



**Tuesday, March 12, 2024  
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 5, 2023, Minutes

**3. External Audit (9:05-9:55)**

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A. Financial Statement Auditor Independence Review

B. Financial Statement Auditor Appointment

C. IT Security Auditor – Scope of Work and Auditor Appointment

**4. Internal Audit (9:55-10:40)**

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A. Audit Recommendation Status Report

B. Internal Audit Report – Travel Administration and Expenditures

C. Audit Plan Quarterly Status Report - Fiscal Year 2024

D. Internal Audit Report – Commingled Trust Fund – Valuation and Pricing

**5. Executive Session (10:40-10:50)**

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A. Internal Audit Report – Commingled Trust Fund Valuation and Pricing

**6. Management (10:50-11:20)**

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A. Annual Investment Compliance Report

B. Quarterly Investment Referral Report

**7. Other Items (11:20-11:25)**

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**8. Executive Session (11:25-11:35)**

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A. Audit Director Performance Evaluation

**9. Adjourn (11:35a)**

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**WASHINGTON STATE INVESTMENT BOARD  
Audit Committee Meeting Minutes  
March 12, 2024**

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: 232 901 064 367, Passcode: LKguKM; Dial-In Number 1-360-726-3322; Phone Conference ID: 803 330 42#.

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

Committee Members Absent: Tracy Guerin

Other Members Present: Tammie Nuber

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  
  
Tor Jernudd, Attorney General's Office  
  
Brad Berls, Eide Bailly LLP  
Nolan Garret, Intrinium, Inc.  
Justis Huston, Intrinium, Inc.  
Laura Schor, Intrinium, Inc.  
Jake Leavitt, Intrinium, Inc.

**CALL TO ORDER**

Chair Ketelsen called the meeting to order at 9:03 a.m. and took roll call. All Committee members listed as present were able to fully participate in the meeting.

**ADOPTION OF THE DECEMBER 5, 2023, MINUTES**

**Chair Ketelsen moved to adopt the December 5, 2023, meeting minutes.  
Yona Makowski seconded, and the motion carried unanimously.**

[Liz Lewis joined the meeting at 9:05 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 conduct the annual independence review of the Board's external financial statement audit firm, Eide Bailly. Eide Bailly confirmed their independence with regards to the WSIB in writing, and staff provided a list of payments made to the firm by the WSIB over the past year. Marie Steffen noted that there was a payment to Eide Bailly for services that fell under an unrelated contract, but the services provided did not have an impact on the firm's independence related to performing the annual financial statement audits.

**Financial Statement Auditor Appointment  
Presenter: Marie Steffen, Audit Director**

Marie Steffen discussed staff's recommendation to extend the Board's contract with Eide Bailly to perform the audits of the WSIB-prepared financial statements for Fiscal Years (FY) 2025 through 2027. Retaining Eide Bailly for an additional 3 years provides audit continuity during the Washington State Investment Board's (WSIB) custody bank conversion. The firm can provide an independent assessment of the processes and financial information before and after the conversion and on any changes to processes and controls that may be necessary due to the conversion.

Discussion ensued regarding the timing of the custody bank conversion.

**Chair Ketelsen moved that the Audit Committee recommend the Board appoint Eide Bailly LLP to perform the independent financial statement audits for fiscal years 2024 through 2027. Yona Makowski seconded, and the motion carried unanimously.**

**IT Security Auditor – Scope of Work and Auditor Appointment  
Presenters: Marie Steffen, Audit Director  
Nolan Garret, Intrinium, Inc.**

Marie Steffen presented an overview of the Information Technology (IT) Security Audit, to include the proposed scope of work, and the solicitation and evaluation process. Based on experience, qualifications, and work with clients similar to the WSIB, the evaluation team recommended Intrinium Inc., doing business as TorchLight, to perform the comprehensive IT Security Audit and penetration testing. The firm's independence from the WSIB was reviewed and confirmed.

Nolan Garret presented an overview of TorchLight and their philosophy and core values, qualifications of the audit team, and the methodologies and framework used to perform specialized IT security audits.

Discussion ensued regarding how the results of the audit can be compared to the IT security practices of peers, the audit coverage of the WSIB's business continuity and disaster recovery, components of the social engineering testing, and how third-party risk is evaluated for the WSIB's key vendors. In addition, staff confirmed that audit reports are confidential, and results will be presented to the Committee in executive session.

**Chair Ketelsen moved that the Audit Committee recommend the Board appoint Intrinium, Inc., doing business as Torchlight, to conduct a comprehensive IT security audit and perform penetration testing. Joel Sacks seconded the motion.**

Discussion ensued regarding IT security audits for real estate intermediaries.

**The motion passed unanimously.**

**INTERNAL AUDIT**

**Audit Recommendation Status Report**

**Presenters: Marie Steffen, Audit Director  
Susan Iselin, Internal Auditor**

Susan Iselin and Marie Steffen reported on the status of six prior audit recommendations. Corrective action to address four of the six audit recommendations was completed and verified by Internal Audit over the quarter, and two recommendations are partially completed. Revised completion dates for the two open recommendations have been recorded, and action taken will be reported at the Audit Committee's June 2024 meeting.

**Internal Audit Report – Travel Administration and Expenditures**

**Presenter: Susan Iselin, Internal Auditor**

Susan Iselin presented the results of the Travel Administration and Expenditures internal audit engagement. The audit focused on the process and controls related to travel requests and approvals, expense reimbursement, the Travel unit's risk management program, and compliance with required policies and procedures. Overall, the audit concluded that the WSIB has processes and controls in place to ensure travel requests and expenditures comply with laws, regulations, and policies, and there are processes and controls in place to help ensure the safety and well-being of travelers. There was one audit recommendation that would help ensure compliance with laws, regulations, and policies.

**Audit Plan Quarterly Status Report – Fiscal Year 2024**

**Presenter: Marie Steffen, Audit Director**

Marie Steffen reported on the status of the FY2024 Audit Plan and external audit activity over the quarter. The report included changes to the reporting dates of two planned internal audits, postponement of the Labor and Industries (L&I) Real Estate consulting engagement, and the activities and engagements staff are focusing on over the next quarter. Timing for the L&I consulting engagement will be discussed during the development of the FY2025 Audit Plan. In addition, it was reported that the external quality assessment is scheduled to commence in March, and the results will be reported to the Committee at its June meeting.

Discussion ensued regarding internal audit resources, completion of the remaining items on the FY2024 Audit Plan, and the anticipated request for additional internal audit staffing resources.

**Internal Audit Report – Commingled Trust Fund – Valuation and Pricing**

**Presenter: Marie Steffen, Audit Director**

Marie Steffen presented the results of the Commingled Trust Fund (CTF) – Valuation and Pricing internal audit engagement. The audit reviewed the process and controls over the monthly valuation and pricing of the CTF, mid-cycle monitoring and repricing, and general compliance with policies. Overall, the audit concluded that processes and controls are in place and operating to ensure the accuracy and completeness of CTF unit pricing and valuation and compliance with policies. There was one audit recommendation that would serve to ensure compliance with agency policy.

Discussion ensued regarding the determination of key risks associated with the valuation and pricing of the CTF and audit coverage provided by the Internal Audit unit and the external financial statement auditors.

**EXECUTIVE SESSION – INTERNAL AUDIT**

Chair Ketelsen announced that the Committee would go into executive session to review information regarding infrastructure, computer security, service recovery plans or security risk assessments that identify specific system vulnerabilities and other information that if made

public may increase risks to the integrity, confidentiality or availability of agency security or information technology infrastructure and assets. The executive session was expected to last until approximately 10:36 a.m., at which time the Committee would reconvene in open session.

[The Committee went into executive session at 10:26 a.m.]

**Commingled Trust Fund – Valuation and Pricing**  
**Presenter: Marie Steffen, Audit Director**

[The Committee reconvened in open session at 10:39 a.m.]

**MANAGEMENT**

**Annual Investment Compliance Report**

**Presenters: Greg Henderson, Investment Compliance Manager**  
**Shawna Killman,**  
**Isaac Williamson, Legal Officer**

Greg Henderson introduced the investment compliance team and provided an overview of the activities staff are responsible for within the compliance program. The report included information on the various regulatory reporting requirements of the WSIB and market documentation related to tax compliance and reclaims. When asked if the WSIB is subject to a newly implemented Financial Crimes Enforcement Network (FinCEN) regulation related to beneficial ownership, staff explained that, as a government agency, the WSIB is exempt from the rule.

In addition, staff provided an overview of the daily compliance program to include 2023 compliance system testing results. Discussion ensued regarding how testing results are analyzed and an example of an asset allocation compliance alert.

Shawna Killman presented a summary of the WSIB's operational due diligence (ODD) activities. Within real estate, ODD reviews of the Board's five intermediaries are conducted on a minimum 2-year rotation. The intermediaries' control reviews of the real estate operating company investments are outsourced on a 2-year cycle, and WSIB staff review the assessment reports. In addition, WSIB tracks quarterly recommendation status reports, provides ongoing incident monitoring, and attends entrance and exit meetings for the intermediaries' annual external financial statement audits. Staff outlined 2023 real estate ODD observations and 2024 plans. In addition, staff highlighted activities related to public market manager searches, System and Organization Control reports submitted annually by various WSIB service providers, and the positive results of 2023 private markets compliance testing.

Isaac Williamson presented the results of 2023 gift reporting, reviewed the requirements of the Board's personal investment policy and the restricted list policy, and discussed 2023 trading data and pre-clearance requirements for Board members and staff. When asked, staff explained that there is an approved list of charities that gifts can be donated to, and that there is a process for approving such charities.

Greg Henderson outlined the personal trading training and reporting requirements for staff and Board members. In 2023, all initial personal trading attestations were timely and there was 100 percent compliance for annual attestations. Timeliness for new account reporting will continue to be an area of focus in 2024.

**Quarterly Investment Referral Report**  
**Presenters: Allyson Tucker**

Allyson Tucker provided an overview of the investment referral report, referring to the underlying policy.

**OTHER ITEMS**

There was no further business to come before the Committee in open session.

**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 11:07 a.m., at which time the Committee would reconvene in open session.

[The Committee went into executive session at 10:57 a.m.]

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

**Audit Director Performance Evaluation**

[The Committee reconvened in open session at 11:24 a.m.]

On behalf of the Committee, Chair Ketelsen expressed her appreciation for Marie Steffen's dedication to keeping the agency is safe, commitment to high-standards, and the assurances she provides the Committee through effective communication.

The meeting adjourned at 11:25 a.m.