

I. IDENTIFICATION INFORMATION:

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II. GENERAL INFORMATION

Name of Program/Project Nominated: Conversion of Third-Party Filing Nomination
Category: Tools and Technology Month/Year Initiated: 11/2002 Is the nomination for:
statewide program If local, the name of the locality is:

III. RESOURCE

Total Start-Up Costs: Direct: 15000
Fund Source(s): UI
Indirect:

Total On-going Annual Costs: Direct: 1000
Fund Source(s): UI
Indirect:

IV. SYNOPSIS (Narrative Section)

Name of file: d:\inetpub\wwwroot\surveys\SYNOPSIS-Third_Party_Filing.doc

V. CRITERIA INFORMATION (Narrative Section)

Name of file: d:\inetpub\wwwroot\surveys\VEC-THIRD_PARTY_CRITERIA.doc

**VIRGINIA EMPLOYMENT COMMISSION
CONVERSION OF THIRD-PARTY FILING PROJECT
SYNOPSIS**

BASIC SERVICE

The Virginia Employment Commission (VEC) provided third-party processors with the ability to electronically file their quarterly Unemployment Insurance and Payroll Reports and to combine amounts owed from several employers into one check or wire payment.

OUTSTANDING ACCOMPLISHMENT

The creation of a new efficient process that allowed the processing of approximately 16,000 Unemployment Insurance Tax Returns electronically with a minimum of human intervention and a single check of \$2.9 million that paid all of the taxes due for these returns. Several units coordinated their efforts and partnered with Automated Data Processing Incorporated to implement this method. Of the \$15,000 we estimate it cost to implement this new process, \$14,000 represents our internal staff time. Our new process saves man-hours, as well as, \$32,000 annually in banking costs. As more companies move to this method of filing their quarterly reports, our potential for savings increases.

REASON FOR AWARD

This project not only provides our third-party customers with the benefit of a streamlined method of filing and paying unemployment insurance quarterly, but also improves our internal processes by making them much more efficient and cost effective.

**VIRGINIA EMPLOYMENT COMMISSION
CONVERSION OF THIRD-PARTY FILING PROJECT
CRITERIA**

PROJECT BASIS

Over the years, the Virginia Employment Commission (VEC) has received numerous requests from third-party processors or payroll companies to allow them to file Unemployment Insurance (UI) and Payroll Reports for all of their customers electronically. In the past, we did not have a method to allow us to accommodate these requests. Our internal systems and processes required separate reports and payments for each employer.

With the decline of our trust fund and the downturn in the economy, the UI rates increased causing the VEC to face a three-fold increase in the volume of UI tax checks in 2003. This increase represented significant labor cost increases as well as unprecedented increases in banking costs.

PROJECT OPERATION

The VEC has struggled with the desire to implement electronic payment and reports processing for years. In 2001, the VEC formed a team of staff from Cashiers, Information Technology, Tax, Audit, and Tax and Wage Information Processing. The team was formed based on the desire to have representatives from every area, which would be impacted by changes resulting from this project. Gail Battle of Cashiers served as the Team Leader. Other members of the team were Susan Lawson of Tax and Wage Information Processing, Delores Clarkson and Paulette Berberich of Auditing, Vickie Caplan, Hatice Tecuman, Jeff Hamlett, Brian Gayle, Raymond McGugan, and Jay Guy of Information Technology, Otis Dowdy of Tax and Joan Leonard Assistant Director of Finance. The team met regularly and discussed how to overcome various internal system and process obstacles. In addition, this team worked with Automated Data Processing Incorporated (ADP) to modify their quarterly filing and paying of the tax/wage reports for their 15,000+ clients in Virginia. Ten conference calls were conducted with representatives from ADP to discuss the details of the new process and formatting electronic information from their automated systems in an acceptable format for updating our systems. On November 12, 2002, the first live electronic transmission from ADP was accepted and posted to our UI Tax System. It included some 16,000 Unemployment Insurance Tax and Wage reports and a single check for \$2.9 million. The initial run was accurate and by all accounts a complete success. The success of this project reflects the synergy of the team as well as Ms. Battle's leadership in ensuring all concerns were heard, discussed and resolved.

USE OF AWARD FUNDS

We will use the \$25,000 award moneys to defray the cost of expanding this process to other large employers. Third party processors are interested in being able to electronically file their reports using other media, such as compact disks and file transfer protocol. Additional software and programming will be needed to enable us to accept a variety of electronic filing options. We are also looking into the possibility of accepting other forms of payment.

PROJECT RESULTS

The team worked with ADP to modify their quarterly filing and payment of the Unemployment Insurance Tax and Payroll Reports for their 15,000+ employer clients. We were receiving over 15,000 reports and checks from them. ADP has found the new process to be quite beneficial. It saves them preparation, printing, mailing, and banking cost in addition to staff time. We are currently working to implement this process for several other payroll companies. In addition, we have an “on the shelf” tested format to market to other third-party service providers and employers.

The new process has tremendous potential to further reduce our operating cost. At the agency, these 16,000 items needed to be batched, microfilmed, keyed into our automated system, and deposited. As a result of our combined efforts, we now receive one magnetic tape, which transmits both the tax and payroll data. It is read into our automated systems and nothing needs to be keyed or microfilmed. The single check is deposited. This new process saves man-hours in our Cashiers, Central Records, Auditing and Tax and Information Processing units. At more than \$.50 per item, the annual savings in bank costs alone are approximately \$32,000, with the potential to save \$80,000 in processing reports and checks from third-party processors.