

**Unclaimed Property Electronic Document Management
and Workflow System**

State of North Carolina – Department of the State Treasurer



Data, Information, and Knowledge Management

June 3, 2009

Executive Summary

The Unclaimed Property Division of the North Carolina Department of the State Treasurer manages over 20,000 claims on escheated property and 30,000 reports of abandoned assets each year. Prior to August of 2007, almost the entire operation relied on physical documents. Despite a limited number of documents being available on microfilm and CD, the claim processing staff of the division expended over 500 hours each year in document retrieval and management activities. The Department of the State Treasurer, in partnership with DTI Integrated Business Solutions, developed an electronic document management system to increase operational efficiency and provide a secure and recoverable repository of information for the Unclaimed Property Division.

The final implementation of the document management and business process automation system cost approximately \$1 million and took one year from initiation to completion. Included in these costs are the conversion of approximately 3.75 million pages of documents on microfilm and paper. Since the implementation of the system, efficiency gains have permitted the division to manage a 50% increase in claims per month, as well as provide greater controls on performance-based contracts for outsourced claim processing.

Description of the Business Problem and Solution

The Unclaimed Property Division of the Department of the State Treasurer executes the statutory duties required of the State Treasurer as the Administrator of the State Escheat Fund. (NOTE: An escheat is the succession of abandoned property to the State. It is commonly associated with properties that come from an estate of a person dying without a will and without any known heirs. However, this concept has been broadened to include the recovery of any property that results from the failure of a person legally entitled to that property to make a valid claim against the holder of the property within a prescribed period of time. Consequently, the terms escheat and unclaimed property are used interchangeably.)

Between 2000 and 2005, the Unclaimed Property Division paid over \$111 million in claims on property or assets escheated to the State. During the same period, investment revenue from the State Escheat Fund produced over \$140 million for the State Education Assistance Authority to provide financial assistance to needy North Carolinians pursuing post-secondary education. With a staff of about 50 permanent employees, the Unclaimed Property Division has produced a quarter of a billion dollars in benefits to the citizens of the State since 2000.

Each year, the Unclaimed Property Division processes over 20,000 claims on escheated property. The Unclaimed Property Division also processes reports on unclaimed assets from about 30,000 holders such as banks and insurance companies. Almost the entire operation of the division relied on paper files. Although some holders can electronically transmit information, most activities—especially those involving claim processing—are entirely dependent on physical files. A third-party vendor was contracted for some paper-to-digital document conversion, but this process did not provide the operational efficiency, ease of use, and security that a dedicated electronic document repository could provide.

Processes in the Unclaimed Property Division are focused around three main activities:

- Payment of claims
- Assumption of escheated property
- Compliance auditing of property holders

These business processes are very paper intensive and these documents were stored as paper files, microfiche, microfilm, or on CD. An electronic means to store reporting forms, claim forms, compliance correspondences, audit work papers, etc., was limited for some documents and did not exist for others. Those that were converted to an electronic format were limited to only a few select users. Because the retrieval of these documents from film was a time-consuming task and the office had only a few microfilm readers, it created barriers to document accessibility, thereby increasing processing time for claims and holder reports. In addition, when converting documents to microfilm,

inconsistencies in the filming process and degradation over time resulted in declining image quality.

Holder reports are received in paper format and/or on magnetic media. Previously, the information was keyed or loaded into a database and the Holder reports were filed until they were scanned or filmed. These reports are often reviewed after they have been keyed or loaded. The information included in these reports is the key factor in returning property to the rightful owner; therefore, it is imperative that the reports are legible in future years. Microfilm was not meeting this requirement.

Eighteen employees in the Unclaimed Property Division are involved in claims processing. Each claim received was first logged and filed into a central area in the division office. Approvers walked to the central area to retrieve the claim file and determine the validity of the claim. After the initial approval, the file returned to a central area. A reviewer retrieved the files and if he/she concurred with the work performed by the approver, the file was handed off to an individual for final approval and payment processing. If a claim exceeds \$5,000, the file must be reviewed by another approver before being passed on for final payment. In total, the claims process involves about 3.5 retrievals of the claim case file.

In 2005, the Unclaimed Property Division paid 21,162 claims. If every retrieval of a single case in the a paper-based claims process required 20 seconds of activity – getting up to retrieve files or walking files to another person’s office – the claim processing group spent slightly over 500 hours each year just managing paper files. The division reported that one in every 300 files was “lost” and required someone to seek it out by e-mailing the group, walking from office-to-office, and exploring other files for possible misfiling. It is estimated that almost 75 hours per year were spent in tracking lost cases.

Electronic Document Management Systems increase efficiency through reductions in time spent in document retrieval. Large volumes of information can be made available almost instantaneously and concurrently shared by many people, unlike single-use paper files that can be misplaced or destroyed. An electronic workflow system models a business process to allow for greater control and monitoring of process activities. Management can immediately determine where a given piece of work is in a business process and analyze data on processes to identify bottlenecks and areas for improvement. A secure and stable document management system also provides protection for records against disasters or theft.

In August of 2007, the Department of the State Treasurer partnered with DTI Integrated Business Solutions of Greensboro, NC to design, develop and implement an electronic document management solution for the Unclaimed Property Division. The system is composed of an electronic document repository, a document imaging solution, and a business process workflow system. Documentum ApplicationXtender serves as the electronic document repository for concurrent storage and retrieval of information. Documentum WorkflowXtender provides workflow services for the modeling of business

processes and management of business process instances, such as individual claims or holder audits. Oracle Document Capture 5 is used for document scanning and indexing and is integrated with ApplicationXtender for the transfer of electronically imaged content into the document repository.

Throughout the fall of 2007, analysis was performed on the business processes of the Unclaimed Property Division, and system requirements were elicited, documented and finalized. At the same time, an evaluation of over 15 years of accumulated microfilm, microfiche, paper documents and CD-ROMs was undertaken to determine requirements for conversion to electronic format for use in the new repository. In December of 2007, a preliminary system design was drafted. The system design encompassed all documents and metadata that would be stored in the document repository; the workflow processes for holder reports, claim processing, audit and compliance activities, and general correspondence; and all support applications necessary to integrate with UPS 2000, the Unclaimed Property data management system used by the division.

In early 2008, workflows were constructed and support applications developed using Microsoft VB.Net and Documentum WorkflowXtender Process Builder. Unit and Alpha Testing began in April of 2008, and System and User Acceptance Testing started in late May of 2008. At the same time development and testing were under way, over 3.75 million pages of documents were converted from various formats into TIFF files, indexed, evaluated, and loaded into the document repository. In July 2008, custom training on the new system was provided to all users, beginning with general system use, and was followed by training on specific processes. All users received at least six hours of training prior to implementation.

In August 2008, almost one year after commencing the project, the electronic document management system was deployed into full production use. The conversion of all remaining documents was completed in October of 2008. The project cost the Department of the State Treasurer approximately \$1 million in both internal and external expenditures for analysis and development services, infrastructure, testing and training, as well as document conversion. Including ongoing support for the next five years, the total cost of ownership is projected to be roughly \$1.5 million.

Significance of the Project

At a time when filed claims were on the rise, the implementation of the system made possible efficiency gains that would not be available in a paper-based processing system. The implementation of the system also greatly mitigated the risk of retaining volumes of paper files and degrading microfilm with no available recovery in the event of a disaster. Within our IT organization, this project was significant because it was one of the first to be managed to new project management guidelines established by the CIO of the State of North Carolina. It also provided opportunities for joint application development between DTI developers and Dept. of the State Treasurer developers, allowing for the department to play a greater role in ongoing support of the system and reducing the overall cost of ownership for the life of the system.

Benefits of the Project

As a project, the implementation of the system was highly successful. Only three minor defects were reported in the system post-production, and the project was completed on time and within budget.

The electronic workflow system has allowed for greater management control of the claim process. Reports on processing performance have allowed management to effectively monitor a performance-based contract of the outsourcing of claim processing. These reports have also been used by management to identify when personnel action is required; because the system can report when claims are rejected by QA reviewers, personnel with inconsistencies in claim processing can be identified easily and re-trained as appropriate.

As stated earlier, through the use of electronic documents, the department is no longer exposed to the risks involved in an unrecoverable loss of records due to fire or other disaster. The transfer of paper and microfilm to electronic format has also freed up office space because microfilm readers and filing cabinets could be removed from the office.

In 2008, the Unclaimed Property Division experienced the highest claim volume in years. For the 18 months prior to the implementation of the system, the Unclaimed Property Division received about 2,500 claims each month; since August of 2007, the division has received an average of 3,800 claims each month, a 50% increase. In the initial analysis of the imaging and workflow system, it was hypothesized that increases in efficiency would permit the processing of more claims without a need for additional staff. Unfortunately, the increase in claims far exceeded projected values and efficiency gains by the system, and since additional staff was not acquired, the processing time for claims increased. Despite this increase, the efficiency gains provided by the electronic system served to minimize the negative impact to processing time and allow the division to effectively manage far more open property claims than they ever experienced before.