



Utility Debt Securitization Authority Audit results December 31, 2016

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March 28, 2017

Agenda

1.0 Summary of Audit Results

- Summary of Audit Results
- Summary of Significant Risks
- Audit Focus Areas
- Accounting policies, practices, and estimates
- Summary of corrected and uncorrected misstatements
- Internal Control Over Financial Reporting
- Other matters

2.0 KPMG's Audit Committee Institute and Global Energy Institute





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Summary of Audit Results

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Significant changes to our audit plan

There have been no significant changes to our audit plan dated September 21, 2016.

Audit and other results

- Our audit strategy, risk assessments and audit procedures were executed consistent with the Audit Plan presented on November 8, 2016.
- We have no pending matters as of March 28, 2017.
- We will issue an unmodified report on the financial statements of the UDSA as of and for the year ended December 31, 2016.
- Our Report on Internal Control over Financial Reporting and on Compliance and Other Matters based on an Audit of Financial Statements performed in accordance with Government Auditing Standards will report the following:
 - No instances of noncompliance or other matters to report.
- We will issue a report in connection with our examination of compliance with the UDSA's investment guidelines, noting that the UDSA was in compliance, in all material respects, with Part 201.3 of Title Two of the New York Code of Rules and Regulations during the year ended December 31, 2016.
- We will issue the following four Agreed Upon Procedures Reports pursuant to the UDSA's Restructuring Property Servicing Agreement dated as of December 18, 2013, October 27, 2015, April 7, 2016 and September 8, 2016, for the year ended December 31, 2016.
- We issued an Agreed Upon Procedures Report in connection with the issuance of the following UDSA Restructuring Bonds
 - Series 2016A
 - Series 2016B

KPMG complied with the following while performing our audit

- 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
- AICPA and GAO Independence requirements

KPMG supports Management by:

- Bringing to management's attention suggestions for improving the Authority's internal controls and financial reporting policies and procedures and other performance improvement observations identified
- Advising the Authority on the interpretation and implementation of new accounting or reporting requirements
- Maintaining proactive working relationships with senior management and the Finance and Audit Committee



Summary of Significant Risks

Based on our risk assessment procedures, the following are significant risks that may result in a material misstatement (due to fraud or error) in the financial statements and our planned audit approach in response to such significant risks:

Significant Risks:

Due to Fraud

- Risk of management override of controls – *Management is in a unique position to perpetrate fraud because of management's 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.*
 - *No instances noted*

