



# Utility Debt Securitization Authority Discussion with the Board of Trustees

Audit results and strategy for the year ending December 31, 2024

With you today March 24, 2025:

- Kevin Lyons, Lead Audit Engagement Partner
- Todd Fowler, Client Relationship Partner, Audit Sector Leader Energy and Renewables
- Stephen Scelfo, Lead Audit Engagement Senior Manager

Prepared on: 03/17/2025

Presented on: 03/24/2025

# A better audit experience:

Providing a tailored, **client-centric** experience through the power of:

**People**

Agile, empowered teams

X

**Platform**

Next-generation technology



# Audit results required communications and other matters

Matters to communicate		Response
Significant unusual transactions	X	
Uncorrected audit misstatements	X	
Corrected audit misstatements	X	
Financial statement presentation and disclosure omissions	X	
Non-GAAP policies and practices	X	
Auditors' report	✓	Page 4
Changes to our risk assessment and planned audit strategy	X	
Significant accounting policies and practices	✓	Page 4
Significant risks	✓	Page 6
Significant audit areas	✓	Page 7 to 8
Related parties	✓	Page 4

Matters to communicate		Response
Going concern	X	
Other information	✓	Page 4
Subsequent events	X	
Noncompliance with laws and regulations	X	
Significant difficulties encountered during the audit	X	
Significant findings or issues discussed, or the subject of correspondence with management	X	
Management's consultation with other accountants	X	
Disagreements with management	X	
Other significant matters	X	
Required inquiries	X	Page 10

✓ = Matters to report   X = No matters to report



# Audit results required communications and other matters

## Matters to communicate

Auditors' report	We expect to issue an unmodified opinion on the basic financial statements. Our report will also contain reference to other required supplementary information accompanying the basic financial statements. While such information is required be presented to supplement the basic financial statements, our responsibilities for such information are limited to inquiries of management about the methods of preparing such information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on such information because the limited procedures do not provide us with sufficient evidence to express an opinion to provide any assurance.
Significant accounting policies and practices	Significant accounting polices and practices are summarized within Note 1 of Utility Debt Securitization Authority's (UDSA) financial statements. We have reviewed the accounting policies utilized by management in preparation of the basic financial statements and found such polices to be appropriate.
Related parties	We performed an evaluation of 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 report.
Other information	We are currently not aware of any other documents that contain the audited financial statements of UDSA, including our opinions.

# Audit results required communications and other matters

## Matters to communicate

Consultations	There were no difficult or contentious matters for which the auditor consulted outside the engagement team that are relevant to the audit committee's oversight of the financial reporting process
Illegal acts or fraud	No actual or suspected fraud involving management, employees with significant roles in system of 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 letter, and required communications letter to be provided under separate cover.
Independence	Our professional standards and other regulatory requirements specify that we are required to communicate to you in writing, at least annually, all relationships between our firm, or any affiliates of the firm, and UDSA and persons in a financial reporting oversight role at UDSA, which may reasonably be thought to bear on independence. In addition to the professional services disclosed in the previous slides, we are not aware of any relationships between our firm and LIPA and persons in a financial reporting oversight role at UDSA. In connection with our audit of UDSA, KPMG and relevant KPMG professionals have complied with relevant ethical requirements regarding independence, as that term is defined by the professional standards.
Other reports	We have no other matters to report related to our performance of the following reports: <ul style="list-style-type: none"><li>- Agreed upon procedures related to the UDSA's Restructuring Property Service Agreements</li><li>- Report on Investment Compliance</li></ul>

# Significant risks

Significant risks	Procedures performed
<p><b>Risk of fraud due to management override of controls</b> 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.</p>	<p><b>Internal controls</b></p> <ul style="list-style-type: none"><li>— Assessed management’s design and implementation of controls over journal entries (throughout the year and at period end), as well as post-closing adjustments</li></ul> <p><b>Substantive procedures</b></p> <ul style="list-style-type: none"><li>— Involved KPMG Forensics in our risk assessment throughout the audit to assist in our consideration of fraud risk factors and procedures that the engagement team performed.</li><li>— Performed roll-forward procedures to test completeness of the journal entry population and tested a selection of journal entries to test relevant data elements for accuracy.</li><li>— Used eData routines to identify journal entries for testing based on specific criteria.</li><li>— Reviewed accounting estimate for bias.</li><li>— The engagement team considered the risk of management override of controls related to revenue recognition.</li></ul>



# Significant audit areas and accounting estimate (cont.)

Significant audit areas	Procedures performed
<p><b>Revenue Recognition</b>            UDSA records revenue for Restructuring Charges under the accrual method of accounting in an amount equal to the imposed charges.</p>	<p><b>Audit response:</b></p> <ul style="list-style-type: none"> <li>- Performed risk assessment procedures to determine the likelihood of a risk of material misstatement related to unbilled revenues;</li> <li>- Recalculated all restructuring charge revenues;</li> <li>- Recalculated a sample of customer bills and vouched to cash and invoice support to test restructuring charge revenues; and</li> <li>- Compared total revenues recognized to cash receipts (cash proof).</li> </ul> <p><b>Audit findings:</b></p> <ul style="list-style-type: none"> <li>- No significant findings per the results of the above procedures.</li> </ul>
<p><b>Long term debt</b>            The Financing Orders adopted by LIPA's Board authorized the issuance of Restructuring Bonds by UDSA to provide funds for the purchase of Restructuring Property from LIPA. Each Restructuring Property secures only their respective Restructuring Bonds. In each restructuring transaction, LIPA used the net proceeds from the sale of the Restructuring Property to refund debt and other obligations of LIPA or to fund resiliency investments, producing net present value savings to LIPA's utility customers.</p>	<p><b>Audit response:</b></p> <ul style="list-style-type: none"> <li>- Confirmed outstanding debt obligations, long-term and short-term, with third parties;</li> <li>- Recalculated interest expense throughout the year</li> </ul> <p><b>Audit findings:</b></p> <ul style="list-style-type: none"> <li>- No significant findings per the results of the above procedures.</li> </ul>

# Significant audit areas and accounting estimate (cont.)

Significant audit areas	Procedures performed
<p><b>Restructuring Property</b> The Restructuring Property is amortized annually based on principal payments due on the Restructuring Bonds. Included in the annual amortization is an amount equal to the bond premium amortization, which is recorded using the effective-interest-rate method.</p>	<p><b>Audit response:</b></p> <ul style="list-style-type: none"><li>- Performed risk assessment procedures to determine the likelihood of a risk of a material misstatement related to the amortization of the restructuring property</li></ul> <p><b>Audit findings:</b></p> <ul style="list-style-type: none"><li>- No significant findings per the results of the above procedures.</li></ul>



# US Audit Quality, Transparency and Impact 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



- Provides annual update on our progress on meeting goals aligned to People, Planet, Prosperity, and Governance
- Our goals reflect a materiality assessment and our aspiration to be an employer of choice

## KPMG Impact Plan

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

For the fiscal year 2024, a separate NYSE supplement is not provided as the relevant information has been incorporated into the main document.

# Required inquiries

- What are your views about fraud risks, including management override of controls, at UDSA 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 UDSA'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 UDSA 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)?
- Has UDSA complied with all covenants during the financial statement period and before the date of the auditor's report?  
Have there been any events of default during the financial statement period and before the dates of the auditor's report?
- What is the audit committee's understanding of UDSA's relationships and transactions with related parties that are significant to UDSA?
- Do any of the Trustees have concerns regarding relationships or transactions with related parties and, if so, what are the substance of those concerns?
- Have any subsequent events occurred that might affect the financial statements?



# 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)

This presentation to those charged with governance is intended solely for the information and use of those charged with governance and management and is not intended to be and should not be used by anyone other than these specified parties. This presentation is not intended for general use, circulation or publication and should not be published, circulated, reproduced or used for any purpose without our prior written permission in each specific instance.

Learn about us:



[kpmg.com](http://kpmg.com)

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act upon such information without appropriate professional advice after a thorough examination of the particular situation.

© 2024 KPMG LLP, a Delaware limited liability partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved. USCS0121331-1A

The KPMG name and logo are trademarks used under license by the independent member firms of the KPMG global organization.