

SOUTH CAROLINA EDUCATION LOTTERY AUDIT COMMITTEE MEETING MINUTES

April 12, 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, April 12, 2023, 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
Jay Young (via phone)

Otis Morris (via phone)
Billy Newsome

Dr. Keith called the meeting to order at 1:02 p.m. and welcomed members. Commissioner Keith then recognized Ms. Sonja Erickson, Internal Auditor, who began the meeting.

Ms. Erickson indicated that she helped Ammie Smith, Director of Product Development, with the initial NASPL Responsible Gaming Certification application. Mrs. Smith will now move forward and Ms. Erickson indicated she would assist again when it is time to submit the final application

Ms. Erickson addressed the information technology (IT) inventory audit. She stated that this audit was scheduled for the spring. However, Jorge Bravo, Director of IT, informed her that the IT inventory process is not completed, but will be by the end of this fiscal year. Therefore, this audit will be delayed until the inventory process is complete.

Ms. Erickson referred to the audit information sheet included in the meeting materials. Ms. Erickson created this sheet at the request of the IT Department to offer managers information on what to expect throughout the audit process by explaining the purpose, methodology and the process the auditor uses to review, depending on the particular audit.

Ms. Erickson next reviewed the Claim Center Processes Audit. She verified that the information system and operational processes work correctly, paying special attention to exception claims. She found no exceptions and concluded that processes follow all rules and regulations according to the Lottery Act and federal law. She noted that there are safeguards around exceptions claims such as weekly reports. She also acknowledged that key staff is extremely knowledgeable.

Ms. Erickson discussed follow-up work stating there are no open management action plans from the last update that require follow up work. The only outstanding management action plan has a due date of April 2023 and she advised that she would conduct follow-up work on this process after April 30, 2023.

Ms. Erickson discussed contracting with external auditors, specifically for the financial services audit and the Systems and Organization Controls 2 (SOC 2) audit. She contacted Elliot Davis who conducted both the last financial services audit and the SOC 2 audit and was informed that Elliot Davis no longer does government audits. The South Carolina Procurement Code does not require a state agency to procure audit services under that code. Instead, Ms. Erickson contacted Office of the State Auditor's Office (OSA), to which all procuring authority for audit services has been delegated, for assistance in contracting with an external firm.

Ms. Erickson stated that SCEL, as guided by, and with the approval of the OSA, selected the firm Mauldin and Jenkins to conduct the financial services audit. At this point, Ms. Erickson recognized Hogan Brown to provide the following information. Mr. Brown disclosed to the committee that his twenty-four year old son, Randolph, is an auditor with Mauldin and Jenkins. He joined the firm in January 2023 (prior to this solicitation). Mr. Brown stated that he was not initially aware of the timeline for the solicitation as OSA issued the RFP. Prior to the award, Brian Ford, Chief Financial Officer, mentioned the firms that responded to the RFP. He immediately told Mr. Ford that to avoid any appearance of a potential conflict of interest; he could not be involved in any part of the award process.

Mr. Brown confirmed to the Committee that he has taken no part in the procurement process that resulted in the contract with Mauldin and Jenkins. He disclosed that he was copied inadvertently on one email (not from Mr. Ford) but that he did not read it. Mr. Brown confirmed with his son that the firm was aware of the familial relationship and was told that the firm had put control measures in place to separate Randolph from any access to the solicitation documents before that work began and measures will be taken to ensure he cannot view any work product once the audit begins. Mr. Brown also stated that he has discussed this matter with Mrs. Dolly Garfield, General Counsel. This statement is intended to ensure that his disclosure conforms to the applicable legal and ethics standards.

Regarding the SOC 2 audit, Ms. Erickson sought input from the committee on whether SCEL should handle the solicitation in-house and confer with OSA or get OSA to handle the solicitation directly. After some discussion, the recommendation was for Ms. Erickson to proceed with getting pricing information from Mauldin and Jenkins without going through a formal solicitation process and have OSA finalize the contract.

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 1:31 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.