



OFFICE OF INSPECTOR GENERAL AUDIT REPORT

Audit of the Pension Benefit Guaranty Corporation's Fiscal Year 2025 Limited Purpose Financial Statements

**Report No. AUD-2026-03
January 16, 2026**



January 16, 2026

To the Board of Directors
Pension Benefit Guaranty Corporation

The Office of Inspector General contracted with KPMG LLP (KPMG), an independent certified public accounting firm, to audit the financial statements of the Single-Employer and Multiemployer Program Funds administered by the Pension Benefit Guaranty Corporation (PBGC) as of September 30, 2025, and for the year then ended. KPMG also audited the Single-Employer and Multiemployer Program Funds' internal control over financial reporting. The audits were conducted for the purpose of forming opinions on the financial statements as a whole. The Supplementary Information presented in the limited purpose report is for purposes of additional analysis and is not a required part of the financial statements. KPMG conducted the audits in accordance with the auditing standards generally accepted in the United States of America, 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 Bulletin No. 24-02, *Audit Requirements for Federal Financial Statements*.

In their audits, KPMG found:

- The financial statements present fairly, in all material respects, the financial position of the Single-Employer and Multiemployer Program Funds of PBGC as of September 30, 2025, and the results of their operations and cash flows for the year then ended, in accordance with U.S. generally accepted accounting principles. The Supplementary Information is fairly stated in all material respects in relation to the financial statements as a whole. This is the 33rd consecutive unmodified financial statements audit opinion.
- The Single-Employer and Multiemployer Program Funds maintained, in all material respects, effective internal control over financial reporting as of September 30, 2025, based on criteria established in the *Standards for Internal Control in the Federal Government*, September 2014, issued by the United States Government Accountability Office (the Green Book). The Single-Employer and Multiemployer Program Funds have one significant deficiency related to monitoring of internal controls at service organizations. This is the 10th consecutive unmodified audit opinion on internal control over financial reporting.

- No instances of reportable noncompliance or other matters with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the Single-Employer and Multiemployer Program Funds of PBGC.

KPMG is responsible for the accompanying auditors' report dated January 16, 2026 and the conclusions expressed therein. We do not express opinions on PBGC's financial statements or internal control over financial reporting, nor do we draw conclusions on compliance with laws and regulations. The limited purpose financial statements auditors' report (AUD-2026-03) is also available on our website at oig.pbgc.gov.

Restriction on Use

This report is intended solely for the information and use of Management of PBGC, the Office of Management and Budget, the Department of Treasury, and the Government Accountability Office and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully,

Nicholas J. Novak

Nicholas J. Novak
Inspector General

cc: Janet Dhillon, Director
Alice Maroni, Chief Management Officer
David Foley, Chief of Benefits Administration
Karen Morris, General Counsel
Robert Scherer, Chief Information Officer
John Hanley, Chief of Negotiations and Restructuring
Michael Rae, Deputy Chief Policy Officer
Lisa Carter, Acting Chief Financial Officer
Steven Young, Financial Operations Department Director
Charlie Bolton, Senior Policy Advisor
LaTasha Thomas, Special Advisor to the Director



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

Independent Auditors' Report

Board of Directors, Management, and the Inspector General
Pension Benefit Guaranty Corporation:

Report on the Audit of the Financial Statements and Internal Control Over Financial Reporting

Opinions on the Financial Statements and Internal Control Over Financial Reporting

We have audited the financial statements of the Single-Employer and Multiemployer Program Funds of the Pension Benefit Guaranty Corporation (PBGC), which comprise the statement of financial position as of September 30, 2025, and the related statements of operations and cash flows for the year 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 Single-Employer and Multiemployer Program Funds of PBGC as of September 30, 2025, and the results of their operations and their cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

We also have audited PBGC's internal control over financial reporting for the Single-Employer and Multiemployer Program Funds as of September 30, 2025, based on criteria established in the *Standards for Internal Control in the Federal Government*, September 2014, issued by the Comptroller General of the United States (the Green Book). In our opinion, the PBGC maintained, in all material respects, effective internal control over financial reporting for the Single-Employer and Multiemployer Program Funds as of September 30, 2025, based on criteria established in the Green Book.

Basis for Opinions

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. 24-02, *Audit Requirements for Federal Financial Statements*. Our responsibilities under those standards and OMB Bulletin No. 24-02 are further described in the Auditors' Responsibilities for the Audits of the Financial Statements and Internal Control Over Financial Reporting section of our report. We are required to be independent of the Single-Employer and Multiemployer Program Funds 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 opinions.

Other Matter - Interactive Data

Management has elected to reference to information on websites or other forms of interactive data outside the Limited Purpose Report to provide additional information for the users of its financial statements. Such information is not a required part of the financial statements. 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 Financial Statements and Internal Control over Financial Reporting

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. generally accepted accounting principles, and for the design, implementation, and maintenance of



effective internal control over financial reporting relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error. Management is also responsible for its assessment about the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting.

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 each of the Single-Employer and Multiemployer Program 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 Audits of the Financial Statements and Internal Control over Financial Reporting

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 about whether effective internal control over financial reporting was maintained in all material respects, 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 of financial statements or an audit of internal control over financial reporting conducted in accordance with GAAS, *Government Auditing Standards*, and OMB Bulletin No. 24-02 will always detect a material misstatement or a material weakness 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 to be 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 of financial statements and an audit of internal control over financial reporting in accordance with GAAS, *Government Auditing Standards*, and OMB Bulletin No. 24-02, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- 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 financial statement audit in order to design audit procedures that are appropriate in the circumstances.
- Obtain an understanding of internal control over financial reporting relevant to the audit of internal control over financial reporting, assess the risks that a material weakness exists, and test and evaluate the design and operating effectiveness of internal control over financial reporting based on the assessed risk.
- 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 each of the Single-Employer and Multiemployer Program 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 audits, significant audit findings, and certain internal control related matters that we identified during the financial statement audits.



We did not test all internal controls relevant to operating objectives as broadly defined by the Federal Managers' Financial Integrity Act of 1982.

Definition and Inherent Limitations of Internal Control Over Financial Reporting

An entity's internal control over financial reporting is a process effected by those charged with governance, management, and other personnel, designed to provide reasonable assurance regarding the preparation of reliable financial statements in accordance with U.S. generally accepted accounting principles. An entity's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the entity; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. generally accepted accounting principles, and that receipts and expenditures of the entity are being made only in accordance with authorizations of management and those charged with governance; and (3) provide reasonable assurance regarding prevention, or timely detection and correction, of unauthorized acquisition, use, or disposition of the entity's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent, or detect and correct, misstatements. Also, projections of any assessment of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Supplementary Information

Our audits were conducted for the purpose of forming opinions on the financial statements as a whole. The AFR to Reclassified Balance Sheet, Reclassified Statement of Net Cost and Reclassified Statement of Operations and Changes in Net Position crosswalks in Exhibits B through D are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Information

Management is responsible for the other information included in the Limited Purpose Report. The other information comprises the Analysis of Systems, Controls and Legal Compliance, Letter of the Inspector General, Fiscal Year 2025 Actuarial Valuation, and Introduction of Supplemental Information but does not include the financial statements and our auditors' report thereon. Our opinions on the financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audits of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Restriction on Use of the Supplementary Information

The supplementary information section of this report is intended solely for the information and use of the Inspector General and management of PBGC, the Office of Management and Budget, the Department of Treasury, and the Government Accountability Office and is not intended to be and should not be used by anyone other than these specified parties.



Other Reporting Required by Government Auditing Standards

Other Reporting on Internal Control

In accordance with *Government Auditing Standards*, we are required to report findings of significant deficiencies. 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 audits of internal control over financial reporting were not designed to identify all deficiencies in internal control that might be significant deficiencies. Given these limitations, significant deficiencies may exist that were not identified. We consider the deficiencies in the Single-Employer and Multiemployer Program Funds' internal control described in Exhibit I to be a significant deficiency.

Government Auditing Standards requires us to perform limited procedures on PBGC's response to the finding identified in our audits and described in Exhibit II. PBGC's response was not subjected to the auditing procedures applied in the audits of the financial statements and the audits of internal control over financial reporting and, accordingly, we express no opinion on the response.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Single-Employer and Multiemployer Program Funds' financial statements as of and for the year ended September 30, 2025 are free from material misstatement, we performed tests of their 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 audits, 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. 24-02.

Purpose of the Other Reporting Required by Government Auditing Standards

The purpose of the communication described in the Other Reporting Required by *Government Auditing Standards* section is solely to report deficiencies in internal control that were identified during our audits of internal control over financial reporting that we consider to be significant deficiencies and the scope of our testing of compliance and the results of that testing, and not to provide an opinion on compliance. This communication is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Single-Employer and Multiemployer Program Funds' internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

Washington, D.C.
January 16, 2026

Independent Auditors' Report

Exhibit I

Improvements Needed in Monitoring Controls over Service Organizations

Background

The Single-Employer and Multiemployer Program Funds of the PBGC rely on internal control over financial reporting at service organizations to process investment and financial reporting related transactions. The service organizations provide its customers, including PBGC, with System and Organization Controls (SOC) 1, Type 2 reports. Historically, the SOC 1 Type 2 reports covering the full fiscal year for certain service organizations were not readily available with sufficient time for PBGC to evaluate and respond to potential internal control deficiencies prior to the issuance of the Annual Financial Report.

Condition

While PBGC management performs certain monitoring controls over its service providers, management did not design and implement sufficient controls to support their assessment of the operating effectiveness of service organizations' controls relevant to PBGC's financial reporting for the gap period between the period covered by the most recent SOC 1 reports and PBGC's fiscal year end. For example, PBGC management relies on a bridge letter from one of its service organizations that covers the gap period from April 1 through September 30 because the SOC 1 Type 2 report covering this six-month period is not readily available prior to the issuance of the Annual Financial Report.

Criteria

The U.S. Government Accountability Office's *Standards for Internal Control in the Federal Government*, September 2014, Principle 16, *Perform Monitoring Activities*, states, "Management retains responsibility for monitoring the effectiveness of internal control over the assigned processes performed by service organizations. Management uses ongoing monitoring, separate evaluations, or a combination of the two to obtain reasonable assurance of the operating effectiveness of the service organization's internal controls over the assigned process. Monitoring activities related to service organizations may include the use of work performed by external parties, such as service auditors, and reviewed by management".

Cause

The deficiency occurred because PBGC's risk assessment process did not identify the significant gap period between the period covered by the last SOC 1 reports and PBGC's fiscal year end as a risk that required management to perform additional procedures related to the service organizations' internal controls relevant to PBGC's financial reporting.

Effect

Ineffective monitoring of internal controls at service organizations relevant to PBGC's financial reporting increases the risk that PBGC may not timely identify and address vulnerabilities in such controls which may lead to misstatements in PBGC's financial statements.

Recommendations

We recommend that PBGC management:

1. Strengthen their risk assessment process by considering the gap period between the last SOC 1 reports and PBGC's fiscal year end to determine the sufficiency of internal controls relevant to PBGC's financial reporting processed by the service organizations. Such considerations should be documented.
2. Design and implement additional controls based on the results of PBGC's risk assessment process.



Pension Benefit Guaranty Corporation
445 12th Street SW, Washington, DC 20024-2101

Office of the Director

January 16, 2026

MEMORANDUM

To: Nicholas J. Novak
Inspector General

From: Janet Dhillon
Director

Subject: Response to the Independent Auditor's Combined Audit Report for the
FY 2025 Financial Statement Audit

Please accept this as the PBGC's comments on the Office of Inspector General's (OIG) Fiscal Year 2025 audit results regarding the agency's financial statements, internal controls, and compliance with laws and regulations. Given that PBGC protects the pensions of millions of American workers, retirees, and beneficiaries, it is especially noteworthy that our financial statements have once again received an unmodified opinion, as have our internal controls over financial reporting.

We agree with your observation on internal controls and will address the issue noted in this year's report. We have provided additional information regarding our plans to address the two new recommendations in the attachment to this memorandum.

As we work to address these recommendations, we will coordinate with your office, as needed, and will submit for your review evidence documenting any corrective actions taken. Addressing the OIG's audit recommendations in a timely and effective manner helps improve PBGC's control environment and support compliance with Office of Management and Budget Circular A-50, *Audit Follow-up*, and the Government Accountability Office's *Standards for Internal Control in the Federal Government*.

cc:

Charles Bolton
Lisa Carter
David Foley
John Hanley
Alice Maroni
Karen Morris
Robert Scherer
Michael Rae
LaTasha Thomas

OIG Recommendation No. 2026-02-01: Strengthen their risk assessment process by considering the gap period between the last SOC 1 reports and PBGC's fiscal year end to determine the sufficiency of internal controls relevant to PBGC's financial reporting processed by the service organizations. Such considerations should be documented.

PBGC Response: PBGC agrees with this recommendation. The Corporate Controls and Review Department (CCRD) will work with departments across the corporation to document and strengthen the risk assessment process by reviewing current controls during the gap period between the last SOC 1 reports and PBGC's fiscal year end.

Target Completion Date: 07/31/2026

OIG Recommendation No. 2026-02-02: Design and implement additional controls based on the results of PBGC's risk assessment process.

PBGC Response: PBGC agrees with this recommendation. Based on the risk assessment, the Corporate Controls and Review Department (CCRD) will work with the departments to design and implement additional controls or enhance current controls to address the gap period between the last SOC 1 reports and PBGC's fiscal year end.

Target Completion Date: 09/30/2026