



# Utility Debt Securitization Authority Report to the Board of Trustees

**Audit results for the year ended December 31, 2022**

**With you today:**

Edward Lee: Lead Audit Partner

Maureen Evers-Wilcox: Client Relationship Partner

Stephen Scelfo: Lead Audit Manager

Ron Mabbayad: Audit Manager

**March 28, 2023**





# Delivering a better audit experience drives us

With KPMG, you can expect an experience that's better for your team, your organization, and the capital markets. An experience that's built for a world that demands agility and integrity.

**We aim to deliver an exceptional client experience for the Utility Debt Securitization Authority (herein referred to as UDSA) by focusing on:**



Quality



Experience



Productivity



Insights

# Scope of Audit and Other Deliverables

Scope of the audit	Our audit of the basic financial statements of the UDSA as of and for the years ended December 31, 2022 and 2021, was performed in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in <i>Government Auditing Standards</i> issued by the Comptroller of the United States.
Other deliverables	<p>Other planned audit deliverables include:</p> <ul style="list-style-type: none"><li>• Report on Internal Control Over Financial Reporting and Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Accounting Standards</i></li><li>• Report on Investment Compliance</li><li>• Reports on applying agreed upon procedures in connection with Servicing Agreements</li></ul>



# Required communications to the Board of Trustees



# Required communications and other matters

Matters to communicate	Response
Outstanding Matters	Outstanding matters as of March 28, 2023: <ul style="list-style-type: none"> <li>- Signed Management Representation Letter</li> <li>- Final deliverables</li> </ul>
Significant or unusual transactions	As disclosed in Notes 1 and 3, in September 2022, UDSA issued the Series 2022 Bonds in connection with Financing Order No.6. No other significant or unusual transactions identified.
Audit misstatements	No corrected or uncorrected misstatements identified.
Financial statement presentation and disclosure omissions	No matters to report.
Non-GAAP policies and practices	No matters to communicate.
Auditors' report	We plan to issue an unmodified opinion on the basic financial statements of UDSA.
Changes to our risk assessment and planned audit strategy	No matters to report.
Significant accounting policies and practices	Significant accounting policies and practices are discussed within Note 1 of the UDSA's basic financial statements. We have reviewed the accounting policies utilized by management in preparation of the basic financial statements and found such policies to be appropriate.
Significant risk	Management override of controls. Refer to slide 9 for further details and our response.
Significant Audit Areas	<ul style="list-style-type: none"> <li>- Revenue</li> <li>- Long-term Debt</li> <li>- Restructuring Property</li> </ul> No other matters to report.

# Required communications and other matters

Matters to communicate	Response
Other information	<p>Our responsibility with respect to information in a document that contains the audited basic financial statements does not extend beyond the financial information identified in our report, and we have no obligation to perform any procedures to corroborate other information contained in a document. However, we do have a responsibility to read the other information and consider whether such information, or the manner of its presentation, is materially inconsistent with information, or the manner of its presentation, appearing in the basic financial statements</p> <p>We are currently not aware of any other documents that contain the audited financial statements of UDSA, including our opinion.</p>
Related parties	We performed an evaluation of the UDSA's identification of, accounting for, and disclosure of its relationships and transactions with related parties. As a result of such procedures, we have no matters to report.
Going concern	No matters to report.
Subsequent events	No matters to report.
Noncompliance with laws and regulations	No matters to report.
Significant difficulties encountered during the audit	No matters to report.
Significant findings or issues discussed, or the subject of correspondence with management	No matters to report.
Management's consultation with other accountants	No matters to report.
Difficult or contentious matters for which the auditor consulted	No matters to report.
Disagreements with management	No matters to report.

# Required communications and other matters

Matters to communicate	Response
Illegal acts or fraud	No actual or suspected fraud involving management, employees with significant roles in internal control, or where fraud results in a material misstatement in the financial statements were identified during the audit.
Written communications	Engagement letter, management representation letters [Financial Statements Audit, Agreed-Upon Procedures, and Investment Compliance], and required communications letter
Independence	See slide 10
Inquiries	See slide 11

# Required communications and other matters

Attestation Reports	Response
Agreed-upon procedures relating to Servicing Agreements	No matters to report.
Investment compliance report in connection with the specified requirements of Section 201.3 of <i>Title Two of the Official Compilation of Codes, Rules, and Regulations of the State of New York</i> and in the Authority's Investment Guidelines	No matters to report.

# Management override of controls

Significant risks	Procedures performed
Management override of controls	<ul style="list-style-type: none"><li>— The auditors' responsibility is to plan and perform an audit to provide reasonable assurance that material misstatements are detected, whether caused by error or fraud.</li><li>— We performed the following:<ul style="list-style-type: none"><li>— Risk assessments, including conducting interviews with the key members of management, assessing management's fraud risk, and running analytical procedures, as appropriate under the standards.</li><li>— Testing of high-risk journal entries and adjustments at period-end, if applicable.</li></ul></li><li>— No matters came to our attention that we are required to report to you.</li></ul>

# Shared responsibilities: Independence

Auditor independence is a shared responsibility and most effective when management, the Board of Trustees and audit firms work together in considering compliance with the independence rules. In order for KPMG to fulfill its professional responsibility to maintain and monitor independence, management, the Board of Trustees, and KPMG each play an important role.

## System of Independence Quality Control

The firm maintains a system of quality control over compliance with independence rules and firm policies. Timely information regarding upcoming transactions or other business changes is necessary to effectively maintain the firm's independence in relation to:

- New affiliates (which may include subsidiaries, equity method investees/investments, sister companies, and other entities that meet the definition of an affiliate under AICPA independence rules)
- New officers or directors with the ability to affect decision-making, individuals who are beneficial owners with significant influence over the UDSA, and persons in key positions with respect to the preparation or oversight of the financial statements

## Certain relationships with KPMG

Independence rules prohibit:

- Certain employment relationships involving directors, officers, or others in an accounting or financial reporting oversight role and KPMG and KPMG covered persons.
- The UDSA or its directors, officers, from having certain types of business relationships with KPMG or KPMG professionals.

We also bring to your attention that LIPA pays for an annual subscription to KPMG's Accounting Research Online (ARO) tool. KPMG's ARO tool provides easy access to a full range of authoritative accounting and financial reporting literature. The cost of the subscription is approximately \$2,230 per year and is permissible under professional standards.

In our professional judgment, we are independent with respect to LIPA and UDSA as that term is defined by the professional standards.

# Inquiries

## Are the Board of Trustees aware of:

- Matters relevant to the audit, including, but not limited to, violations or possible violations of laws or regulations?
- Any significant communications with regulators?
- Any developments in financial reporting, laws, accounting standards, corporate governance, and other related matters, and the effect of such developments on, for example, the overall presentation, structure, and content of the basic financial statements, including the following:
  - The relevance, reliability, comparability, and understandability of the information presented in the financial statements
  - Whether all required information has been included in the financial statements, and whether such information has been appropriately classified, aggregated or disaggregated, and presented?

## Do the Board of Trustees have knowledge of:

- Fraud, alleged fraud, or suspected fraud affecting UDSA?
  - If so, have the instances been appropriately addressed and how have they been addressed?



# Questions?

For additional information and audit committee resources, including National Audit Committee Peer Exchange series, a Quarterly webcast, and suggested publications, visit the KPMG Audit Committee Institute (ACI) at [www.kpmg.com/ACI](http://www.kpmg.com/ACI)

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