STATE OF MICHIGAN
DEPARTMENT OF TALENT AND ECONOMIC DEVELOPMENT
LANSING

RICK SNYDER
GOVERNOR

STEVE ARWOOD
DIRECTOR

DATE: June 29, 2016

TO: The Honorable Jim Stamas, Chair
        Senate Appropriations Subcommittee of General Government

        The Honorable Laura Cox, Chair
        House Appropriations Subcommittee on General Government

FROM: Jeremy Hendges, Chief Deputy Director
        Michigan Department of Talent & Economic Development

SUBJECT: PA 84 of 2015, Section 1076 – UIA's Integrated System Project

Article VIII, Section 1076 of the Omnibus Budget, Public Act 84 of 2015, requires the Unemployment Insurance Agency to report quarterly on the implementation of and improvements to the agency's integrated system project. Pursuant to this requirement, attached is the fiscal year 2016 third quarter report.

If you have any questions, please contact Bruce Noll in the TIA Office of Legislative Affairs at 517-241-7284.

Attachment

cc: Members, Senate Appropriations Subcommittee of General Government
        Members, House Appropriations Subcommittee of General Government
        Ellen Jefferies, Director, Senate Fiscal Agency
        Mary Ann Cleary, Director, House Fiscal Agency
        John Roberts, State Budget Director

SUMMARY

The State of Michigan Department Talent and Economic Development (TED), 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, LLC (FAST) 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 programmers remains past September 20, 2014 in accordance with the contract; however, two (2) additional FAST programmers have been retained for fiscal year 2015-2016 to work on prioritized system requests.

The UIA and the Department of Technology, Management, and Budget (DTMB), continue to provide full-time, on-site management to oversee MiDAS production support and additional initiatives including:

- Public Act compliance
- Integrity initiative for the ongoing Enterprise Fraud Detection System (EFDS) Project
- 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 time 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 1,028,390 web user accounts. This number is comprised of 277,240 cumulative employer accounts, 747,060 cumulative claimant user accounts, and 4,090 third party administrators' accounts 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. The resulting work 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 June 30, 2016, fifty-four (54) recommendations have been completed, twelve (12) are in progress, eight (8) are pending implementation, and twenty (20) 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 eighty-nine (89) benefit system and process recommendations were formally presented on September 25, 2014. The total task inventory for benefits work has experienced a steady decline during the December 2014 through June 30, 2016 period of time. As of June 30, 2016, sixty-seven (67) recommendations were completed, fifteen (15) were in progress, and seven (7) were removed.

Public Act 14 of 2014 and 241 of 2014 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, 2013. Since MiDAS was deployed, the UIA has collected over $140,770,374M in claimant overpayments (which is 12% increase over the $125,769,671 overpayments collection reported last quarter).

As part of the MiDAS implementation, the UIA has an automated process in place for administrative and wage garnishments. Public Act 241 of 2014 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. During the time period of October 1, 2013 to June 30, 2016 the UIA has collected $9,566,036 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 benefits 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 June 30, 2016 IRORA collection efforts continued to increase yielding $320,565. This represents nearly a 16% increase over the quarter ending March 2016 where collections totaled $275,470.

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 completed 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 were completed in May of 2014, and provided Virtual Hold Technology (VHT) to enhance the customers experience by allowing the

option of an automated call-back versus waiting on hold. This feature has been readily adopted by the public, with an average acceptance of VHT service of over 80.7% versus waiting on hold. The UIA has reached over 49.6M hold minutes saved by unemployed workers selecting a Virtual Hold call back resulting in an estimated avoidance of EZ Route charges of over $1,017,478.

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.

A Request for Proposal (RFP) was initially released in February, 2012, and was re-released June, 2012 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 finalized the FAP's User Acceptance Testing (UAT) on July 9, 2015. AP and SAS have developed the basis for the analytics and alerts for the finalized fraud system.

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 for the GUI to be utilized by the state staff. The approved schedule for UIA provided the fraud detection system in two releases. The first release included base system functionality using UIA's MiDAS data only and was deployed June 2015. The second release included base system functionality using UIA data and data from other participating agencies and was deployed May 2016. The UIA portion of the project was signed off on June 2016.

Public Acts

Public Act 228 of 2016, which modifies Section 15 in regard to lien filing fees. The new act modifies the UIA's current lien filing process and fee for real estate liens. Starting on October 1, 2016, if a lien is placed on an employer's property for an outstanding debt, that employer will be responsible for filing and paying the discharge fee along with the original filing fee. In addition, the legislation raises the fee for filing or discharging liens from $2 to $30.

APPROVED BUDGET (as of December 31, 2015)

    Total Project Budget = $ 69,427,524   Total Expenditures to Date = $ 62,329,979