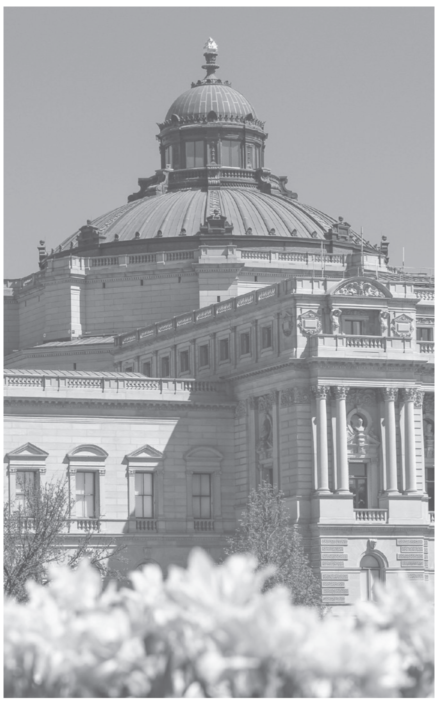
Copyright Owners' Royalty Fees Fiduciary Schedules and Independent Auditors' Report

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2025

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Results of the Library of Congress' FY 2025 Fiduciary Fund Audit

OFFICE OF INSPECTOR GENERAL
LIBRARY
LIBRARY OF CONGRESS

MEMO

Date August 26, 2026

To Robert R. Newlen
Acting Librarian of Congress

From Kimberly F. Benoit
Inspector General

Benoit, Kimberly

Digitally signed by Benoit, Kimberly
Date: 2026.08.26 07:38:36 -04'00'

Subject Results of the Library of Congress's FY 2025 Fiduciary Fund Audit, Report No. 2025-FN-102

The attached report presents the results of the audit of the Library of Congress's (Library's) Copyright Owners' Royalty Fees Fiduciary Fund ("Fiduciary Fund"). Specifically, the audit includes the schedule of fiduciary net assets as of September 30, 2025, the schedule of fiduciary activity for the fiscal year (FY) ended September 30, 2025, and the related notes (collectively, the schedules).

We contracted with the independent public accounting firm of KPMG LLP (KPMG) to conduct the audit of the schedules for the FY ended September 30, 2025, and to provide a report on internal control over financial reporting and compliance with laws and other matters. The contract required the audit to be performed in accordance with *Government Auditing Standards*, Office of Management and Budget audit guidance, and the Government Accountability Office/Council of the Inspectors General on Integrity and Efficiency's *Financial Audit Manual.*

Results of Independent Audit

In its audit of the Library's fiduciary fund, KPMG reported:

- The schedules were fairly presented, in all material respects, in accordance with U.S. generally accepted accounting principles.
- No material weaknesses in internal control over financial reporting.[1]

[1] A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Library's financial statements will not be prevented, or detected and corrected, on a timely basis.

1

- A significant deficiency in internal control over financial reporting.[2]
- No reportable noncompliance with provisions of laws and regulations tested or other matters.

Office of the Inspector General Oversight of KPMG

In connection with the contract, we reviewed KPMG's report and related documentation and inquired of its representatives. Our review, as differentiated from an audit of the financial statements in accordance with *Government Auditing Standards*, was not intended to enable us to express, and we do not express, opinions on the Library's schedules, conclusions about the effectiveness of internal controls over financial reporting, or on compliance with laws and other matters. KPMG is responsible for the attached auditor's report dated July 31, 2026, and the conclusions expressed therein. However, our review disclosed no instances where KPMG did not comply, in all material respects, with *Government Auditing Standards*.

cc: Register of Copyrights
Assistant Register and Director of Operations
Chief Operating Officer
Chief Financial Officer
Comptroller
General Counsel

Attachment

[2] A significant deficiency is a deficiency, or 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. 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.

101 Independence Ave S.E., Washington, DC 20540

Fiduciary Schedules

SCHEDULES OF FIDUCIARY NET ASSETS

AS OF SEPTEMBER 30, 2025 AND 2024

(in thousands)

	FY 2025	FY 2024
Fund Balance with Treasury	$ 238	$ 253
Investments in U.S. Treasury securities, net **(Note 2)**	1,751,500	1,633,260
Accounts receivable	721	896
TOTAL FIDUCIARY NET ASSETS (Note 3)	**$ 1,752,459**	**$ 1,634,409**

The accompanying notes are an integral part of these fiduciary schedules.

SCHEDULES OF FIDUCIARY ACTIVITY

FOR THE YEARS ENDED SEPTEMBER 30, 2025 AND 2024

(in thousands)

	FY 2025	FY 2024
Beginning Fiduciary Net Assets	**$ 1,634,409**	**$ 1,561,555**
Royalty fees received **(Note 4)**	184,344	194,094
Investment earnings **(Note 5)**	74,541	83,215
Total Inflows to Fiduciary Net Assets	**258,885**	**277,309**
Distributions to copyright owners **(Note 6)**	(135,211)	(199,189)
Refunds of royalty fees	(54)	(26)
Net royalty fees retained for administrative costs **(Note 8)**	(5,570)	(5,240)
Total Outflows from Fiduciary Net Assets	**(140,835)**	**(204,455)**
Increase/(Decrease) in Fiduciary Net Assets	**118,050**	**72,854**
ENDING FIDUCIARY NET ASSETS	**$ 1,752,459**	**$ 1,634,409**

The accompanying notes are an integral part of these fiduciary schedules.

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Notes to the Fiduciary Schedules

(1) SIGNIFICANT ACCOUNTING POLICIES

(a) Description of Reporting Entity

The Library of Congress ("the Library") is responsible for the fiduciary activities, Copyright Owners' Royalty Fees, related to the collection or receipt, and the subsequent management, protection, accounting, investment and disposition of certain statutory royalty fees to which copyright owners have an ownership interest under the Copyright Act (Title 17 of the U.S. Code, "the Act"). As a service unit within the Library, and under the direction of the Register of Copyrights, the U.S. Copyright Office ("USCO") administers the Nation's copyright laws and provides expert advice and guidance to Congress, Executive Branch agencies, and the courts, on matters of copyright law and policy. The USCO manages the nation's copyright registration, recordation, and public records systems, and works to expand and protect the role of copyright in the advancement of the public good and in support of vital segments of the U.S. economy. The Copyright Royalty Board ("CRB"),[1] **https://www.crb.gov**, is an institutional entity in the Library of Congress comprised of three Copyright Royalty Judges ("CRJs") who are appointed by the Librarian of Congress, and supporting staff. Among other duties, the CRJs have jurisdiction over setting or adjusting royalty rates and terms under the Act's statutory licenses. They also authorize certain royalty distributions to copyright owners and resolve any controversies related to the distributions. Determinations of the CRJs may be appealed to the United States Court of Appeals for the District of Columbia Circuit.

As part of its administration of the statutory licensing provisions of the Act, the USCO collects the royalty fee payments due to copyright owners from cable operators for the retransmission of over-the-air television and radio broadcast stations to subscribers (17 U.S.C. §111), from satellite carriers for the retransmission of distant and local over-the-air television broadcast stations for private home viewing (17 U.S.C. §§ 119 and 122), and from importers or manufacturers for distributing products that employ Digital Audio Recording Technologies ("DART") (17 U.S.C. § 1003).

The Act provides that the Copyright Office's Licensing Section also may charge cable operators and satellite carriers filing fees for the processing of statements of account ("SOA") under sections 111, 119, and 122. In addition to the filing fees charged by the USCO, the CRB also charges a filing fee for participation in CRB proceedings. See (e) Amounts Collected and Offset for Administrative Costs, below.

The USCO deducts certain reasonable costs of the Licensing Section and of the CRJs from the SOA filing fees, CRB proceeding filing fees, and royalty fee payments collected for administering certain statutory licensing provisions. The amount deducted is limited to the appropriated authority provided by Congress. Further, the SOA filing fees for sections 111, 119, and 122 "may not exceed one-half of the cost necessary to cover reasonable expenses incurred by the Copyright Office for the collection and administration of the statements of account and any royalty fees deposited with such statements." 17 U.S.C. § 708(a).

[1] The term "Copyright Royalty Board" refers to the institutional entity in the Library of Congress that houses the "Copyright Royalty Judges," appointed pursuant to 17 U.S.C. § 801(a), and their staff. 37 C.F.R. § 301.1.

The remaining royalty fee payments for each license type and filing year are then invested on behalf of copyright owners until they are distributed to qualifying copyright owners based on orders issued by the CRJs. The USCO evaluates these fees as part of recurring fee studies conducted for these and other fees established under section 17 U.S.C. § 708(a).

(b) Basis of Accounting and Presentation

The accompanying fiduciary schedules report the fiduciary net assets and changes in the fiduciary net assets for fiscal years 2025 and 2024. The schedules were prepared from the Library's financial management system in accordance with Generally Accepted Accounting Principles ("GAAP"). Accounting standards require all reporting entities to disclose that accounting standards allow certain presentations and disclosures to be modified, if needed, to prevent the disclosure of classified information.

As a legislative branch agency, the Library is not required to follow the executive agency accounting principles established by the Comptroller General under 31 U.S.C. § 3511 or the standards developed by the Federal Accounting Standards Advisory Board ("FASAB"). Nor is the Library required to prepare general purpose financial statements or follow FASAB GAAP. Nevertheless, pursuant to 2 U.S.C. § 136, the Library has issued a regulation that adopts FASAB standards for financial reporting and internal controls in a manner consistent with a legislative agency, conforms to GAAP for federal agencies.

The Library has not adopted the Federal Financial Management Improvement Act of 1996, the Federal Managers' Financial Integrity Act, the Government Performance and Results Act ("GPRA"), and the GPRA Modernization Act, as these authorities are not applicable to the Library. However, the Library uses these sources as guidance and reference in its operations.

Fiduciary cash and other assets are not assets of the Library or the federal government, are not recognized on the balance sheet of the Library or the Federal Government, and are assets of non-federal parties for which the Federal Government is responsible.

(c) Fund Balance with Treasury

The amount shown as Fund Balance with Treasury represents the balance of uninvested royalty fees on deposit with the U.S. Treasury, and filing fees on deposit with the U.S. Treasury that are not part of the net fiduciary assets, but are pending offset against administrative costs of the Licensing Section and of the CRJs.

(d) Investments in U.S. Treasury securities, net

Treasury securities are intended to be held to maturity, are valued at cost and are adjusted for the amortization of discounts and premiums. Discounts and premiums are amortized over the term of the security using the effective interest method for all "long-term" securities and the straight-line method for "short-term" securities. Interest earned is computed using the straight-line method, which approximates the effective interest method.

In accordance with the statutory licensing provisions of the Act, royalty fees collected for each license type and filing year are invested on behalf of copyright owners, net of reasonable costs incurred by the USCO, in U.S. Treasury securities. Interest income accrues to the copyright owners.

To ensure liquidity for distributions, royalty fees collected are generally first invested in U.S. Treasury notes with maturities of approximately one year. If funds are not immediately needed to fulfill a distribution order issued by the CRJs, funds from maturing securities are generally reinvested in U.S. Treasury bills with maturities of six to eight weeks.

(e) Amounts Collected and Offset for Administrative Costs

The USCO's Licensing Section and the CRJs receive annual, appropriated authority to expend for certain costs related to their respective duties regarding the statutory licensing provisions of the Act, including costs of collection and administration of licensee SOAs and administration and distribution of any royalty fees deposited with such statements.

Under the appropriation acts, authority is provided for funding certain administrative costs through fees collected (offsetting collections), and the Library retains the SOA filing fees, CRB proceedings filing fees, and royalty fee payments collected to fund administering certain statutory licensing provisions as stipulated under the authority. In accordance with Library procedures, fees are initially retained in amounts to provide for the full fiscal year authority for the offsetting collections of the Licensing Section and of the CRJs. The offsetting collection authority under the relevant appropriations expires at the end of the associated fiscal year, but remains available for adjustments of obligations for a five-year period, after which the authority is cancelled. Until the cancellation of the appropriation, it is the policy of the USCO to retain one percent of the unobligated offsetting authority remaining for each fiscal year plus any amounts necessary for known contingencies as a reserve for these adjustments.

Filing fees collected by the USCO from licensees required to file SOAs under the statutory licensing provisions of the Act or to participate in CRB proceedings are not part of the fiduciary balances administered by the USCO. Filing fees collected reduce the amount of royalty fees retained for administrative costs of the Licensing Section and of the CRJs.

(f) Refunds and Underpayments

Refunds may arise when a cable, satellite, or DART licensee inadvertently overpays or is otherwise entitled to a refund. Additional royalty fees may also be requested from the licensee to resolve underpayments, including underpayments of interest associated with a late filing.

(g) Accounts Receivable

The Library initially offsets the full amount of appropriated authority available to the Licensing Section and CRJs for administrative costs. Although the authority for offset remains available for the five-year period, the authority may be more than the amounts necessary to offset actual obligations. To ensure that the fiduciary accounts reflect an appropriate estimate of amounts that will not be needed to offset actual obligations, an accounts receivable is recorded to the fiduciary accounts. The accounts receivable represents an accrual for the estimated amount that will not be necessary to offset actual obligations and will be transferred back to the fiduciary fund in the next fiscal year.

(h) Other Current Liabilities

The amount shown as Other Current Liabilities represents pending refunds due to cable, satellite, or DART licensee(s). Current liabilities are payable within one year.

(2) INVESTMENTS IN U.S. TREASURY SECURITIES, NET

Non-marketable, market-based securities are Treasury notes and bills issued to governmental accounts that are not traded on any securities exchange, but mirror the prices of marketable securities with similar terms. Maturity dates for fiduciary investments held at September 30, 2025 and 2024 range from November 13, 2025 to August 31, 2026 and November 14, 2024 to August 31, 2025, respectively. The yields on investments that matured in fiscal years 2025 and 2024 ranged between 3.465% and 4.978% and 5.024% and 5.513%, respectively.

Invested royalty fees by license type as of September 30, 2025 and 2024 are as follows:

FY 2025 *(in thousands)*

Description	Cable Investments (Non-Marketable, Market-Based)	Satellite Investments (Non-Marketable, Market-Based)	DART Investments (Non-Marketable, Market-Based)	Total
Face Value	$ 1,732,166	$ 27,076	$ 128	$ 1,759,370
Unamortized Premium/(Discount), Net	(8,001)	(136)	(1)	(8,138)
Interest Receivable	266	2	–	268
INVESTMENTS, NET	**$ 1,724,431**	**$ 26,942**	**$ 127**	**$ 1,751,500**
MARKET VALUE	**$ 1,724,260**	**$ 26,941**	**$ 127**	**$ 1,751,328**

FY 2024 *(in thousands)*

Description	Cable Investments (Non-Marketable, Market-Based)	Satellite Investments (Non-Marketable, Market-Based)	DART Investments (Non-Marketable, Market-Based)	Total
Face Value	$ 1,579,488	$ 63,711	$ 156	$ 1,643,355
Unamortized Premium/(Discount), Net	(9,938)	(367)	(1)	(10,306)
Interest Receivable	208	3	–	211
INVESTMENTS, NET	**$ 1,569,758**	**$ 63,347**	**$ 155**	**$ 1,633,260**
MARKET VALUE	**$ 1,569,874**	**$ 63,348**	**$ 155**	**$ 1,633,377**

(3) FIDUCIARY NET ASSETS

Fiduciary net assets are maintained in separate investment "pools" by license type and by the calendar filing year for which the royalty fee payments were due from licensees subject to the statutory licensing provisions of the Act. Fiduciary net assets by license type and filing year as of September 30, 2025 and 2024 are as follows:

(in thousands)

	FY 2025				FY 2024			
Calendar License Filing Year	**Total**	**Cable**	**Satellite**	**DART**	**Total**	**Cable**	**Satellite**	**DART**
2025	$ 88,820	$ 88,353	$ 467	$ –	$ –	$ –	$ –	$ –
2024	189,675	188,698	977	–	93,282	92,845	437	–
2023	213,967	213,250	717	–	204,760	204,038	722	–
2022	144,313	143,852	461	–	230,251	229,507	744	–
2021	147,888	147,406	482	–	141,568	141,107	461	–
2020	156,959	154,179	2,780	–	150,185	147,524	2,661	–
2019	168,157	162,124	6,033	–	160,948	155,173	5,775	–
2018	164,519	156,721	7,798	–	157,488	150,023	7,465	–
2017	142,408	141,090	1,311	7	143,432	135,061	8,364	7
2016	119,768	118,357	1,410	1	122,295	113,299	8,995	1
2015	104,978	100,640	4,316	22	123,903	96,339	27,543	21
2014	110,556	110,469	–	87	105,832	105,749	–	83
2013	11	–	–	11	12	–	–	12
2012	–	–	–	–	31	–	–	31
2011	–	–	–	–	–	–	–	–
2010	–	–	–	–	–	–	–	–
2009	69	–	69	–	66	–	66	–
2008	41	–	41	–	39	–	39	–
2007	46	46	–	–	44	44	–	–
2006	13	13	–	–	13	13	–	–
2005	95	95	–	–	91	91	–	–
2004	175	86	89	–	168	83	85	–
2003	–	–	–	–	–	–	–	–
2002	–	–	–	–	–	–	–	–
2001	–	–	–	–	–	–	–	–
2000	–	–	–	–	–	–	–	–
1999	1	1	–	–	1	1	–	–
TOTAL FIDUCIARY NET ASSETS	**$ 1,752,459**	**$ 1,725,380**	**$ 26,951**	**$ 128**	**$ 1,634,409**	**$ 1,570,897**	**$ 63,357**	**$ 155**

(4) ROYALTY FEES RECEIVED

Cable and satellite licensees subject to the statutory licensing provisions of the Act are required to file SOAs and submit royalty fee payments on a semi-annual basis each calendar year. DART licensees file quarterly and annual SOAs based upon the remitter’s fiscal year, and submit royalty fee payments as part of those filings. Royalty fees received for the years ended September 30, 2025 and 2024 are as follows:

(in thousands)

	FY 2025				FY 2024			
Calendar License Filing Year	**Total**	**Cable**	**Satellite**	**DART**	**Total**	**Cable**	**Satellite**	**DART**
2025	$ 92,752	$ 92,271	$ 481	$ –	$ –	$ –	$ –	$ –
2024	91,553	91,042	511	–	97,010	96,559	451	–
2023	34	34	–	–	96,891	96,520	371	–
2022	5	5	–	–	143	143	–	–
2021	–	–	–	–	50	50	–	–
TOTAL ROYALTY FEES RECEIVED	**$ 184,344**	**$ 183,352**	**$ 992**	**$ –**	**$ 194,094**	**$ 193,272**	**$ 822**	**$ –**

(5) INVESTMENT EARNINGS

Investment earnings by calendar license filing year for the years ended September 30, 2025 and 2024 are as follows:

(in thousands)

	FY 2025			FY 2024		
Calendar License Filing Year	**Total**	**Interest**	**(Premium)/ Discount, Net**	**Total**	**Interest**	**(Premium)/ Discount, Net**
2025	$ 305	$ 271	$ 34	$ –	$ –	$ –
2024	6,277	2,313	3,964	260	194	66
2023	9,162	–	9,162	8,343	3,816	4,527
2022	10,155	–	10,155	12,008	–	12,008
2021	6,320	–	6,320	10,791	–	10,791
2020	6,704	–	6,704	9,251	–	9,251
2019	7,185	–	7,185	8,356	–	8,356
2018	7,030	–	7,030	8,181	–	8,181
2017	6,266	–	6,266	7,571	–	7,571
2016	5,312	–	5,312	6,456	–	6,456
2015	5,079	–	5,079	6,474	–	6,474
2014	4,724	–	4,724	5,499	–	5,499
2013	1	–	1	1	–	1
2012	1	–	1	2	–	2
2009	3	–	3	3	–	3
2008	2	–	2	2	–	2
2007	2	–	2	2	–	2
2006	1	–	1	1	–	1
2005	4	–	4	5	–	5
2004	8	–	8	9	–	9
TOTAL INVESTMENT EARNINGS	**$ 74,541**	**$ 2,584**	**$ 71,957**	**$ 83,215**	**$ 4,010**	**$ 79,205**

(6) DISTRIBUTIONS TO COPYRIGHT OWNERS

The CRJs have jurisdiction over determinations concerning adjustments and determinations of copyright royalty rates and terms, the distribution of copyright royalties, and other determinations relating to statutory licensing as set forth in Chapter 8 of the Act. Distributions of fiduciary assets to copyright owners are made by the USCO in accordance with the CRJs distribution orders. Investment balances are held by USCO until funds are adjudicated by CRJs.

For the years ended September 30, 2025 and 2024, the USCO distributed the following amounts to copyright owners:

(in thousands)

	FY 2025				FY 2024			
Calendar License Filing Year	**Total**	**Cable**	**Satellite**	**DART**	**Total**	**Cable**	**Satellite**	**DART**
2022	$ 96,080	$ 95,776	$ 304	$ –	$ –	$ –	$ –	$ –
2021	–	–	–	–	92,871	92,568	303	–
2020	–	–	–	–	96,358	94,651	1,707	–
2017	7,289	–	7,289	–	4,938	4,774	164	–
2016	7,839	–	7,839	–	4,192	4,016	176	–
2015	24,003	–	24,003	–	822	32	790	–
2013	–	–	–	–	2	–	2	–
2012	–	–	–	–	2	–	2	–
2011	–	–	–	–	2	–	2	–
2010	–	–	–	–	2	–	2	–
TOTAL DISTRIBUTIONS TO COPYRIGHT OWNERS	**$ 135,211**	**$ 95,776**	**$ 39,435**	**$ –**	**$ 199,189**	**$ 196,041**	**$ 3,148**	**$ –**

(7) AMOUNTS COLLECTED AND OFFSET FOR ADMINISTRATIVE COSTS

All filing and participation fees collected during the fiscal year are used to offset the administrative costs of the same fiscal year. The balance of administrative costs for both the Licensing Section and the CRJs after the offset of licensing filing and CRJs participation fees is offset by royalty fees. For fiscal year 2025 and 2024, offsetting collection authority for the Licensing Section and the CRJs totaled $6,963 thousand and $603 thousand for a combined total of $7,566 thousand.

For the years ended September 30, 2025 and 2024, filing and royalty fees available for offset of fiscal year administrative costs (offsetting collections) are as follows:

FY 2025 *(in thousands)*

Description	Total	USCO Licensing Section	CRJs
Filing fees	$ 1,183	$ 1,179	$ 4
License filing year 2025 royalty fees	4,789	4,340	449
License filing year 2024 royalty fees	1,594	1,444	150
FEES COLLECTED TO OFFSET ADMINISTRATIVE COSTS	**$ 7,566**	**$ 6,963**	**$ 603**

FY 2024 *(in thousands)*

Description	Total	USCO Licensing Section	CRJs
Filing fees	$ 1,252	$ 1,246	$ 6
License filing year 2024 royalty fees	4,736	4,288	448
License filing year 2023 royalty fees	1,578	1,429	149
FEES COLLECTED TO OFFSET ADMINISTRATIVE COSTS	**$ 7,566**	**$ 6,963**	**$ 603**

(8) NET ROYALTY FEES RETAINED FOR ADMINISTRATIVE COSTS

Royalty fee payments are collected on a calendar year basis, so amounts retained for any given fiscal year are deducted from royalties collected for periods that span two calendar years (the current and previous calendar year). In subsequent fiscal years, the Library's upward and downward adjustments of obligated balances may cause adjustments in the balances of royalties retained. Upon the cancellation of the authority for offsetting collections, all residual balances are refunded to the royalty accounts affected.

For the years ended September 30, 2025 and 2024, the net royalty fees retained for administrative costs consisted of the following:

(in thousands)

	FY 2025			FY 2024		
Description	**Total Royalty Fees Retained**	**USCO Licensing Section**	**CRJs**	**Total Royalty Fees Retained**	**USCO Licensing Section**	**CRJs**
2025 royalty fees retained **(Note 7)**	$ 4,789	$ 4,340	$ 449	$ –	$ –	$ –
2025 royalty fees refunded or payable to the fiduciary fund	(541)	(528)	(13)	–	–	–
2024 royalty fees retained **(Note 7)**	1,594	1,444	150	4,736	4,288	448
2024 royalty fees refunded or payable to the fiduciary fund	(177)	(173)	(4)	(673)	(665)	(8)
2023 royalty fees retained **(Note 7)**	–	–	–	1,578	1,429	149
2023 royalty fees refunded or payable to the fiduciary fund	1	1	–	(225)	(222)	(3)
2020 royalty fees refunded	(72)	(39)	(33)	–	–	–
2019 royalty fees refunded	(24)	(13)	(11)	(132)	(117)	(15)
2018 royalty fees refunded	–	–	–	(44)	(39)	(5)
NET ROYALTY FEES RETAINED FOR ADMINISTRATIVE COSTS	**$ 5,570**	**$ 5,032**	**$ 538**	**$ 5,240**	**$ 4,674**	**$ 566**

Independent Auditors' Report

KPMG LLP
Suite 12000
1801 K Street, NW
Washington, DC 20006

Independent Auditors' Report

Inspector General of the Library of Congress
The Acting Librarian of Congress:

Report on the Audit of the Schedules

Opinions

We have audited the schedule of fiduciary net assets of the Library of Congress (Library) Copyright Owners' Royalty Fees Fiduciary Fund ("Fiduciary Fund") as of September 30, 2025, and the related notes. We have also audited the schedule of fiduciary activity of the Fiduciary Fund for the year ended September 30, 2025 and the related notes (collectively, the schedules).

In our opinion, the accompanying schedules referred to above present fairly, in all material respects, the fiduciary net assets as of September 30, 2025 and the change in fiduciary net assets for the year then ended, in accordance with U.S. generally accepted accounting principles.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Schedules section of our report. We are required to be independent of the Library and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Other Matter

The accompanying schedules of the Fiduciary Fund as of September 30, 2024 and for the year then ended were audited by other auditors whose report thereon dated August 19, 2025, expressed an unmodified opinion on those schedules.

Other Matter – Interactive Data

Management has elected to reference to information on websites or other forms of interactive data outside the schedules to provide additional information for the users of its schedules. Such information is not a required part of the schedules or supplementary information required by the Federal Accounting Standards Advisory Board. The information on these websites or the other interactive data has not been subjected to any of our auditing procedures, and accordingly we do not express an opinion or provide any assurance on it.

Responsibilities of Management for the Schedules

Management is responsible for the preparation and fair presentation of these schedules in accordance with U.S. generally accepted accounting principles, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the schedules that are free from material misstatement, whether due to fraud or error.

KPMG

Auditors' Responsibilities for the Audit of the Schedules

Our objectives are to obtain reasonable assurance about whether the schedules are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. 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 and *Government Auditing Standards* 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 schedules.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the schedules, 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 related disclosures in the schedules.
- 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 the Library'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 schedules.

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.

Other Reporting Required by *Government Auditing Standards*

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the schedules as of September 30, 2025, we considered the Library's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the schedules, but not for the purpose of expressing an opinion on the effectiveness of the Library's internal control. Accordingly, we do not express an opinion on the effectiveness of the Library's internal control. 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified a deficiency in internal control, described in *Exhibit I – Significant Deficiency*, that we consider to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Library's schedules as of and for the year ended September 30, 2025, 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 schedules. 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*.

Library's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Library's response to the findings identified in our audit and described in *Exhibit I*. The Library's response, included in *Exhibit I*, was not subjected to the other auditing procedures applied in the audit of the schedules and, accordingly, we express no opinion on the response.

Purpose of the Other 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 the Library's internal control or compliance. This communication is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Library's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

Washington, D.C.
July 31, 2026

Exhibit I – Significant Deficiency

Overview

A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by management and others in positions of oversight.

This significant deficiency in internal control over financial reporting (internal control) existed as of September 30, 2025. This deficiency primarily relates to Principle 7, Principle 14, and Principle 16 of the U.S. Government Accountability Office's *Standards for Internal Control in the Federal Government*.

Significant Deficiency in Segregation of Duties Controls over Collections Journal Entries

Background:

The Library's U.S. Copyright Office (USCO) uses an automated interface between the U.S. Treasury's Collections Information Repository (CIR) system and the Legislative Branch Financial Management System (LBFMS) to create and post batch entries for royalty fees received, referred to as collections journal entries. Contingent on Treasury providing the correct input files ahead of the scheduled interface, this interface applies an automated approval template designed to ensure segregation of duties and enforce approval for collections journal entries prior to posting.

Condition:

USCO's existing automated controls within LBFMS for collections journal entries were not designed to enforce logical segregation of duties and approval of collections journal entries prior to posting. Specifically, USCO did not ensure that security roles for collections journal entries included appropriate segregation of duties, which allowed the requestor of collections journal entries to process the entries without the appropriate second level of review and approval.

Causes:

The Library's Financial Services Directorate (FSD) did not properly define security roles for collections journal entries in LBFMS and inappropriately relied on an external third party to upload input files timely to enforce segregation of duties. In addition, FSD and USCO management did not perform a thorough risk assessment to assess the impact on collections journal entries if the upload did not occur before the scheduled batch processing. Further, after USCO discovered this issue in July 2025, USCO management did not timely notify FSD to address and correct the security roles in LBFMS until FY 2026.

Effects:

During our testwork of manual journal entries, we identified five collections journal entries that were posted directly to LBFMS by the collections journal entry requestor without undergoing a secondary review and approval before posting. The lack of effective controls over collections journal entries—specifically, requirements for segregation of duties as well as reviews and approvals within LBFMS, exposed USCO to the risk of inaccurate or inappropriate collections journal entries being posted. This weakness created the potential for a material misstatement in the collections balance, which totaled $184,343,947 in FY 2025 as reported on the schedule of fiduciary activity.

Recommendations:

The Library should:

1. Conduct a comprehensive risk assessment of the manual collection journal entry process within LBFMS to identify potential risks and assess the design and effectiveness of existing controls, including those that rely on external third parties.

Exhibit I – Significant Deficiency

2. Timely communicate and remediate any issues identified in the design and implementation of existing internal controls over manual journal entries to the appropriate parties.

3. Ensure corrective actions are implemented timely.

Management's Response:

Management Response to the Independent Auditors' Report

LIBRARY
LIBRARY OF CONGRESS

Office of the Librarian

MEMORANDUM

DATE August 18, 2026

TO Kimberly Benoit, Inspector General

FROM Robert R. Newlen, Acting Librarian of Congress Robert R. Newlen

SUBJECT Management Response to Independent Auditor's Report on the Library of Congress' FY25 Fiduciary Fund Audit

The Library of Congress (Library) has reviewed the draft Independent Auditor's Report from KPMG (Auditor), which includes: the Auditor's opinion on the schedules of fiduciary net assets and fiduciary activity of the Library's FY 2025 Copyright Owners' Royalty Fees Fiduciary Fund; report on the Library's internal control over financial reporting; and report on compliance with laws, regulations, contracts, and grant agreements. We are pleased the Library received a clean audit opinion, finding the financial statements were fairly presented, and with no findings of noncompliance with laws and regulations.

We appreciate the insight concerning the significant deficiency in internal control over financial reporting. The U.S. Copyright Office (USCO) will develop a corrective action plan with milestone dates to address the condition relating to segregation of duties controls over collections journal entries. The Library and USCO will conduct a comprehensive risk assessment of the manual collection journal entry process within the Legislative Branch Financial Management System (LBFMS) to identify potential risks and assess the design and effectiveness of existing controls. The Library and USCO will timely communicate and remediate any issues identified in the design and implementation of existing internal controls over manual journal entries to the appropriate parties.

We appreciate the professionalism and care by all parties during this audit process.

cc: Mary J. Klutts, Chief Financial Officer
Shira Perlmutter, Register of Copyright, USCO
Jacklyn Napier, Assistant Register and Director of Operations, USCO

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