EXECUTIVE OFFICE OF THE PRESIDENT
OF THE UNITED STATES

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PRESIDENT'S MANAGEMENT ADVISORY BOARD

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MINUTES

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FRIDAY
SEPTEMBER 7, 2012

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      The Board met telephonically at 12:30 p.m. Eastern
Daylight Time, Jeff Zients, Chair, presiding.

PRESENT
JEFF ZIENTS, Chair
GREG BROWN
DEBRA LEE
GAIL McGOVERN
ENRIQUE SALEM
LIZ SMITH
RON WILLIAMS

ALSO PRESENT

JOSEPH JORDAN, Administrator for the Office of Federal
Procurement Policy, OMB
DAN TANGHERLINI, Administrator, GSA
DANNY WERFEL, OMB Controller
SCOTT WINSLOW, PMAB Director, Designated Federal Official

Welcome and Introduction

Mr Winslow called the meeting to order at 12:38 p.m.
Eastern Daylight Time. He said an audio file record of the
teleconference would be posted to the PMAB's website,
hosted at whitehouse.gov. The purpose of the meeting was
to allow the Subcommittees to present progress reports on
their work, as well as their recommendations for discussion
and approval. The Strategic Sourcing Subcommittee is
working to improve usage of strategic sourcing inside the
federal government. The Improper Payments Subcommittee is
working to reduce the level of improper payments made by
the federal government. Over the course of the year, the
Subcommittees have been holding conversations with members
of the federal government to understand the full range of
challenges in those areas.

Chair Zients said, following adoption of the
Subcommittees' recommendations, there will be a lot of work
to do in preparation for the October 12 meeting of the
Board in Washington, D.C.

Strategic Sourcing Subcommittee Recommendations and Discussion

Member Williams thanked his fellow Subcommittee members
for their hard work in this undertaking. The
Subcommittee's work began with conversations with deputy
secretaries, acquisition officers and staff to understand
the challenges they face in sourcing. These include:
 - A significant deficit in data and information on which
to base decisions
 - Misalignment of incentives to encourage program goals
 - Sub-optimal cross-agency and government-wide
collaboration.

Some goals of the Subcommittee are to ensure that the
government can issue clear policy guidance, that the
forthcoming recommendations would result in greater
utilization of strategic sourcing, and that an appropriate
governance structure would be implemented, complete with
the right accountability mechanisms. Also, the

Subcommittee looked at centralized knowledge management tools to ascertain that they made sense, would provide the needed data, would support implementation, and would capture the savings that could come forward from the program. Lastly, the Subcommittee intends the development of a strategic sourcing "playbook" which would share best practices while allowing opportunity for creativity, appropriate targeting and adaptation for the various agencies.

The Subcommittee recommends the following:

1. Ensure that government-wide policy directives include the following key attributes:
- Mandate the use of government-wide strategic sourcing vehicles where appropriate
- Set ambitious, government-wide goals for creation and adoption of vehicles
- Assign accountable senior official within each agency

"Where appropriate" can be the loophole through which everyone rushes. Government-wide buy-in is the goal and accountability measures must be put in place to ensure participation. To that end, ambitious goals for creation and adoption must be set.

2. Enhance data collection and utilization in the decision-making process
- Determine the right level of data needed for effective analysis and conclusions
- Consider the use of requests for information on cost data from the vendors as a pre-requisite to solicitations
- Develop and employ standardized performance tracking and reporting

Data analysis should be effectively analyzed to promote proper action. Vendors to the government often have a better holistic view of all government transactions than do the individual agencies. All agencies must be judged on the same basis in order to assess and track performance.

3. Design an effective communication strategy to ensure that the message is understood at all levels of the

organization
  - Syndicate the message top-down and bottom-up through
both written communication and collaborative events (e.g.
town hall, video conferences) and validate that the message
was properly received
  - Celebrate all successes, even the small ones, early and
often
  - Engage agency's senior-most leaders by highlighting
progress through the President's Management Council

Member McGovern said the strong language of the
recommendations is the result of a conscious decision by
the Subcommittee. "The less you can make optional, the
stronger the results."
Mr Jordan said the recommendations are a good synthesis
of what his team heard during its interactions with the
Subcommittee. He and Mr Tangherlini are excited to partner
on this effort, moving quickly and achieving significant
impacts.
Several members of the Board supported the strong
language of the mandate. Member Williams said that
strategic sourcing, in addition to realizing savings, often
has the salutary effect of improving quality. Substantial
savings are available. Members Brown and Smith agreed with
these points.

**Improper Payments Subcommittee Recommendations and
Discussion**

Member Salem said federal improper payments in FY2011
totaled $115 billion. Progress has been made in this area
over previous years. A mandate to save $50 billion on
improper payments has so far yielded about $20 billion,
mostly from Medicare and Medicaid payments. These two
programs constitute 55% of improper payments; 13.7% come
from federal unemployment insurance (UI) programs.
The Subcommittee's recommendations are as follows:
  - **Focus and prioritize on a subset of the government-
wide improper payments challenges and develop pilot
approaches on topics that address root causes of improper
payments**

- Establish effective governance and oversight structures to create a strong "tone at the top"
- Establish meaningful incentives and deterrents at the organizational and individual level, which could include contingency-based incentives for third parties, incentives for whistleblower hotlines, and recognition of internal control best practices
- Develop a communications plan to ensure all stakeholders understand their responsibilities for deterring improper payment error and fraud
- Analyze relative risk among different types of programs and payment activities, and tailor actions based on the highest value opportunities
- Create a dedicated team of internal and external specialists in fraud prevention and detection. Use of third party experts in areas such as forensic auditing, database/analytic research, and error/fraud audits can be very valuable
- Centralize data and use real time analytics in order to take timely action while information is hot

The Subcommittee's recommendation of a DOL Center of Excellence on UI improper payments, as well as further utilization of Treasury's Do Not Pay Initiative should advance the goal of substantially reducing improper payments.

A Subcommittee visit to Aetna provided lessons in reducing improper payments. "Tone at the top" is important. Federal organizations must understand what needs to be done in order to reduce improper payments. Mr Werfel was struck during the course of the visit by how well business leaders there understood the bottom-line metrics used and the accountability enforced with respect to these metrics. Management set clear performance objectives and data solutions emerged.

The private sector is perhaps better at tying incentives to employee performance in this area than is the public sector. Incentive structures in state UI programs are misaligned with program goals. To correct this the Subcommittee recommends several specific next steps with respect to UI:

- Identify a small number of states that will serve as "early adopters"
- Work with "early adopters" to:

    Determine responsible offices and individuals within state governments for UI program integrity and their reporting relationships to the Governor

    Identify current and potential new incentives or deterrents in place for reducing UI errors

    Identify examples of new data analytics that would have high ROI for state error reduction efforts

    Solicit ideas and explore early implementation strategy for a shared data architecture among multiple states

    The goal of the government in this area should be to create incentive structures to reduce improper payments and to drive the right level of accountability. Data should be used better than it is currently.

    Member Brown said the Subcommittee's recommendations aim to proceed through four priorities: avoiding, saving, prioritizing and institutionalizing.

    Mr Werfel said the UI pilot is an important first step in tackling the challenges the federal government has in working with states and their several administrations. Improving the incentive structure will have benefits beyond UI, into other state-administered programs.

    Member Brown suggested getting into contact with the former governor of Virginia, Mark Warner, to discuss his management views on reducing improper payments.

    The recommendations of the two Subcommittees were unanimously adopted by the Board.

    Chair Zients said the Board will continue to drive on these efforts, as well as those pertaining to Senior Executive Service and Information Technology, last year's PMAB priorities.

    The meeting was adjourned at 1:15 p.m. Eastern Daylight Time.