Washington State Investment Board

September 1, 2026
Audit Committee Meeting

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

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

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

A. Adoption of the June 2, 2026, Minutes

3. External Audit (9:05-9:15)

A. Financial Statement Auditor Update

4. Internal Audit (9:15-10:20)

A. Audit Recommendation Status Report

B. Internal Audit Report – FY2026 Computer Assisted Auditing

C. Internal Audit Report – Conflict of Interest – Travel Paid Directly by an Outside Source

D. Fiscal Year 2026 Performance Measures

E. Fiscal Year 2026 Quality Assurance Reporting

F. Fiscal Year 2027 Audit Plan Quarterly Status Report

5. Management (10:20-10:25)

A. Quarterly Investment Referral Report

6. Other Items (10:25-10:30)

7. Executive Session (10:30-10:55)

A. Cybersecurity Update

8. Adjourn (10:55a)

Washington State Investment Board

COMPUTER ASSISTED AUDITING
VENDOR PAYMENTS, PAYROLL, SYSTEM ACCESS
INTERNAL AUDIT REPORT #2026-01

SEPTEMBER 1, 2026

Carissa Palmer
Internal Auditor

BACKGROUND

Regular monitoring of transactions

- Better practice

Data sources

- Office of Financial Management (OFM)
  - Exception reports and queries
    - Agency Financial Reporting System (AFRS) – appropriated
    - Human Resources Management System (HRMS)
- Investment Accounting and Administration
  - Custody bank system
    - Non-appropriated

QUARTERLY REPORTS

Expenditures (Appropriated)

- Payments to vendors
- Duplicate payments

Expenditures (Non-Appropriated)

- Payments to vendors

Revenues

- Summarized by major source

Payroll

- Gross pay greater than $5,000 per pay period
- Relocation compensation
- Performance (employee) recognition

AFRS System Access

- AFRS Security (access by user)

AUDIT SUMMARY

Audit Planning

- Discussion with key Washington State Investment Board (WSIB) staff
  - Investment and Financial Services
  - Human Resources
- Review of state laws, regulations, and WSIB policies
- Review of prior internal audit working papers

Audit Scope

- April 1, 2025, through March 31, 2026
- By quarter

AUDIT SUMMARY – FIELDWORK

Vendor Payments

- Transactions reviewed
  - 52 appropriated payments
  - 32 non-appropriated payments
- Valid, allowable, supported
- Compliance with state regulations and policy

Travel Reimbursements

- 1 year period
- Three staff and one Board member
  - 37 transactions
- Review for anomalies or irregularities

AUDIT SUMMARY – FIELDWORK (CONTINUED)

Payroll

- 35 transactions reviewed
  - Compliance, validity, allowability
    - Relocation and employee recognition
    - Increase greater than 10 percent
- Gross pay greater than $5,000 per pay period
  - Within approved pay bands

AFRS System Access

- As of a date within the quarter
  - Separation of duties
  - Appropriateness/removal of access

OVERALL AUDIT CONCLUSION

Selected vendor payment and payroll transactions were supported, valid, allowable, and in compliance with state regulations and policy

Access to the state's accounting system was appropriate and adequately separated to ensure assets are safeguarded

There are no recommendations at this time

FISCAL YEAR 2026 INTERNAL AUDIT PERFORMANCE MEASURES

SEPTEMBER 1, 2026

Marie Steffen, CPA, CIA
Audit Director

AGENDA

- Global Internal Audit Standards
- Performance measures
- Fiscal Year (FY) 2026 actual performance
- 5-year review

GLOBAL INTERNAL AUDIT STANDARDS

Standard 12.2 Performance Measurement

- Objectives to evaluate
- Consider input
  - Board and senior management
- Assess progress
- Promote continuous improvement

Implementation

- Considerations
  - Principles of the Global Internal Audit Standards
  - Internal Audit Charter
  - Internal Audit unit’s long-term priorities

WSIB INTERNAL AUDIT PERFORMANCE MEASURES

Five Measures

- Adopted in FY2010
- Recommendation from the 2009 external quality assessment
  - Reviewed annually
  - Consideration of other measures
- Outcomes reported after completion of plan cycle

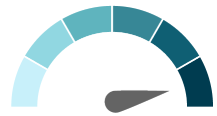
FY2026

- Identified in the annual Internal Audit Plan
- Approved by the Board in June 2025

INTERNAL AUDIT PLAN

Target Performance

Develop the FY2027 Internal Audit Plan and obtain approval by June 30, 2026



Actual Performance

The FY2027 Internal Audit Plan was approved by the Board on June 18, 2026

Target Performance

Complete 80 percent of scheduled audits for FY2026

Actual Performance

6 of the 8 scheduled internal audits for FY2026 were completed (75 percent)

COMPLETION OF AUDITS AND OTHER PROJECTS

FY2026

Approved Audits

- Public Market Trade Processing and Settlement (limited scope)
- Public Records Requests
- Ethics Program and Conflict of Interest
- Cash Overlay
- Audit Recommendation Follow Up Project
- Computer Assisted Auditing – Quarterly Reviews
- Moved to FY2027 Internal Audit Plan
  - Inventoriable Assets
- Deferred
  - Investment Accounting Reconciliations (Daily and Monthly)
  - Real Estate, Labor and Industries Portfolio (Advisory)

Advisory and Other Projects

- FY2027 Internal Audit Plan
- Recruitment and onboarding of Internal Auditor
- Regular meetings with management
- Board and Committee meetings
- Internal Committees
  - Enterprise Risk Management, Project and Collaboration, Investment Risk Steering
- External Audit Activities
  - FY2025 Financial Statement Audit
    - Annual Report review
    - Liaison activities
  - State Auditor’s Office
    - FY2025 Accountability and Compliance
    - Liaison activities

SUMMARY OF INTERNAL AUDIT RECOMMENDATIONS

There were eight internal audit reports issued between July 1, 2025, and June 30, 2026

- Three reports did not contain recommendations

Recommendation Category	Number	Action taken or will be taken	Description
Compliance with Procedures/Policies/Laws	2	2	Adherance to current procedures, policies, and laws
Process Improvement	5	5	Documentation, approvals, review, verification, monitoring, training
Compliance and Process Improvement	3	3	Recommendation covered both elements
Total Recommendations	**10**	**10**	

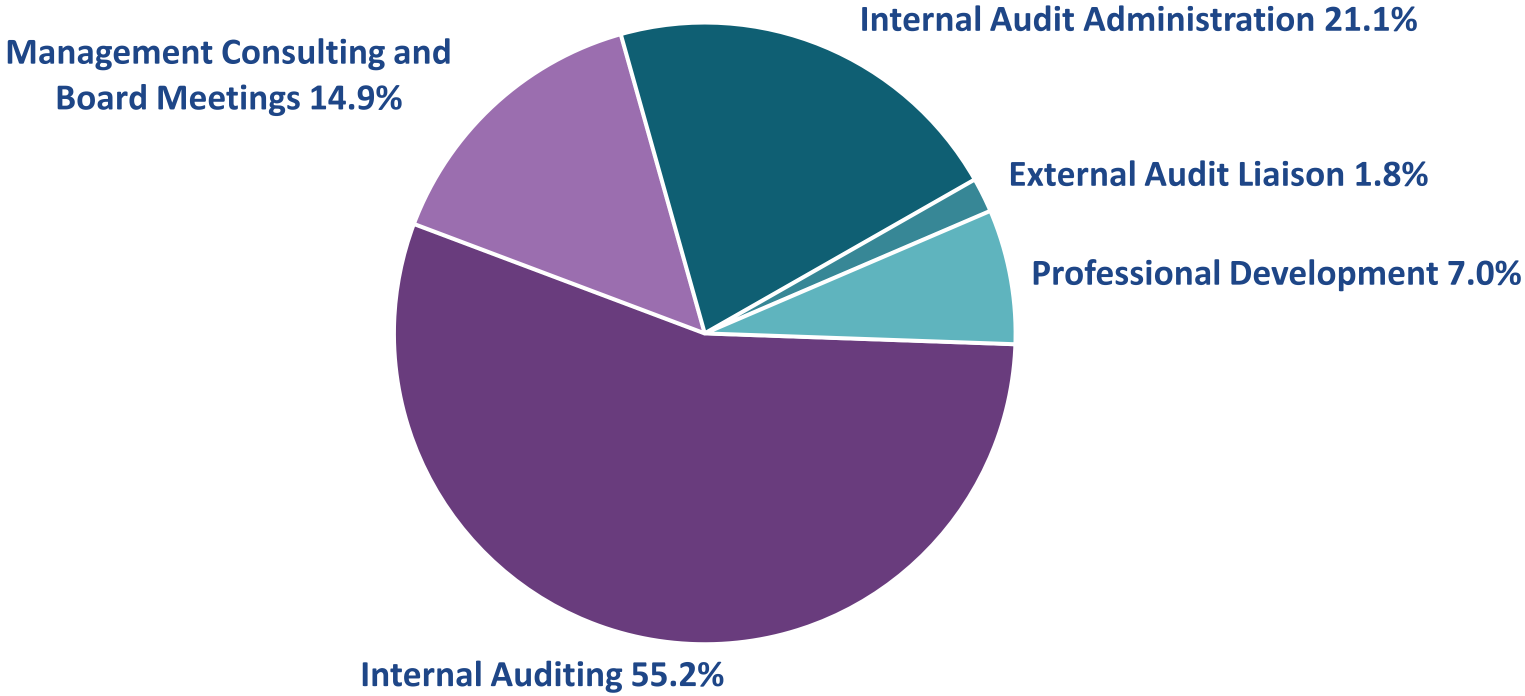
TIME SPENT ON ASSURANCE, CONSULTING, AND ADVISORY ACTIVITIES

Target Performance

Spend a minimum of 60 percent of planned total unit hours on direct assurance, consulting, and advisory activities

Actual Performance

Direct audit, consulting, and advisory services comprised 70.1 percent of the total available hours for FY2026



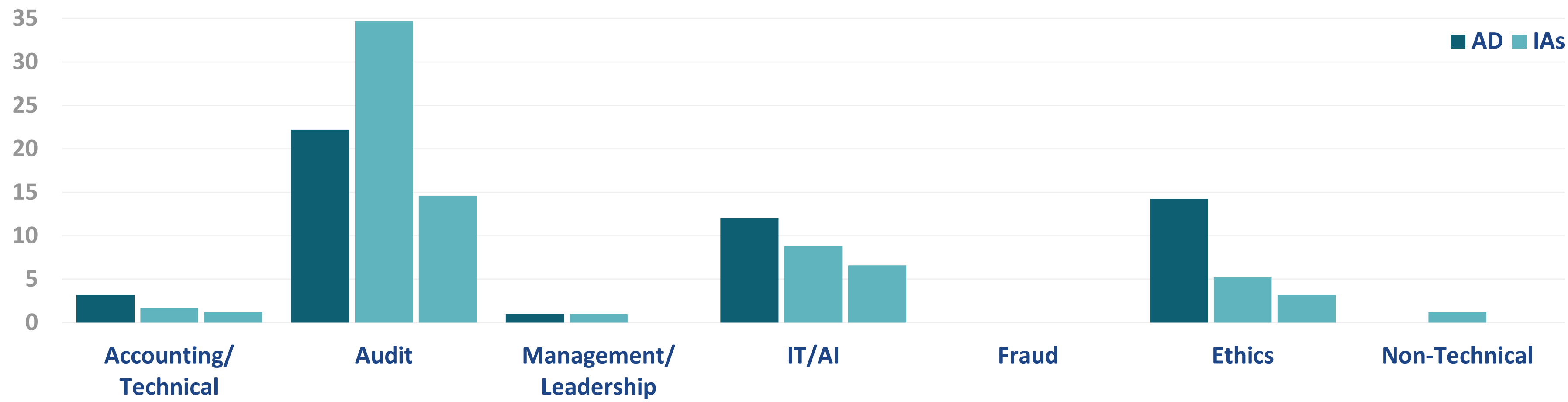
CONTINUING PROFESSIONAL EDUCATION (CPE) AND REPORTING ON OUTCOMES

Target Performance

Obtain at least 40 hours of CPE each year for each auditor

Actual Performance

Auditors received at least 40 hours of CPE during FY2026



Target Performance

Report on the outcomes of the FY2026 performance measures at the first Audit Committee meeting after June 30, 2026

Actual Performance

The outcomes for FY2026 performance measures will be reported to the Audit Committee on September 1, 2026

Note: AD = Audit Director, IAs = Internal Auditors, IT = Information Technology, AI = Artificial Intelligence

5-YEAR REVIEW

Performance Measure	Actual Performance				
	FY2022	FY2023	FY2024	FY2025	FY2026
Internal Audit Plan Approval	✓	✓	✓	✓	✓
Completion of Audits (80%)	5 of 8 62.5%	7 of 8 87.5%	8 of 8 100%	6 of 8 75%	6 of 8 75%
Time Spent on Assurance, Consulting, and Advisory Activities (60%)	69%	75%	70%	70%	70%
Continuing Professional Education	✓	✓	✓	✓	✓
Reporting on Outcomes	✓	✓	✓	✓	✓

Washington State Investment Board

FISCAL YEAR 2026
QUALITY ASSURANCE REPORTING

SEPTEMBER 1, 2026

Marie Steffen, CPA, CIA
Audit Director

AGENDA

Quality Assurance and Improvement Program (QAIP)
- Foundation
- Framework

Continuous improvement activities

Global Internal Audit Standards
- Examples
- WSIB self-assessment

Fiscal Year 2026 assessment

QAIP FOUNDATION

Requirements

- Global Internal Audit Standards
- State policy
- Internal Audit Charter

Purpose

- Evaluate and promote conformance
- Assess efficiency and effectiveness
- Identify opportunities for improvement

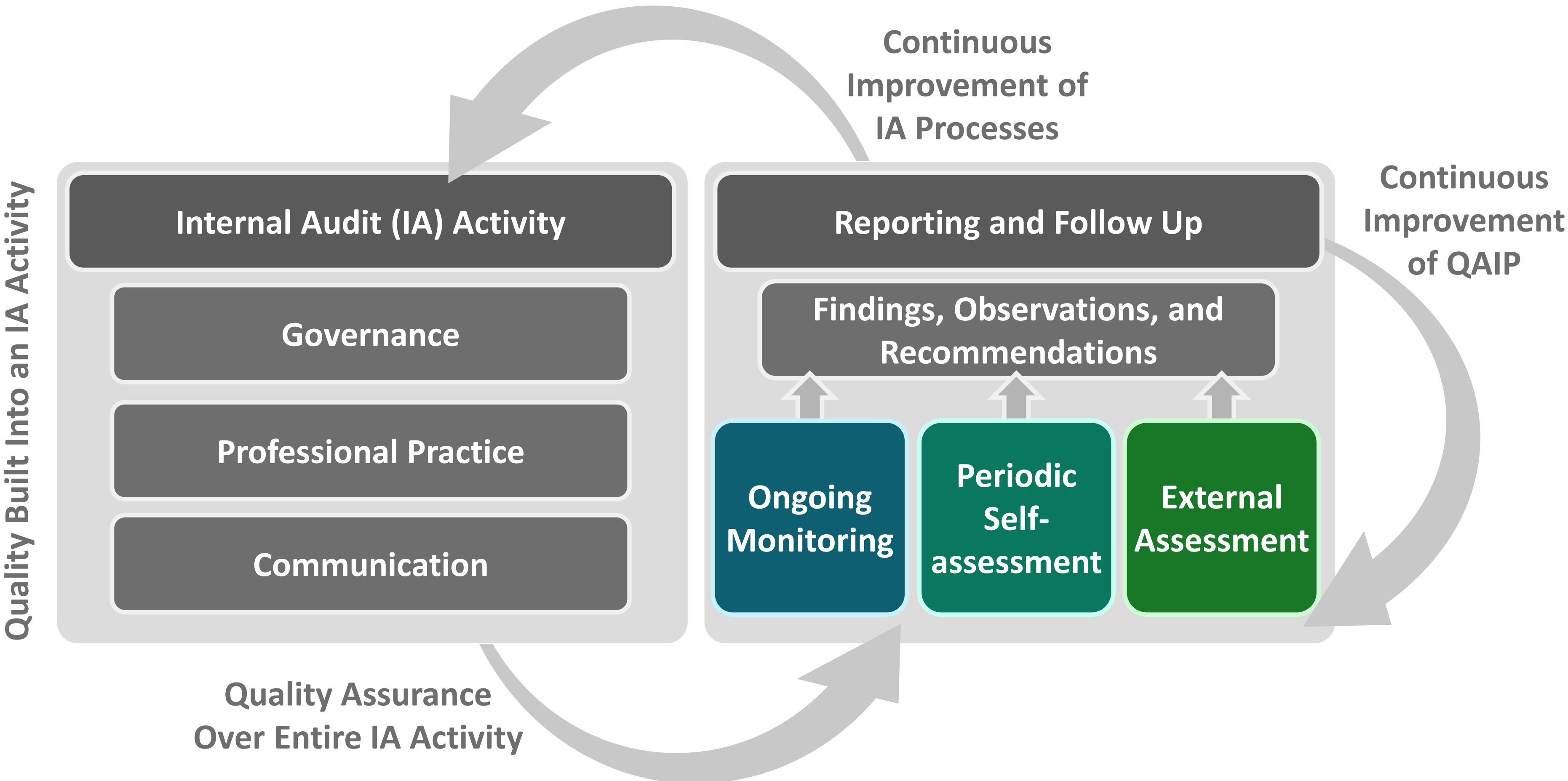
Assessors

- Internal Audit staff
- External assessor/team

Communication

- Annual reporting
- Degree of conformance
- Areas for improvement

QAIP FRAMEWORK



Source: IIA Practice Guide, Quality Assurance and Improvement Program, QAIP Framework

CONTINUOUS IMPROVEMENT

Ongoing Monitoring

- Delivering quality on each engagement
- Opportunities for improvement

Periodic Self-assessment

- Internal audit activities
  - Holistic and comprehensive review
    - Consider conformance with every standard
  - Internal Audit Charter

External Assessment

- Independent review and validation
  - Conformance with the Global Internal Audit Standards
  - Effectiveness and efficiency of the function

INTERNATIONAL PROFESSIONAL PRACTICES FRAMEWORK

GLOBAL INTERNAL AUDIT STANDARDS

- 5 domains, 15 guiding principles, 52 underlying standards
- Essential conditions – expectations for boards and senior management

I Purpose of Internal Auditing

II Ethics and Professionalism

- Demonstrate Integrity
- Maintain Objectivity
- Demonstrate Competency
- Exercise Due Professional Care
- Maintain Confidentiality

III Governing the Internal Audit Function

- Authorized by the Board
- Positioned Independently
- Overseen by the Board

IV Managing the Internal Audit Function

- Plan Strategically
- Manage Resources
- Communicate Effectively
- Enhance Quality

V Performing Internal Audit Services

- Plan Engagements Effectively
- Conduct Engagement Work
- Communicate Engagement Conclusions and Monitor Action Plans

Source: The Institute of Internal Auditors

Principle 5 – Maintain Confidentiality

- Internal Auditors use and protect information appropriately

Standard 5.2 – Protection of Information

- Internal auditors must
  - Be aware of responsibilities
    - Protecting information
    - Demonstrate respect
  - Understand and abide by laws, rules, policies, and procedures
    - Organization and function
  - Not disclose confidential information
  - Manage the disclosure/exposure risk
- Chief audit executive must
  - Ensure adherence to protection requirements

WSIB Internal Audit

- Internal Audit Manual and practice
  - Principle of Least Privilege
  - Network access
  - Material retention and requests
- Upon hire/annual
  - IT security training
  - WSIB policy attestation
- Annual Internal Audit Ethics and Professionalism attestation

Self-assessment level of conformance

- Fully conforms

ESSENTIAL CONDITIONS EXAMPLE

Principle 8 – Overseen by the Board

- The board oversees the internal audit function to ensure the function's effectiveness

Standard 8.1 – Board Interaction

- Board
  - Communicate
    - Internal audit mandate
    - Perspective
  - Set expectations
    - Frequency of communication
    - Escalation of significant risks/matters of importance
  - Understand governance, risk management, control process
- Senior Management
  - Communicate perspective
  - Governance, risk management, control processes
  - Escalating matter of importance

WSIB Internal Audit Function

- Audit Committee
  - Quarterly meetings
  - Internal Audit Charter
    - Expectations
  - Regular meetings
- Senior management
  - Audit Director regular meetings
  - Enterprise Risk Management

Self-assessment level of conformance

- Fully conforms

Conformance with the Global Internal Audit Standards

- Performed in June/July 2026
  - Action identified has been completed
    - Updates to the Internal Audit Manual and templates

Comparison of Fiscal Years (FY) 2025 and 2026 self-assessment conformance

Overall, the WSIB's internal audit function "generally conforms" with the Global Internal Audit Standards and the Internal Audit Charter