



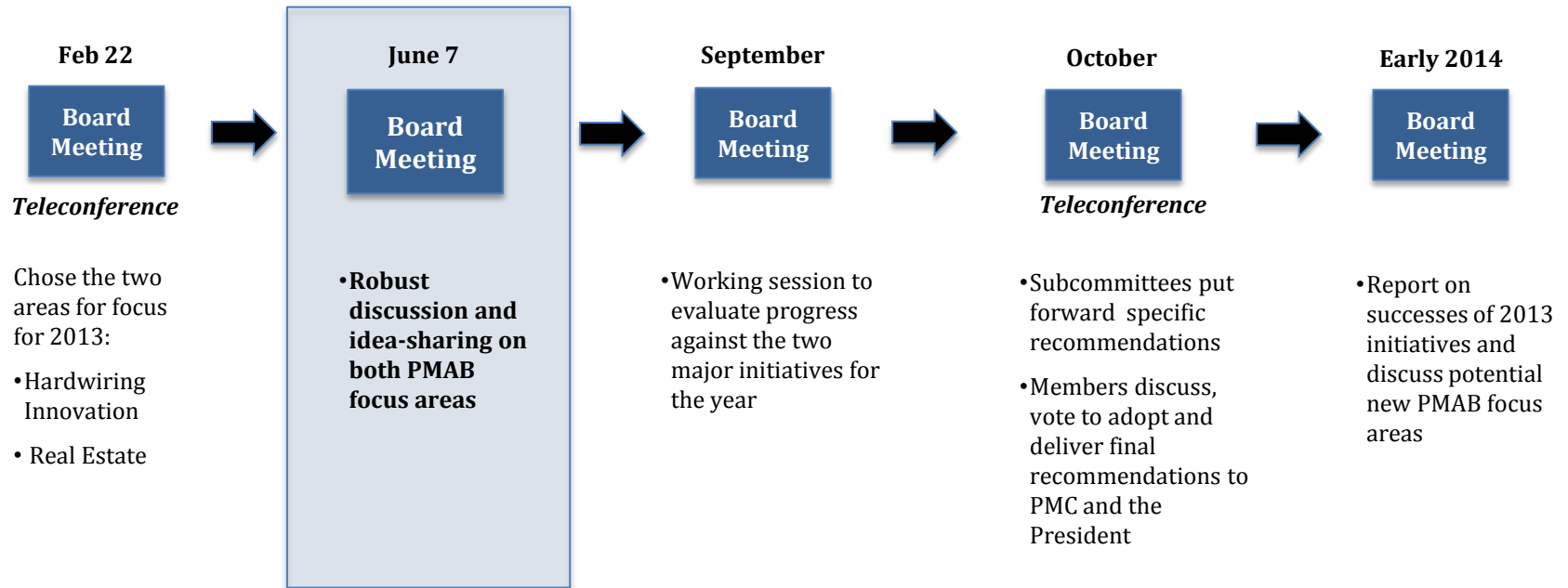
President's Management Advisory Board

Meeting Materials

June 7, 2013



PMAB Meeting Calendar





Today's Agenda

Progress Update on Past Initiatives

- Improper Payments
- Strategic Sourcing

PMAB Areas for Investigation for 2013

- Real Estate Optimization
- Hardwiring Innovation Into the Federal Government

Next Steps



Update on 2012 Initiatives

Improper Payments

Norman Dong
Interim Federal Controller



PMAB and Improper Payments

We have worked with PMAB to answer two overarching questions:

- **What are the corporate best practices in their organizations for addressing error/fraud prevention and detection?**
- **What specific actions should the Federal government consider based on corporate experience in managing improper payments and errors?**

PMAB Input

Prioritize a subset of improper payments

Pilot game-changing approaches; emphasize incentives and governance

Standardize data to lay foundation for more effective matching and analytics

Site visits and discussions provided insight on how data analytics are used to evaluate relative risks and determine highest ROI opportunities



Government Action

Focus on Unemployment Insurance and Do Not Pay

Launch new, state-led model for addressing UI errors (Integrity Center)

Treasury initiates effort to standardize disbursement data

Treasury updating analytics approach for Do Not Pay; lessons-learned to be provided to new UI Integrity Center as more experience is gained



UI Integrity Center of Excellence

Center of Excellence: The US Department of Labor is partnering with the New York Department of Labor to establish a UI Integrity Center of Excellence to develop and implement innovative integrity strategies that can be adopted by all state UI programs.

Center Priorities:

- **Develop data analytics** and predictive modeling methodologies and tools , pilot new strategies and tools that are transferable and expandable to all states
- **Develop a secure alert system** to update states quickly to new fraud schemes
- **Share promising practices** for state integrity activities among states
- **Develop and deliver training** on fraud solutions and integrity strategies to increase staff capacity

Achievements to Date:

- **Steering Committee Established;** three subcommittees driving implementation: *1) Data Analytics , 2) Portals/Information Technology and 3) Training*
- **Strategic Plan and Communications Framework Finalized**



Next Steps

Steps over the next six months:

Starting in June:

- Hire permanent Center staff
- Regularly communicate with the UI system via calls, webinars, and eventually via the communication portal
- Identify state integrity training needs across the UI system

Throughout Summer and Fall 2013:

- Procure contractors for web development services for the fraud/communication portal
- Request proposals for a data analytics/predictive modeling system
- Engage states to select new pilot projects
- Continue collaborating with Do Not Pay initiative to test new data sources



“Do Not Pay” in Brief

As of June 1, 2013 all federal payments, as appropriate, are being checked against Do Not Pay

- All agencies are receiving match reports from Treasury for each enrolled database
- Agencies have begun working to investigate matches
- Agencies are reporting on outcomes monthly

Program Overview

“Do Not Pay” is a centralized data-matching service launched in April 2012 run by the Treasury Department. This service allows Agencies to review multiple databases to determine a recipients’ award or payment eligibility.

Databases reviewed to verify eligibility include:

- **Death Master File**
- **Excluded Parties List System**
- **Debt Check Database**
- **List of Excluded Individuals/Entities**
- **The Work Number**
- **Central Contractor Registration**

Program Challenges

- Balancing information sharing with privacy
- Integrating centralized “Do Not Pay” output into agency workflow
- Creating a forward-looking fraud and improper payment reduction tool



Next Steps

Steps over the next six months:

- By Fall-Winter of 2013, complete drafting of Implementation Guide to assist agencies as they:
 - Expand coverage of Do Not Pay to all parts of the payment lifecycle
 - Shorten cycle times for payment review and adjudication from monthly to real time
 - Collect and refine robust and relevant outcome data on use of Do Not Pay

- Work toward legislative solutions to add new data to Do Not Pay
 - Analysis completed in March showed that timely income data would add significant value



Update on 2012 Initiatives

Strategic Sourcing

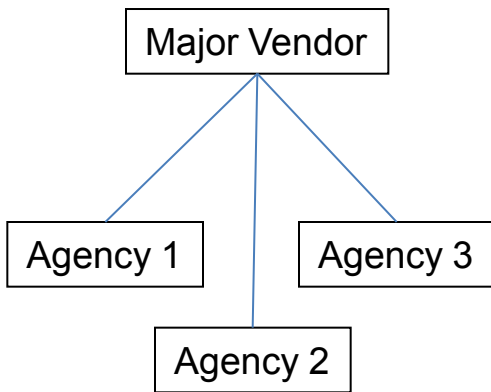
Joe Jordan
Administrator for Federal Procurement Policy



Strategic Sourcing -- 12 Months Ago

ILLUSTRATIVE

Federal procurement is decentralized



With wide variation in pricing for similar items

Monthly cost of unlimited smartphone data plan in same metropolitan area

Agency 1	\$39
Agency 2	\$94
Agency 3	\$120

Which presents a large opportunity for strategic sourcing

Federal procurement spending is over \$500B annually

- 2% decrease in pricing overall would result in ~\$10B in savings

Lack of reliable data also poses challenges



Strategic Sourcing - Today

Overview

PMAB recommendations have been implemented resulting in several government-wide strategic sourcing solutions being developed and deployed.

Outcomes

- Federal Strategic Sourcing Initiative solutions have already saved taxpayers ~\$50M this year in direct savings; additional indirect savings also achieved by reducing contract duplication and associated administrative burden
- GSA has launched new government-wide vehicle for Wireless Rate Plans and Devices
- Pipeline of upcoming solutions includes categories such as: commercial desktop software, information services (e.g., electronic subscriptions), laboratory supplies, Janitorial and Sanitation Supplies, and Maintenance Repair and Operations Supplies
- The Strategic Sourcing Leadership Council is formed and meeting bi-monthly to guide creation and adoption of FSSI vehicles and every agency now has Strategic Sourcing Accountable Official

Government-wide “prices paid” effort

- The Office of Federal Procurement Policy, working with GSA and other agencies, expects to launch a pilot effort this summer to publish the prices paid information for several commodities including Domestic Delivery Services and Office Supplies



Real Estate Optimization

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GSA Acting Administrator

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Optimizing the Federal Real Estate Portfolio

Working assumption: The Federal Government has more real estate (owned and leased) than is needed to carry out its various missions and activities.

- The Federal Government has identified properties that are underutilized or excess;
- Elimination of underutilized or excess properties, and improved utilization in properties where there is a continued Federal need, would result in lower operating costs and improved portfolio performance.

Progress Made, Significant Opportunities Still Exist:

- 1) Refocused on Real Estate Efficiency:** Presidential and OMB memos have emphasized the need to focus on reducing the costs associated with real estate;
- 2) More Than \$8 Billion in Savings Identified in Past Three Years:** Since June 2010, Agencies have consolidated inefficient leases, reduced operating costs, disposed of assets, and improved space utilization;
- 3) Zero-Growth Going Forward:** In March 2013, OMB issued guidance requiring Agencies to develop and implement three-year plans to stop growth in office and warehouse inventory.



Challenges and Opportunity

The Opportunity: Shrinking and maximizing the Federal Government's sprawling real estate portfolio will allow each Agency to realize efficiencies and savings which can be directed toward other mission-critical activities.

Challenges On the Path to Real Estate Optimization

1. **Visibility Into Current Performance:** Limited data into real estate costs and space utilization by agency
2. **Developing a Shared Government-wide Goal:** Difficult to standardize goals for agencies with varied missions; there is a lack of specificity and consensus on performance expectations
3. **Time:** Agencies have a narrow window of opportunity in which to make significant impact on cost (e.g. expiring leases) with limited control of approval timelines, and constraints such as the budget cycle
4. **Cost:** Limited funding available to execute changes in Agency space utilization and disposal of unneeded assets



Current Tactics to Drive Real Estate Efficiency

Align Government-wide Data Collection to Decision-making

- Initiatives underway to examine data collection processes and gather performance metrics to drive government-wide efficiencies.

'Freeze the Footprint' - Restrict Agency Portfolio Growth

- Agencies directed to freeze growth in Federal office and warehouse space. To implement this directive, agencies are required to submit real estate plans and boost internal CFO and real estate office coordination.

Encourage Adoption of Flexible Workforce Management Practices

- Guidelines and examples of Agency success offer models to emulate; however, no means exist to drive increased adoption.

Improve Real Estate Portfolio Planning Process

- GSA is leading comprehensive portfolio assessments with Federal agency clients that seek to identify specific opportunities for real estate portfolio optimization.

Streamline the Federal Real Estate Sales Process

- Legislative proposal to create a non-partisan Board to recommend Real Estate disposal and sales. Recommendations streamlined for approval, similar to BRAC process. Creates a revolving fund to support agency building improvements, co-locations, and consolidations.



Questions for Discussion and Next Steps

Questions for Discussion

- Have you identified and addressed underperforming assets in your real estate portfolio to move your company's mission forward?
- Is Real Estate planning a corporate-wide exercise or is it simply part of each Business Unit's planning process?
- How do you think about the balance between pushing improvement in units that are less advanced versus across the board mandates?
- How do you think about structuring the goal setting process to ensure that you get the buy-in of units to a new corporate goal?

Next Steps

- Meet with corporate real estate managers and staff to discuss private-sector strategies and solutions for efficient real estate management.



Hardwiring Innovation Into the Federal Government

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Challenges to Federal Government Innovation

The Problem: Outside of technical and scientific specialization (NASA, NIH, etc.) Federal government innovation—the ability to undertake and implement new or emerging practices to address challenges and further Agency missions—is growing, but still too rare. When present, innovation is too often incremental.

Workforce With Narrow Range of Experience: Senior career officials have an average of 17 years tenure in the Federal Government; only 8% have worked in more than one Agency

Culture Designed to Encourage Entropy: Only 39% of employees believe that creativity and innovation are rewarded

Risk Intolerance: Very visible failures create an atmosphere of “to not fail, don’t try”

Difficult to Identify Innovative Approaches: Agency silos make it hard to find others working on the same ideas, experimenting with new approaches to similar problems

Statutory and Regulatory Barriers to Innovation: Certain laws limit feedback from customers, employee protections often impede changes to work activities, prohibit financial rewards for innovation



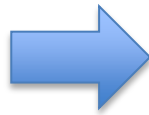
PMAB Observations

We have had conversations with PMAB members to provide them with the background on the government's challenges and to understand the range of experiences among our Board in fostering innovation. The feedback we received can be broadly characterized as follows:

- *It is very difficult to foster innovation across an organization*
- *In the experience of our Board members, the best ways to inspire staff to embrace innovation is to figure out how to structure, evaluate, reward and celebrate innovation; to make it real for Federal employees.*

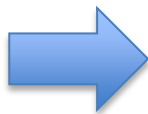
Our Early Efforts

**Developing
Cross-Sector
Leaders**



Work to date has focused on how best to structure and hardwire a cross-sector perspective into the Federal Government through the development of cross-sector leadership development.

**Harnessing
Innovation
Incentives**



Work to date has focused on how to create and roll-out a government-wide Innovation Prize to encourage the development of more efficient and effective programs and processes



Cross-Sector Leadership Fellows

The Problem in Brief

The most pressing challenges we face as a society – such as educating our workforce, managing healthcare costs, securing our energy needs, redeveloping infrastructure, and innovating public service delivery – are best addressed through collaboration among the business, government and non-profit sectors.

Current Status

The White House office of Social Innovation and Civic Participation has taken the lead on exploring what a cross-sector fellowship might look like, how it would be structured, organized, etc. To do so, we have held almost a half dozen working sessions over the last two years with a cross-section of business, non-profit and government leaders to understand the needs, interests and capabilities of each sector when it comes to developing Cross-Sector Leadership Fellows.

Two Recent Working Sessions:

March 20: White House Forum on Cross-Sector Leadership – Approximately 100 leaders from different sectors took part in a one-day design lab to create innovative program ideas

May 16: Conversation on Cross-Sector Leadership – Approximately 25 leaders from different sectors but with 5 C-level HR leaders from firms like PepsiCo, JP Morgan, Deloitte, etc.



A Path Forward on Cross-Sector Leadership Development

Pilot Project: A shared learning experience

- Two versions of the Pilot: one would be government-only, the other would be truly-cross sector; in either case, identify 20-24 top talent executives for inclusion in a 6 or 12-month pilot program
- Participating entities would host the cohort for 3-4 days once a month at existing development centers, and would include briefings from CEOs and other principals
- There would be a focus for each month/region/sector: NYC might be hosted by JP Morgan on the financial sector, Chicago by Boeing on Manufacturing, Google in SF on technology, the government in DC, etc.
- Program participants charged with developing an understanding and appreciation for life in a different sector, bringing back their learning to their home agency, fellow workers

Larger Program Idea: Create a secondment program sending SES to private sector

- The government currently has avenues to exchange talent with the nonprofit sector and state and local governments through IPAs, and it can obviously hire external talent (e.g., PIF)
- There is no current mechanism aside from boutique programs at DOD, for example, that allow for government employees to be detailed to the private sector
- OPM would take the lead in designing a developmental program for SES (as envisioned in 5 USC 3396) that's mutually beneficial to both the hosting company and the government



Cross-Sector Development

Areas for PMAB Guidance and Discussion

1. Are we focusing on the right question—cultural change?
2. Does this strike you as too limited in ambition? Are we being bold enough in trying to hardwire a different solution?
3. From your perspective, what is missing? What is critical to the program's success?
4. What conditions would need to be present for you to take part in either of these programs?
5. Are there other initiatives or ideas that we should consider?