

TENNESSEE HOUSING DEVELOPMENT AGENCY
AUDIT & BUDGET COMMITTEE
July 23, 2019

Pursuant to the call of the Chair, the Audit & Budget Committee of the Tennessee Housing Development Agency Board of Directors met on Tuesday, July 23, 2019, at 9:00 a.m., in the Nashville Room of the William R. Snodgrass Tennessee Tower Building; Nashville, Tennessee.

The following Committee members were present: Secretary of State Tre Hargett (Chair); State Treasurer David Lillard, Austin McMullen, and Christine Rhea. Committee members Dorothy Cleaves and Michael Hedges were absent. Other Board members attending were John Snodderly, Lynn Tully, and Samantha Wilson for Commissioner of Finance and Administration Stuart McWhorter.

Recognizing a quorum present, Chair Hargett called the meeting to order and welcomed the Committee's newest member, Christine Rhea. Chair Hargett asked for approval of the minutes for the November 13, 2018, meeting. Upon motion by Chair Hargett, second by Mr. McMullen, the minutes were approved.

Chair Hargett recognized Gay Oliver, THDA Director of Internal Audit, to discuss the Fiscal Year 2020 Audit Plan ("Audit Plan"). Ms. Oliver noted a draft of the Audit Plan was previously circulated to Committee members and a list of projects to be completed was distributed prior to this meeting. Ms. Oliver noted that the Audit Plan and a listing of projects in progress as of July 30, 2019, were prepared and submitted to the Comptroller's Office Division of State Audit on July 2, 2019, as required.

Ms. Oliver noted that a risk based approach was used in developing the Audit Plan. She explained that issues considered include budget dollars for each program, management's risk assessment, length of time since the last audit, legal and statutory audit requirements, input from program division directors and input from THDA executive leadership. Ms. Oliver also provided a brief description of the items listed in the Audit Plan, and noted the Audit Plan is subject to change throughout the year if issues arise or there are changes within THDA. She requested the Committee's approval and indicated no Board action is required. Upon motion by Chair Hargett, second by Mr. McMullen, the Committee unanimously approved the Audit Plan.

Chair Hargett recognized Trent Ridley, Chief Financial Officer, to present the Fiscal Year 2019 Budget Recap. Mr. Ridley referenced the Statement of Revenues, Expenses and Changes in Net Position which was distributed to the Committee members before the meeting. He noted that THDA operating income is projected to be approximately \$14 million, an increase of fifteen percent from the previous fiscal year. He explained that the variance is primarily driven by the August 2019 acquisition of mortgage loan servicing previously provided by US Bank. He noted that approximately \$7.6 million in servicing fees would have been paid to US Bank. He pointed out that despite the increases in staffing and advertising cost, there was an increase in revenue to THDA of approximately \$2 million. He added that mortgage loan interest income increased from \$90 million to approximately \$107 million and bond interest expense increased by approximately \$11 million.

With no other issues or reports to be presented, Chair Hargett adjourned the meeting.

Respectfully submitted,



Gathelyn Oliver
Director of Internal Audit

Approved this 24th day of September, 2019.