

## **Utility Debt Securitization Authority (UDSA) 2021 Internal Control Assessment**

UDSA maintains a system of internal controls to provide reasonable assurance that transactions are executed in accordance with management's authorization, that financial statements are prepared in accordance with U.S. generally accepted accounting principles, and that UDSA assets are properly safeguarded. The system of internal controls is documented, evaluated, and tested on a continuing basis.

UDSA is a component unit of the Long Island Power Authority (LIPA). Under a Servicing Agreement with UDSA, LIPA manages processes on behalf of UDSA. UDSA maintains its written mission statement, posted on its website, which clearly defines UDSA's purpose.

LIPA ensures the importance of the internal control program is communicated to its staff. LIPA's Chief Executive Officer distributes a written communication detailing the purpose and importance of the internal control program; the expectation for each employee's understanding, participation, and compliance with the program; and the expectation that employees remain alert for possible violations of law, policy, or public trust and to promptly report such violations to appropriate internal management personnel.

The internal control system is regularly reviewed through an ongoing process of updating existing policies and procedures. LIPA maintains UDSA's policy manuals online in its networked computer system and through an internally accessible intranet site. LIPA evaluates UDSA control objectives annually to ensure compliance and best practices are followed. LIPA's internal audit function tests UDSA controls to ensure they are working as intended. Management has considered the recommendations of LIPA's internal auditors, concerning the system of internal controls, and has taken actions that it believed to be cost-effective in the circumstances to respond appropriately to these recommendations.

Additionally, as part of its audit of UDSA's financial statements, KPMG LLP, UDSA's independent auditors, considers internal controls over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of UDSA's internal controls over financial reporting. No internal control system can provide absolute assurance that errors and irregularities will not occur due to the inherent limitations of the effectiveness of internal controls; however, management strives to maintain a balance, recognizing that the cost of such system should not exceed the benefits derived.

Based on its structure and related processes, management believes that, as of December 31, 2021, UDSA's system of internal controls provides reasonable assurance as to the integrity and reliability of the financial statements, the protection of assets from unauthorized use or disposition and the prevention and detection of fraudulent financial reporting.