cash Basis

Years ended September 30, 2022 and 2021

(In thousands)

	2022	2021
Increases:		
Receipts	\$ 2,254,133	580,462
Interest received on invested funds	102,839	84,930
Gain on disposition of investments, net	407	2,825
	2,357,379	668,217
Decreases:		
Disbursements to and on behalf of Indian tribes and other trust funds and withdrawal of trust funds by Indian tribes (note 8)	(428,320)	(375,028)
Increase in trust fund balances, net	1,929,059	293,189
Trust fund balances, beginning of year	4,931,046	4,637,857
Trust fund balances, end of year (notes 6 and 8)	\$ 6,860,105	4,931,046

See accompanying notes to financial statements.

**TRIBAL AND OTHER TRUST FUNDS
MANAGED BY THE U.S. DEPARTMENT OF THE INTERIOR
BUREAU OF TRUST FUNDS ADMINISTRATION**

Notes to Financial Statements

September 30, 2022 and 2021

(1) Background and Description of the Trust Funds

(a) Overview of the Trust Funds

Establishment and Management of the Trust Funds – The legislation that authorizes the Secretary of the United States Department of the Interior (Secretary) to manage the Tribal and Other Trust Funds recognizes the unique trust relationship that exists between the Indian tribes, individual Indians, and the United States Government (U.S. Government). Agreements between the U.S. Government and the various Indian tribes, many of these in the form of treaties, recognize the sovereignty of tribes. During the course of the United States' history and the U.S. Government's evolving policies toward Indian tribes, the trust relationship has retained characteristics based upon tribal sovereignty. The United States Congress has designated the Secretary as the trustee delegate with responsibility for the financial and nonfinancial resources held in trust on behalf of American Indian tribes, individual Indians, and other trust funds. In carrying out the management and oversight of the Indian trust assets, the Secretary has a fiduciary responsibility to ensure monies are received for the use of Indian lands and the extraction of natural resources from Indian lands, distribute such monies collected to the appropriate beneficiaries, ensure that trust accounts are properly maintained and invested, and ensure that accurate and complete reports are provided to the trust beneficiaries in accordance with applicable law.

The balances that have accumulated in the Tribal and Other Trust Funds have resulted generally from judgment awards, settlement of claims, land use agreements, royalties on natural resource depletion, other proceeds derived directly from trust resources, and investment income.

The accompanying financial statements include only the financial assets held in trust by the Bureau of Trust Funds Administration (BTFA) for trust beneficiaries and do not include: (i) the operating account balances of BTFA (e.g., Fund Balance with Treasury; Property, Plant, and Equipment; etc.) or (ii) other assets, including but not limited to, Indian lands, buildings, or other nonfinancial assets managed by the United States Department of the Interior (the Department).

Bureau of Trust Funds Administration – Secretarial Order 3384, authorized the establishment of BTFA which reports to the Office of the Assistant Secretary – Indian Affairs. BTFA is responsible for the management (receipting, investing, disbursing, reconciling and reporting) of the monetary assets of American Indians held in trust by the Department of the Interior. BTFA also maintains the official archive of American Indian Records. This program safeguards millions of original historic documents that detail the Federal government's treaty obligation to Native Americans.

Indian trust assets, including the Tribal and Other Trust Funds, are primarily managed under the delegated authority of BTFA 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, including but not limited to BTFA, 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 BTFA to trust

**TRIBAL AND OTHER TRUST FUNDS
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Notes to Financial Statements

September 30, 2022 and 2021

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 (note 7).

Regional Offices – BTFA and BIA maintain staff at regional offices located throughout the United States.

Agency and Field Offices – BTFA and BIA also maintain staff at agency and field offices located throughout the United States, which are generally located near the tribes and individual Indians served. BTFA and BIA personnel located at most of the agency and field offices perform various functions related to trust fund activities.

(b) Description of the Trust Funds

Certain of the Tribal and Other Trust Funds are subject to legal, regulatory, budgetary, court-ordered, or other restrictions. The Tribal and Other Trust Funds are comprised of approximately 4,100 and 3,900 accounts, held primarily for the benefit of tribal entities, as of September 30, 2022 and 2021, respectively. Included within the Tribal and Other Trust Funds are certain accounts that are subject to legal, court-ordered, or other restrictions that may ultimately result in the funds being disbursed to the U.S. Government.

(c) Investment of Trust Funds

Authorizing legislation and a substantial body of case law specify how Indian trust funds should be managed and which financial instruments constitute appropriate investments for Indian trust funds. The Tribal and Other Trust Funds are invested in U.S. Government securities, including U.S. Department of the Treasury (U.S. Treasury) issues, U.S. Government agency issues, and U.S. Government-sponsored entity issues.

(2) Summary of Significant Accounting Policies

(a) Basis of Accounting

BTFA uses the cash basis of accounting for the Tribal and Other Trust Funds, which is a comprehensive basis of accounting other than generally accepted accounting principles. Receipts are recorded when received and disbursements are recorded when issued. Investments are stated at historical cost. Interest received on invested funds reported in the statements of changes in trust fund balances reflects interest received during the fiscal year.

(b) Cash and Cash Equivalents

Management considers all highly liquid financial instruments with maturities of three months or less when purchased to be cash equivalents.

(c) Investments

Investment securities at September 30, 2022 and 2021 consist of U.S. Treasury issues, U.S. Government agency issues and U.S. Government-sponsored entity issues. Investment securities are recorded at historical cost. Investment income is recognized when received.

**TRIBAL AND OTHER TRUST FUNDS
MANAGED BY THE U.S. DEPARTMENT OF THE INTERIOR
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Notes to Financial Statements

September 30, 2022 and 2021

The Tribal and Other Trust Funds are invested in U.S. Government securities, as mandated by 25 USC Section 162a.

(d) Receipts

Receipts from various leasing activities, mineral royalties and sales of extracted minerals, timber and other forest products, fees and fines, and the granting of easements are generated from various nonfinancial assets that are held in trust by the U.S. Government and managed by BIA and other Departmental bureaus and offices on behalf of tribes.

Receipts also include payments from the U.S. Government for judgment awards and the settlement of claims.

(e) Disbursements

Payments disbursed from the Tribal and Other Trust Funds consist of accumulations of funds from various receipts (note 2d) that are disbursed to and on behalf of Indian tribes and other trust funds and withdrawal of trust funds by Indian tribes. Under certain conditions, tribes disburse or authorize disbursement of per capita payments to their enrolled members.

Except where prohibited by statute, Public Law 103-412 specifically allows for the voluntary withdrawal of certain funds held in trust by the Secretary. An Indian tribe may submit a plan to withdraw some or all funds held in trust for the tribe in accordance with 25 CFR 1200.

(f) Subsequent Events

Subsequent events are evaluated by management for disclosure in the notes to the financial statements through the date that the financial statements are available to be issued, which is November 10, 2022.

(g) Reclassifications

Management reclassified certain amounts relating to its prior period results to conform to its current period presentation. These reclassifications have not changed the results of operations of prior periods.

(3) Cash and Cash Equivalents

Cash of approximately \$13.7 million and \$14.4 million at September 30, 2022 and 2021, respectively, consist of deposits with the U.S. Treasury. Cash equivalents of approximately \$1,353.9 million and \$1,009.4 million at September 30, 2022 and 2021, respectively, consist primarily of overnight investments with the U.S. Treasury.

**TRIBAL AND OTHER TRUST FUNDS
MANAGED BY THE U.S. DEPARTMENT OF THE INTERIOR
BUREAU OF TRUST FUNDS ADMINISTRATION**

Notes to Financial Statements
September 30, 2022 and 2021

(4) Investments

The historical cost of investment securities by major class of security at September 30, 2022 and 2021 were as follows (amounts exclude investments in U.S. Treasury overnight securities discussed in note 3):

	<u>Historical cost</u> (In thousands)
At September 30, 2022:	
U.S. Treasury and agency securities	\$ 4,941,030
U.S. Government entity issued mortgage-backed securities	<u>551,342</u>
	<u>\$ 5,492,372</u>
At September 30, 2021:	
U.S. Treasury and agency securities	\$ 3,494,392
U.S. Government entity issued mortgage-backed securities	<u>412,698</u>
	<u>\$ 3,907,090</u>

The investments above held by the Tribal and Other Trust Funds at September 30, 2022 and 2021 consist of fixed income securities, some of which are mortgaged-backed debt securities, issued by the U.S. Treasury, U.S. Government agencies, or U.S. Government-sponsored entities. All of the securities are either explicitly or implicitly backed by the U.S. Government.

Maturities of investment securities were as follows at September 30, 2022:

	<u>Historical cost</u> (In thousands)
Due in one year or less	\$ 764,718
Due after one year through five years	1,116,318
Due after five years through ten years	1,261,666
Due after ten years	<u>2,349,670</u>
	<u>\$ 5,492,372</u>

**TRIBAL AND OTHER TRUST FUNDS
MANAGED BY THE U.S. DEPARTMENT OF THE INTERIOR
BUREAU OF TRUST FUNDS ADMINISTRATION**

Notes to Financial Statements

September 30, 2022 and 2021

(5) Contingencies

Certain Indian tribes for whom BTFA holds assets in trust have requested an accounting of their trust funds, and certain of these Indian tribes have filed claims against the U.S. Government for failure to fulfill its fiduciary responsibilities. The cases involve claims for breaches of trust concerning the U.S. Government's management of monetary and non-monetary trust assets. The relief sought in these cases range from declaratory and injunctive relief to compel an accounting, money damages, and other unspecified declaratory injunctive, or equitable, relief. At September 30, 2022, 18 tribal trust cases were pending in various federal courts. Overall, the U.S. Government contests liability on the claims asserted and has pursued its meritorious defenses to the relief sought. Although the U.S. Government believes it has valid legal defenses to the claims, the U.S. Government continues to engage in various forms of formal and informal dispute resolution with some tribes in an effort to resolve the claims without the need for costly and protracted litigation. Any monetary settlement or judgment resulting from an adverse outcome of the claims described above will not be satisfied with trust fund balances. No amounts have been recorded in the accompanying Tribal and Other Trust Funds' financial statements for potential claims from the U.S. Government.

(6) Trust Fund Balances

Trust fund balances are the aggregation of financial assets held in trust and primarily represent the amounts owed to tribal beneficiaries as of September 30, 2022 and 2021 for which BTFA has a fiduciary responsibility. The Tribal and Other Trust Funds contain the following categories of trust funds:

- *Held for Indian tribes* – These represent funds held on behalf of Indian tribes. These funds are considered non-U.S. Government monies.
- *Held by the Department of the Interior and considered to be U.S. Government funds* – These represent funds, some of which will be transferred to the Held for Indian tribes category provided certain conditions are satisfied, and for others, the corpus of the fund may be nonexpendable. These funds are considered U.S. Government monies.

A portion of trust fund balances represents estimated payments on production-type leases for which certain tribes and individual Indians hold an interest. When certain adjustments to production are identified, estimated payments received in excess of production are returned to the depositor or adjusted for in future payments (note 7(b)).

(7) Related-Party Transactions with Other Government Organizations

(a) U.S. Department of the Interior Bureau of Indian Affairs

BIA is responsible for the collection of certain monies resulting from the management and use of Indian trust lands and other trust resources. Upon receipt, BTFA records the deposit of trust funds to trust accounts based on the information received from BIA.

**TRIBAL AND OTHER TRUST FUNDS
MANAGED BY THE U.S. DEPARTMENT OF THE INTERIOR
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Notes to Financial Statements

September 30, 2022 and 2021

(b) U.S. Department of the Interior Office of Natural Resources Revenue

For certain trust leases, ONRR is responsible for the collection of royalty payments on behalf of Indian tribes and individual Indians holding mineral rights. ONRR deposits the royalty payments with the U.S. Treasury and electronically transfers to BTFA the related accounting information, generally the next business day. The accounting information received from ONRR provides BTFA an allocation of 100% tribally owned lease royalties, enabling BTFA to record trust deposits directly into tribal accounts. For tribally/individually co-owned leases, allocation and accounting data is forwarded, generally twice a month, to BTFA via electronic interface through the Mineral Royalty Accounting Distribution module that is maintained by BIA. Pursuant to established procedure and appropriate authorization, the data is recorded by BTFA. ONRR and Bureau of Land Management both perform verification and other monitoring procedures of mineral assets. Oil and gas companies sometimes forward payments to ONRR based on estimated mineral production in order to comply with the Federal Oil and Gas Royalty Management Act of 1982 that requires timely distribution of royalties. These estimated payments may be disbursed by BTFA to the beneficiaries. Typically, the oil and gas companies adjust future payments for excess or shortfall amounts, if any, based on actual production.

(c) U.S. Department of the Treasury

The U.S. Treasury is responsible for the investment of certain tribal trust funds as a result of applicable governing settlement agreements or judgments, or legislation. The U.S. Treasury recognizes BTFA's expertise in investing in various U.S. Government agency and U.S. Government-sponsored entity issues in addition to U.S. Treasury issues. For certain of the funds, the U.S. Treasury has implemented an interagency agreement for BTFA to perform the investment management functions of the funds. Performance statements for funds managed by BTFA under an interagency agreement are provided to U.S. Treasury representatives on a periodic basis.

The U.S. Treasury also holds cash and certain investments and disburses for BTFA.

(d) Other

The Department's Office of the Solicitor serves as legal counsel for BTFA.

(8) Transfers of Trust Funds

Certain per capita disbursements authorized by tribes result in transfers from the Tribal and Other Trust Funds to the Individual Indian Monies (IIM) Trust Funds while certain oil and gas distributions may result in transfers to/from the IIM Trust Funds from/to the Tribal and Other Trust Funds. Net transfers of trust funds from the Tribal and Other Trust Funds to the IIM Trust Funds totaled approximately \$46.3 million and \$25.1 million during the years ended September 30, 2022 and 2021, respectively. These transfers are reflected as disbursements in the accompanying statements of changes in trust fund balances. In addition, pursuant to information provided by BIA, BTFA historically utilized special deposit accounts maintained within the IIM Trust Funds for both tribal and IIM beneficiaries as suspense accounts, whereby funds are temporarily posted when allocation information is not provided when the funds are received. Following receipt of allocation information from BIA, the funds are transferred from the special deposit accounts to the designated trust fund account(s) and/or appropriate recipient. Special deposit accounts totaled approximately \$26.9 million and \$27.3 million as of September 30, 2022 and 2021, respectively. A

**TRIBAL AND OTHER TRUST FUNDS
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BUREAU OF TRUST FUNDS ADMINISTRATION**

Notes to Financial Statements

September 30, 2022 and 2021

significant portion of the special deposit account monies held in the IIM Trust Funds relate to historical balances and has not been distributed because the ultimate disposition of the funds has not been determined. Since the ultimate disposition is unknown at September 30, 2022, the portion attributable to the Tribal and Other Trust Funds is unknown.



**INDIVIDUAL INDIAN MONIES TRUST FUNDS
MANAGED BY THE U.S. DEPARTMENT OF THE
INTERIOR BUREAU OF TRUST FUNDS ADMINISTRATION**

Financial Statements

September 30, 2022 and 2021

(With Independent Auditors' Report Thereon)



KPMG LLP
Two Park Square, Suite 700
6565 Americas Parkway, N.E.
Albuquerque, NM 87110-8179

Independent Auditors' Report

U.S. Department of the Interior Bureau of Trust Funds Administration and
U.S. Department of the Interior Office of Inspector General:

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Individual Indian Monies Trust Funds managed by the U.S. Department of the Interior Bureau of Trust Funds Administration (BTFA), which comprise the statements of assets and trust funds balances – modified cash basis as of September 30, 2022 and 2021, and the related statements of changes in trust fund balances – modified cash basis for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Individual Indian Monies Trust Funds managed by BTFA as of September 30, 2022 and 2021, and the changes in the trust fund balances for the years then ended in accordance with the modified cash basis of accounting described in note 2.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS), the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and Office of Management and Budget (OMB) Bulletin No. 22-01, *Audit Requirements for Federal Financial Statements*. Our responsibilities under those standards and OMB Bulletin No. 22-01 are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Individual Indian Monies Trust Funds and BTFA and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter – Basis of Accounting

We draw attention to note 2 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting as described, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the modified cash basis of accounting described in note 2 and for determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Individual Indian Monies Trust



Funds' ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and OMB Bulletin No. 22-01 will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and OMB Bulletin No. 22-01, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of BTFA's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Individual Indian Monies Trust Funds' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements as of and for the year ended September 30, 2022, we considered the internal control over financial reporting (internal control) for the Individual Indian Monies Trust Funds managed by BTFA 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 internal control. Accordingly, we do not express an opinion on the effectiveness of the internal control for the Individual Indian Monies Trust Funds managed by BTFA. We did not test all internal controls relevant to operating objectives as broadly defined by the *Federal Managers' Financial Integrity Act of 1982*.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements of the Individual Indian Monies Trust Funds managed by BTFA as of and for the year ended September 30, 2022 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 financial statements. 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* or OMB Bulletin No. 22-01.

Purpose of the Reporting Required by *Government Auditing Standards*

The purpose of the communication described in the Report on Internal Control Over Financial Reporting and the Report on Compliance and Other Matters sections 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 internal control or compliance for the Individual Indian Monies Trust Funds managed by BTFA. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

Albuquerque, New Mexico
November 10, 2022

**INDIVIDUAL INDIAN MONIES TRUST FUNDS
MANAGED BY THE U.S. DEPARTMENT OF THE INTERIOR
BUREAU OF TRUST FUNDS ADMINISTRATION**

Statements of Assets and Trust Fund Balances – Modified Cash Basis

September 30, 2022 and 2021

(In thousands)

Assets	2022	2021
Cash and cash equivalents (note 3)	\$ 145,579	99,421
Investments (note 4)	1,253,515	1,127,530
Accrued interest receivable	7,558	6,179
Total assets	\$ 1,406,652	1,233,130
Trust Fund Balances		
Trust fund balances (notes 6 and 8)	\$ 1,406,652	1,233,130

See accompanying notes to financial statements.

**INDIVIDUAL INDIAN MONIES TRUST FUNDS
MANAGED BY THE U.S. DEPARTMENT OF THE INTERIOR
BUREAU OF TRUST FUNDS ADMINISTRATION**

Statements of Changes in Trust Fund Balances – Modified Cash Basis

Years ended September 30, 2022 and 2021

(In thousands)

	2022	2021
Increases:		
Receipts (note 8)	\$ 1,372,863	922,400
Interest earned on invested funds	29,425	26,814
Gain on disposition of investments, net	—	5,781
	<u>1,402,288</u>	<u>954,995</u>
Decreases:		
Disbursements to and on behalf of account holders	(1,228,679)	(834,551)
Loss on disposition of investments, net	(87)	—
	<u>(1,228,766)</u>	<u>(834,551)</u>
Increase in trust fund balances, net	173,522	120,444
Trust fund balances, beginning of year	<u>1,233,130</u>	<u>1,112,686</u>
Trust fund balances, end of year (notes 6 and 8)	<u>\$ 1,406,652</u>	<u>1,233,130</u>

See accompanying notes to financial statements.

**INDIVIDUAL INDIAN MONIES TRUST FUNDS
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Notes to Financial Statements

September 30, 2022 and 2021

(1) Background and Description of the Trust Funds

(a) Overview of the Trust Funds

Establishment and Management of the Trust Funds – The legislation that authorizes the Secretary of the United States Department of the Interior (Secretary) to manage the Individual Indian Monies Trust Funds (IIM Trust Funds) recognizes the unique trust relationship that exists between the Indian tribes, individual Indians, and the United States Government (U.S. Government). Agreements between the U.S. Government and the various Indian tribes, many of these in the form of treaties, recognize the sovereignty of tribes. During the course of the United States' history and the U.S. Government's evolving policies toward individual Indians and Indian tribes, the trust relationship has retained characteristics based upon tribal sovereignty. The United States Congress has designated the Secretary as the trustee delegate with responsibility for the financial and nonfinancial resources held in trust on behalf of American Indian tribes, individual Indians, and other trust funds. In carrying out the management and oversight of the Indian trust assets, the Secretary has a fiduciary responsibility to ensure monies are received for the use of Indian lands and the extraction of natural resources from Indian lands, distribute such monies collected to the appropriate beneficiaries, ensure that trust accounts are properly maintained and invested, and ensure that accurate and complete reports are provided to the trust beneficiaries in accordance with applicable law.

The balances that have accumulated in the IIM Trust Funds have resulted generally from land use agreements, royalties on natural resource depletion, other proceeds derived directly from trust resources, receipt of judgment and tribal per capita distributions, settlement of claims, and investment income.

The accompanying financial statements include only the financial assets held in trust by the Bureau of Trust Funds Administration (BTFA) for trust beneficiaries and do not include: (i) the operating account balances of BTFA (e.g., Fund Balance with Treasury; Property, Plant, and Equipment; etc.) or (ii) other assets, including but not limited to, Indian lands, buildings, or other nonfinancial assets managed by the United States Department of the Interior (the Department).

Bureau of Trust Funds Administration – Secretarial Order 3384, authorized the establishment of BTFA which reports to the Office of the Assistant Secretary – Indian Affairs. BTFA is responsible for the management (receipting, investing, disbursing, reconciling and reporting) of the monetary assets of American Indians held in trust by the Department of the Interior. BTFA also maintains the official archive of American Indian Records. This program safeguards millions of original historic documents that detail the Federal government's treaty obligation to Native Americans.

Indian trust assets, including the IIM Trust Funds, are primarily managed under the delegated authority of BTFA 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, including but not limited to BTFA, 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 BTFA to trust beneficiaries are

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Notes to Financial Statements

September 30, 2022 and 2021

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 (note 7).

Regional Offices – BTFA and BIA maintain staff at regional offices located throughout the United States.

Agency and Field Offices – BTFA and BIA also maintain staff at agency and field offices located throughout the United States, which are generally located near the tribes and individual Indians served. BTFA and BIA personnel located at most of the agency and field offices perform various functions related to trust fund activities.

(b) Description of the Trust Funds

The IIM Trust Funds are comprised of approximately 408,000 and 404,000 accounts, held primarily for the benefit of individual Indian account holder beneficiaries and tribal entities, as of September 30, 2022 and 2021, respectively. Included within the IIM Trust Funds are certain special deposit accounts that are subject to legal, regulatory, budgetary, court-ordered, or other restrictions that may ultimately result in funds being distributed to tribal and/or other entities.

The IIM Trust Funds are primarily funds on deposit for individual Indians with a beneficial interest in those funds.

(c) Investment of Trust Funds

Authorizing legislation and a substantial body of case law specify how Indian trust funds should be managed and which financial instruments constitute appropriate investments for Indian trust funds. The IIM Trust Funds are pooled and invested in U.S. Government securities, including U.S. Department of the Treasury (U.S. Treasury) issues, U.S. Government agency issues, and U.S. Government-sponsored entity issues.

(2) Summary of Significant Accounting Policies

(a) Basis of Accounting

BTFA uses the cash basis of accounting with certain modifications for the IIM Trust Funds, which is a comprehensive basis of accounting other than generally accepted accounting principles. Receipts are recorded when received with the exception of interest earned on invested funds (including discount accretion and premium amortization), and disbursements are recorded when issued. Investments are stated at amortized cost. Accrual adjustments to reflect interest earned but not received, and to record any applicable accretion of discounts and amortization of premiums over the terms of the investments, have been recorded in the accompanying financial statements. Interest income reported in the statements of changes in trust fund balances reflects interest earned, net of any premium amortization or discount accretion recognized during the fiscal year.

(b) Cash and Cash Equivalents

Management considers all highly liquid financial instruments with maturities of three months or less when purchased to be cash equivalents.

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September 30, 2022 and 2021

(c) Investments

Investment securities at September 30, 2022 and 2021 consist of U.S. Treasury issues, U.S. Government agency issues, and U.S. Government-sponsored entity issues. IIM Trust Funds are pooled and invested. Investment securities are recorded at amortized cost, adjusted for the amortization or accretion of premiums or discounts. Premiums and discounts are amortized or accreted over the expected life of the related investment security as an adjustment to yield using the effective-interest method. Investment income is recognized when earned.

The IIM Trust Funds are invested in U.S. Government securities, as mandated by 25 USC 162a.

(d) Receipts

Receipts from various leasing activities, mineral royalties and sales of extracted minerals, timber and other forest products, fees and fines, land sales, and the granting of easements are generated from various nonfinancial assets that are held in trust by the U.S. Government and managed by BIA and other Departmental bureaus and offices on behalf of individual Indians.

Receipts also include payments from the U.S. Government for judgment awards and the settlement of claims.

(e) Disbursements

Payments disbursed from the IIM Trust Funds consist of accumulations of funds from various receipts (note 2d) that are disbursed based on instructions received from beneficiaries and various bureaus and offices of the Department.

(f) Subsequent Events

Subsequent events are evaluated by management for disclosure in the notes to the financial statements through the date that the financial statements are available to be issued, which is November 10, 2022.

(3) Cash and Cash Equivalents

Cash of approximately \$78.8 million and \$64.1 million at September 30, 2022 and 2021, respectively, consist of deposits with the U.S. Treasury. Cash equivalents of approximately \$66.7 million and \$35.3 million at September 30, 2022 and 2021, respectively, consist of overnight investments with the U.S. Treasury.

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Notes to Financial Statements

September 30, 2022 and 2021

(4) Investments

The amortized cost of investment securities, which is consistent with the carrying value, by major class of security at September 30, 2022 and 2021 were as follows (amounts exclude investments in U.S. Treasury overnight securities discussed in note 3):

	Amortized cost
	<u>(In thousands)</u>
At September 30, 2022:	
U.S. Treasury and agency securities	\$ 1,102,407
U.S. Government entity issued mortgage-backed securities	<u>151,108</u>
	<u>\$ 1,253,515</u>
At September 30, 2021:	
U.S. Treasury and agency securities	\$ 960,465
U.S. Government entity issued mortgage-backed securities	<u>167,065</u>
	<u>\$ 1,127,530</u>

The investments above held by the IIM Trust Funds at September 30, 2022 and 2021 consist of fixed income securities, some of which are mortgaged-backed debt securities, issued by the U.S. Treasury, U.S. Government agencies, or U.S. Government-sponsored entities. All of these securities are either explicitly or implicitly backed by the U.S. Government.

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Notes to Financial Statements

September 30, 2022 and 2021

Maturities of investment securities were as follows at September 30, 2022:

	Amortized cost
	(In thousands)
Due in one year or less	\$ 108,092
Due after one year through five years	127,979
Due after five years through ten years	410,230
Due after ten years	607,214
	\$ 1,253,515

(5) Contingencies

The Trust Funds are involved in various claims and legal actions arising in the ordinary course of business in which certain beneficiaries have filed claims against the U.S. Government for failure to fulfill its fiduciary responsibilities. The U.S. Government believes it has valid legal defenses against these claims. Any monetary settlement or judgment resulting from an adverse outcome of the claims will not be satisfied with trust fund balances. No amounts have been recorded in the accompanying IIM Trust Funds financial statements for potential claims from the U.S. Government.

(6) Trust Fund Balances

Trust fund balances are the aggregation of financial assets held in trust and primarily represent the amounts owed to beneficiaries as of September 30, 2022 and 2021 for which BTFA has a fiduciary responsibility.

The subsidiary detail of IIM account balances contains approximately 10,900 special deposit accounts with balances totaling approximately \$26.9 million and \$27.3 million as of September 30, 2022 and 2021, respectively. A significant portion all of the special deposit account monies held in the IIM Trust Funds relates to historical balances and has not been allocated because the allocation information for the funds has not been provided by BIA. Since the ultimate allocation is unknown at September 30, 2022, the portion attributable to the IIM Trust Funds is unknown.

The subsidiary detail of IIM account balances contains certain oil and gas holding accounts with balances totaling approximately \$91.3 million and \$69.7 million as of September 30, 2022 and 2021, respectively, which have not been distributed to beneficiaries. Upon receipt of the allocation and accounting data, to be provided by ONRR and BIA, the monies will be distributed to the proper beneficiaries' accounts (note 7).

A portion of trust fund balances represents estimated payments on production-type leases for which certain individual Indians and tribes hold an interest. When certain adjustments to production are identified, estimated payments received in excess of production are returned to the depositor or adjusted for in future payments (note 7(b)).

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Notes to Financial Statements

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(7) Related-Party Transactions with Other Government Organizations

(a) U.S. Department of the Interior Bureau of Indian Affairs

BIA is responsible for the collection of certain monies resulting from the management and use of Indian trust lands and other trust resources. Upon receipt, BTFA records the deposit of trust funds to trust accounts based on the information received from BIA.

(b) U.S. Department of the Interior Office of Natural Resources Revenue

For certain trust leases, ONRR is responsible for the collection of royalty payments on behalf of Indian tribes and individual Indians holding mineral rights. ONRR deposits the royalty payments with the U.S. Treasury and electronically transfers to BTFA the related accounting information, generally the next business day. For tribally/individually co-owned leases and individually owned leases, the allocation and accounting data to distribute the monies to the proper IIM account is forwarded, generally twice a month, to BTFA via electronic interface through the Mineral Royalty Accounting Distribution module that is maintained by BIA. Pursuant to established procedure and appropriate authorization, the data is recorded by BTFA. ONRR and Bureau of Land Management both perform verification and other monitoring procedures of mineral assets. Oil and gas companies sometimes forward payments to ONRR based on estimated mineral production in order to comply with the Federal Oil and Gas Royalty Management Act of 1982 that requires timely distribution of royalties. These estimated payments may be disbursed by BTFA to the beneficiaries. Typically, the oil and gas companies adjust future payments for excess or shortfall amounts, if any, based on actual production.

(c) Other

The U.S. Treasury holds cash and certain investments and disburses for BTFA.

The Department's Office of the Solicitor serves as legal counsel for BTFA.

(8) Transfers of Trust Funds

Certain per capita disbursements authorized by tribes result in transfers from the Tribal and Other Trust Funds to the IIM Trust Funds while certain oil and gas distributions may result in transfers to/from the IIM Trust Funds from/to the Tribal and Other Trust Funds. Net transfers of trust funds to the IIM Trust Funds from the Tribal and Other Trust Funds totaled approximately \$46.3 million and \$25.1 million during the years ended September 30, 2022 and 2021, respectively. These transfers are reflected as receipts in the accompanying statements of changes in trust fund balances. In addition, pursuant to information provided by BIA, BTFA historically utilized special deposit accounts (note 6) maintained within the IIM Trust Funds for both tribal and IIM beneficiaries as suspense accounts, whereby funds are temporarily posted when allocation information is not provided when the funds are received. Following receipt of allocation information from BIA, the funds are transferred from the special deposit accounts to the designated trust fund account(s) and/or appropriate recipient.



REPORT FRAUD, WASTE, ABUSE, AND MISMANAGEMENT

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