State of Wisconsin

Date: January 31, 2024

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

From: Department of Administration Secretary Kathy Blumenfeld *Kathy Blumenfeld*

From: Department of Workforce Development Secretary Amy Pechacek

Subject: 2021 Wisconsin Act 4 Quarterly Report – Fourth Quarter 2024

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 October 1 to December 31, 2024. We are pleased to share in this report the progress that DWD has continued to make in its UI modernization efforts. Moreover, the Unemployment Insurance program at the Department of Workforce Development has been audited nine times between the years of 2020-2023 and is currently undergoing a tenth. The Legislative Audit Bureau throughout these audits has been unable to identify any previously undiscovered fraud within the program.

Unemployment Insurance System Modernization
The Unemployment Insurance (UI) Modernization project is the effort to modernize UI IT systems from a COBOL-based mainframe system to a modern flexible system able to nimbly adapt to changes in the demands on the agency and changes in UI 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 is difficult to reprogram to meet changes in state or federal policy and to retain staffing resources knowledgeable in COBOL programming.

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.

State and Local Fiscal Recovery Funds (SLFRF) under American Rescue Plan Act (ARPA)

$ 80,828,962.00	Allocation
$64,292,442.38	Expended + Obligated

Completed UI modernization efforts, include:

- Artificial Intelligence augmentation and fraud screen tool advancements;
- A cloud-based omni-channel contact center;

- Virtual customer service agents that are available after business hours to answer common questions in English and Spanish;
- An online chatbot that can answer common questions in English, Spanish, and Hmong;
- Fraud detection through LexisNexis and National Association of State Workforce Agencies' Integrity Data Hub;
- An online filing process and document upload capability that uses AI to enter data instead of manual data entry;
- Secure online messaging with adjudicators;
- Mobile phone friendly design for claimant portal with text alerts;
- Translation of the UI application into plain language;
- A dashboard showing initial and weekly claims by county;
- An adjudication scheduler;
- ID proofing;
- Knowledge base tool implementation; and
- Accessibility assessments.

Employer Portal
The goal of this modernization project is to create a state-of-the-art, web-based and mobile solution that modernizes the current employer portal with added functionality to improve communication between DWD and its customers for tax and wage reporting, employer information and support, claims verification questions, and appeal activities. The features in the new employer portal will include secure messaging and document sharing, online form requests, detailed claims tracking/due dates, and enhanced account access capabilities. These modern features will help Wisconsin employers maintain efficiency and flexibility, in a user-friendly format.

The implementation plan takes into consideration mandatory reporting timelines and overall customer service. This is planned for release in the following two phases:
- An initial release planned for August 2025 to include the employer current functionality with enhancements, such as employer registration, submission of quarterly tax and wage reporting, initial secure messaging options, and initial dashboards for employers and staff.
- A second release planned for November 2025 to expand the of the collection of information that currently obtained through physical forms and other non-digital methods, administrative tools to increase flexibility on the forms and data collected electronically, and enhanced collection and appeals online processing.

During this quarter, DWD and its vendor continued the design and development for core components of the modern employer portal. Development work focused on the following efforts:
- Continued building and refinement of the foundational system configurations, baseline security, and infrastructure to support. The foundational components must be scalable and adaptable to the increasing complexity of the developing system.
- Continued development of the interface connection points between the new portal and the existing sources of information. This is critical groundwork for the integration of the employer portal with the other UI IT systems to ensure employers have access to timely and accurate information.
- Visual designs that update the look and feel of the layout and functionality for landing pages, dashboards, and messaging featured to ensure efficient display and use of the information.
- Readiness assessment and establishment of a testing environment for DWD to validate the development components. The first round of user testing began with a focus on the employer registration processes developed.

Enhanced Identity Verification

In 2023, there were over 2,300 identity theft investigations.[1] Requiring individuals to confirm their identity helps protect personal information and enhances the security of the Unemployment Insurance program. To add additional security to the online process, this quarter, DWD implemented a new 2-step identify verification process: 1) claimant submission of personal information through the UI claimant portal; and 2) verifying their identity through Login.gov or through an in person visit to the post office. To add security, DWD encourages claimants to use a two-factor authentication process in the event a customer forgets their password to prevent a repeat of the authentication steps.

Customer Service Manager

DWD Unemployment Insurance uses approximately 20 shared email boxes to communicate with constituents regarding their Unemployment Insurance claims. At the end of this quarter, DWD implemented a tool that facilitates the creation of tickets for tracking inquiries, centralizing requests that come into those 20 email boxes into one place. This feature reduces the number of mailboxes being supported and improves customer service by tracking customer needs in a central location. DWD is now able to more easily track inquiries and their respective responses to ensure customers receive timely and accurate responses

COBOL-based UI System Replacement

DWD launched its comprehensive overhaul of the outdated COBOL-based UI system in September 2021 through a contract with Madison-based Flexion, which concluded in early July 2024. With Flexion, DWD established a secure cloud infrastructure, implemented additional security protocols, identified dependencies within the mainframe to avoid customer disruptions, and developed a benefits calculation engine that accounts for many of the complex rules associated with Wisconsin's UI eligibility requirements.

The department is now moving toward the build-out, integration, testing, and deployment of a fully modern UI system with Google Public Sector (GPS). Whereas the work with Flexion focused on building the foundation of the benefit calculation, payment processing, and employer allocation code, the discovery with GPS entails all aspects of the UI IT system: benefits payments, employer portal, adjudication and appeals, tax and wage reporting, quality assurance, and correspondence. DWD will take advantage of rapidly evolving technology to accelerate development of code and deliver performance features that continue Wisconsin's leadership in UI customer service.

The team has spent the fourth quarter continuing discovery to identify the full scope of work. Next steps include establishing a roadmap and plan to continue the progress of the modernization efforts.

We hope you find this information helpful. We will provide the next quarterly update on the UI modernization project to you in April 2025. In the meantime, please do not hesitate to contact us with questions.

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[1] Source: 2024 Response to Research Request to the Unemployment Advisory Council: https://dwd.wisconsin.gov/dwd/publications/ui/ucd-19829-p.pdf