State of Wisconsin

Date: Jan. 31, 2024

To: Members of the Joint Committee on Finance and Joint Committee on Information Policy and Technology

From: Department of Administration Secretary-designee Kathy Blumenfeld

From: Department of Workforce Development Secretary-designee Amy Pechacek

Subject: 2021 Wisconsin Act 4 Quarterly Report – Fourth Quarter 2023

Pursuant to 2021 Wisconsin Act 4, under Wis. Stat. s. 108.14(27)(e), this report serves to update you on the progress the Department of Workforce Development (DWD) has made on its project to improve the information technology (IT) systems used for processing and paying claims for unemployment insurance (UI) benefits from Oct. 1 to Dec. 31, 2023. We are pleased to share in this report that DWD has continued to make good progress in its UI modernization efforts.

Unemployment Insurance System Modernization
The Unemployment Insurance (UI) Modernization project is the effort to modernize the UI IT systems from a COBOL-based mainframe system to a cloud-based flexible system able to nimbly adapt to changes in the demands on the agency and changes in the program requirements. The goal of this project is to create a more modern, maintainable, sustainable, and adaptable system to meet current and evolving UI needs. Over time, the project will entirely replace the existing, antiquated mainframe, which has limitations in the availability of the system and directly impacts staffing and recruiting resources.

The future UI system will provide end-to-end services to DWD customers (claimants and employers) in a timely manner. DWD staff will be able to administer programs inclusively and efficiently with modern online tools.

Employer Portal
DWD began a new phase of the modernization effort to improve how employers communicate with DWD through an enhanced employer portal. Technological enhancements will continue to reduce DWD's reliance on outdated methods, such as email, physical correspondence, and phone calls, by creating a modern, streamlined online experience for employers that addresses all of their needs in one place.

DWD has an existing employer portal with limited functionality for the submission of tax and wage reports to DWD's UI Division. DWD is enhancing and modernizing its existing portal functionality so the new

portal can serve as employers' primary communication platform for all UI operations. For example, the new portal will include the option for employers to securely message UI staff, and upload documentation related to verification requests for previously filed claims and appeals.

During this quarter, DWD released early page designs for a new streamlined, secure employer portal. An update on the progress was provided in the DWD Unemployment Insurance (UI) Modernization Update - Dec. 27, 2023.

Next quarter, an iterative approach to the discovery work will continue in order to develop portal components. The next report will include additional information on the progress of this effort.

Benefit Calculation and Liability Engine
The benefit calculation and liability engine calculates benefits and pays claimants. As previously reported, DWD is working with the Wisconsin-based company Flexion to develop components of the benefits side of the modernized system. In Quarter 4, system development work with Flexion progressed using the "vertical slice" approach described in the 2021 Wisconsin Act 4 Quarterly Report – Third Quarter 2023. This approach identified the components that need to be developed to accept and process a claim in the modern system. Under this approach, coding work begins for more basic outcomes and that work is then expanded upon to produce code for more complex outcomes over time.

This critical process provides a viable solution to replace the legacy system in a way that is least disruptive to ongoing operations. In fact, since DWD began its modernization using an agile approach, U.S. DOL has adopted a similar modular approach for states that have not yet begun modernization. See IT modernization strategy | U.S. Department of Labor (dol.gov).

Under this approach, this quarter's work focused on processing straightforward claims and answering the most common questions posed by UI claimants for limited circumstances, such as:
- the status of a claim,
- the amount of the claim,
- identification and flagging of missing wages, one of the most common issues on a claim, as well as properly holding the payment until that resolution has been cleared, and
- resolution of that issue on the claim and clearing the payment.

DWD also reported on the benefit calculation and liability engine progress in the DWD Unemployment Insurance (UI) Modernization Update - Dec. 27, 2023.

Overpayment/Fraud Reduction Initiatives
DWD has continued to look for opportunities to improve the accuracy of claim decisions using technology. The following are initiatives to improve the quality and accuracy of filed claims thereby reducing overpayments, including fraudulent overpayments:

- **Identify Unreported Earnings More Quickly**
  DWD has implemented a variety of communication strategies to encourage claimants to report all earnings accurately to avoid overpayments. Unreported earnings are the leading cause of overpayments. These changes include providing additional plain language prompts on the online application when the claimant indicates that they did not receive payment for a given week. An example is provided below.

  Weekly Certification Question: During the week, did you work at all? Even if you weren't paid

for the week, you need to answer yes.

If a claimant selects "no", the following message pops up:

> By answering this question "No," you are confirming that you did not provide services to anyone for which you may be paid. For example, work with your regular job or any job, getting paid cash for any services, any tips, paid orientation, or training, being on-call, working in exchange for payment of bill, etc. If you do not report that you work in a week that you did, you may be paid more benefits than you are qualified for and could face penalties, including being charged with a crime.

This prompt is intended to help claimants avoid misreporting that they did not work. This has led to 3,235 additional employers being added by claimants on their initial application and 5,281 instances of added wages from Oct. 22, 2023, to Jan. 20, 2024 after the pop-up appeared.

- **Identify Misreported Earnings More Quickly**
  DWD also implemented a simple, effective strategy to detect potential data entry errors in the earnings reporting process. The weekly certification asks claimants to provide the number of hours worked and the total amount earned each week. Based on that information, DWD's system now automatically calculates the claimant's hourly pay rate. Any certifications where the claimant reported an effective hourly pay rate less than the state's minimum wage are flagged for staff review. This allows DWD to identify or even prevent potential overpayments much sooner than would be possible through the quarterly wage crossmatch. This led to 1,983 instances of wages above the minimum being identified.

- **"Honesty Prompts"**
  DWD has implemented a special pop-up message, referred to as an "honesty prompt," to deter claimants who have previously provided false information from providing false information on a new UI claim. The prompt reminds this targeted population that additional penalties, forfeiture, and/or prosecution could ensue if they provide false information on their new claim application. The claimant is prompted to acknowledge the warning before continuing to file their claim or return to the previous screen.

Infrastructure & Application Security
During Quarter 4, work focused on data security both in the infrastructure and in the application. In particular, the work entailed modification and testing of authorization and authentication requirements, logging improvements and testing, review and enhancements to ensure compliance with guidelines, and identification of needed enhancements to the security posture.

Additional work will continue throughout the duration of this UI modernization project to incrementally improve upon the security and reliability of the system's cloud environment.

We hope you find this information helpful. We will provide the next quarterly update on the UI modernization project in April 2024. In the meantime, please do not hesitate to contact us with questions.