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Modernizing Collections in Government: Innovation that works for the Taxpayer

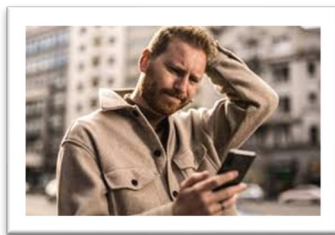
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Contact:	Kimberly Koppsch-Woods State of Michigan Department of Technology, Management & Budget (DTMB) Koppsch-WoodsK@michigan.gov

EXECUTIVE SUMMARY

Taxes collected in Michigan are part of the backbone of funding for critical state and local services. Outstanding balances are referred to as collections. Debt collection requires up-to-date information and the ability for taxpayer self-service to resolve debt. Michigan successfully completed a project called “MiTreas Modernization” to modernize and consolidate the state’s four systems administering debt resulting in technical debt remediation, replacement of end-of-life technology, and improved end user experience by expanding capabilities and services to Michigan workers and taxpayers, all while ensuring data privacy and security. This project set the stage for continued improvements and modern self-service functionality.

IDEA

What problem or opportunity does the project address?

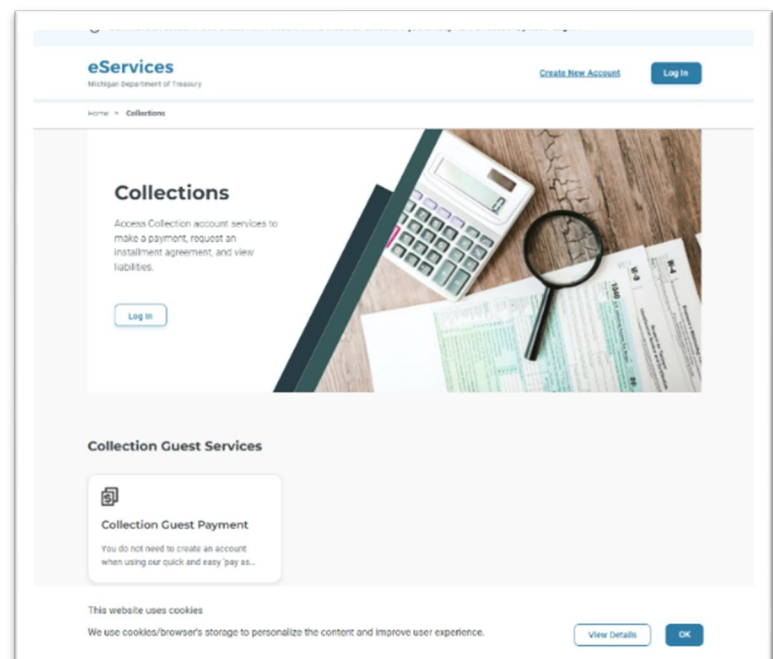


Meet Tyler. Tyler was unable to pay his Michigan state income tax by the deadline, and as a result, his balance was referred to Collections. Due to his demanding work schedule, he was unable to call during business hours and preferred to use an online option to set up a payment plan. Unfortunately, that option was not available, and he was required to call the busy contact center instead. He wished there had been an easier way to resolve his balance.

The challenges experienced by Tyler go to the heart of Treasury’s mission to provide fair and efficient financial services on behalf of taxpayers, governments, students, and all Michiganders for the long-term fiscal health and stability of Michigan. Taxes collected are part of the backbone of funding for critical state and local services. Treasury’s Collection Services Bureau (CSB) is responsible for the collection of all past due state tax accounts for the State of Michigan (SOM). Approximately 700,000 business, individual and non-tax assessments which are used to fulfill Treasury’s mission. The CSB also collects debt on behalf of other State agencies, delinquent federal taxes, and court-ordered wage garnishments.

Why does it matter?

The technology used to process these debts was aged with system limitations unable to adapt to business and taxpayer needs. Staff administering collections activities and responding to taxpayer inquiries had to rely on multiple systems where data was not always synchronized or current. These issues, compounded by a lack of technology staff with needed skills in aged technology and exponential increases in costs, hindered Treasury’s ability to complete one of its core missions. Additionally, except for making payments, taxpayers were unable to quickly access their collections accounts.



What makes it different?

The Michigan Department of Treasury and Michigan Department of Management & Budget (DTMB) collaborated on a plan to address these issues. The new technology solution was needed to meet the following project objectives which were aligned with Treasury business goals and SOM information technology goals:

1. Enhance Customer Service: Provide a complete view of taxpayer data and expand online services.
2. Improve Staff Efficiency: Improve efficiency through a user-friendly system, intuitive user interface and automation to help staff work more effectively.
3. Break Down Silos: Improve collaboration and streamline processes.
4. Stronger Reporting and Data Analytics: Enhance reporting and data use to improve tax operations.
5. Support Department Culture: Promote flexibility, innovation, and continuous improvement to align with tax administration best practices.
6. Enhance Security: Strengthen the ability to safeguard taxpayer data.
7. Technology Modernization: Retire the mainframe system supporting GAL and Collections functions.

Strategically, this solution aligns with Treasury's goal to implement secure and efficient processes and technology solutions to ensure accurate Treasury data by modernizing four legacy IT systems within the SAP Enterprise Resource Planning solution. The solution also drove efficiencies to meet Treasury's goal to define and improve customer service for all customers, impacting the consolidation and collaboration of Treasury Debt Collections services. To meet this goal, Michigan taxpayers are provided financial empowerment resources and tools improving service delivery through taxpayer facing interactive tools and real time solutions. Architecturally sound, this solution supported Michigan's information technology strategic initiatives of cloud smart, providing a sound digital experience, and a zero-trust security posture.

The new technology would consolidate four systems used to administer and collect debt: Michigan Accounts Receivable Collection System (MARCS), State Treasury Accounts Receivable System (STAR), Bankruptcy Claim Pro (BCP), and Garnishment and Levy System (GAL). The Enterprise Resource Planning solution SAP was selected to bring these core business functions together under one integrated platform. Treasury also leveraged SAP for administering Michigan business taxes and would share infrastructure and some licensing to reduce costs.

What makes it universal?

SAP's functionality provided flexibility to connect other core technologies through interfaces, reducing dependency on monolithic applications. SAP's modern security posture would also improve the security and privacy of constituent data while expanding constituent self-services through Collections electronic services (eServices).

IMPLEMENTATION

How does this project fit into an enterprise view?

Strategically, this solution aligns with Treasury's goals to coordinate and provide financial empowerment resources and tools for Michiganders, and provide superior service delivery with security digital

experiences. Also, Michigan’s information technology strategic initiatives lean towards being cloud smart, providing a sound digital experience, and a zero trust security posture.

What was the roadmap?

The project used a waterfall approach due to the cutover activities that were required. The implementation plan included one large, big bang cutover with the majority of functionality. A second release was planned to include reporting functionality.

Who was involved?

A strong and clear project governance structure was established with multiple workstreams running concurrently. This was critical to ensure quick resolution of risks, issues, and changes.

Involving over 100 interfaces, the implementation of this solution required a large, collaborative, and coordinated effort with Treasury, DTMB, SAP, Deloitte, other State agencies and their key systems, external stakeholders such as the federal Department of Treasury, and State Courts.

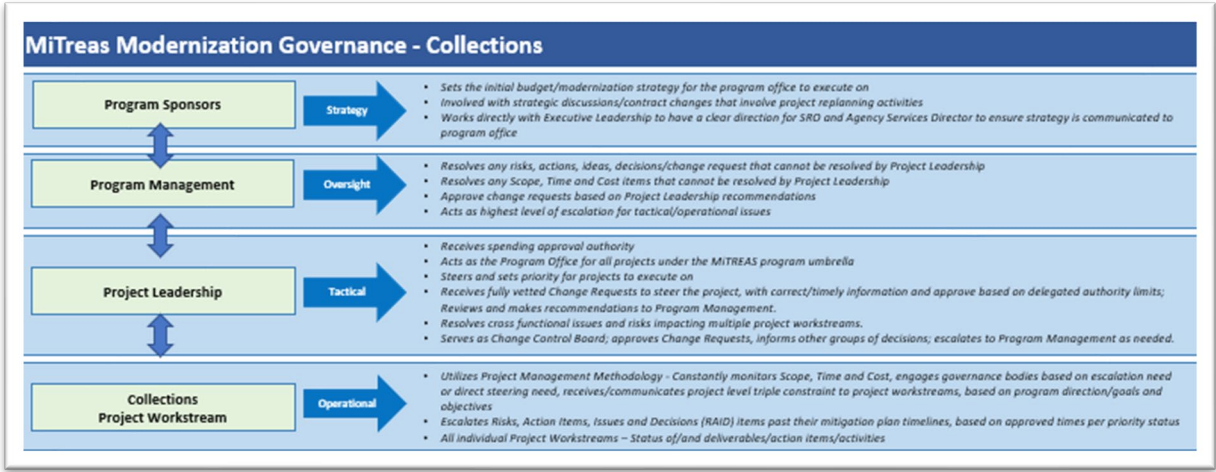


Figure 1: MiTreas Modernization Project Governance

Representatives from Treasury, DTMB, and the SAP implementer were required to work together as the single points of contact for their areas. Below is the governance model that was utilized for this project.

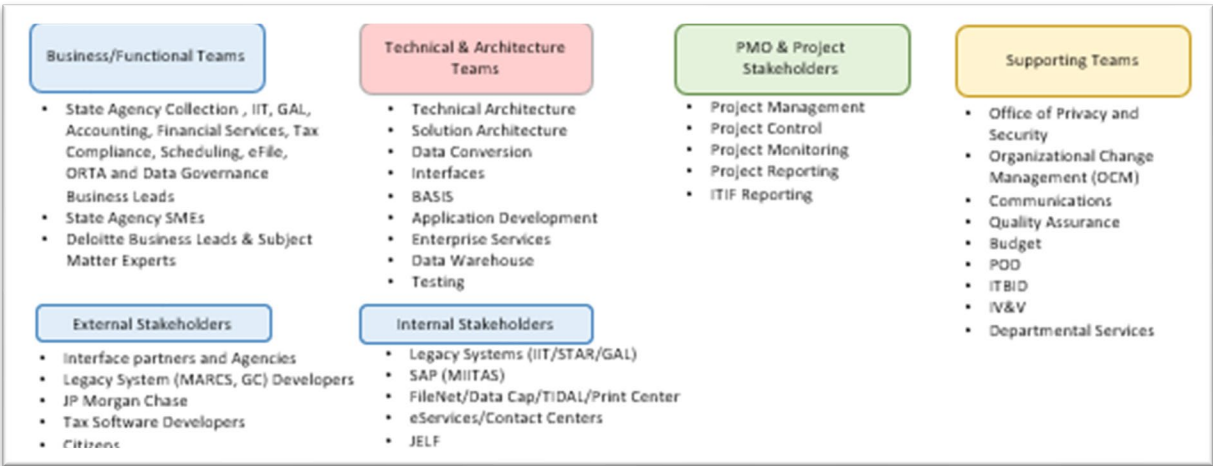


Figure 2: Workstreams in MiTreas Modernization Project Governance

How did you do it?

The MiTreas project, also known as S/4, utilizes an instance of the S4/HANA application within the Treasury SAP common landscape. It leverages SAP HANA as its database and multiple other components of the Treasury SAP landscape, such as SAP Process Orchestration for interface and integration scenarios with other applications, SAP GRC for access management, logging and access analysis. SAP Fiori runs the Debtor360 application for internal Treasury Collections users. The public-facing Commerce/Hybris eServices landscape allows debtors to access and update information as well as make payments through an eService portal. eServices will redirect debtors to the state's payment provider to make payments.

Reporting dashboards were designed in the SAP Analytics Cloud application offering the latest in dashboard capabilities and providing more capability for the administrative analysis of the Collections operational state. Several existing components were reused to reduce overall infrastructure complexity and minimize implementation costs, including SAP Processing Orchestration for cross-application integration and SAP GRC for end user provisioning, separation of duties, and audit logging.

The technical solution integrates with other enterprise solutions such as DataCap, FileNet, NICE, and the State's end user authentication, MiLogin.

To taxpayers like Tyler, eServices is an important new self-service functionality to help him make payments, upload documents, receive communication, and enter into repayment agreements.

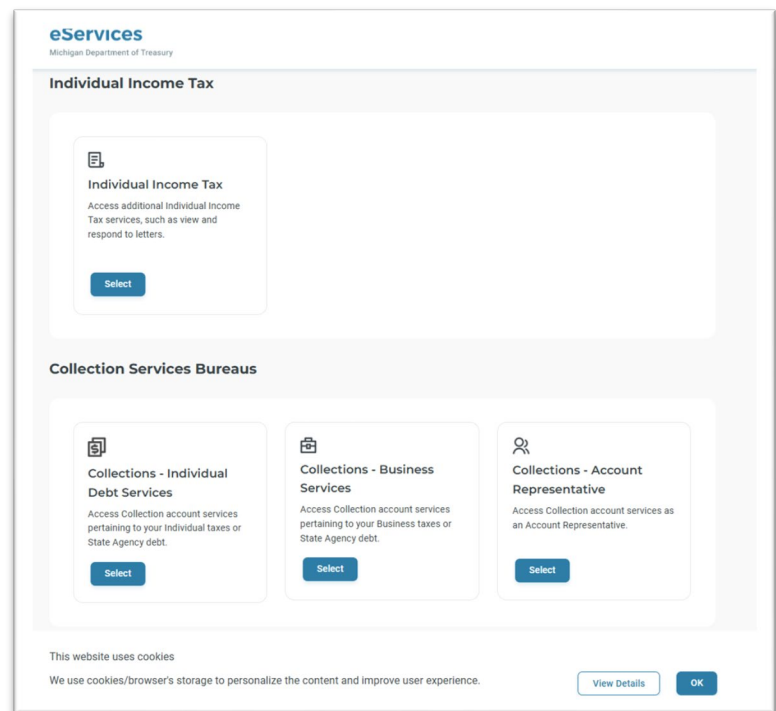
To support project implementation, the State Information Technology Information Fund awarded funds for the modernization project.

IMPACT

What did the project make better?

Below are project results:

- Four solutions were consolidated into one allowing Treasury staff to rely on one solution for up-to-date Collections information.
- eServices were enhanced to provide additional services for taxpayers to make it easier to pay past due debts, upload documentation, view letters, and create and maintain payment agreements without having to call the contact center.
- Mainframe functionality was reduced.
- A hosting location was decommissioned.
- A collections services contract was revised to provide modified collections services, providing a more holistic and cohesive approach to managing work and enhancing customer service.
- The use of text messaging has increased the ability to reach taxpayers who wish to resolve their tax debt.



How do you know?

Success has been measured through staff feedback and metrics. Below are a few comments from staff:

“I am happy for the Collections team in that they no longer need multiple systems to perform their work. I like how posting payments is similar to how we post other taxing area payments in SAP – so some familiarity is nice.”

“S/4 is pretty user friendly. So even in the short time we have been practicing in S/4, it’s been easy to navigate.”

“I believe that once end users have become fully trained on S/4 and have become familiar/comfortable with using it, it will greatly improve their ability to navigate effectively and do their jobs with far greater ease.”

After the implementation of MiTreas, the Collections Services Bureau has seen an increase in collections by 11% since implementation in July 2024, which is a testament to the ease of entering into payment plans.

The Collections Contact Center’s average speed of answer has remained below three minutes during the conversion, training period, and post-conversion to present. This reflects improved access to information, enabling faster call handling, shorter waiting time, and an overall enhanced customer experience. Revisiting Tyler, with the implementation of MiTreas, Tyler would be able to leverage these services to enter into a payment plan and obtain information quickly from the Collections Contact Center to resolve his debt.

What now?

Long term, MiTreas will integrate with the new individual income tax system which is also coming off the mainframe. To support collections workers and constituents, further enhancements are being made between MiTreas and NICE CXOne to enhance and automate the call center experience. Furthermore, the new solution stack provides for a modern solution for Michigan to utilize in depth data analytics and leverage artificial intelligence solutions.