

Meeting Minutes
Audit Committee of the
South Carolina Education Lottery Board of Commissioners
October 31, 2013
9 a.m.

The Audit Committee of the South Carolina Education Lottery Board of Commissioners held a meeting on Thursday, October 31, 2013, at 9 a.m., in the seventh-floor CBRE conference room, located at 1333 Main Street, Columbia, South Carolina, with the following members participating.¹

Peter Bristow, Chairman
Nancy Latham
Otis Morris
Tim Madden, Ex Officio

The Chair called the meeting to order.

Financial Statements Report

The Chair recognized Tom McNeish, Government Practice Leader and shareholder, to present the Commission's FY13 Financial Statements audited by Elliott Davis. He provided an overview of the auditing standards used and explained the effect certain new requirements had on the format and content of the audit. Elliott Davis issued an unqualified opinion with no material findings concerning the conformity of the Commission's financial statements with applicable accounting standards. In addition, Elliott Davis issued a report on the Commission's internal controls in accordance with "Government Auditing Standards" noting no material weaknesses in those controls. SCEL was also in full compliance with the Lottery Act requirements regarding expenditures. Mr. McNeish thanked SCEL's Internal Auditor, Bethany Parler, and Finance Department staff for their assistance and cooperation in completing the audit.

Legislative Audit Council Report

The Legislative Audit Council (LAC) is conducting the statutorily-mandated management performance audit as required every three years. The Chair recognized Angela Truitt, Audit

¹ Commissioners Madden, Latham, and Morris participated via teleconference. Commissioner Keith was unable participate.

Manager, to explain the audit process from the initial phases to the development of the final audit plan and the fieldwork to begin in November. The audit plan will focus on the adequacy of SCEL's internal controls and review the status of the recommendations made in previous LAC audits. The LAC will also review the work of other agencies to determine if funds generated by SCEL are being spent in accordance with applicable law. Ms. Truitt explained the review, comment, and approval procedures used by the LAC and SCEL's involvement as the draft report is finalized. The audit is scheduled for release in early summer 2014.

Security Systems Audit

Mr. Jay Brietz, Senior Manager, Elliott Davis Consulting Group, explained the Statement of Controls audit (SSAE16, SOC 2), currently being performed for SCEL. He explained the new SOC 2 audit procedures and how those compare to the SAS 70 audit which it replaced. The SAS 70 audit was designed primarily for the financial services industry, while the SOC 2 has a broader application for auditing other businesses. There are five "trust services principles" addressed in a SOC 2 audit. Given SCEL's transactional volume, the focus of this audit is "processing integrity": reviewing the design of the internal controls (both physical and logical security) and then determining whether those controls are operating effectively. While the internal controls used by Intralot and SCEL will be reviewed, this audit will devote more attention to SCEL. Based on the work performed, no exceptions are anticipated in the final report, which should be completed before the end of the year. A SOC 2 audit is expected to be scheduled every three years.

Performance Review of the Internal Auditor

Without objection, the Chair asked to defer the performance review discussion until the next committee meeting.

There being no further business, the meeting was adjourned.

_____/s/_____
Peter Bristow, Chair

December 12, 2013
Date

As required by § 30-4-80, notification for this meeting was posted at SCEL headquarters, 1333 Main Street in Columbia. As provided in the Board Bylaws, the meeting notice and agenda were also posted on the SCEL website (sceducationlottery.com), and sent via facsimile transmission pursuant to requests made by media outlets and other organizations. These notifications included the time, date, place, and agenda of the meeting.