

**Meeting Minutes
Audit Committee of the
South Carolina Education Lottery Board of Commissioners
September 7, 2016, 9:00 a.m.**

The Audit Committee of the South Carolina Education Lottery Board of Commissioners met on Wednesday, September 7, 2016, at 9 a.m., at 1333 Main Street, Conference Room #407, Columbia, South Carolina, with the following members participating.

Sam Litchfield, Commission Chairman
Dr. Edward Keith, Commission Vice Chairman, Audit Committee Chairman
Otis Morris, Jr., Audit Committee Member
Mickey Renner, Audit Committee Member
Bethany Allen Parler, CPA, CIA, CISA, CITP, Director of Audit Services

Additional Attendees:

Tom McNeish, CPA, Shareholder, Elliott Davis Decosimo	George Kennedy, CPA, State Auditor
Ryan Miller, CPA, Senior Manager, Elliott Davis Decosimo	Joe Boyle, CPA, Director of Finance
Fran Cook, SCEL Senior Internal Auditor	Carl Stent, Senior Manager, Legal

The Chairman called the meeting to order.

Report on Financial Statement Audit

Bethany Allen Parler introduced the new State Auditor as well as Tom McNeish and Ryan Miller of Elliott Davis Decosimo. Elliott Davis Decosimo Shareholder and Government Practice Leader Tom McNeish reported on the FY16 audited Financial Statements. He provided an overview of related auditing standards and required communications and updated the committee on GASB Statement No. 68, *Accounting and Financial Reporting for Pensions (an amendment of GASB Statement No. 27)*.

Mr. McNeish explained the nature of materiality thresholds and reported the audit uncovered no financial statement findings; no material weaknesses or significant deficiencies identified in the internal control structure over financial reporting; and, no instances noted of noncompliance with laws, regulations and contractual agreements which would materially affect the financial statements.

Mr. McNeish also reported there were no significant or unusual transactions to report; no audit adjustments proposed and/or uncorrected misstatements identified; no disagreements with management concerning a financial accounting, reporting or auditing matter; no difficulties encountered in performing the audit; and, no significant material issues discussed with management arising from the audit. Elliott Davis Decosimo will provide the full report to the Office of the State Auditor by September 15, 2016 and it will be published in October 2016.

Mr. McNeish thanked SCEL's Director of Audit Services, Bethany Allen Parler, Finance Director Joe Boyle and Finance Department staff for their professionalism, assistance and cooperation in completing the audit.

Other Business

Joe Boyle spoke briefly about the impact of GASB 68 regarding new reporting standards for pension liability (discussed previously) on SCEL financial statements. For an entity such as SCEL, which transferred a record-breaking \$405 Million in FY 2016, the requirement that pension liability be reported on SCEL financial statements instead of at the overall State of SC level does not appear as material as for other agencies.

Mrs. Parler discussed the timing of other external audits such as the SSAE 16 SOC 2 Type II generally performed every three years. She indicated Intralot had recently received ISO 27001 system security certification and discussed the importance of the certification.

There being no further business, the meeting was adjourned.

 /s/
Dr. Edward Keith, Chair

October 20, 2016
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.