
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 Enterprises programmers remains past September 20, 2014 in accordance with the contract; however, additional FAST Enterprises programmers have been retained to work on projects with special budget funding and prioritized change requests.

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) currently has 785,403 web accounts. This number is comprised of 121,759 employers (up from last quarter's 114,619 employers), 600,874 claimants, and 2,770 third party administrators utilizing the online application process.

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 March 31, 2015, thirty-nine (39) recommendations have been completed, twenty (20) recommendations are in progress and seventeen (17) are pending implementation, and eighteen (18) were removed. To address the backlogged tasks related to UIA benefit operations, the UIA assembled a team focused on reducing backlogged work through improved business processes and increased automation within MiDAS. A total of eight-nine (89) benefit system and process recommendations were formally

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presented on September 25, 2014. The total task inventory for benefits work has experienced a steady decline during the December 2014 through March 2015 period of time. As of March 31, 2015, sixty – three (63) were completed, twenty (20) were in progress, and six (6) were removed.

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 \$63M in claimant overpayments, which is a 103% increase over last quarter's \$31,091,281 collection.

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 March 31, 2015 the UIA has collected \$2,647,153 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 March 31, 2015 IRORA collection efforts significantly increased yielding \$59,572. This represents a 240% increase over the quarter ending January 2015 where collections totaled \$17,608.

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 83% versus waiting on hold. The UIA has reach over 22 Million hold minutes saved by unemployed workers selecting a Virtual Hold call back resulting in an estimated EZ Route charges avoided of over \$467,920.

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.

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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 working with the DHS Food Assistance Program (FAP) and is currently in UAT. To date FAP and SAS have developed the basis for the analytics and alerts for the fraud systems that were finalized.

The implementation of the Unemployment Insurance Agency (UIA) fraud detection components started in December, 2013. A complete review with SAS, Inc. on data functionality to support the contract requirements was completed in July 2014. 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. User acceptance testing (UAT) of a limited amount of functionality began in March 2015 with additional functionality available for testing by end of March. Some of the functionality for the first release is now in UAT and is actively being worked by the UIA and SAS. 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 and is scheduled to deploy in mid-May 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, (Public Act 510 of 2014) was completed.

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

The Appeals Assessment project is an analysis 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. A final report was presented to UIA executive staff on January 27, 2015 and contained 46 recommendations for improvements which are currently being assigned and tracked by staff within UIA and MAHS. In addition, during this time period, DTMB completed the deployment of upgrades to the MyCaseLoad system with resulting changes to the UIA Interface. Efforts continue on this project to gain a greater understanding of reasons particular nonmonetary issues have high rates of appeals and low rates of affirmation by MAHS of UIA determinations.

APPROVED BUDGET (as of March 31, 2015)

Total MiDAS Project Budget = \$ 69,427,524

Expenditures to Date = \$46,244,622