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Correspondence Memorandum

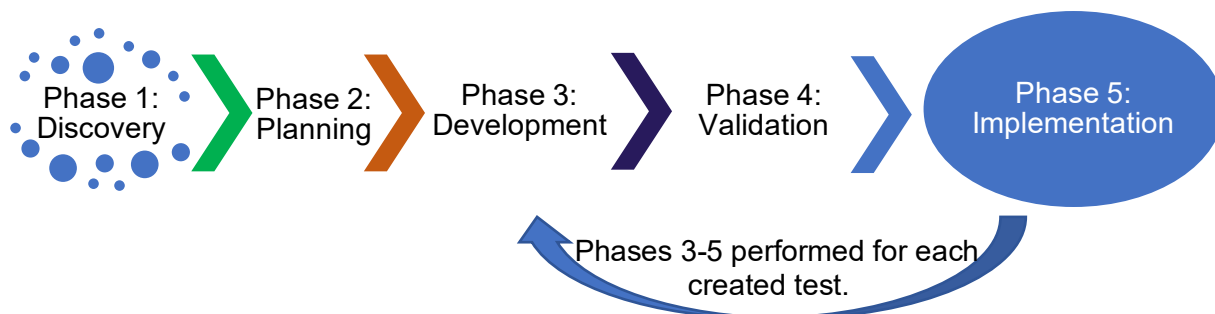
Date: August 22, 2024
To: Audit Committee
From: Amanda Williams, Auditor
Michelle Hoehne, Auditor
Office of Internal Audit
Subject: Data Analytics Project Update

This memo is for informational purposes only. No Committee action is required.

As previously reported, the Office of Internal Audit (OIA) is developing a process to continuously monitor Department of Employee Trust Fund (ETF) business processes and data quality using data driven analysis. To accomplish this, OIA has enhanced our understanding of the data sources used across ETF business areas and by ETF vendors and are using that knowledge to develop data testing on potential areas of concern. The goal of this initiative is to identify data outliers for further analysis and early detection of issues that can be addressed by the business areas. OIA will also use this monitoring and business collaboration to identify potential business processes to include in OIA's biennial audit plan.

Current Status

We have completed the Discovery and Planning Phases of the project and have started the Development and Validation of data analytic tests.



Reviewed and approved by Yikchau Sze, Director, Office of Internal Audit
Electronically Signed 08/29/2024

Board	Mtg Date	Item #
AUD	09.19.24	4B

A summary of the number of tests in each phase is shown in the table below:

Project Phase	Number of Data Tests
Development	19
Validation	1
Implementation	0

Once these tests have been validated and implemented, we will provide the relevant business areas with any results that may need their attention.

In addition to completing data tests, we have developed the Data Analytics Project Communication Plan, which is one of the initiatives of the OIA FY 2025-2026 Strategic Plan. The Communication Plan identifies key stakeholders of the Data Analytics Project and how we will communicate the progress and overall results of the project. The Audit Committee is identified as one of the key stakeholders. We will provide the Audit Committee with updates on this project on a quarterly basis, as needed, to communicate any significant progress of the project and to provide high-level results of the tests that are developed as a result of this initiative. While progress on this project may be communicated with other progress reporting on the Strategic Plan, we plan to provide at least one formal update on an annual basis.

One of our considerations in developing our data analytics tests is whether we can use data that originated from outside of ETF to validate the data in ETF's systems. To accomplish this, we are considering utilizing data ETF may already be receiving from external parties (third-party administrators, other State agencies, etc.) through data agreements. In our inquiries of ETF's current data agreements, we noted some initial concerns about the process of developing and managing these agreements. Therefore, we developed a special project within the Data Analytics Project to investigate this process further. We have made inquiries with various areas in ETF that have a role in this process, and we are still gathering information to make our assessment. We will continue to investigate our concerns in our data agreement special project and will provide the Audit Committee with an update once a conclusion has been reached.

Next Steps

As we complete the data tests currently in the Development and Validation Phases, we will determine the best approach for reporting any results that need further attention from the business areas to implement the tests. We are exploring various reporting tools, such as Tableau, TeamMate Analytics, PowerBI, and Excel. Some additional training is needed to fully utilize the capabilities of some of these tools. This training is underway with additional training tentatively scheduled to be completed this fall and winter, as time permits.

Staff will be at the Committee meeting to answer any questions.