

SOUTH CAROLINA EDUCATION LOTTERY AUDIT COMMITTEE MEETING MINUTES

November 9, 2022

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, November 9, 2022, in the fourth-floor conference room located at 1333 Main Street, Columbia, South Carolina. The following members, representing a quorum and the following committee members, participating:

Dr. Edward Keith, Chair

Otis Morris (via phone)

Sam Litchfield, Chairman (*ex-officio*, via phone)

Billy Newsome

The Audit Committee Chair, Dr. Keith, called the meeting to order at 1:12 p.m. and welcomed members. Commissioner Keith then recognized Ms. Sonja Erickson, Internal Auditor, who began the meeting by discussing the annual risk assessment. The annual risk assessment contains a list of auditable items ranked from highest to lowest risk. She indicated the items that are complete and others that may require outside audits due to their technical nature. Ms. Erickson stated that she uses the annual risk assessment to create the annual Internal Audit plan.

In the proposed FY 2023 Internal Audit plan, Ms. Erickson discussed six audits along with their status. Ms. Erickson noted that she is currently auditing claims center processes. She also noted that an audit of business continuity and emergency response planning is currently on pause until January of 2023 to allow management to complete updates to the current plan. She also noted that an audit of IT hardware and software inventory processes is on hold while IT completes its own inventory process. The next two planned audits are of bank account wire, sweep and deposit procedures, and contract compliance and management. After her review of the current audits, Commissioner Keith moved, seconded by Commissioner Newsome, for approval of the FY23 Internal Audit plan. The Committee approved the motion unanimously.

Next, Ms. Erickson updated the committee on three ongoing consulting projects. First, she is working with the IT Department to assist in identifying best practices and organizing policies and procedures. She indicated that her assistance might better prepare IT for the next Service Organization Controls Audit (SOC2) by identifying any gaps in procedures. Second, Ms. Erickson is working with the Product Development Department on its application for the National Association of State and Provincial Lotteries (NASPL) Responsible Gaming Certification. Third, Ms. Erickson assisted Security, Sales, and Gaming with a review of policies and procedures for management of Ticket Trunk Stock inventory to establish chain of custody procedures.

Ms. Erickson then discussed the purchasing card (P-Card) and travel card audit. She stated that while the South Carolina Office of State Procurement controls P-Card purchases tightly, it regulates travel cards less. The audit concluded that SCEL employees used P-Cards and travel cards in accordance with state and lottery policies and that those purchases for business-related goods and services were within credit limits. She noted that processes related to internal P-Card procedures offer opportunities for improvement, including using Bank of America reports to monitor card settings and eliminating the requirement to obtain supervisory approval prior to using a P-Card.

Regarding approval documentation of purchases, South Carolina Office of State Procurement rules require that the documentation of this process must include both the cardholder's and the approver's original signature on each monthly statement. SCEL suspended this rule in March 2020 in favor of an email approval process to accommodate remote work, thus eliminating original signatures of either the cardholder or the approver. Because returning to a paper-based process would be inefficient, management plans to implement a new electronic approval process that complies with state policy and includes appropriate controls. This process will include creating an electronic signature policy that should identify the risks associated with digital signatures. The policy should also detail how the new procedures will mitigate that risk and provide adequate documentation of compliance.

Next, Ms. Erickson summarized the responses to the Annual Self-Assessment Survey, noting key strengths and opportunities for improvement. She noted the overwhelmingly positive responses in the areas of SCEL culture and ethical behavior, policies and procedures, and communication and collaboration within departments. Similarly, Ms. Erickson noted opportunities for improvement in the performance review process, and with collaboration and communication between departments.

Commissioner Keith then asked if there was any other business to come before the committee and hearing none, moved to adjourn which the Committee unanimously approved. The meeting adjourned at 1:57 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.