

QUARTERLY REPORT – JANUARY 2014

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 provides real-time data sharing across functions, increase productivity, enhance customer service and ease of use, and provides 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 replaces 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) - replaces the current tax and benefits mainframe system. The design, development and implementation project started on August 29, 2011. The tax system component was successfully implemented into production on August 13, 2012. The benefits component was successfully implemented into production on September 30, 2013. The fully integrated unemployment system is now in a one-year warranty period, to be followed by up to seven (7) additional 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 Government Solutions (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 software upgrades
- UIA call center study

STATUS

UIA Michigan Integrated Data Automated System (MiDAS)

The UIA MiDAS project met its schedule and implemented the phase I tax application on August 13, 2012; phase II benefits was implemented on September 30, 2013. The project was completed within scope, on schedule, and under budget.

The fully integrated tax and benefits MiDAS application has been operating successfully in Production for over three (3) months and the tax application operated independent of benefits application for over 13 months prior to that. Only minor issues were encountered with each release.

Some 987 UIA requirements and 3,658 business rules were incorporated into the MiDAS tax application. The employer facing component – Michigan Web Account Manager (MiWAM) – now has over 78,582 employers utilizing the on-line application (up from 53,248 a year ago).

The benefits application added 571 requirements and 3,321 business rules to the now integrated application. The public facing components of MiWAM has over 376,516 claimants utilizing the application after three months of productivity.

During the current warranty period, minor defects are being addressed as well as lower priority requirements that were deferred during the initial build and design phases of the project.

QUARTERLY REPORT – JANUARY 2014

UIA INTEGRATED SYSTEM PROJECT

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 detection and 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 software solution was a temporary measure and was replaced by the functionality provided by MiDAS on September 30, 2013.

Additionally, CSG Government Solutions – which manages the Project Control Office (PCO) - provided an evaluation of BPC processes and completed a report of recommendations for improvements based on best practices and additional research with other states. These recommendations have either been incorporated into the UIA MiDAS application or will be incorporated in the EFDS project as applicable.

Interactive Voice Response (IVR) System Replacement and Upgrades

The Interactive Voice Response (IVR) project occurred in two phases. The first phase, an upgrade of the existing call center hardware, was 100% complete in July, 2012. The old hardware and telecomm lines have also been decommissioned.

The second phase was an upgrade of the call center and IVR software platforms. Working with Genesys, the upgrade vendor, the project completed the discovery, business requirements, and technical design phases and implemented to production concurrently with the MiDAS Benefits implementation on September 30, 2013.

The final phase of the IVR upgrades will provide Virtual Hold Technology to enhance the customers' experience by allowing the option of an automated call-back versus waiting on hold. This phase is expected to be complete late in the first quarter of 2014.

Integrity Initiative - Enterprise Fraud Detection System (EFDS) Project

The purpose of the EFDS 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 public assistance benefits paid due to fraud, waste, and abuse; 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 unemployment insurance and other public assistance systems.

In December 2011 UIA hosted "spotlight" sessions where six software vendors provided demonstrations of their systems. A Request for Proposal (RFP) was initially released in February, 2012, and was re-released in June after requirements from the Departments of Human Services (DHS) and Community Health (DCH) were developed and incorporated into the RFP. Proposals were evaluated and scored by Joint Evaluation Committee (JEC) members from DTMB, DCH, DHS and UIA. The JEC made its vendor recommendation in October, 2012, and approval of contract funding by the State Administrative Board was received in December, 2012. SAS, Inc. was selected as the vendor to provide fraud analytics and alerts for the project.

The project started in January, 2013, and is working with the DHS Food Assistance Program (FAP) to be the 1st implementation, scheduled for the August-September, 2014, time frame. To date FAP has developed the basis for the analytics and alerts for the fraud systems that are to be finalized in January, 2014.

The implementation of the UIA fraud detection components started in December, 2013. DCH has temporarily put their participation on hold, pending funding discussions. DCH will begin their efforts in early 2014 with an analysis of the DCH eligibility and DCH provider areas for inclusion in EFDS.

Workers Compensation, Treasury, Department of State, and Civil Service Departments are currently reviewing their participation in 2014.

UIA Call Center Study

CSG PCO assessed the state of the UI call centers to identify short, medium, and long-term actions that could be taken to increase efficiency and improve customer service. This project included interviews and employee observations and resulted in recommendations in a Final Assessment Report. The Project started December, 2012, and was completed April, 2013.

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APPROVED BUDGET (as of September 30, 2013)

Total Project Budget = \$ 69,427,524

Expenditures to Date = \$33,141,399.11