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
OCTOBER 12, 2012

The Board met in Room 252 of the Eisenhower Executive Office Building, 1650 Pennsylvania Avenue, NW, Washington, D.C., at 9:00 a.m., Jeff Zients, Chair, presiding.

PRESENT

JEFF ZIENTS, Chair
GREG BROWN
JEFF KINDLER
DEBRA LEE
GAIL McGOVERN
ENRIQUE SALEM
LIZ SMITH

ALSO PRESENT

SCOTT WINSLOW, Designated Federal Officer
JOHN BERRY
DICK GREGG
SETH D. HARRIS
JOSEPH G. JORDAN
BERNARD MAZER
DANIEL PONEMAN
DAN TANGHERLINI
STEVE VANROEKEL
DANNY WERFEL

Chair Zients called the meeting to order at 9:11 a.m.

DFO Winslow said the meeting would be webcast and open to public observation. PMAB chose the two 2012 focus areas at its March meeting: improper payments and strategic sourcing. Recommendations from the Subcommittees formed to address these issues were approved by PMAB on September 7. The date for PMAB's next meeting is not yet set.

Review of Progress on 2011 PMAB Recommendations:

IT Management Issues

Steve VanRoekel provided an update on information technology. He said one of the main differences between the public and private sectors is the feeling of the "greater whole" in private enterprise; often in government, if ROI will not be reinvested into a particular silo, progress will not be made in that effort. The present administration has been working to change that mindset. How to properly incent federal workers is a struggle.

As part of the PMAB initiative on IT, Investment Review Boards (IRBs) and new rules for vendor management were implemented, leading to the launch of PortfolioStat. OMB was tasked to examine agencies with regard to IT investment, especially "looking in the dark corners." Meetings were held with senior representatives from 28 examined agencies to teach agencies how to run IRBs. Early steps have taken the form of commodities consolidation, rationalization of app usage, and others. One of the key elements of success was making sure the IRBs were enterprise-wide and did not focus only on IT. Establishing rigor in valuation models is also important. The role and authority of the agency CIOs must be formalized. PortfolioStats will be conducted annually within the federal government. Gains in productivity and savings are likely underestimated at this point.

One of the main challenges in IT architecture rationalization is "shadow IT." Member Salem said shadow IT exists because users feel they are not getting enough service from the existing capabilities. Move the mindset to one where money is spent to accomplish the agency's mission. Member Smith said perceived lack of customizability is cited to opt out of IT strategies. Department of Interior has created positions titled Vendor Management Officer. Member Kindler said financial goals need to be codified in budget processes, though this does require increased command and control. Mr VanRoekel said steps are being taken in line with this process, giving overseers levers to incent proper behavior. Chair Zients said government leaders have decided to push on strengthening the offices of the

CIOs. Member Brown said illustrative examples need to be communicated across government. "Carrots" include mission-oriented goals and systems improvement. Chair Zients said PortfolioStat, which would not have happened but for PMAB's efforts, is now hardwired in the budget process and will continue.

SES Initiatives

John Berry said the SES training program is up and fully running. The program has three components: immediate onboarding training, "Leading Edge" which focuses on SES career development, and a formal training process occurring over the first 18 months of an SES beginning federal service. This last has been piloted over the past year and formally embedded in the Federal Executive Institute. The SES Development Seminar held on October 11 was a great success, Member Lee providing the keynote address. The next seminar is set for November 8 and will be keynoted by Member Solso.

Mr Berry said the standardized SES appraisal system has been implemented at the ten largest federal agencies. He believes the 2014 goal of 96% implementation can be accomplished in 2013. Chair Zients said the process is embedded and will not be removed going forward, though the real value comes in managers taking the process seriously. Efforts with respect to staff rotation have been focused at the GS-13 to -15 level, as opposed to the SES level. Mr Poneman said the program presented challenges in implementation at DOE but there now seems to be greater cultural acceptance. Mr Berry will continue to seek the feedback of PMAB as efforts continue.

A break was taken between 10:12 a.m. and 10:25 a.m.

Discussion of 2012 PMAB Focus Area: Strategic Sourcing

Joe Jordan outlined the recommendations which the PMAB Subcommittee on Strategic Sourcing had made: ensure that government-wide policy directives include mandatory strategic sourcing vehicles and assign accountable senior officials within agencies, enhance data collection and utilization in the decisionmaking process, and design an effective communication strategy to ensure that the message is understood at all levels of the organization. Rewards are mission-oriented for the workforce and, additionally for the taxpayer, value-driven. Key components of implementation are focusing the effort, creating accountability among senior leadership, and driving aggressive goals. He anticipates his next presentation to the PMAB will feature new programs being stood up, increased adoption of existing programs and increased savings being realized. About $150 billion in spending was identified as "addressable" by

strategic sourcing. Seven federal agencies account for 90% of spending.

Mr Jordan asked how PMAB members allocate realized savings at their organizations; what portion is reinvested in mission and what goes to shareholder dividends, etc. Member Smith said the decision is mission-driven and cognizant of reality; she opposes a percentage-spendback approach. Member McGovern suggested creation of a "warchest" which would dole out monies to worthy projects. Mr Jordan asked how to incent workers to find savings in the absence of monetary incentives. Member Smith suggested making savings part of workers' performance goals. Member Lee suggested making the process competitive while maintaining camaraderie. Member Brown suggested recognition of success, even without a monetary reward, is a very effective tool.

Dan Tangherlini said GSA and OMB have been working together to identify areas ripe for a push to strategic sourcing. He identified five areas of potential commodities savings in FY13: desktop publishing software, wireless service, janitorial/sanitation products, maintenance/repair/operations products, and rental cars, all achieving savings of 5-20% of addressable spend.

Member Salem asked about changing behaviors to realize savings, example: moving to electronic formats and removing print options. Mr Jordan said efforts are being made on several fronts in this area. Mr Tangherlini said mailed Treasury benefit checks will be eliminated in the middle of next year, representing a huge cost reduction. Member McGovern suggested turning teams of young workers toward consumption problems and encouraging them to find solutions. Member Smith suggested publications for new programs be made available on an electronic-only basis.

Mr Tangherlini said a federal prices-paid portal is in development. "We need visibility into how each of us (federal agencies) are acting."

Discussion of 2012 PMAB Focus Area: Improper Payments

Danny Werfel said root causes of improper payments fall along a broad spectrum. Basic errors are still being made. More complex issues like eligibility validation are also in play. Real-time information is often lacking; data analytics may help. A site visit to Aetna helped catalyze the team working on improper payments. Data analytics ought to be integrated into the business line. Government efforts thus far have prioritized Unemployment Insurance (UI) and Treasury's Do Not Pay list. DOL is launching a new state-led effort to address UI errors. Treasury is launching a program to

standardize all disbursement data.

Seth Harris said priorities have been set within UI errors to achieve early wins. Three of the top four causes of UI errors are being addressed; they were chosen to realize the greatest yield. The US DOL has partnered with the New York DOL to establish a UI Integrity Center of Excellence. The Center will identify promising techniques and tools for fraud deterrence in partnership with Do Not Pay, will serve as a clearinghouse for best practices, will deploy information-sharing technologies, and will train staffs on fraud solutions and integrity strategies. The Center will be governed by a steering committee composed of representatives from multiple states, the National Association of State Workforce Agencies (NASWA), and US DOL. Next steps over the next six weeks include finalizing the organizational structure of both the Steering Committee and the Center of Excellence, conducting an organizational assessment in order to staff the Center, and identifying strategies to fully engage all states in the Center's activities. What the Center finds will determine what steps should be taken on a longer time horizon. Statutory limitations prevent direct collection of employment data from employers. Mr Harris hopes PMAB will continue to advise DOL on the formation and governance of the Center's Steering Committee. He envisions an early meeting between DOL, the Center Steering Committee and PMAB members.

With respect to the Do Not Pay list, Dick Gregg said losses may be reduced to any level; it is merely a question of the amount of resources allocated and the overall return on that investment. Do Not Pay is a data-matching service with access to several databases to verify eligibility. Member Salem asked for comment on federal sharing of findings on the Do Not Pay list with states. Mr Werfel said thinking is ongoing regarding how best to provide access to a federal Do Not Pay list which will be beneficial to states. The Center may be helpful in this area. Mr Gregg said Treasury is working to develop new data analytic approaches to assess relative risk level of those identified as suspect through Do Not Pay, as well as working to standardize disbursement data to enable computer matching and trend analysis. Mr Werfel said one of the main challenges going forward is determining what information is most helpful and relevant to provide to the agencies. Member Salem suggested being "anti copies of data"; establish one central repository. Identify appropriate interfaces needed to obtain data. Member McGovern suggested a state-based breakdown of causes of improper payments. Mr Werfel said this is being looked at. Mr Harris said shaming is a very powerful tool in this area and is being utilized. Chair Zients said the return on investment of

reducing improper payments is off the charts. There was general agreement that efforts are on the right track.

PMAB Next Steps

    Mr Winslow said PMAB will meet in early 2013 at a date to be determined. Updates will be provided and discussion sought on the 2012 focus areas. PMAB will also choose focus areas for 2013. Continued involvement of PMAB on 2011 and 2012 focus areas is encouraged.

    The meeting was adjourned at 11:41 a.m.