



# ASSISTIVE TECHNOLOGY LOAN FUND AUTHORITY

## REPORT ON AUDIT FOR THE YEAR ENDED JUNE 30, 2017

Auditor of Public Accounts  
Martha S. Mavredes, CPA

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## AUDIT SUMMARY

Our audit of the Assistive Technology Loan Fund Authority (Authority) for the fiscal year ended June 30, 2017, found:

- proper recording and reporting of all transactions, in all material respects, in the Authority's financial system;
- no matters involving internal control and its operation necessary to bring to management's attention; and
- no instances of noncompliance with applicable laws and regulations or other matters that are required to be reported.

## –TABLE OF CONTENTS–

### Pages

AUDIT SUMMARY

AUTHORITY BACKGROUND AND FINANCIAL INFORMATION

1-4

INDEPENDENT AUDITOR’S REPORT

5-6

APPENDICES:

Appendix A: Schedule of Net Assets

7

Appendix B: Schedule of Revenues and Expenses

8

AUTHORITY OFFICIALS

9

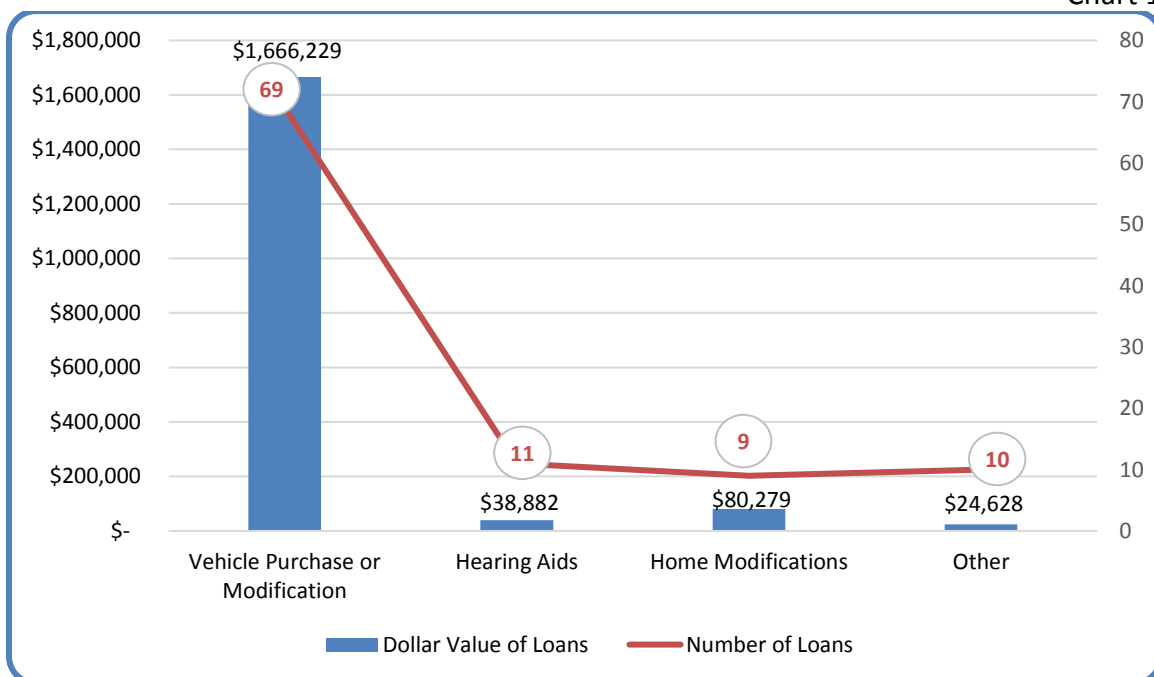
## AUTHORITY BACKGROUND AND FINANCIAL INFORMATION

The Assistive Technology Loan Fund Authority (Authority) provides alternative funding resources for Virginians with disabilities to acquire assistive technology that can enhance their independence and improve their quality of life. The Authority, through the management of the Assistive Technology Loan Fund (Fund), helps qualified borrowers obtain low-interest loans and grants for a variety of assistive technologies. This includes modified and adapted vehicles, motorized scooters and wheelchairs, hearing and vision aids, augmentative communication devices, home modifications and ramps, recreational equipment (directly related to disability), prosthetics and orthodontics.

The Authority issues and manages direct loans for all qualified borrowers. The Authority's Board establishes loan qualification criteria and its Loans Committee reviews all loan applications to determine whether a borrower qualifies for a direct loan. During fiscal year 2017, the Authority issued approximately \$1.8 million in direct loans to 99 borrowers. As illustrated in Chart 1, the majority of loans were used to assist borrowers with the purchase of a modified van or car, or to make necessary modifications to an existing vehicle and these purchases tended to be the most expensive of the different loan types.

**Loan Type Counts and Amounts for Fiscal Year 2017**

Chart 1



Source: Authority's Loan Management System

Historically, the Authority partnered with SunTrust Banks, Inc. (SunTrust) to accomplish its mission of affordable financing alternatives through the issuance of guaranteed and non-guaranteed loans. Although the Authority terminated its partnership with SunTrust as of December 31, 2013, the Authority must maintain defined required funds at SunTrust until its borrowers pay guaranteed loan balances in full. During fiscal year 2017, the Authority maintained four guaranteed and 12 non-guaranteed outstanding loans with SunTrust totaling approximately \$135,000. As of January 31, 2018, all guaranteed loan balances were paid in full.

## Financial Operations

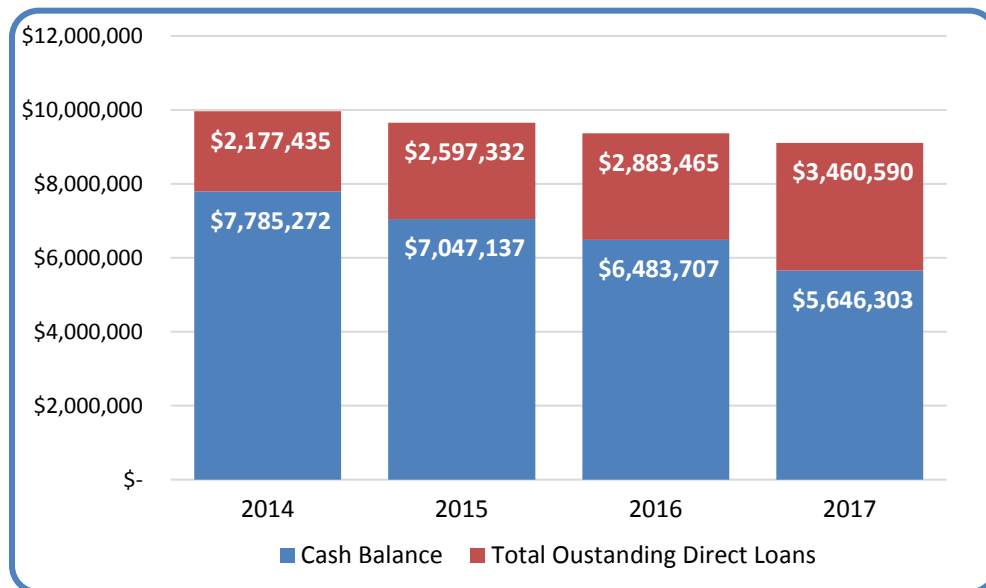
The Authority primarily uses the principal balance from the Fund to finance its direct loans. Federal awards granted to the Authority in prior years make up its initial principal investment. The provisions of the federal awards require that the Authority maintain the Fund into perpetuity.

The Authority deposits principal payments from borrowers into the Fund and uses those proceeds to finance future direct loan disbursements. During fiscal year 2017, the Authority collected \$1,200,329 in principal payments for direct loans. This represents a two percent increase over the prior year principal payment collections for direct loans.

The Authority's primary source of operating income is interest and fees accrued on direct loans. During fiscal year 2017, the Authority collected \$138,840 in interest payments and fees on direct loans. As of June 30, 2017, the Authority maintained a total outstanding loans balance of \$3,460,590 within its direct loans portfolio. Chart 2 shows the total outstanding direct loan and cash balances for the past four fiscal years and illustrates the correlation between these figures.

**Outstanding Direct Loan and Cash Balances as of June 30th**

Chart 2

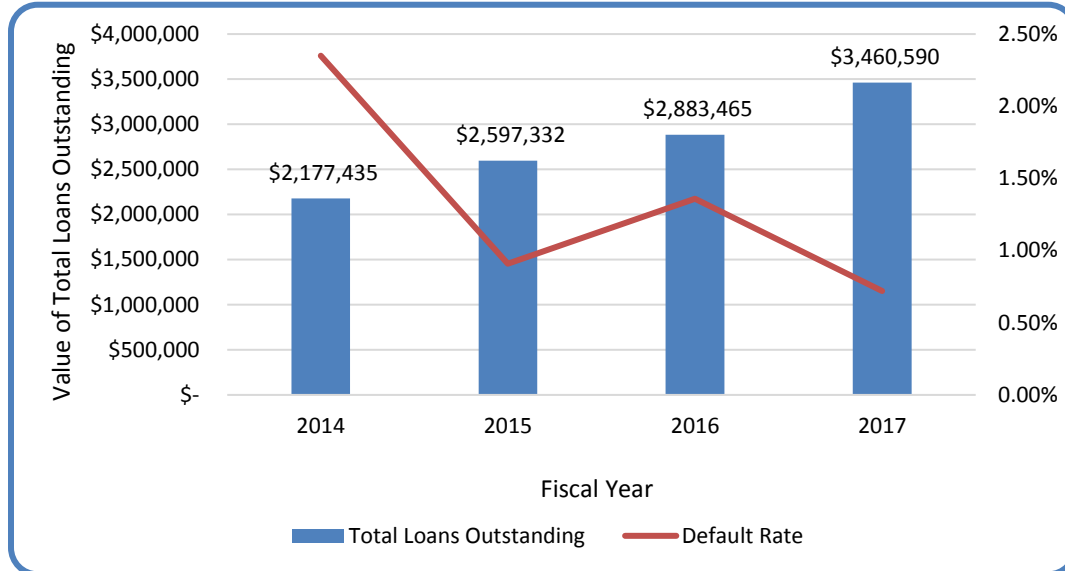


Source: Authority's Financial System

While the amount of outstanding loan balances has increased over the last several years, as illustrated in Chart 3, the Authority has continued to maintain a low default rate. Due to its mission, the Authority strives to not write off loans and offers loan modifications to borrowers where possible. The Authority will generally write off outstanding loan balances after 180 days have passed with no payment. During fiscal year 2017, there was a decrease in the loan default rate, which remains below the Authority's performance metric of two percent.

### Direct Loan Default Rates and Outstanding Balances

Chart 3

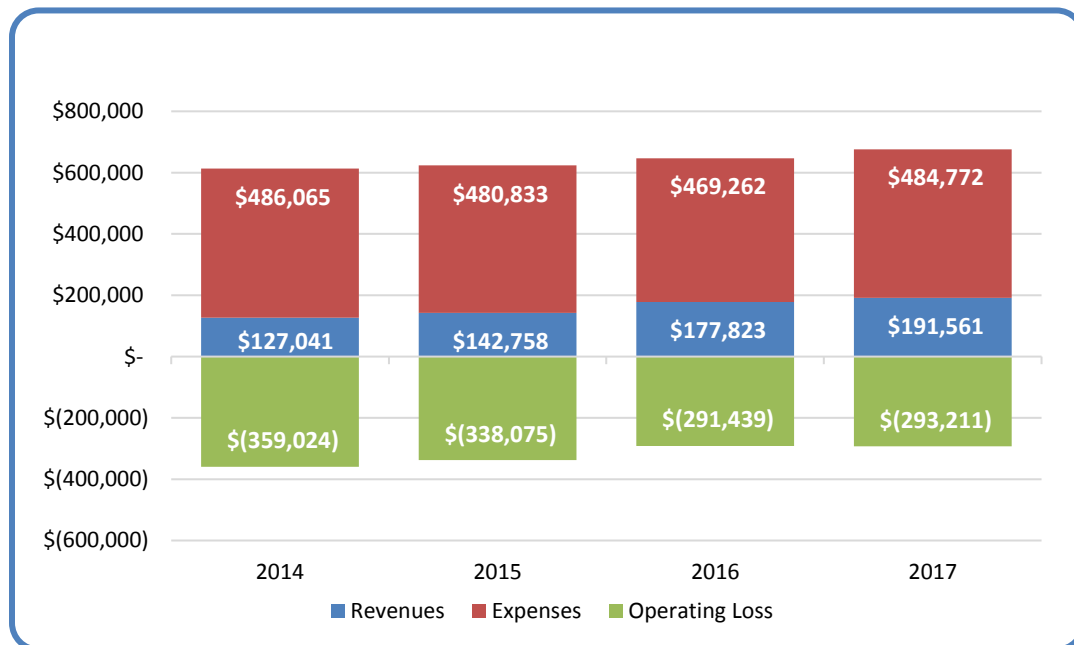


Source: Authority's Financial System

The Fund's sustainability relies heavily on the Authority's ability to maintain a balance between the interest it earns on its investments and loans, its operational expenses, and its mission to serve Virginians with disabilities. Since its inception, the Authority has encountered difficulties with successfully maintaining the Fund's cash balance because of increases in both the demand for loans and administrative costs. As illustrated in Chart 4, the Authority incurs operating losses each year due to operating expenses exceeding interest and fee collections.

### Revenues, Expenses, and Operating Losses

Chart 4



Source: Authority's Financial System

Without new capitalization, the Authority projects to have financial difficulties operating beyond the year 2036, at which point the Authority will have operated on its initial capitalization for nearly 40 years. In an effort to ensure the Fund continues in to perpetuity, the Authority plans to limit loans to 75 percent of net total payments, starting in fiscal year 2024. Subsequently, the Authority expects to limit loans to 50 percent of total payments starting in fiscal year 2030. Management should continue to monitor projections of sustainability on a regular basis and report cash flow projections to the Board in order to determine if additional measures are necessary to maintain the Fund indefinitely.



Martha S. Mavredes, CPA  
Auditor of Public Accounts

# Commonwealth of Virginia

*Auditor of Public Accounts*

P.O. Box 1295  
Richmond, Virginia 23218

May 29, 2018

The Honorable Ralph S. Northam  
Governor of Virginia

The Honorable Thomas K. Norment, Jr.  
Chairman, Joint Legislative Audit  
and Review Commission

We have audited the financial records and operations of the **Assistive Technology Loan Fund Authority** (Authority) for the year ended June 30, 2017. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

## **Audit Objectives**

Our audit's primary objectives were to evaluate the accuracy of recorded financial transactions in the Authority's financial system, review the adequacy of the Authority's internal controls, and test compliance with applicable laws, regulations, contracts, and grant agreements.

## **Audit Scope and Methodology**

The Authority's management has responsibility for establishing and maintaining internal control and complying with applicable laws, regulations, contracts and grant agreements. Internal control is a process designed to provide reasonable, but not absolute, assurance regarding the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws, regulations, contracts, and grant agreements.

We gained an understanding of the overall internal controls, both automated and manual, as they relate to the audit objectives, sufficient to plan the audit. We considered significance and risk in determining the nature and extent of our audit procedures. We performed audit tests to determine whether the Authority's controls were adequate, had been placed in operation, and were being followed. Our audit also included tests of compliance with provisions of applicable laws, regulations, contracts, and grant agreements as they pertain to our audit objectives.

Our review encompassed controls over the following significant cycles, classes of transactions, and account balances.



Accounts receivable and revenues  
Cash and investments  
Financial reporting  
Information system security  
Payroll and other expenses

We performed audit tests to determine whether the Authority's controls were adequate, had been placed in operation, and were being followed. Our audit also included tests of compliance with provisions of applicable laws, regulations, contracts, and grant agreements. Our audit procedures included inquiries of appropriate personnel, inspection of documents, records, and contracts, and observation of the Authority's operations. We performed analytical procedures, including budgetary and trend analyses. We confirmed cash balances reported at year-end with outside parties. We also tested details of transactions to achieve our objectives.

A nonstatistical sampling approach was used. Our samples were designed to support conclusions about our audit objectives. An appropriate sampling methodology was used to ensure the samples selected were representative of the population and provided sufficient, appropriate evidence. We identified specific attributes for testing each of the samples and when appropriate, we projected our results to the population.

### **Conclusions**

We found that the Authority properly stated, in all material respects, transactions recorded and reported in its financial system. The financial information presented in this report came directly from the Authority's financial and loan management systems.

We noted no matters involving internal control and its operations that we consider necessary to be reported to management. The results of our tests of compliance with applicable laws, regulations, contracts, and grant agreements disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

### **Exit Conference and Report Distribution**

We discussed this report with management on June 4, 2018.

This report is intended for the information and use of the Governor and General Assembly, management, and the citizens of the Commonwealth of Virginia and is a public record.

AUDITOR OF PUBLIC ACCOUNTS

JSS/clj

**Assistive Technology Loan Fund Authority  
Schedule of Net Assets**

	As of June 30, 2017	As of June 30, 2016
<b>Assets:</b>		
Cash		
Unrestricted	\$5,524,379	\$6,361,001
Restricted	<u>121,924</u>	<u>122,706</u>
Total Cash	5,646,303	6,483,707
Loans Receivable*	<u>3,286,392</u>	<u>2,739,292</u>
Total Assets	<u>8,932,695</u>	<u>9,222,999</u>
<b>Liabilities:</b>		
Accounts Payable and Accrued Expenses	<u>8,825</u>	<u>5,918</u>
<b>Net Assets</b>	<u>\$8,923,870</u>	<u>\$9,217,081</u>

Source: Authority's Financial System

\*Net Allowance of \$174,199 for year ended 2017 and \$144,173 for year ended 2016

**Assistive Technology Loan Fund Authority  
Schedule of Revenues and Expenses**

	For the Year Ended June 30, 2017	For the Year Ended June 30, 2016
Revenues:		
Contributions	\$ 965	\$ 1,127
Loan Interest and Fees	138,840	133,531
Investment Income	<u>51,756</u>	<u>43,165</u>
Total Revenues	<u>191,561</u>	<u>177,823</u>
Expenses:		
Grants and Awards	539	2,052
Loan Services	2,985	3,450
Payroll	299,615	287,126
Administrative Expenses	115,904	105,177
Marketing Expenses	1,909	1,388
Loan Losses and Write-offs	<u>63,820</u>	<u>70,069</u>
Total Expenses	<u>484,772</u>	<u>469,262</u>
Net Expenses over Revenues	<u><u>\$(293,211)</u></u>	<u><u>\$(291,439)</u></u>

Source: Authority's Financial System

## ASSISTIVE TECHNOLOGY LOAN FUND AUTHORITY

As of June 30, 2017

### BOARD MEMBERS

Michael Constanzo  
Chairperson

Joyce Viscomi  
Vice-Chairperson

Elise Nelson  
Treasurer

David Axselle  
Dean Bonney  
Marques Jones  
Ronald Lanier

Sarah Liddle  
Brian Taylor  
Michael VanDyke  
AnnMarie Wakely

Daniel Carey  
Secretary of Health and Human Resources

Barbara Ostrander  
Representative of Woodrow Wilson Rehabilitation Center

Sandra Banker  
Executive Director