



**Tuesday, September 3, 2024
Audit Committee**

Call to Order - 9:00 A.M.

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**In-Person Attendance: Washington State Investment Board
2100 Evergreen Park Drive SW, Olympia, WA 98502**

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The link to join online can be found at www.sib.wa.gov/meetings.html

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

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

A. Adoption of June 4, 2024, Minutes

3. Executive Session (9:05-10:00)

A. IT Security Audit

B. Cybersecurity Update

4. Internal Audit (10:00-11:15)

A. Audit Recommendation Status Report

B. Internal Audit Report – FY2024 Computer Assisted Auditing

C. Internal Audit Report – Records Management

D. Fiscal Year 2024 Performance Measures

E. Fiscal Year 2024 Quality Assurance Reporting

F. Audit Plan Quarterly Status Report - Fiscal Year 2025

G. External Quality Assessment – Follow-Up

5. Management (11:15-11:25)

A. 2025 Meeting Schedule

B. Quarterly Investment Referral Report

6. Other Items (11:25-11:30)

7. Adjourn (11:30a)

**WASHINGTON STATE INVESTMENT BOARD
Audit Committee Meeting Minutes
September 3, 2024**

The Audit Committee met in open public session at the office of the Washington State Investment Board (WSIB) at 2100 Evergreen Park Drive SW, Olympia, Washington and via Microsoft 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: 267 889 145 075; Passcode: FeepQk; Dial-In Telephone Number 1-360-726-3322; Phone Conference ID Number 664 977 874#.

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

Committee Members Absent: Heather Redman

Also Present: Allyson Tucker, Chief Executive Officer (CEO)
Chris Hanak, Chief Investment Officer (CIO)
Curt Gavigan, Chief Operating Officer (COO)
Michael Christopher, Director of IT Operations and Security
Marie Steffen, Audit Director
Susan Iselin, Internal Auditor
Lisa Devlin, Administrative Assistant

Callie Barrett, Attorney General's Office
Nolan Garrett, TorchLight

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 JUNE 4, 2024, MINUTES

**Chair Ketelsen moved to adopt the June 4, 2024, meeting minutes.
Yona Makowski seconded, and the motion carried unanimously.**

EXECUTIVE SESSION

Chair Ketelsen announced that the Committee would go into executive session to review information regarding the infrastructure and security of computer networks, security and service recovery plans, security risk assessments and security test results that, if made public, may increase the risk to the confidentiality, integrity, or availability of agency security or to information technology infrastructure. The executive session was expected to last until approximately 10:00 a.m., at which time the Committee would reconvene in open session.

[The Committee went into executive session at 9:04 a.m.]

IT Security Audit

**Presenters: Marie Steffen, Audit Director
Michael Christopher, Director of IT Operations and Security
Nolan Garrett, TorchLight**

Cybersecurity Update Presentation

**Presenters: Curt Gavigan, COO
Michael Christopher, Director of IT Operations and Security**

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

[The Committee reconvened in open session at 10:15 a.m.]

Chair Ketelsen moved that the Audit Committee recommend the Board accept the IT Security Audit reports. Tracy Guerin seconded, and the motion carried unanimously.

INTERNAL AUDIT

Audit Recommendation Status Report

Presenter: Susan Iselin, Internal Auditor

Susan Iselin reported on the status of the one open audit recommendation. The action to address the recommendation is on track and anticipated to be completed by December 31, 2024.

Internal Audit Report – Fiscal Year 2024 Computer Assisted Auditing

Presenter: Susan Iselin, Internal Auditor

Susan Iselin presented the results of the Fiscal Year (FY) 2024 Computer Assisted Auditing (CAA) engagement. The reports obtained and analyzed as part of the audit came from the State Auditor’s Office; however, going forward, the Office of Financial Management (OFM) will provide access to the data through their reporting function and staff are working with OFM to establish a reporting format. Reports are received and reviewed quarterly to allow for regular reviews and sufficient coverage of transactions. The FY2024 audit focused on a review of selected vendor payments, payroll transactions, and access to the statewide accounting system, Agency Financial Reporting System (AFRS). The audit concluded that vendor payments and payroll transactions were supported, valid, and in compliance with state regulations and policy, and access to ARFS was appropriate and adequately separated to ensure WSIB assets are safeguarded.

Discussion ensued regarding executive management’s access to the quarterly reports, cash awards to staff, and the number of payments reviewed as part of the CAA. Susan Iselin emphasized that the audit is a continuous monitoring activity with reports being reviewed quarterly by internal audit. In addition, Marie Steffen noted that the cash awards reviewed are related to employee recognition and are authorized under state law.

Internal Audit Report – Records Management

Presenter: Susan Iselin, Internal Auditor

Susan Iselin presented the results of the Records Management internal audit engagement. The audit focused on the processes and controls in place that govern records management to ensure compliance with state laws, regulations, and agency policy. The audit areas included reviewing required records management staff training, records disposal and archival, and records inventory and essential records review. The audit concluded that overall, the WSIB complies with state laws and regulations and agency policy governing records management. There was one audit recommendation that would help ensure compliance and strengthen controls.

FY2024 Performance Measures

Presenter: Marie Steffen, Audit Director

Marie Steffen reviewed the Internal Audit unit's FY2024 performance using the five established performance measures approved by the Board, which focus on quality, efficiency, and output. In FY2024 the Internal Audit unit met all five performance measures. Marie Steffen highlighted the unit’s accomplishments, completion of planned audits and consulting projects,

and staff participation in continuing professional education. The revised Institute of Internal Auditors (IIA) Standards (*Standards*), effective in January 2025, will require performance measures, and the WSIB will not need to make any changes to be in conformance.

The Committee commended the Internal Audit unit's achievements over the last fiscal year.

FY2024 Quality Assurance Reporting

Presenter: Marie Steffen, Audit Director

Marie Steffen presented an overview of the Internal Audit unit's FY2024 quality assurance and improvement program (QAIP) and internal assessment results. The program is required by the *Standards* and the Internal Audit Charter, and the program will not need major updates as the revised *Standards* are implemented. The presentation reviewed the program's framework, which included ongoing monitoring, a periodic self-assessment, and an external assessment. The self-assessment performed as part of the External Quality Assessment (EQA) indicated the Internal Audit unit continues to "generally conform" with the *Standards* and the WSIB's Internal Audit Charter. The EQA results of "generally conforms" with all *Standards* and sub-*Standards* were presented to the Committee in June and Marie Steffen provided a status of the recommendations from the EQA.

Audit Plan Quarterly Status Report – Fiscal Year 2025

Presenter: Marie Steffen, Audit Director

Marie Steffen reported on the FY2025 Audit Plan status and external audit activity. Over the quarter, Internal Audit worked with unit managers to establish the planned audit timing for FY2025 engagements and reporting to the Audit Committee. The FY2024 Audit Plan's Sustainability Report engagement is anticipated to be completed in September. In regard to the State Auditor's Office (SAO) accountability and compliance audit, Internal Audit staff anticipate the SAO will begin its audit in January 2025. The audit will cover the 3 fiscal years since the SAO's last audit of the WSIB.

External Quality Assessment – Follow-Up

Presenter: Marie Steffen, Audit Director

Marie Steffen presented an outline of the two EQA recommendations that were addressed to the Audit Committee, executive management, and the Audit Director. For each recommendation, Marie Steffen provided context from the related *Standard*, WSIB's current practices, and IIA guidance. Marie Steffen noted that necessary revisions to the Internal Audit and Audit Committee Charters would be presented to the Audit Committee and Board for consideration. The Committee discussed both recommendations and provided input and direction to staff.

The first recommendation was related to the Audit Plan risk assessment and the audit cycle frequency. The current audit cycle frequency of 3-5 years, 5-7 years, and as time permits is based on the overall risk rating of each audit area. Marie Steffen recognized the flexibility in this audit cycle frequency and the impact that changes in the organization may have on the timing of audits. An updated Assurance Map was provided to the Committee that identified audit areas, coverage based on the cycle frequency, and the coverage provided by specified assurance providers. The Assurance Map will continue to be used in the prioritization of audits.

The Committee discussed peers' audit cycle frequency and coverage areas, how the frequency is impacted by staffing resources, risk-based versus resource-based audit plans, how the Assurance Map drives confidence that other functions cover auditable areas, and the leadership of the Internal Audit unit. Overall, the Committee members agreed they are comfortable with the current audit cycle frequency and are not recommending any changes at this time. Allyson Tucker added that the Internal Audit unit strives to add value, and while audit frequency could increase, it may not bring relative added value to the unit or organization.

APPROVED

The second recommendation related to the Board's approval of significant changes to the annual audit plan. Marie Steffen explained that the Committee's responsibilities are to recommend approval of the annual audit plan to the Board, and audit plan status reports are provided to the Committee quarterly to identify, explain, and discuss changes or updates to the plan. It was noted that the EQA assessors recognized that current practices meet the intent of the *Standards* but that the Standards require the Board to approve changes to the audit plan. Marie Steffen noted that the Committee may make decisions that are better suited for the WSIB's operations, which may not conform with all aspects of the *Standards*, and it would not impact the function's overall conformance with the *Standards*.

The Committee discussed changes that they consider "significant" and the importance of the Audit Director consulting with the Committee Chair, and documenting Internal Audit decision-making processes into succession planning materials. The Committee concurred that significant changes would be audits that are added, removed, or deferred in the audit plan. The Committee outlined the expectation that the Audit Director will discuss these types of changes to the approved audit plan with the Committee Chair outside of regular meetings and update the Committee at the next regularly scheduled meeting. Appropriate revisions to the WSIB's Internal Audit Charter and Audit Committee Charter will be recommended for consideration to capture the intent of this discussion.

MANAGEMENT

2025 Meeting Schedule

Presenter: Chair Ketelsen

Chair Ketelsen presented the proposed 2025 Audit Committee meeting dates for consideration: March 4, June 3, September 2, and December 2.

Chair Ketelsen moved that the Audit Committee adopt the proposed 2025 Audit Committee meeting dates as presented. Yona Makowski seconded, and the motion carried unanimously.

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.

The meeting adjourned at 11:37 a.m.