



Long Island Power Authority Discussion with the Finance and Audit Committee

Audit plan and strategy for the year ending December 31, 2026

With you today, September 30, 2026:

- Nicholas DiVirgilio, Lead Audit Engagement Partner
- Stephen Scelfo, Lead Audit Engagement Senior Manager
- Dorina Cipollone, Senior Audit Manager

PeopleX Platform

Be confident in KPMG with our people and platform integrated into every aspect of your audit. Here's what makes us different:

Agile, industry-experienced team members

led by an empowered lead partner and backed by the strength of our full firm

Modernized project management

with milestones focused on minimizing disruption and maximizing insights

Tailored, data-driven approach

driving a risk-based strategy, with clarity and visibility from the very start

Environment of trust and transparency

through open communication and meaningful conversations

KPMG has put AI and innovation at the forefront and is significantly advancing the capabilities of auditing and financial reporting to uplevel employee experience and accelerate innovation. With the integration of AI innovations across the Microsoft Cloud, further enhanced by KPMG's Audit expertise, together we are creating more value and achieving more together as a result.

Amy Hood
Chief Financial Officer
 **Microsoft**

Empowered. Engaged. Committed.



Marie Zimmerman
Quality Reviewing
Partner



Nicholas DiVirgilio
Lead Audit
Engagement
Partner



Todd Fowler
U.S. Sector
Leader, Energy,
Natural Resources,
& Chemicals



Courtney Zingale
Lead Audit
Managing
Director - Single
Audit



Shelly Masi
SEC Reviewing
Partner (bond
offerings,
securitizations)



Stephen Scelfo
Lead Audit Senior
Manager



Dorina Cipollone
Senior Manager

Additional team members

Subcontractors
Team Avaloria (MBE)
Long Island Financial Management
Services (WBE)

Audit Staff

Global Delivery Center Private Limited
(GDC)

KPMG Forensics (FITA)



Audit plan required communications and other matters

Our audits of the financial statements of the **Long Island Power Authority (LIPA)** and the **Utility Debt Securitization Authority (UDSA)** as of and for the year ended **December 31, 2026**, will be performed in accordance with auditing standards generally accepted in the United States of America (GAAS) and Government Auditing Standards (GAS).

Performing an audit of financial statements includes consideration of internal control over financial reporting (ICFR) 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 the entity's ICFR.

Please refer to page 4 for the additional scope of our audit.

Matters to communicate		Reference
Role and identity of engagement partner	✓	Financial statement audit and attestation engagement lead Partner is Nicholas DiVirgilio. Single audit lead Managing Director is Courtney Zingale.
Significant findings or issues discussed with management	X	
Audit participants, including service delivery centers and strategy	✓	Pages 3
Materiality in the context of an audit	✓	Page 6
Our timeline	✓	Page 7-8
Risk assessment: Significant risks	✓	Page 9
Risk assessment: Additional risks identified	X	
Involvement of others	✓	KPMG Forensics helps to support the engagements team's assessment of fraud risk factors and potential fraud risks.
Newly effective accounting standards	✓	Page 10
Independence	✓	Page 11
Responsibilities	✓	Page 12
Required inquiries	✓	Page 14

✓ = Matters to report

X = No matters to report

Other Reports

LIPA

- Our Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with Uniform Guidance (the Single Audit), will be performed in accordance with 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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance).
- Investment Guidelines Compliance Report
- Debt Compliance Report
- Agreed-upon Procedures Report related to the Rate Covenant Calculation and Amounts held in Rate Stabilization Fund

Utility Debt Securitization Authority (UDSA)

- Investment Guidelines Compliance Report
- Agreed-upon Procedures Report related to UDSA's Restructuring Property Servicing Agreements



Materiality in the context of an audit

We will apply materiality in the context of the preparation and fair presentation of the financial statements, considering the following factors:

Misstatements, including omissions, 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.

Judgments about materiality are made in light of surrounding circumstances and are affected by the size or nature of a misstatement, or a combination of both.

Judgments about materiality involve both qualitative and quantitative considerations.

Judgments about matters that are material to users of the financial statements are based on a consideration of the common financial information needs of users as a group. The possible effect of misstatements on specific individual users, whose needs may vary widely, is not considered.

Determining materiality is a matter of professional judgment and is affected by the auditor's perception of the financial information needs of users of the financial statements.

Judgments about the size of misstatements that will be considered material provide a basis for:

- a. determining the nature and extent of risk assessment procedures;
- b. identifying and assessing the risks of material misstatement; and
- c. determining the nature, timing, and extent of further audit procedures.

Our timeline

June – September

Planning and risk assessment

- Debrief on prior year audit with management
- Obtain and update our understanding of LIPA and its environment
- Coordinate with management timing and uploading of PBC documents
- Issue letters of inclusion in connection with our involvement in bond offerings
- Issue FY25 Single Audit report
- Communicate audit plan

October – December

Interim

- Planning and initial risk assessment procedures, including:
- Identification and assessment of risks of misstatements and planned audit response for certain processes
- Perform process understandings and identification of process risk points for certain processes
- Evaluate design and implementation (D&I) of process level, and general IT and automated controls
- Inquire of the Finance and Audit Committee, management and others within LIPA about risks of material misstatement
- Perform interim substantive audit procedures

January – March 2027

Year-end

- Perform remaining substantive audit procedures
- Evaluate results of audit procedures, including control deficiencies and audit misstatements identified
- Obtain written representation letters from management
- Review financial statement disclosures
- Present audit results to the Finance and Audit Committee and perform required communications
- Issue audit reports on financial statements and other reports

Filing date: Issue audit reports on financial statements & attestation report on or before March 30, 2027

Risk assessment: Significant risks

Significant risk	Susceptibility to:	
	Error	Fraud
Management override of controls Management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Although the level of risk of management override of controls will vary from entity to entity, the risk nevertheless is present in all entities.		Yes

Approach to fraud risk

- Perform risk assessment procedures to identify fraud risks, both at the financial statement level and at the assertion level
- Discuss among the audit team the susceptibility to fraud
- Inquire of management, audit and risk committee, and others
- Evaluate broad programs/controls that prevent, deter, and detect fraud
- Address revenue recognition and risk of management override of controls
- Perform specific substantive audit procedures (incorporate elements of unpredictability)
- Perform a roll-forward of the journal entry population for the entire fiscal year to ensure completeness of the general ledger
- Review and select a sample of high-risk journal entries throughout the year as well as entries and adjustments at the end of the reporting period

Newly effective accounting standards

Effective for calendar year-end companies in 2026

GASB Statement No. 103 Financial Reporting Model Improvements

The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability.

GASB Statement No. 104 Disclosure of Certain Capital Assets

State and local governments are required to provide detailed information about capital assets in notes to financial statements. Statement No. 34, Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments, requires certain information regarding capital assets to be presented by major class. The objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets

Shared responsibilities: Independence

Auditor independence is a shared responsibility and most effective when management, those charged with governance and audit firms work together in considering compliance with the independence rules. For KPMG to fulfill its professional responsibility to maintain and monitor independence, management, those charged with governance 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); and
- new officers or directors with the ability to affect decision-making, individuals who are beneficial owners with significant influence over LIPA, 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; and LIPA or its Trustees, officers, from having certain types of business relationships with KPMG or KPMG professionals.

Non-Audit Services

KPMG also provides the following permissible non-audit services in connection with our engagement:

- Financial statement preparation assistance in connection with the single audit financial statements including the data collection form.

Responsibilities

Management responsibilities

- Communicating matters of governance interest to those charged with governance.
- The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

KPMG responsibilities: Objectives

- Communicate clearly with those charged with governance the responsibilities of the auditor regarding the financial statement audit and an overview of the planned scope and timing of the audit.
- Obtain from those charged with governance information relevant to the audit.
- Provide those charged with governance with timely observations arising from the audit that are significant and relevant to their responsibility to oversee the financial reporting process.
- Promote effective two-way communication between the auditor and those charged with governance.
- Communicate effectively with management and third parties.

KPMG responsibilities: Other

- If we conclude that no reasonable justification for a change of the terms of the audit engagement exists, and we are not permitted by management to continue the original audit engagement, we should:
 - withdraw from the audit engagement when possible under applicable law or regulation;
 - communicate the circumstances to those charged with governance; and
 - determine whether any obligation, either legal contractual, or otherwise, exists to report the circumstances to other parties, such as owners, or regulators.
- Forming and expressing an opinion about whether the financial statements that have been prepared by management, with the oversight of those charged with governance, are prepared, in all material respects, in accordance with the applicable financial reporting framework.
- Establishing the overall audit strategy and the audit plan, including the nature, timing, and extent of procedures necessary to obtain sufficient appropriate audit evidence.
- Communicating any procedures performed relating to other information, and the results of those procedures.

Required inquiries

- What are your views about fraud risks, including management override of controls, at the entity and whether you have taken any actions to respond to these risks?
 - Are you aware of, or have you identified, any instances of actual, suspected, or alleged fraud, including misconduct or unethical behavior related to financial reporting or misappropriation of assets? If so, have the instances been appropriately addressed and how have they been addressed?
 - Are you aware of or have you received tips or complaints regarding the entity's financial reporting (including those received through the internal whistleblower program, if such program exists) and, if so, what was your response to such tips and complaints?
 - How do you exercise oversight over management's assessment of fraud risk and the establishment of controls to address/mitigate fraud risks?
- Has the entity entered into any significant unusual transactions?
 - Have there been any instances of actual or possible violations of laws and regulations, including illegal acts (irrespective of materiality threshold)?
 - What is the audit committee's understanding of the entity's relationships and transactions with related parties that are significant to the entity?
 - Does any member of the audit committee have concerns regarding relationships or transactions with related parties and, if so, what are the substance of those concerns?
 - Has there been any correspondence with regulators or licensing authorities?

US Audit Quality and Transparency Reports

- Interactive dashboard highlights key quality metrics
- Details KPMG's investment in our audit approach, people, technology, quality management system and the future of audit

Audit Quality Report

- Provides more granular detail on our commitment to continually enhance audit quality
- Outlines KPMG LLP's System of Quality Control
- Discusses how the firm aligns with the requirements and intent of applicable professional standards, including our System of Quality Control Statement of Effectiveness

Transparency Report

Reports and supplements available at: <https://kpmg.com/us/en/articles/audit-quality-report.html>

For the fiscal year 2025, a separate NYSE supplement is not provided as the relevant information has been incorporated into the main document.



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 <https://boardleadership.kpmg.us/audit-committee.html>

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