

QUARTERLY REPORT – January 2013

UIA INTEGRATED SYSTEM PROJECT

SUMMARY

The State of Michigan's Department of Licensing and Regulatory Affairs (LARA), Unemployment Insurance Agency (UIA) has embarked on a multi-year System Integration Project to complete a comprehensive and complex rewrite of Michigan's current Unemployment Insurance (UI) systems. A modernized, integrated system will provide real-time data sharing across functions, increase productivity, enhance customer service and ease of use, and provide flexibility in complying with changing federal mandates and other requirements. The UIA provides critical, bi-weekly, economic support for Michigan workers and their families, many of whom rely exclusively on their unemployment compensation for daily living expenses.

The UIA-Integrated System (UIA-IS) project will replace the 25+ year old legacy mainframe system and all the various ancillary applications used by UIA to deliver customer service to Michigan businesses and citizens. Through a competitive Request for Proposal (RFP) procurement process, the State selected FAST Enterprises to configure and implement their GenTax commercial-off-the-shelf (COTS) application. This COTS solution – referred to as Michigan Integrated Data Automated System (MiDAS) - will replace the current tax and benefits mainframe system. The design, development and implementation project started on August 29, 2011 and will run for three (3) years. The Tax System component was successfully implemented into Production on August 13, 2012. The Benefits component is on-schedule to be installed in September 2013. The fully integrated Unemployment System (UI) will then enter a one-year warranty period, followed by up to seven (7) years of maintenance and support.

To achieve these objectives, UIA and its state partner agency, the Department of Technology, Management and Budget (DTMB) contracted with CSG to provide full-time, on-site Project Management to oversee this comprehensive and complex project, and to function as the overall Project Control Office (PCO) over the following projects:

- UIA MiDAS Project
- HB4408 - compliance with House Bill 4408, Benefit Payment Control (BPC) Detection and Collection Process Improvements
- Integrity Initiative – Enterprise Fraud Detection System (EFDS)
- Interactive Voice Response (IVR) Systems Replacement and Upgrades
- UIA Call Center Study

STATUS

UIA Michigan Integrated Data Automated System (MiDAS)

The UIA MiDAS met its schedule and implemented the Phase I - Tax application on August 13th, 2012. This phase of the project was completed on-scope, on-schedule and on-budget.

The MiDAS application has been operating successfully in Production for over four (4) months, with minor issues. Some 987 UIA requirements and 3,658 rules were incorporated into the MiDAS Tax application. The Employer facing component – Michigan Web Account Manager (MiWAM) – now has over 6,492 Employers utilizing the application.

Planning and overview sessions for the Phase II – Benefits application has been completed. The project is currently in the Benefits Design/Definition stage, and conducting daily work sessions with the State Business Analysts. An additional 535 Requirements and 2,308 Rules will be reviewed and discussed as the project moves through the Benefit functionality. Benefit conversion and data purification activities, as well as development of Interfaces is also underway.

The project is also upgrading the current production Tax application from V8 (client/server V8) to V9 (web-based). This is a maintenance and support upgrade from the COTS vendor that will provide enhanced functionality and a more robust user interface. This upgrade is scheduled to roll to Production in early January 2013.

House Bill 4408 - Benefit Payment Control (BPC) Detection and Collection Process Improvements

UIA contracted with On Point Technologies to implement their COTS recover collections software solution. The project started in May 2011 and was implemented into Production in September 2011. UIA has also implemented

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detection/collection process improvements and has shown a 33% increase in collections (\$27.3M for 2010 vs. \$35.3M for 2012) when compared year-over-year for the past two years. This project is 100% complete and in maintenance and support.

Additionally, The PCO (CSG Government Solutions) provided an evaluation of BPC processes and completed a report of recommendations for improvements based on best practices and additional state research. These recommendations are being incorporated into the UIA MiDAS and EFDS projects as applicable.

Interactive Voice Response (IVR) System Replacement and Upgrades

The Interactive Voice Response (IVR) project is occurring in two phases. The first phase is an upgrade of the existing call center hardware is now 100% complete, with UIA and DTMB having replaced the MARVIN and Telephone Filed Claims (TFC) hardware systems in July 2012. The old hardware and telecomm lines have been decommissioned.

The second phase is for the call center and IVR software platforms to be upgraded. Working with Genesys, the upgrade vendor, the project completed the Discovery, Business Requirements and Technical Design phases in the May – August 2012 time frame.

An independent study of the overall existing call center telephone Public Branch Exchange (PBX) and Auto Call Distribution (ACD) architecture has concluded, and a report was provided to the State. Much of the existing PBX/ACD equipment is antiquated and may cause interface problems to the emerging IVR systems. The State is taking a hard look at the overall Telecommunications and Server architecture and budget impacts.

The project will move forward with the appropriate upgrades, once the architecture analysis, evaluations and budget discussions are completed in the Jan-Feb 2013 time frame.

Integrity Initiative - Enterprise Fraud Detection System (EFDS) Project

The purpose of this project is to implement a commercial-off-the-shelf (COTS) software solution able to provide fraud detection based on State and Federal guidelines. The goals are to: reduce the percentage of UI and public assistance benefits paid due to fraud; identify and report fraud characteristics by individuals or groups based on information derived from multiple sources; and recognize patterns in data that reveal organized attempts to defraud the unemployment and public assistance systems.

In December 2011 UIA hosted “spotlight” sessions whereby six vendors provided demonstrations of their systems. The RFP was released in February 2012. Four bidders responded to the RFP. The procurement process was placed on hold, while requirements from the Departments of Human Services (DHS) and Community Health (DCH) were developed and incorporated into a re-release of the RFP. Proposals were evaluated and oral presentations were held in July 2012. Proposals and pricing were reviewed and scored by joint evaluation committee (JEC) members from DTMB, DCH, DHS and UIA. The JEC made its vendor recommendation in October, with the reviewed/approval of the contract funding by the State Administrative Board (AD Board) received in December 2012.

The project is expected to start in January 2013, with the DHS Food Assistance Program (FAP) set as the 1st implementation in the August-September 2013 time frame, followed by UIA in the 4th quarter of 2013. DCH has temporarily put their participation on hold, pending funding discussions. Workers Compensation and Treasury Departments are currently considering the benefits of joining the EFDS Project.

UIA Call Center Study

CSG PCO is assessing the current state of the UI call center(s) to identify short, medium and long term actions that can be taken to increase efficiency and improve customer service. This project will be conducting interviews, observing employees, developing recommendations, and producing a Final Assessment Report. The Project started December 10th and is scheduled to run for 10-12 weeks.

APPROVED BUDGET (as of September 30, 2012)

Total Project Budget = \$ 69,427,524

Expenditures to Date = \$ 25,100,868