

SUMMARY

The State of Michigan Department of Licensing and Regulatory Affairs (LARA), Unemployment Insurance Agency (UIA) embarked on a multi-year system integration project to rewrite Michigan's previous Unemployment Insurance (UI) systems. 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. A modernized, integrated system provides real-time data sharing across functions, increases productivity, enhances customer service and ease of use, and provides flexibility in complying with changing federal mandates..

The UIA–Integrated System (UIA-IS) project replaced 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 procurement process, the state selected FAST Enterprises to configure and implement their GenTax commercial-off-the-shelf (COTS) application. This COTS solution – referred to internally as the Michigan Integrated Data Automated System (MiDAS) - replaced the previous tax and benefits mainframe system, as well as several complimentary applications. 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 has a one-year warranty period, to be followed by up seven (7) additional years of maintenance and support. The one year warranty expired on September 30, 2014. On-site support from FAST Enterprise programmers remains past September 20, 2014 in accordance with the contract; however, FAST Enterprises will leave additional programmers at no charge to the state in an effort to further refine MiDAS through the end of 2014.

The UIA and the Department of Technology, Management, and Budget (DTMB), in conjunction with our PCO vendor, CSG Government Solutions (CSG), continue to provide full-time, on-site management to oversee MiDAS production support and additional initiatives including:

- Public Act 138 and 241 of 2014 compliance
- Integrity initiative for the ongoing Enterprise Fraud Detection System (EFDS) Project
- Implementation of the Interstate Reciprocal Overpayment Recovery Agreement (IRORA)
- UIA and Michigan Administrative Hearing System (MAHS) appeals improvements

STATUS

UIA Michigan Integrated Data Automated System (MiDAS) & Business Process Reengineering

MiDAS was fully implemented on September 30, 2013 within scope, on schedule, and under budget. The fully integrated tax and benefits MiDAS application is operating successfully in production for one year with only minor issues. The employer facing component – Michigan Web Account Manager (MiWAM) – now has 114,619 employers utilizing the on-line application (up from 78,582 at the end of 2013) and 612,416 claimants utilizing the application (up from 376,516 at the close of 2013).

During the current warranty period minor defects and improvements are being addressed as well as lower priority requirements that were deferred during the initial build project phase. One MiDAS improvement is that the new system identifies potential issues earlier creating more work for staff follow-up. The resulting work backlog is divided into two aspects: benefits and tax related work. An analysis of UIA tax work yielded 94 recommendations for business and system improvements. As of December 31, 2014, thirty-two (32) recommendations have been completed, twenty-six (26) recommendations are in progress and twenty (20) are pending implementation. To address the backlogged tasks related to UIA benefit operations, the UIA has assembled a team focused on reducing backlogged work through improved business processes and increased automation within MiDAS. These efforts through interim report findings are beginning to yield results by removing and reducing specific work items

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not impacting claimant payments or UI program integrity. A total of eight-nine (89) benefit system and process recommendations were formally presented on September 25, 2014. As of December 31, 2014, thirty-seven (37) already completed, forty-one (41) are in progress, and five (5) are pending implementation. The total task inventory for benefits work has been reduced significantly from March 2014 through December 2014 due to implementation of recommendations, development team efforts, overtime and increase in staff familiarity with MiDAS. Lastly, the Trust Fund Accounting section successfully closed the fiscal year and produced required state financial statements by the published deadlines.

Public Act 14 and 241 of 2011 - Benefit Payment Control (BPC) Detection and Collection 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 that yielded a 33% increase in collections (\$27.3M for 2010 vs. \$35.3M for 2012) when compared year-over-year from 2010 to 2012. This software solution was a temporary measure and was replaced by the functionality provided by MiDAS on September 30, 2014. Since MiDAS was deployed, the UIA has collected over \$31M in claimant overpayments.

As part of the MiDAS implementation, the UIA has an automated process in place for administrative and wage garnishments. Public Act 241 of 2011 expanded overpayment collection methods allowing the UIA to obtain restitution due from a claimant as a result of a benefit overpayment that has become final by entry into a wage assignment with the claimant and the issuance of an administrative garnishment of the claimant's wages. From the time period of October 1, 2013 to December 31, 2014 the UIA has collected \$1,792,126 via the automated garnishment process.

Implementation of the Interstate Reciprocal Overpayment Recovery Agreement (IRORA)

The UIA's effort to collect restitution has recently expanded with system and business process changes for IRORA as the UIA entered into IRORA on September 5, 2014. IRORA is an agreement among states to collect overpayments of unemployment benefit for one another. The *Middle Class Relief and Job Creation Act of 2012* amended section 3304(a)(4)(D) of the *Federal Unemployment Tax Act* and Section 303(g)(1) of the *Social Security Act* requiring states to impose a mandatory offset against legally enforceable unemployment benefit overpayments paid by another state and referred to this state for collections. System and business processes were implemented in the fourth quarter of 2014 to support IRORA collection activities. As of December 31, 2014 IRORA collection efforts have yielded \$17,508.

Interactive Voice Response (IVR) System 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 phone 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, technical design phases and implemented to production concurrently with the MiDAS Benefits implementation on September 30, 2013. The final phase of the IVR upgrades, completed in May of 2014, provided Virtual Hold Technology to enhance the customers experience by allowing the option of an automated call-back versus waiting on hold. This feature has seen ready adoption from the public, with average acceptance of VHT service of nearly 74% versus waiting on hold. The UIA has reach over 16 Million hold minutes saved by unemployed workers selecting a Virtual Hold call back resulting in an estimated EZ Route charges avoided of over \$355,000. Furthermore, the UIA's completed call volume per day is over 300 more calls answered per day providing greater employee optimization.

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

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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.

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. SAS, Inc. was then 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. To date FAP and SAS have developed the basis for the analytics and alerts for the fraud systems that were finalized in the first quarter of 2014.

The implementation of the Unemployment Insurance Agency (UIA) fraud detection components started in December, 2013, with the project team currently working on data requirements and staging. In the past quarter, a complete review with SAS, Inc. on data functionality to support the contract requirements was completed. In addition, SAS completed exploratory data analysis on both UI tax and benefit claims data and began developing the GUI interface to be utilized by the state staff. The approved schedule for UIA releases the fraud detection system in two releases. The first release will include base system functionality using UIA, MiDAS data only. The first release will deploy in early March 2015. The second release will include full system functionality using data from other participating agencies. The second release will deploy in early September 2015.

Public Acts of 2014

Public Act 138, the change in the state minimum wage, adjusts the thresholds of unemployment eligibility and qualification. The system programming effort to comply with the law was completed in late August 2014. Public Act 241, which excludes from the definition of "employment" nonagricultural service performed by an individual who is an alien admitted to the United States to perform that service under an H-2B visa or a J-1 Exchange Visitor Program visa, is currently in-progress and is nearing completion.

Unemployment Insurance and Michigan Administrative Hearing System (MAHS) Appeals Improvements

The Appeals Assessment project is an assessment of the UIA and MAHS appeals business processes and technical solutions. The project is focused on the Unemployment Insurance appeals process to identify ways to assist in improving the USDOL Acceptable Levels of Performance for Lower Authority Appeals. The process recommendations and technical recommendations were completed December 12, 2014. DTMB completed the deployment of the UIA Interface changes and MAHS interface testing initiated in Dec. 2014.

APPROVED BUDGET (as of December 31, 2014)

Total Project Budget = \$ 69,427,524

Expenditures to Date = \$46,244,622