



**Tuesday, March 4, 2025  
Audit Committee Meeting**

**9:00 A.M.**

**Virtual Meeting**

The link to view the meeting virtually can be found at [www.sib.wa.gov/meetings.html](http://www.sib.wa.gov/meetings.html)

**OR**

Members of the public may view the virtual meeting in person at the Washington State Investment Board Olympia Office located at 2100 Evergreen Park Drive SW, Olympia, WA 98502

**1. Call to Order/Roll Call (9:00a)**

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**2. Adoption of Minutes (9:00-9:05)**

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A. Adoption of the December 3, 2024, Minutes

**3. External Audit (9:05-9:25)**

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A. Financial Statement Auditor Independence Review

B. State Auditor's Office – Fiscal Years 2022-2024 Accountability Audit – Entrance Conference

**4. Internal Audit (9:25-10:30)**

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A. Audit Recommendation Status Report

B. Internal Audit Report – Payroll

C. Internal Audit Report – Proxy Voting

D. Chief Audit Executive Qualifications and Competencies

E. Audit Plan Quarterly Status Report - Fiscal Year 2025

**5. Management (10:30-10:50)**

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A. Annual Investment Compliance Report

B. Quarterly Investment Referral Report

**6. Other Items (10:50-10:55)**

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**7. Executive Session (10:55-11:15)**

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A. Audit Director Performance Evaluation

B. Audit Director Compensation

**8. Adjourn (11:15a)**

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**WASHINGTON STATE INVESTMENT BOARD  
Audit Committee Meeting Minutes  
March 4, 2025**

The Audit Committee met in open public session via Teams video conferencing available to participants and members of the public at <https://www.microsoft.com/en-us/microsoft-teams/join-a-meeting?rtc=1>, Meeting ID: 230 008 687 349, Passcode: tt2SJ6vM; Dial-In Number 1-564-999-2000; Phone Conference ID: 476 892 529#.

Committee Members Present: Sara Ketelsen, Chair  
Joel Sacks  
Yona Makowski  
Liz Lewis  
Heather Redman  
George Zinn

Committee Members Absent: Senator June Robinson

Other Members Present: Tracy Stanley  
Kathryn Leathers

Also Present: Allyson Tucker, Chief Executive Officer (CEO)  
Chris Hanak, Chief Investment Officer (CIO)  
Kristina Taylor, Chief Financial Officer (CFO)  
Curt Gavigan, Chief Operating Officer (COO)  
Marie Steffen, Audit Director  
Susan Iselin, Internal Auditor  
Greg Henderson, Investment Compliance Manager  
Shawna Killman, Investment Operational Due Diligence Officer  
Isaac Williamson, Legal Officer  
Lisa Devlin, Administrative Assistant  
  
Brad Berls, Eide Bailly LLP  
Carol Gross, State Auditor's Office  
Brian Murray, II, State Auditor's Office  
Nicholas Henrick, State Auditor's Office  
Tor Jernudd, Attorney General's Office

**CALL TO ORDER**

Chair Ketelsen called the meeting to order at 9:01 a.m. and took roll call. All Committee members listed as present were able to fully participate in the meeting.

**ADOPTION OF THE DECEMBER 3, 2024, MINUTES**

**Chair Ketelsen moved to adopt the December 3, 2024, meeting minutes.  
Liz Lewis seconded, and the motion carried unanimously.**

[Heather Redman joined the meeting at 9:03 a.m.]

**EXTERNAL AUDIT****Financial Statement Auditor Independence Review**

**Presenters: Marie Steffen, Audit Director  
Brad Berls, Eide Bailly LLP**

Marie Steffen and Brad Berls met with the Committee to perform the annual independence review of the Board's external financial statement auditor, Eide Bailly. Eide Bailly provided a

statement of independence, and staff presented a summary of payments made to the firm over the past year. Marie Steffen noted that one payment was made to Eide Bailly for the independent financial statement audit services; no other services were provided during the last year.

**State Auditor's Office (SAO) – Fiscal Years (FY) 2022-2024 Accountability Audit – Entrance Conference**

**Presenters: Susan Iselin, Internal Auditor**  
**Carol Gross, State Auditor's Office**  
**Brian Murray, II, State Auditor's Office**  
**Nicholas Henrick, State Auditor's Office**

Staff from the SAO discussed the FY2022 through FY2024 accountability audit of the Washington State Investment Board (WSIB). The presentation provided an overview of the audit evaluation areas: Long Term Services Supports Trust Account, Travel, External Manager Due Diligence and Approval, and Trade Processing and Settlement. The results will be presented to the Audit Committee upon completion.

Discussion ensued regarding how the accountability audit differs from the work of internal audit, how audit areas were selected, areas of overlap between the accountability audit and other external audits, and the accountability audit focus on the review of processes and controls that ensure the safeguarding of public assets.

**INTERNAL AUDIT**

**Audit Recommendation Status Report**

**Presenter: Susan Iselin, Internal Auditor**

Susan Iselin reported on the status of seven prior audit recommendations. Corrective action to address five of the audit recommendations was completed and verified by Internal Audit over the quarter. The estimated completion date for the Budget Development and Management audit recommendation was revised to June 30, 2025, and IT Operations staff are working with Washington Technology Solutions (WaTech) on the action to complete the one remaining IT Security Audit recommendation. Internal Audit will report the status of the remaining recommendations at the Committee's June meeting.

**Internal Audit Report – Payroll**

**Presenter: Susan Iselin, Internal Auditor**

Susan Iselin presented the results of the Payroll internal audit engagement. The audit focused on the current processes and controls related to payroll transactions, separation of duties, and activities that support operational continuity to ensure compliance with applicable state laws and rules and agency policy. Overall, the WSIB has processes and controls in place over the payroll function to ensure compliance with applicable state laws and rules, transactions are processed accurately and timely, and duties are separated to ensure assets are safeguarded. There were five audit recommendations that would strengthen procedures and controls and assist operational continuity. Management agreed with the recommendations and identified a timeline for completion, with one recommendation completed at the time of the presentation. Internal Audit staff will review the actions taken to address the recommendations based on the timeline provided by management.

Discussion ensued regarding the processes related to out-of-state payroll taxes and the timing of the last payroll function audit by external and internal auditors.

**Internal Audit Report – Proxy Voting**

**Presenter: Marie Steffen, Audit Director**

Marie Steffen presented the results of the Proxy Voting internal audit engagement. The audit covered the current processes and controls related to voting proxies for U.S. holdings managed by the WSIB and the monitoring and oversight of public equity investment managers' proxy voting, policies, and practices related to non-U.S. delegated votes. There are processes and

controls in place and operating to ensure that the U.S. proxies are voted in accordance with the Board's Global Proxy Voting Policy and Proxy Voting Guidelines, and the WSIB is monitoring the external investment managers' proxy voting, practices, and policies as required by the Board's policy and guidelines. There were no formal audit recommendations.

Discussion ensued regarding the services provided by Glass Lewis, the WSIB's proxy voting advisor, the processes and controls over the voting process at both the WSIB and Glass Lewis, and the methodology of the audit testing. Marie Steffen explained that the WSIB utilizes the voting system provided by Glass Lewis to cast votes on proxies using rules programmed into the system based on the WSIB's Guidelines and preferences. Marie Steffen noted that the Board's Policy and Guidelines outline the general principles to guide the voting of proxies, and some guidelines provide a more measured approach to the vote decision. However, generally, for higher-risk or higher-profile topics, the Board expects staff to research and understand the proposal brought forward and to vote in line with the Board's fiduciary duty and in the best interest of the plan beneficiaries. The audit included a review of a selection of U.S. proxy votes that would be considered higher-risk or higher-profile and an evaluation of the processes and controls that included tracking, evaluating, and casting the vote.

Additional discussion ensued regarding the scope of future audits and audits at peer pension funds.

### **Chief Audit Executive (CAE) Qualifications and Competencies**

#### **Presenter: Marie Steffen, Audit Director**

Marie Steffen provided an education session related to the competencies and qualifications of the WSIB's Audit Director. The education session was provided in response to Internal Audit's self-assessment with the new Global Internal Audit Standards (GIAS). The presentation reviewed the underlying Standard and the roles of the Board and senior management according to GIAS: to engage with the Audit Director and to understand the qualifications and competencies necessary to manage the internal audit function. Per the GIAS, general CAE qualifications and competencies include a comprehensive understanding of the GIAS, audit experience, and relevant certifications or credentials.

Marie Steffen reviewed examples of key qualifications and competencies obtained from peers relating to desired or required education, certifications, experience, core competencies, and preferred competencies.

Discussion ensued regarding the current qualifications and competencies for the WSIB's Audit Director position as well as a potential hiring plan for the position. The expected education, certifications, years of audit experience, and competencies are comparable to the responding peers and align with the GIAS. No additional qualifications or competencies were identified that should be included at this time.

### **Audit Plan Quarterly Status Report – FY2025**

#### **Presenter: Marie Steffen, Audit Director**

Marie Steffen reported on the status of the FY2025 Audit Plan activity over the quarter, discussing changes to the anticipated reporting date for the Compliance Monitoring – Public Markets engagement and postponement of the Labor and Industries (L&I) Real Estate consulting engagement. Internal Audit will work with the Real Estate unit as part of the FY2026 Internal Audit Plan planning process to evaluate whether the L&I Real Estate consulting engagement will be included in next year's audit plan. The Audit Committee Chair was consulted regarding the changes to the audit plan as required by the Internal Audit Charter.

### **MANAGEMENT**

#### **Annual Investment Compliance Report**

#### **Presenters: Greg Henderson, Investment Compliance Manager**

**Shawna Killman, Investment Operational Due Diligence Officer**  
**Isaac Williamson, Legal Officer**

Greg Henderson introduced the investment compliance team and provided an overview of the compliance program's responsibilities. The report covered various regulatory reporting obligations of the WSIB, along with market documentation related to tax compliance and reclaims. The presentation also covered the daily compliance program, including the 2024 compliance system testing results.

Discussion ensued regarding examples of issues that would trigger an alert in the compliance system.

Shawna Killman discussed the WSIB's 2024 operational due diligence (ODD) activities. ODD reviews of the Board's five real estate intermediaries are performed on a minimum 2-year cycle. Intermediaries have back-office control reviews of their real estate operating companies (REOCs) conducted by outsourced service providers every 2 years, with WSIB staff reviewing the control assessment reports. In addition, the WSIB monitors quarterly recommendation status reporting, provides ongoing incident monitoring, and participates in meetings for the intermediaries' annual external financial statement audits. Staff shared observations from the 2024 real estate ODD activities and outlined plans for 2025. The presentation also highlighted activities concerning public market manager ODD reviews, the annual review of System and Organization Control reports by various WSIB service providers, and the positive outcomes of the 2024 private markets compliance testing.

Isaac Williamson presented the results of 2024 gift reporting, reviewed the Board's personal investment policy and restricted list policy, and discussed 2024 trading data and pre-clearance requirements for Board members and staff.

Yona Makowski highlighted the effective processes in place for investment compliance.

Greg Henderson elaborated on the personal trading training and reporting requirements for both staff and Board members. In 2024, all new staff and Board members completed their initial personal trading attestations in a timely manner. Timeliness for new account reporting will remain a key focus in 2025.

**Investment Referral Quarterly Report**

**Presenter: Sara Ketelsen, Audit Committee Chair**

In accordance with Investment Referral Process Policy 2.05.800, staff prepared a quarterly report that reflects investment referrals from Board members to the investment team, as well as status updates for each referral. The report was included for informational purposes.

**OTHER ITEMS**

There was no further business to come before the Committee.

**EXECUTIVE SESSION**

Chair Ketelsen announced that the Committee would go into executive session to discuss the performance of a public employee. The executive session was expected to last until approximately 11:15 a.m., at which time the Committee would reconvene in open session.

[The Committee went into executive session at 10:53 a.m.]

**Audit Director Performance Evaluation**

**Presenter: Allyson Tucker, CEO**

**Audit Director Compensation**

**Presenter: Allyson Tucker, CEO**

## **APPROVED**

[The executive session was extended to 11:20 a.m. Notice was provided to those waiting to rejoin the meeting.]

[The Committee reconvened in open session at 11:23 a.m.]

**Chair Ketelsen moved that the Audit Committee take the action discussed in executive session for a salary increase of 4 percent for the Audit Director. Joel Sacks seconded, and the motion carried unanimously.**

On behalf of the Committee, Chair Ketelsen expressed her appreciation for Marie Steffen's service to the WSIB and beneficiaries.

## **ADJOURNMENT**

There was no further business to come before the Committee, and the meeting adjourned at 11:25 a.m.