

SOUTH CAROLINA EDUCATION LOTTERY AUDIT COMMITTEE MEETING MINUTES

October 11, 2023

1:00 p.m.

The Audit Committee (“Audit Committee”) of the Board of Commissioners of the South Carolina Education Lottery held a meeting on Wednesday, October 11, 2023, in the fourth-floor conference room located at 1333 Main Street, Columbia, South Carolina. The following members, representing a quorum, participating:

Dr. Edward Keith, Chair
Jay Young (via video)

Otis Morris (via video)
Billy Newsome (via video)

Dr. Keith called the meeting to order at 1:10 p.m. and welcomed members. He then recognized Ms. Sonja Erickson, Internal Auditor, who began by providing an audit update. She first updated the committee on the annual financial statements audit conducted by Mauldin & Jenkins, CPAs & Advisors, citing that there were no identified deficiencies or weaknesses. She explained that the final report went through several reviews both internally and at the SC State Auditor’s Office, and that Brian Ford, SCEL Chief Financial Officer, was pleased with this year’s audit process. The SCEL finance department staff, particularly Anne Huffman, Controller and Sara Turner, Assistant Controller, were key to ensuring the audit process went smoothly.

Next, Ms. Erickson updated the committee on the Service Organization Control Type 2, (SOC 2) audit that Mauldin & Jenkins, CPAs & Advisors will be conducting. This is the first time that SCEL has engaged Mauldin & Jenkins for a SOC 2 audit. A different team of auditors at Mauldin & Jenkins than those who conducted the financial statements audit will perform this audit. The tentative start date of this engagement is December 4, 2023.

Next, Ms. Erickson addressed the contracting procedures audit. She did not issue an audit report for this engagement because current documentation weaknesses prevented her from completing standard steps for testing contract management procedures. These weaknesses included duplicate and siloed information, manual processes, and lack of coordination across departments. In September, Ms. Erickson discussed this with Dolly Garfield, SCEL General Counsel, Hogan Brown, SCEL Executive Director, and Audit Committee members and all agreed that this engagement should be changed to a consulting engagement to identify solutions to the documentation issues. As part of that consulting work, Ms. Erickson will assist staff in finding a document management system and identifying ways to improve workflows in the contract management process. As this moves forward toward a procurement, management will take the lead acquiring the product and implementation. She will remain a resource for staff but she will step back as this area will be subject to a subsequent audit after implementation.

Ms. Erickson briefed the committee on the results of the annual self-assessment survey, stating that responses were slightly more positive than last year's survey responses. She noted that the survey indicated some opportunities for improvement regarding technology and performance reviews. Since the format and questions have not changed over the past few years, she is considering improvements for the next self-assessment survey.

She asked Mr. Brown, to update the committee on the Legislative Audit Council (LAC) audit process as he and the General Counsel, Dolly Garfield have coordinated the responses to the LAC. He stated that he believed the LAC was completing their fieldwork and that the target date for publication of the audit report is sometime in December 2023. He explained that the LAC will present an initial draft to management and provide time for SCEL to suggest edits, and will make a final draft available for formal comment by SCEL prior to publication.

Lastly, the committee reviewed the updated 2024 Internal Audit Plan. It covers areas including: IT inventory processes; bank account wire, sweep and deposit procedures; and gaming ticket security. At the end of this portion of Ms. Erickson's report, the chair entertained a motion by Commissioner Newsome, seconded by Commissioner Young, to approve the 2024 Audit Plan. The motion passed unanimously.

Commissioner Keith then asked if there was any other business to come before the committee and hearing none, the meeting adjourned at 1:35 p.m.

/s/
Dr. Edward C. Keith, Chair

As required by *S.C. Code Ann.* § 30-4-80, SCEL posted notification for this meeting at its administrative offices, 1333 Main Street in Columbia. As provided in the Board Bylaws, SCEL also posted the meeting notice and agenda on its website (sceducationlottery.com), and sent emails pursuant to requests made by individuals, media outlets, and other organizations. These notifications included a link providing the time, date, place, and agenda for the meeting.