



**Tuesday, June 4, 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

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 12, 2024, Minutes

3. External Audit (9:05-9:30)

A. 2024 External Quality Assessment Report

B. Fiscal Year 2024 Financial Statement Audit Planning Letters

4. Internal Audit (9:30-10:15)

A. Audit Recommendation Status Report

B. Internal Audit Report – Budget Development and Management

C. Audit Plan Quarterly Status Report - Fiscal Year 2024

D. Fiscal Year 2025 Audit Plan

5. Management (10:15-10:40)

A. Assurance Mapping Project

B. Quarterly Investment Referral Report

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

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

A. Audit Director Compensation

8. Adjourn (10:55a)

**WASHINGTON STATE INVESTMENT BOARD
Audit Committee Meeting Minutes
June 4, 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: 289 310 084 185, Passcode: jtqnLm; Dial-In Number 1-360-726-3322; Phone Conference ID: 748 209 284#.

Committee Members Present: Sara Ketelsen, Chair
Tracy Guerin
Yona Makowski
Joel Sacks
Heather Redman

Committee Members Absent: Liz Lewis
George Zinn

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
Lisa Devlin, Administrative Assistant

Tor Jernudd, Attorney General's Office

George Shemo, Institute of Internal Auditors Quality Services

CALL TO ORDER

Chair Ketelsen called the meeting to order at 9:04 a.m. and took roll call. All Committee members listed as present were able to fully participate in the meeting.

ADOPTION OF THE MARCH 12, 2024, MINUTES

Chair Ketelsen moved to adopt the March 12, 2024, meeting minutes. Tracy Guerin seconded, and the motion carried unanimously.

[Yona Makowski joined the meeting at 9:10 a.m.]

EXTERNAL AUDIT

2024 External Quality Assessment Report

Presenters: Marie Steffen, Audit Director

George Shemo, Institute of Internal Auditors Quality Services

Marie Steffen introduced George Shemo to present the results of the 2024 External Quality Assessment (EQA) report. The presentation outlined that an EQA of the internal audit function is required every 5-years and is performed to assess conformance with professional standards, determine whether the Washington State Investment Board's (WSIB) internal audit function adheres to the "code of ethics," assess internal audit's ability to satisfy management and the Audit Committee's expectations, and identify opportunities for improvement.

The WSIB's internal audit function received an overall rating of "generally conforms" in all *Standards* and sub-*Standards*, which is the highest rating possible. The rating of "generally conforms" shows that the Internal Audit unit has policies, procedures, and practices in place to implement the *Standards* and other requirements necessary for ensuring the independence, objectivity, and proficiency of the internal audit function. The presentation highlighted seven achievements of the internal audit function, in addition to five opportunities for enhancement. Marie Steffen spoke to the enhancement opportunities, noting actions to be taken and areas for further discussion at the Committee's September meeting.

Discussion ensued regarding the differences between a strategic plan and annual plan, implementation of the new *Global Internal Audit Standards* and subsequent resource requirements for Internal Audit staff and the Audit Director, and the ability of the Internal Audit unit to continue to meet requirements and maintain the level of quality and service that has consistently been provided to the Audit Committee and management.

Chair Ketelsen moved that the Audit Committee recommend the Board accept the 2024 External Quality Assessment Report on the WSIB's internal audit function. Tracy Guerin seconded, and the motion carried unanimously.

Fiscal Year 2024 Financial Statement Audit Planning Letters

Presenter: Marie Steffen, Audit Director

Marie Steffen reviewed the required audit engagement communication received by the Board's independent financial statement auditor, Eide Bailly. The communications included an engagement letter to management and a planning letter to the Audit Committee outlining the responsibilities of the WSIB and the external auditor, the expectations of the audit, and the planned scope and timing of the Fiscal Year (FY) 2024 audits. There were no changes to the letters from previous years or areas to highlight for the Committee.

INTERNAL AUDIT

Audit Recommendation Status Report

Presenter: Susan Iselin, Internal Auditor

Susan Iselin reported on the status of three prior audit recommendations. Corrective action to address all three of the audit recommendations has been completed and verified by Internal Audit staff over the quarter.

Internal Audit Report – Budget Development and Management

Presenter: Susan Iselin, Internal Auditor

Susan Iselin presented the results of the Budget Development and Management internal audit engagement. The audit focused on the processes and controls related to the appropriated and non-appropriated budget development, approval, and timely submission; budget monitoring and quarterly reporting; and succession planning and operational continuity. Overall, the audit concluded that the WSIB has processes and controls in place to ensure budgets are thoroughly developed and completed, adequately monitored, and the appropriated budget is submitted to the Office of Financial Management timely. In addition, processes and controls are embedded into budgetary activities that assist with operational continuity, and management is adequately addressing succession plans within key functions. There was one audit recommendation that would help support succession planning and operational continuity.

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 an update to an internal audit name and reviewed the activities and audit engagements staff are focusing on over the next quarter. There were no changes in the planned timing of the remaining FY2024 audits.

Fiscal Year 2025 Audit Plan

Presenter: Marie Steffen, Audit Director

Marie Steffen presented the FY2025 Audit Plan, which is risk-based and developed in alignment with the agency's priorities and goals. The presentation included a review of internal audit's organizational independence, mission and value proposition, and the audit plan development process. The FY2025 audit plan consists of eight audits that encompass the Investments, Operations, and Institutional Relations Divisions, with two contingency audits that may be completed as time allows.

Discussion ensued regarding the 2025-2027 biennium budget request for an additional internal auditor, how resource allocation will be adjusted with the addition of an internal auditor, and staff involvement in the implementation of the new IIA *Standards* and corresponding administrative documentation.

Chair Ketelsen moved that the Audit Committee recommend the Board approve the Fiscal Year 2025 Audit Plan. Yona Makowski seconded, and the motion carried unanimously.

MANAGEMENT

Assurance Mapping Project

Presenters: Marie Steffen, Audit Director

Greg Henderson, Investment Compliance Manager

Marie Steffen and Greg Henderson presented the results of the Assurance Mapping Project. The project scope included the assurance coverage provided by the Internal Audit unit, investment compliance functions, and outside assurance providers, including the Board's independent financial statement auditor, the State Auditor's Office, and third-party System and Organization Controls Reports. Overall, the results of the assurance mapping project show sufficient coverage in all audit areas by at least one of the assurance providers included in the scope.

Marie Steffen reviewed the assessment related to internal audit areas that were considered overdue or had a gap in coverage. At its September meeting, the Committee will have the opportunity for further discussions regarding the annual internal audit plan risk assessment categories, the Committee's expectations for audit frequency, and coverage provided by outside auditors.

Greg Henderson discussed the areas that are not covered by investment compliance.

Discussion ensued regarding the role of investment compliance within sustainability, the terminology of "overdue or gap in coverage," how to present and apply the assurance mapping results on a strategic and functional level, and how project results support the need for additional resources within the Internal Audit unit. When asked, staff noted that there were no surprises or concerns with the results, and the coverage and oversight aligned with expectations.

Quarterly Investment Referral Report

Presenters: Allyson Tucker

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

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 11:15 a.m., at which time the Committee would reconvene in open session.

[The Committee went into executive session at 11:03 a.m.]

[The executive session was extended to 11:26 a.m. Notice was provided to those waiting in the meeting.]

Audit Director Compensation

[The Committee reconvened in open session at 11:26 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. Yona Makowski seconded, and the motion carried unanimously.

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

The meeting adjourned at 11:26 a.m.