



# ASSISTIVE TECHNOLOGY LOAN FUND AUTHORITY

## INTERNAL CONTROL QUESTIONNAIRE REVIEW RESULTS AS OF MAY 2021

Auditor of Public Accounts  
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# Commonwealth of Virginia

*Auditor of Public Accounts*

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Auditor of Public Accounts

P.O. Box 1295  
Richmond, Virginia 23218

October 11, 2021

Sandra Prince Banker  
Assistive Technology Loan Fund Authority  
1602 Rolling Hills Drive  
Richmond, VA 23229

## INTERNAL CONTROL QUESTIONNAIRE REVIEW RESULTS

We have reviewed the Internal Control Questionnaire for the **Assistive Technology Loan Fund Authority** (Authority). We completed the review on May 24, 2021. The purpose of this review was to evaluate if the agency has developed adequate internal controls over significant organizational areas and activities and not to express an opinion on the effectiveness of internal controls. Management of the Authority is responsible for establishing and maintaining an effective control environment.

The Auditor of Public Accounts has developed a new process for auditing agencies that are not required to have an audit every year, which we refer to as “cycled agencies.” Traditionally, we audit these agencies at least once every three years. We now employ a risk-based approach to auditing the cycled agencies. Under this approach, annually we will perform a risk analysis for all of the cycled agencies considering certain criteria and divide the agencies into two pools. One pool will receive an annual audit and the other pool will be subject to review in a special project focused on one area of significance as well as a review of internal controls in the form of a questionnaire. Our intent is that all cycled agencies will complete an internal control questionnaire at least once every three years. This letter is to communicate the results of the Internal Control Questionnaire review.

### Review Process

During the review, the agency completes an Internal Control Questionnaire that covers significant organizational areas and activities including payroll and human resources; revenues and expenses; procurement and contract management; capital assets; grants management; debt; and information technology and security. The questionnaire focuses on key controls over these areas and activities.

We review the agency responses and supporting documentation to determine the nature, timing, and extent of additional procedures. The nature, timing, and extent of the procedures selected depend on our judgment in assessing the likelihood that the controls may fail to prevent and/or detect events that could prevent the achievement of the control objectives. The procedures performed target risks or business functions deemed significant and involve reviewing internal policies and procedures. Depending on the results of our initial procedures, we may perform additional procedures including reviewing evidence to ascertain that select transactions are executed in accordance with the policies and procedures and conducting inquiries with management. The “Review Procedures” section below details the procedures performed for the Authority. The results of this review will be included within our risk analysis process for the upcoming year in determining which agencies we will audit.

### **Review Procedures**

We reviewed the Internal Control Questionnaire and supporting documentation detailing policies and procedures. As a result of our review, we performed additional procedures over the following areas: payroll and human resources, revenues and expenses, and information system security. These procedures included validating the existence of certain transactions; observing controls to determine if the controls are designed and implemented; reviewing transactions for compliance with internal and Commonwealth policies and procedures; and conducting further review over management’s risk assessment process.

As a result of these procedures, we noted areas that require management’s attention. These areas are detailed in the “Review Results” section below.

### **Review Results**

We noted the following areas requiring management’s attention resulting from our review:

- While the Authority has policies and procedures in place, we noted some areas in need of improvement. During our review we noted some critical business areas that had outdated procedures that did not align with the actual processes being performed, as well as some business areas without procedures containing sufficient detail to ensure the process could continue in the event of turnover. The Authority should ensure that there are up to date policies and procedures over all critical business areas. The policies and procedures should also include provisions addressing how the Authority will operate in the event that the Board is not able to meet in person.
- The Authority relies on the Department for Aging and Rehabilitative Services to provide information technology and security services; however, it appears that these services do not cover all requirements in the Commonwealth’s Information Security Standard, SEC 501 (Security Standard). While the Authority is not required to follow the Security Standard, it is still considered best practice to implement these requirements. During our review, we identified several weaknesses in information system security controls, including lack of

information technology security audits and monitoring for unauthorized activity in sensitive systems, and a formalized process for annual security awareness training. Additionally, the Authority does not secure a database that supports mission critical business functions with minimum-security controls. The Authority currently has projects in progress to replace one system and move another to the cloud which will address most of these concerns. The Authority should continue working to ensure there are controls in place to address all requirements in the Security Standard.

- The Authority does not have a formal process for reviewing third-party service providers' System and Organization Controls (SOC) reports. Specifically, the Authority did not review SOC reports for two of its third-party service providers prior to the period of our review. As a best practice, the Authority should request and review SOC reports annually. The Authority should implement policies and procedures to obtain SOC reports, review and assess the results, and document the effectiveness of provider controls reported through SOC reports. SOC reports provide an independent description and evaluation of the provider's internal controls. Without performing a review of SOC reports, the Authority cannot ensure that third-party service providers' controls are designed, implemented, and operating effectively.

We discussed these matters with management on September 16, 2021. Management's response to the findings identified in our review is included in the section titled "Agency Response." We did not validate management's response and, accordingly, cannot take a position on whether or not it adequately addresses the issues in this report.

This report is intended for the information and use of management. However, it is a public record and its distribution is not limited.

Sincerely,

Staci A. Henshaw  
Auditor of Public Accounts

JDE/clj



COMMONWEALTH of VIRGINIA  
*Assistive Technology Loan Fund Authority*

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October 19, 2021

Ms. Staci A. Henshaw, CPA  
Auditor of Public Accounts  
101 North 14<sup>th</sup> Street  
Richmond, Virginia 23218

Dear Ms. Henshaw

The Assistive Technology Loan Fund Authority appreciates the opportunity to respond to your Internal Control Questionnaire Review Results completed May 24, 2021.

- ATLFA recognizes that no formal comprehensive review of all policies, procedures, and manuals has been fully documented. ATLFA has nearly completed a full review of all policies, procedures, and manuals to ensure that they are up-to-date and contain sufficient detail. ATLFA will also ensure that an annual review is documented as part of the year end close out procedures. ATLFA will continue to work with the appropriate authorities to develop a procedure for remote Loan Committee and ATLFA Board Meetings when necessary.
- ATLFA recognizes that responsibility for individual aspects of information security between ATLFA and the Department for Aging and Rehabilitative Services (DARS) may be unclear. We will continue to work with DARS information security management to ensure that all aspects of information security over ATLFA data and programs are sufficiently monitored and audited. We will work with DARS to revise the memorandum of understanding between DARS and ATLFA to ensure that it includes sufficient detail relating to all aspects of the Commonwealth's Information Security Standard. As noted, programming continues on a project to replace the ATLFA Loan Application Database onto a more secure platform. We are working with VITA and DARS to move the Loan Processing System and the General Ledger System to cloud based versions to reduce ATLFA reliance on the Commonwealth data infrastructure for its critical systems and data.

*"Affordable Loans for Assistive Technology"*

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- ATLFA recognizes that System and Organization Controls (SOC) reports for two third party service providers were not promptly reviewed. SOC reports for those two internationally recognized service providers were evaluated during the course of your review without any issues noted. ATLFA will establish a procedure by which SOC reports for all third party service providers will be obtained, reviewed, and evaluated annually. These reviews will be documented as part of the annual year end close out process.

ATLFA would like to extend our appreciation to you and your staff for their professionalism and dedication during this comprehensive review. Please contact me with any questions, comments, or concerns regarding this report.

Sincerely,

A handwritten signature in black ink, appearing to read "Sandra W. Banker". The signature is fluid and cursive, with a large initial 'S' and 'B'.

Sandra W. Banker  
Executive Director  
Assistive Technology Loan Fund Authority