



Office of the Washington State Auditor
Pat McCarthy

Accountability Audit Report

Washington State Investment Board

For the period July 1, 2015 through June 30, 2016

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Office of the Washington State Auditor
Pat McCarthy

July 24, 2017

Ms. Theresa Whitmarsh, Executive Director
Washington State Investment Board
Olympia, Washington

Report on Accountability

Thank you for the opportunity to work with you to promote accountability, integrity and openness in government. The State Auditor's Office takes seriously our role of providing state and local governments with assurance and accountability as the independent auditor of public accounts. In this way, we strive to help government work better, cost less, deliver higher value and earn greater public trust.

Independent audits provide essential accountability and transparency for Board operations. This information is valuable to management, the governing body and public stakeholders when assessing the government's stewardship of public resources.

The attached comprises our report on the Board's compliance and safeguarding of public resources. Our independent audit report describes the overall results and conclusions for areas we examined. We appreciate the opportunity to work with your staff and we value your cooperation during the audit.

Sincerely,

Pat McCarthy
State Auditor
Olympia, WA

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AUDIT SUMMARY

Results in brief

In the areas we audited, Board operations complied with applicable requirements and provided adequate safeguarding of public resources. The Board also complied with state laws and regulations and its own policies and procedures in the areas we examined.

About the audit

This report contains the results of our independent accountability audit of the Washington State Investment Board from July 1, 2015 through June 30, 2016.

Management is responsible for ensuring compliance and adequate safeguarding of public resources from fraud, loss or abuse. This includes the design, implementation and maintenance of internal controls relevant to these objectives.

Our audit involved performing procedures to obtain evidence about the Board's uses of public resources, compliance with state laws and regulations and its own policies and procedures, and internal controls over such matters.

In keeping with general auditing practices, we do not examine every transaction, activity or area. Instead, the areas examined were those representing the highest risk of fraud, loss, abuse, or noncompliance. The following areas were examined during this audit period:

- Private equity fees
- Real estate operating companies
- Travel

RELATED REPORTS

Financial

We perform an annual audit of the statewide basic financial statements, as required by state law (RCW 43.09.310). Our opinion on these financial statements is included in the Comprehensive Annual Financial Report (CAFR) prepared by and available from the Office of Financial Management.

The CAFR reflects the financial activities of all funds, organizations, institutions, agencies, departments and offices that are part of the state's reporting entity. That report is issued by the Office of Financial Management in December of each year and can be found at www.ofm.wa.gov.

A summary of the audit for the period ending June 30, 2016, can be found at: <http://www.sao.wa.gov/resources/Pages/AnnualReports.aspx>

Federal programs

In accordance with the Single Audit Act, we annually audit major federal programs administered by the state of Washington. Rather than perform a single audit of each agency, we audit the state as a whole. The results of that audit are published in a report issued by the Office of Financial Management in March of each year.

INFORMATION ABOUT THE BOARD

The Washington State Investment Board was created in 1981 to, “. . . exercise all the powers and perform all duties prescribed by law with respect to the investment of public trust and retirement funds.” The Board’s mandate is to establish investment policies and procedures designed to maximize return at a prudent level of risk.

The mission of the Washington State Investment Board is to “make and manage investments for Washington State pension and other public trust funds with integrity, prudence, and skill to meet or exceed the financial objectives of the beneficiaries of the funds.” Pursuant to state law (RCW 43.33A.160), the Board is funded from the earnings of the funds it manages, proportional to the value of the assets of each fund, subject to a two year appropriation from the Legislature. The Board’s operating budget for fiscal year 2016 was approximately \$406 million with \$20.2 million in state appropriated funds.

The Board had approximately 90 employees stationed in Olympia and Seattle during this period. The Board manages investments for 17 separate retirement funds for public employees, teachers, school employees, law enforcement officers, firefighters and judges. It also manages investments for 18 other public funds that support or benefit Washington’s industrial insurance program, colleges and universities, and developmental disability programs.

The total value of assets under management was approximately \$108.5 billion at the end of fiscal year 2016. The Board is comprised of 15 members: 10 voting members and five nonvoting members. Board Members are fiduciaries whose mission is to manage investments for retirement and public trust funds, “with the highest standard of professional conduct for the exclusive benefit of fund beneficiaries.” With the exception of the legislative and ex officio members of the Board, Board Members serve three-year terms.

Contact information related to this report

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Information current as of report publish date.

Audit history

You can find current and past audit reports for the Washington State Investment Board at <http://portal.sao.wa.gov/ReportSearch>.

ABOUT THE STATE AUDITOR'S OFFICE

The State Auditor's Office is established in the state's Constitution and is part of the executive branch of state government. The State Auditor is elected by the citizens of Washington and serves four-year terms.

We work with our audit clients and citizens to achieve our vision of government that works for citizens, by helping governments work better, cost less, deliver higher value, and earn greater public trust.

In fulfilling our mission to hold state and local governments accountable for the use of public resources, we also hold ourselves accountable by continually improving our audit quality and operational efficiency and developing highly engaged and committed employees.

As an elected agency, the State Auditor's Office has the independence necessary to objectively perform audits and investigations. Our audits are designed to comply with professional standards as well as to satisfy the requirements of federal, state, and local laws.

Our audits look at financial information and compliance with state, federal and local laws on the part of all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits of state agencies and local governments as well as [fraud](#), state [whistleblower](#) and [citizen hotline](#) investigations.

The results of our work are widely distributed through a variety of reports, which are available on our [website](#) and through our free, electronic [subscription](#) service.

We take our role as partners in accountability seriously, and provide training and technical assistance to governments, and have an extensive quality assurance program.

Contact information for the State Auditor's Office	
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