



Title: Corporations Online Filing System

Category: Digital government: Government to Business

State: Michigan

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Executive Summary

The Governor of the State of Michigan, Rick Snyder, has pledged to reinvent Michigan by creating more and better jobs and revamping government focus on providing excellent service to its constituents. The Governor's Office is looking to the Department of Technology, Management and Budget (DTMB) to leverage Information Technology in our reinvention process. Modernizing our legacy applications with innovative technology provides efficiencies in direct labor costs, streamlining business processes and allows business utilizing these systems to convert those efficiencies into improved services to our state citizens.

The Corporations Division is a part of the Corporations, Securities and Commercial Licensing Bureau (CSCL) with the Michigan Department of Licensing and Regulatory Affairs (LARA). The Corporations Division is charged with promoting economic development and growth by facilitating the formation and development of business entities in the State of Michigan.

CSCL engaged DTMB to modernize their current legacy filing system. Through an interlocal agreement between the Governors of the State of Michigan and the Commonwealth of Massachusetts, the State of Michigan purchased software developed by the Commonwealth of Massachusetts, called the Business Entities Electronic Filing and Imaging System. CSCL and DTMB then collaborated with the Lochbridge Corporation to upgrade the Massachusetts software for use in Michigan.

The State of Michigan launched the new online filing system October 30, 2017. The new system, called the Corporations Online Filing System (COFS), dramatically improved the services and functionality provided by the Corporations Division's filing system and more importantly added new online functionality to better serve our business community.

COFS allows businesses to submit documents and annual filings online, pay filing fees electronically, and order certificates and certified copies online. The availability of online submissions substantially reduces the amount of paperwork and manual check payment processing previously handled by the Division, consequently generating faster results for business entities and customers.

Additionally, COFS provides expanded search functionality. Customers are able to search the Corporations Division's database by individual name; search trademark, service mark, and insignia records; search rejected submissions; and, search the Corporations Division's Card Files, which contains the record of business entities that were dissolved prior to January 1, 1978.

These changes have culminated into a system that has increased the efficiencies of the State of Michigan staff, making support of the businesses in the State more streamline and timely. In turn, business entities are finding it easier to work with the State of Michigan to expand their business, meeting one of the Governor's goal to reinvent Michigan.

Concept

The Michigan Corporations Database (legacy) housed approximately 2 million entity records and over 13 million images. In fiscal year 2016/2017 CSCL filed 176,175 documents alone and processed 26,194 expedited requests. This legacy system was in dire need of modernization. The back-end data structure and IT architecture were at a high risk of failure, utilized unsupported technologies and was incapable of sustaining the growth, stability, and consistency expected of a State agency in the public trust.

Furthermore, the legacy application did not include online filing. Rather, customers were burdened with a cumbersome process that required them to send documents via fax or email which were then sent, with any attachments, to a fax server. Customers were also limited by what they could submit via fax by page count and other restrictions. Corporations Division staff used an outdated, unsupported technology-based application to process and file the documents.

Outdated Technology

The existing technology was paper based and required significant data entry by staff. Further, with the legacy system the Division's Business Entity Search site (one of the highest hit websites within the State of Michigan with over 20 million-page views a year) provided not only an outdated but also limited online view of an entity's record. The system, also, consistently experienced interruptions in service due to the age and volatility of the system.

The rigors of using the legacy system were troublesome for; the businesses to expand and grow their service and for the Corporations Division to provide support to those businesses. Corporations were burdened with many manual processes that caused delays and errors in handling issues for the business community. To facilitate the business growth in Michigan and to meet the Governor's vision of reinvention it was paramount for the State of Michigan to address the shortcomings of the one system in Michigan that every business in Michigan utilizes.

Significance

The State of Michigan and Lochbridge made many improvements to the system that was purchased from the Commonwealth of Massachusetts. Over 90% of the purchased code was updated and improved upon. The following details some of those improvements:

Online Document Submission

Currently, COFS provides for 38 of the Corporations Division's most used and high-volume forms to be completed and submitted online. Fees may be paid by Visa, MasterCard, or Discover. Users may also establish an "Account on File," which provides the ability to pay fees without repeatedly entering payment data.

Certificates and Copies Order System

COFS allows certificates and certified copies of documents to be requested by completing an online form and paying the applicable fee using the payment options mentioned above. Customers may choose

to have certificates and certified copies returned to them by email or mail. Orders for a Certificate of Good Standing will be automatically fulfilled by COFS. This means that if customers order a Certificate of Good Standing to be returned via email, then the Certificate of Good Standing will be delivered to their email inbox a few minutes after paying for the order. In total, customers are able to order more than 25 different types of certificates through COFS.

Rejected Filings Search

If a document that was submitted to the Corporations Division cannot be filed, and it was submitted by mail or in-person, then the submission will be returned via U.S. mail to the individual or entity that submitted the document. Correspondence will accompany the document indicating the corrections that need to be made.

If a document that was submitted to the Corporation Division cannot be filed, and it was submitted online, then an email will be sent to the individual or entity that submitted the document indicating the corrections that need to be made and the procedure to correct the submission.

Historic Card File Search

The Corporations Division established its first electronic database in 1979. Prior to 1979, the Corporations Division kept a manual record of corporate activity on index cards. Filed documents for “Out” corporations (inactive, dissolved, withdrawn) were sent to the State Record Center, and the annual reports were transferred to the State Archives after 20 years.

When COFS was implemented, the image of the scanned card became available by searching the Card File Search with the name of the entity. The Card File Search website is available at www.michigan.gov/corpcardsearch and contains approximately 65,000 scanned cards.

Marks & Insignia Search

The Marks & Insignia Search provides the ability to search the Corporations Division’s records of trademarks, service marks, and insignias. There are five types of searches that you can perform: ID Number, Mark, Mark Description, Insignia, and Registrant. The system uses two search methods to return results: “contains anywhere” which is similar to a keyword search and “begins with” which means that the information entered must reflect the beginning of a word. If you would like to further restrict your search, you may search for marks and insignia that were registered during a specific date range, first used in Michigan during a certain date range, or limited to a specific class of goods or services, as established by MCL 429.40.

The search results page allows you to navigate to a specific registration and view a summary of the details regarding the trademark, service mark, or insignia. From this page, you may view images of filed documents for that particular mark or insignia. Images of filed documents will be rendered in an Adobe Portable Document Format (PDF), and images can be saved or printed from the website.

Email Subscription Service

COFS provides an email subscription service which allows you to subscribe to electronically receive notification of business entity record updates and official communications from the Corporations Division. Individuals may subscribe and set-up their User Profile to receive an email notification that is automatically sent whenever the Corporations Division files a document for a specific business entity or entities. This option can be used as a tool to confirm that the Corporations Division has filed a document that was submitted, as well as a tool to protect against business identity theft. This setting can be managed on the User Profile Update Page.

Eight Additional New Forms Available for Online Submission

The State of Michigan developed eight new forms able to be completed online by business customers. Notable among these are the Certificates of Restorations for Foreign and Domestic LLCs and PLLCs to restore their status to Good Standing. In the legacy system Certificates of Restoration could not be filed online. Since implementation of the new system we have filed 1,684 Certificates of Restoration and the over 10,000 annual statements that accompany them. Of those over 74% were filed online.

Automatic Approval of Annual Statements

The State of Michigan created a batch process to automatically approve Annual Statements for limited liability companies and professional limited liability companies that were submitted online. The system was designed to have sufficient data validations and required fields so that the annual statements can be filed after submission. The batch process runs nightly so as not to interrupt business hours.

In late October through early November of 2017, the State of Michigan mailed 511,187 Annual Statements for LLC/PLLCs. As of May, 2018, the Corporations Division had received 142,654 annual statements via the online filing system. The automatic approval batch process allows the filed image to be created, added to the record, and emailed to the submitter without Corporations Division staff intervention whatsoever. We determined that it took approximately 90 seconds for our staff to approve the annual statements filed online. Given the number of statements filed online, as of May, 2018, it is determined that this saved over 3,600 hours of staff time.

Eliminating Data Entry for Annual Statements Filed by Paper

The State of Michigan utilized the existing bar code on the Annual Statements, embedding into it data including the entity ID and filing year which also drives payment information. Consequently, in the instance where the business user indicates "No Changes" on the statements they can now be scanned, and the data driven directly to the database therefore no longer requiring manual entry by staff. As of May, 2018, the State of Michigan filed almost 40,000 of these paper annual statements automatically. It was determined that it took approximately 120 seconds for the State of Michigan staff to process and approve the paper annual statements. The automation has saved approximately 1,400 hours of staff time. This number will continue to increase as more of the paper statements come in via mail and are scanned.

Electronic Delivery of Certified Copies

The purchased system did not provide the ability for certified copies of filed documents to be returned to customers electronically. The system only allowed for paper copies to be generated for mailing to customers.

A significant enhancement was made to the purchased system so that customers may submit requests for certified copies by completing an online order form, select that the certified copy is returned to them via email, and pay the applicable fee. Upon approval by Corporations Division staff, COFS automatically sends an email to the customer that includes the certified copy as a PDF attachment and payment receipt as a PDF attachment. As of May, 2018, the State of Michigan fulfilled a total of 10,487 orders for certified copies and over 81% of those were delivered electronically via email.

Automatic Creation and Delivery of Certificates of Good Standing

Certificates of Good Standing are by far the most highly requested certificate. The purchased system did not have the ability to automatically create and electronically return online requests for Certificates of Good Standing.

A major enhancement was made to the purchased system so that customers may submit requests for Certificates of Good Standing by completing an online order form, select that the certificate is returned to them via email, and pay the applicable fee. Upon receipt, the system verifies the status of the entity one final time and then COFS automatically sends an email to the customer that includes the Certificate of Good Standing as a PDF attachment and payment receipt as a PDF attachment.

Customers can receive Certificates of Good Standing within five minutes of submitting their request. Also, customers are able to receive Certificates of Good Standing outside of normal business hours which provides further flexibility to meet their needs. As of May, 2018, the State of Michigan have provided 21,378 Certificates of Good Standing online.

Internal Order System for Certified Copies, Uncertified Copies, and Certificates

A very sizeable enhancement was made to the purchased system to allow an internal order form to be completed by Corporations Division's staff in order to not only document the customer's order and provide reportable metrics, but also allow for the system to automatically return the order to the customer electronically upon approval by staff. As of May, 2018, the State of Michigan have processed 23,779 orders.

Impact

Since implementing the Corporations Online Filing System (COFS) on October 30, 2017, the State of Michigan have observed a measurable impact.

The State of Michigan have received 117,585 documents and have processed 109,574, almost 23,325 more documents than were received over the same period in 2016-17.

The State of Michigan have received 340,158 annual statements and have filed 333,681, of those 142,654 were filed online. This number surpassed the 129,859 statements filed online during 2017 over the same period while on the legacy system.

The State of Michigan have received and processed 21,378 certificates of good standing online; a functionality previously unavailable.

The State of Michigan have processed 23,779 orders utilizing a functionality that previously did not exist in the Massachusetts system.

The State of Michigan has fulfilled a total of 10,487 orders for certified copies and over 81% of those were delivered electronically via email, a functionality that previously did not exist in the Massachusetts system.

Since implementing the new system, over 74% of the Certificates of Restoration were submitted online. This functionality did not previously exist in the legacy system.

In eliminating the following manual steps, the Corporations Division has saved approximately 5,800 hours equating to 16% of total man-hours over the last 6 months.

- Eliminating data entry for annual statements filed by paper saved approximately 2,900 hours of staff time.
- Eliminating the manual approval step for annual statements filed online saved approximately 1,900 hours of staff time.
- Eliminating the manual approve step for annual reports filed online this saved approximately 1000 hours of staff time.

The added automation and reduction of manual steps has realized a reduction of approximately 10,000 man-hours over the 6-month period that this system has been in place. This equates to a yearly savings of close to 20,000 man-hours (close to 5 full time employees) and approximately \$500,000 in savings.

The COFS application contains multiple elements in support of innovative use of current technologies. In addition to the many advancements of business process improvements, the system itself is built on the State of Michigan's Next Generation Digital Infrastructure (NGDI). This private cloud is a scalable collection of integrated technologies built on state-of-the-art compute, storage, network and data protection platforms. NGDI provides standardized, highly resilient services that can be tailored to a customer's specific needs. From mission-critical applications to development environments, NGDI enables customers to deploy complete application environments quickly and cost-effectively, while ensuring availability and compliance needs are continuously satisfied.

COFS is a great example of the State of Michigan taking innovative steps (inter-local agreements, collaboration with local partners (Lochbridge) and leveraging state-of-the-art technologies (NGDI)) to provide innovative business processes to the business community. This approach has allowed over 800,000 businesses within the State of Michigan to be efficient and effective in conducting their business which is a benefit to all citizens of Michigan and is in line with the Governor's initiative to reinvent Michigan!

Michigan believes the COFS application is a worthy candidate for consideration in the Digital Government: Government to Business category.