



**Tuesday, June 3, 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

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
Main Governing Board

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

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

A. Adoption of the March 4, 2025, Minutes

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

A. State Auditor's Office – Accountability Audit for July 1, 2021, through June 30, 2024 – Exit Conference

B. Fiscal Year 2025 Financial Statement Audit Planning Letters

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

A. Audit Recommendation Status Report

B. Internal Audit Report – Real Estate Commingled Trust Fund

C. Audit Plan Quarterly Status Report - Fiscal Year 2025

D. Internal Audit Long-Term Priorities

E. Fiscal Year 2026 Audit Plan

5. Management (10:30-10:40)

A. 2026 Audit Committee Meeting Schedule

B. Quarterly Investment Referral Report

6. Other Items (10:40-10:45)

7. Executive Session (10:45-10:55)

A. Staffing Update

8. Adjourn (10:55a)

**WASHINGTON STATE INVESTMENT BOARD
Audit Committee Meeting Minutes
June 3, 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: 298 686 760 277 3, Passcode: 3k2hD74w; Dial-In Number 1-564-999-2000; Phone Conference ID: 109 360 53#.

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

Committee Members Absent: Senator June Robinson
Liz Lewis

Other Members Present:

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
Lisa Devlin, Administrative Assistant

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 MARCH 4, 2025, MINUTES

**Chair Ketelsen moved to adopt the March 4, 2025, meeting minutes.
Joel Sacks seconded, and the motion carried unanimously.**

[Heather Redman joined the meeting at 9:02 a.m.]

EXTERNAL AUDIT

State Auditor's Office (SAO) – Accountability Audit for July 1, 2021, through June 30, 2024 – Exit 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**

Susan Iselin introduced staff from the SAO to present the results of the Fiscal Year (FY) 2022 through FY2024 Accountability Audit. The audit areas included the Long Term Services and Supports Trust Account, travel, external manager due diligence and approval, and trade processing and settlement. Staff from the SAO discussed the results of the audit and reported

that the Washington State Investment Board (WSIB) complied with applicable state laws, regulations, and internal policies and provided adequate controls over the safeguarding of public resources. The audit costs were in alignment with original estimates, and the next Accountability Audit is planned for 2027.

Discussion ensued regarding the number of audits at other state agencies with no findings and common audit issues at other state agencies.

Chair Ketelsen moved that the Audit Committee recommend the Board accept the State Auditor's Office Accountability Audit Report of the Washington State Investment Board for Fiscal Years 2022 through 2024. Yona Makowski seconded, and the motion carried unanimously.

FY2025 Financial Statement Audit Planning Letters

Presenters: Marie Steffen, Audit Director

Marie Steffen reviewed with the Committee the required audit engagement communication received from Eide Bailly, the independent auditing firm, for the FY2025 financial statement audits. The communications contained an engagement letter to management and a planning letter addressed to the Audit Committee outlining the responsibilities and expectations of the auditors and management, the planned scope, and audit timing.

INTERNAL AUDIT

Audit Recommendation Status Report

Presenter: Susan Iselin, Internal Auditor

Susan Iselin reported on the status of six prior audit recommendations, one of which was completed and verified by Internal Audit over the quarter. The estimated completion dates for the Budget Development and Management audit recommendation and the three open Payroll audit recommendations have not changed. There is one outstanding recommendation for the IT Security Audit, and IT Operations staff continues to work with Washington Technology Solutions on the action to complete the recommendation. Internal Audit will report the status of the open recommendations at the Committee's September meeting.

Internal Audit Report – Real Estate Commingled Trust Fund (CTF)

Presenter: Susan Iselin, Internal Auditor

Susan Iselin presented the results of the Real Estate CTF internal audit engagement. The audit focused on the current processes and controls related to due diligence, approval, execution, and monitoring of Real Estate CTF investments and key person risk related to the Real Estate Director of Operations position. Overall, the WSIB has processes and controls in place over the Real Estate CTF function to ensure investments are thoroughly researched, properly approved and executed, and adequately monitored, and that investment activities comply with Board and Investment policies. In addition, key person risk related to the Real Estate Director of Operations position is being addressed and managed. There was one audit recommendation that would strengthen compliance with Board policy. Management agreed with the recommendation and has taken action. Internal Audit staff verified the actions taken and reported that the recommendation was complete.

Discussion ensued regarding Real Estate CTF policy requirements and the history of the policy.

Audit Plan Quarterly Status Report – FY2025

Presenter: Marie Steffen, Audit Director

Marie Steffen reported on the status of the FY2025 Audit Plan. There were no changes to audit timing, and Internal Audit staff are working on the Public Markets Investment Compliance Monitoring, Daily Valued Funds, and Computer Assisted Auditing engagements. A full review

of the Audit Plan and audits completed will be presented at the September Audit Committee meeting as part of the Performance Measures presentation.

Internal Audit Long-Term Priorities

Presenter: Marie Steffen, Audit Director

In response to a requirement of the Global Internal Audit Standards (the Standards), Marie Steffen presented the Internal Audit unit's long-term priorities covering the years 2025 through 2029. The presentation reviewed the WSIB's strategic analysis framework and vision, mission, and values statements; provided an overview of how the Internal Audit unit's long-term priorities were developed; and discussed Internal Audit's value proposition statement and the objectives and supporting initiatives that encompass the long-term priorities.

Discussion ensued regarding analysis techniques used in the development process, the unit's accomplishments and areas for continuous improvement, opportunities to support incoming staff, the concept of a trusted advisor, Internal Audit's positive relationship with the Chief Executive Officer and agency, and the value the unit brings to the Board and staff.

FY2026 Audit Plan

Presenter: Marie Steffen, Audit Director

Marie Steffen presented the FY2026 Audit Plan, which is risk-based and designed to utilize the Internal Audit unit's resources in an efficient and effective manner. As part of the presentation, Marie Steffen confirmed the internal audit function's organizational independence, free from interference or impairments in determining the scope of work, performing the work, and communicating the results to management and the Audit Committee. The presentation provided an overview of the audit plan development process and outlined the planned resources available for executing the plan. There are eight planned audits: Public Markets Trade Processing and Settlement, Investment Accounting Reconciliations – Daily and Monthly, Public Records Requests, Ethics Program and Conflict of Interest, Inventoriable Assets, Cash Overlay – External Manager Monitoring, Audit Recommendation Follow Up Project, and Computer Assisted Auditing (Payments, Payroll, System Access). Also included are two contingency audits, Securities Lending and Investment Performance Reporting, that could be completed without additional administrative approval.

Discussion ensued regarding the value the Assurance Map adds to the Audit Plan development process, the calculation of the total risk ratings, and the inclusion of an additional internal auditor in the resource allocation calculations. Marie Steffen outlined the recruitment process and noted that the estimated hire date is September 1, 2025.

Chair Ketelsen moved that the Audit Committee recommend the Board approve the Fiscal Year 2026 Audit Plan. Yona Makowski seconded, and the motion carried unanimously.

MANAGEMENT

2026 Committee Meeting Schedule

Presenter: Chair Ketelsen

Chair Ketelsen presented the proposed 2026 Audit Committee meeting dates for consideration: March 3, June 2, September 1, and December 1.

Chair Ketelsen moved that the Audit Committee adopt the proposed 2026 Audit Committee meeting dates as presented. Joel Sacks seconded, and the motion carried unanimously.

Investment Referral Quarterly Report

Presenter: Sara Ketelsen, Audit Committee Chair

APPROVED

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 10:26 a.m., at which time the Committee would reconvene in open session to adjourn the meeting.

[The Committee went into executive session at 10:16 a.m.]

Staffing Update

Presenter: Marie Steffen, Audit Director

[The executive session was extended to 10:31 a.m. Notice was provided to those waiting to rejoin the meeting.]

[The Committee reconvened in open session at 10:31 a.m.]

ADJOURNMENT

There was no further business to come before the Committee, and the meeting adjourned at 10:32 a.m.