UNITED STATES OF AMERICA

THE PRESIDENT'S MANAGEMENT ADVISORY BOARD

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MINUTES OF THE PUBLIC MEETING

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FRIDAY
MARCH 30, 2012

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The Board met in room 430b of the Eisenhower Executive
Office Building, 1650 Pennsylvania Avenue, N.W., Washington, D.C.
at 9:00 a.m. Jeff Zients, Chairman, presiding.

PMAB MEMBERS PRESENT:

GREG BROWN, Member
SAM GILLILAND, Member
JEFF KINDLER, Member
DEBRA LEE, Member
GAIL MCGOVERN, Member
SHANTANU NARAYEN, Member
ENRIQUE SALEM, Member
LIZ SMITH, Member
TIM SOLSO, Member
RON WILLIAMS, Member

ADMINISTRATION MEMBERS:

JEFF ZIENTS, Chairman, Acting Director, Office of Management and
Budget
ROGER W. BAKER, CIO, Department of Veterans Affairs
JOHN BERRY, Director, Office of Personnel Management
REBECCA M. BLANK, Acting Deputy Secretary, Department of Commerce
STEVE BROCKELMAN, Executive Director and Designated Federal
Officer, President's Management Advisory Board
PETER BUDETTI, Deputy Administrator and Director, Department of
Health and Human Services
JAMES COLE, Deputy Attorney General, Department of Justice
CASEY COLEMAN, Chief Information Officer, General Services
Administration

CAROLYN W. COLVIN, Deputy Commissioner, Social Security
Administration
BILL CORR, Deputy Secretary, Department of Health and Human
Services
DANNY HARRIS, Chief Information Officer, Department of Interior
SETH HARRIS, Deputy Secretary, Department of Labor
DAVID HAYES, Deputy Secretary, Department of the Interior
ANDREW JACKSON, Deputy Assistant Secretary for Information,
Technology, and Business Services, Department of the Interior
JOSEPH G. JORDAN, Senior Advisor, Office of Management and Budget
DAVID KAPPOS, Director, U.S. Patent and Trademark Office,
Department of Commerce
KATHLEEN MERRIGAN, Deputy Secretary, Department of Agriculture
ANTHONY MILLER, Deputy Secretary, Department of Education
DANIEL PONEMAN, Deputy Secretary, Department of Energy
ESTELLE RICHMAN, Acting Deputy Secretary, Department of Housing
and Urban Development
STEPHEN SHIH, Deputy Associate Director for Executive Resources
and Employee Development, Office of Personnel Management
STEVEN VANROEKEL, US Chief Information Officer, Office of
Management and Budget
DANNY WERFEL, Controller, Office of Management and Budget

Welcome, Introductions, and Goals for the Meeting: Chairman Zients called the meeting to order at 9:07 a.m. The goals for the meeting were to review the progress on PMAB's 2011 recommendations, plan for government-wide roll-out, and evaluate potential focus areas for 2012.

Senior Executive Service (SES) Initiatives: Executive Development and Performance Appraisal: Mr. Brockelman gave a quick recap of the PMAB recommendations on development opportunities for the SES. The Board had recommended a series of skills-based training modules to be targeted at SES members in their first two years of service, leveraging shared resources between the private and public sector.

Since the November meeting, PMAB partnered with select agencies to develop and deliver two training modules for new SES members in the DC region: "Strategies for Leading Organizational Change" and "Creating a High-Performance Organization through Coaching and Development." About 350 SES from nearly 40 agencies attended the modules. Each module included a PMAB member keynote, a panel of federal executives, practical tools and frameworks, and small group breakouts. He asked a few participants for their impressions on the modules.
--Mr. Kindler was impressed by the seriousness and dedication of the group. The module creates an opportunity for cross-agency networking.
--Mr. Gilliland commented on the high quality of the SES cohort. The curricula were well done.
--Mr. Zients said more SES training is needed. Future success depends upon attracting, retaining, and developing the best managers. Other CEOs outside of PMAB should be included.
--Mr. Kindler noted that exposing more people to the SES cohort would change their view of government.
--Ms. Lee noted that there are many management styles and many paths to management. Business leaders will be willing to share their experiences.

Mr. Brockelman reported that 85 percent of the participants evaluated the training as very good or excellent. Some suggestions for improving the sessions included:
- Extending the sessions to allow for more networking;
- Adding more structure and rigor to the breakout exercises;
- Bringing in career SES members as panelists to provide lessons learned;
- Make the course available to SES members outside of D.C.

Participants would like to see further training on:

- Navigating relationships with political appointees;
- Developing and applying knowledge of financial and technology management;
- Achieving the agency's mission in an environment of scarce resources.

OPM's Federal Executive Institute (FEI) will take ownership of the new SES training to complement FEI's existing training. The two modules will be the foundation for an annual series for new SES members that will include orientation (2 days) and up to five modules on key leadership skills over the following four to ten months (half a day each). The series will start with the May SES orientation. FEI will continue to work closely with PMAB and draw in other private sector companies. FEI would like to form an advisory board to include PMAB HR executives, SES members, and university leaders. PMAB company leaders will continue to serve as keynote speakers, and PMAB and other companies will partner with federal agencies and FEI to provide delivery venues.

--Mr. Berry said PMAB members can help by asking colleagues to help build a group FEI can draw on. Mr. Berry noted that the arrangement can go both ways, with SES members speaking to companies on the government perspective.

--Ms. Blank noted that VA has been building an SES training program that can be integrated into the FEI program.

--Mr. Miller suggested leveraging technology, especially video, to address regional issues and get the message out.

Senior Executive Service (SES) Performance Management:
John Berry said the current rating system does not appraise performance consistently. There are over forty different performance appraisal systems for SES members across the federal government. Interagency collaboration and input from PMAB produced a single SES performance appraisal system. This will increase the performance standard and mobility of the SES across agencies. Seven agencies have adopted the new system. The goal is for all agencies to use it by FY13. Early adopters will share best practices and lessons learned.

--Mr. Williams suggested providing evaluations twice per year and having discussions on synchronizing rigorous application of the performance measures across government.

--Mr. Solso emphasized establishing a principle that every employee has the right to know how he or she is doing. Questions about performance appraisals should be added to employee surveys.

--Mr. Narayen said the appraisals should be separated from the salary process to make it easier to focus on career development.

--Ms. Lee said her company develops performance plans for underperforming executives. There should be accountability.
--Mr. Salem suggested quarterly checks with managers to get feedback on their objectives. Ms. Smith recommended one formal assessment with quarterly feedback and discussions.
--Mr. Williams emphasized limiting feedback to one or two issues to avoid overwhelming the employee.
--Mr. Brown said the manager should ensure that there are no surprise reviews. Feedback should be immediate.
--Mr. Salem said information for the reviews should be tracked all year rather than making reviews an annual event.
--Mr. Miller noted that the SES consists of people who are already outstanding. Ms. McGovern agreed that there should be no unsatisfactory performers in the SES. Ms. Smith felt that expectations should be higher for the SES. Mr. Williams said expectations should be reset each year.
--Ms. Richman said there must be a relationship between the performance goals of the agency and those of the manager.
--Ms. Smith said it should be made clear that "fully meets" is a good rating. Mr. Zients suggested making clear to the employee what would constitute exceeding expectations.
--Mr. Brown said there has to be a context for performance relative to other people, departments, companies, or a peer group.

Mr. Zients suggested revisiting this at the October meeting to discuss progress among the early adopter agencies and discuss lessons learned.

IT Vendor and Portfolio Management: Mr. VanRoekel said the IT Portfolio Management and Investment Review Board has developed a model in pilot agencies and created a new culture within the agencies around the role of the investment review as a strategic tool. The PortfolioStat Initiative will provide a consistent, predictable view of the federal IT portfolio across government to inform investment reviews and determine savings opportunities within agencies.

Mr. Kappos said the Patent and Trademark Office (PTO) has centralized IT purchasing. The lessons learned from the Aetna visit indicated that efficiencies can be gained by integrating strategic planning and vendor management. Out-year budget planning includes strengthening portfolio management. PTO reduced spending on COTS software by $1.8 million per year and maintenance costs by $52 million per year.

Next steps are to:
- Continue to reduce maintenance to the desired level of 40

percent of PTO total IT spending;
- Focus on data analysis to continue optimizing contract spending and deliverable quality;
- Use the data analysis to work on business cases to remove or replace task orders with cheaper alternatives (call center outsourcing);
- Continue to enhance customer visibility into IT contracts, plans, and spending to improve transparency.

Mr. Baker spoke on the pilot at Veterans Affairs. The outcomes to date include:
- A rationalized approach to enterprise database software licensing management resulting in $100 million in savings per year;
- An established standardized process for managing vendor relationships;
- Print management initiative successes
  - Moved from decentralized to centralized printer fleet ($1 million in savings per facility over three years);
- Integration of about 35 data domains among health administrative networks.

There are a number of expected results:
- Achieve economies of scale through reduced energy consumption;
- A one CPU policy;
- Moving to cloud-based email, archive, e-discovery, and collaboration;
- Server virtualization and consolidation of mission-critical IT systems onto virtual servers;
- Software license and hardware management at the national level
  - Renegotiation of software license agreements and hardware purchases at the national level;
  - Mobile device management policy;
- Early detection of under-performing vendors through tracking metrics.

Ms. Coleman identified critical actions of progress that have occurred in GSA's pilot program. So far, GSA has:
- Identified staffing for the VMO, including a manager;
- Created a Program Management Office in the same division as the VMO (with a single SES point of accountability for transparency, governance, and lifecycle management);

- Created a dedicated team of contracting officers to support GSA's IT procurement activities;
- Put out a solicitation for agency-wide commodity IT/infrastructure support services
  - Dedicated VMO support to manage the contract and oversee the vendor team;
- Created an inventory of IT spending across GSA to identify opportunities for enterprise negotiations;
- Continued to move solutions to cloud platforms, including moving to a cloud-based IT service desk;
- Performed an infrastructure benchmark study to compare GSA cost and performance to peer agencies and industry corporations.

The outcomes to date include:
- Moving the IT Service Desk to a cloud solution from premise-based model will result in a cost avoidance of $3 million.
- Creating an inventory of IT spending across GSA resulted in a reduction in software maintenance costs of over $1 million annually;
- Visibility of IT spending has created other opportunities to move solutions to cloud platforms.

Going forward, the expected results are that:
- The infrastructure benchmark study highlighted areas for future consolidation and cost savings;
- Implementing the Federal Strategic Sourcing Initiative for print management will reduce GSA's carbon footprint and overall printing and copying costs;
- Improved vender management will enable more rapid development, greater agility, and increased support for the GSA mission and customers.

Mr. VanRoekel said the next step is to deploy this program government-wide. He specifically pointed to the "one neck" strategy (having one point of contact) and what kind of person should have that role. He asked for input from the Board.
--Mr. Salem said there is a role both for a leader and for people with expertise in specific categories, but expertise is most important for the best outcomes and best deals.
--Regarding centralizing functions, Mr. Salem said the level at which the VMO exists will be important.
--Ms. Smith asked about the mechanism between the three pilots to share best practices. Mr. Baker said there are regular cross-

agency meetings. Mr. VanRoekel added that it has been expanded to the CIO Council. There is an executive council and a subcommittee looking at categories of work.
--Mr. Salem said publishing the savings will create motivation.
--Mr. Baker pointed out that savings can result in reduced budgets. Mr. Zients said saving money will give an agency a better chance of funding other priorities.

Mr. Hayes of the Department of the Interior said he got three take-aways from his site visits to Aetna, Enrique, Symantec, and Adobe. DOI took actions in response to the ideas.

- Take-away: Form a single, central authority for decision making
    - Action: Froze changes to legacy systems to focus resources on priorities;
    - Action: Required bureau and office IT spending plans that link to investment portfolio.
- Take-away: Conduct a ruthless prioritization of the IT portfolio
    - Action: Developing a prioritization model based on business performance outcomes for infrastructure investments.
- Take-away: Identify investment value to the business
    - Action: Revised governance framework to align investments to business lines;
    - Action: Line of business IT roadmaps developed through collaborative partnership with business and mission leaders.

DOI IT services are being changed into a single DOI-wide IT service organization to eliminate redundancy. To date, the outcomes have been
- About $11 million in cost avoidance due to re-baseline decisions
- From IT spending reviews:
    - $2.2 million in cost avoidance and redirection of funds
    - Potentially about $37 million additional cost avoidance opportunities.

Mr. Jackson spoke on distinguishing centralization from bureau-specific activity. DOI is moving the investment management pieces into the Department so it can see inside the portfolios and manage them. A distinction is made between these services and pieces that are closely tied to missions.
--Mr. Salem noted that change management will be very important in

this process. Mr. Hayes said the change will result in better
service, and that will drive acceptance.

Mr. Miller spoke on the pilot at the Department of Education. Five
years ago, Education's IT was outsourced to a multi-year contract.
Costs did not match projections and service levels. IT has
improved performance and put portfolio management in place.

There were four take-aways from the PMAB site visit:
- Senior leadership and lines of business owners must see IT as
  an organizational asset;
- A significant mix of strategic IT investment is essential;
- Investments must be prioritized based on business value,
  aligned with the organization's mission and priorities;
- Portfolio performance information consistency and
  transparency is a key enabler.

ED has taken actions to highlight IT as an asset and prioritize
investments in terms of their value:
- ED is re-crafting the IT strategy, framework, and goals to
  better articulate how technology serves the mission of the
  Department's business owners;
- ED developed a Value Measurement Methodology with which to
  begin evaluating current and future IT investments;
- ED has set agreed-upon milestones:
    o Socialize the new IT strategy with business unit leaders
      and other senior executives (3rd quarter FY12)
    o Introduce VMM with the Investment Review Board and
      technology segment and process owners (3rd quarter FY12)
    o Utilize final VMM for the FY14 investment select phase
      (4th quarter FY12).

Mr. VanRoekel mentioned centralization changes in the Department
of Commerce and the Department of Agriculture. He is putting out
guidance for the Departments. He opened the floor to discussion.
--Mr. Kindler said the IT transformation process is a business
need, so the business leaders' goals should be aligned with the
CIOs'. Ms. Smith said both the business leader and the CIO should
be accountable. Mr. Kindler said having the deputy secretaries
define IT as a strategic imperative will affect department and
individual goals, moving IT from the back office to a strategic
element of the organization's mission.
-- Mr. Williams said training and educating the senior executives
gives them the context to understand IT as part of the business
strategy. Mr. Baker added that if IT is not viewed as a
transformative tool, it is viewed as a cost. If it is viewed as a

way to improve productivity, it is viewed as an investment. Mr.
Williams added that IT can also be connected to customer
satisfaction and improved performance.
--Ms. Smith raised the issue of investing in new technology while
still paying to maintain legacy systems. It is difficult to
demonstrate the long-term savings of leaving legacy systems in a
one-year budget. Mr. VanRoekel said he is working with Congress on
capital budgeting and multi-year budgeting for IT.
--Mr. Berry said there should be a single government accounting
system so the government can use its full market power and make
more universal decisions. Mr. VanRoekel said a balance has to be
struck with the benefit to American business of the diversity of
government spending.
--Ms. Merrigan said Congress is picking up the message of IT
transformation.

The Board recessed from 11:22 a.m. to 11:31 a.m.

Discussion of 2012 PMAB Focus Areas: Mr. Zients started a
discussion of areas PMAB can focus on to save money and increase
efficiency. The specific targets of opportunity included real
estate management, reduction of improper payments, and strategic
sourcing. Two topics will be chosen and recommendations made at
the October meeting.

Mr. Werfel spoke on real estate management. There are
opportunities for savings due to an increasingly mobile
workforce, customer-focused services being delivered online, and
wider support for agencies to share assets. By capitalizing on
these opportunities, the government can resolve its reliance on
short-term leases and retention of unneeded assets while
improving the productivity of the workforce.

Since 2010, agencies have saved $1.5 billion on real estate by
reducing operating costs, shrinking office space, and getting
rid of assets. The effort is on a trajectory to save $3.5
billion.

The administration is creating a pilot program to coordinate
opportunities for agencies to share real estate. The
administration supports legislation to create an independent
process to resolve impediments to difficult real estate
opportunities.

Because Mr. Zients was called away from the meeting, he asked
the presenters to present on the challenges and opportunities.
There was to be a teleconference the following week at which

PMAB will discuss administrative aspects of the subcommittees.

Mr. Werfel said strategizing the collaboration would include
thinking about the right activities to get a return on the
investment and preparing employees culturally for the changes.
--Ms. McGovern pointed out that data center consolidation is a
different issue than people consolidation. Mr. Werfel said the
government could use PMAB leadership on both issues. Mr. Narayen
suggested focusing on the mobile workforce and the workplace of
the future.

Mr. Budetti discussed improper payments. In 2011, the government
made $115 billion in improper payments: payments made to the wrong
person, in the wrong amount, or for the wrong reason. Half of
those improper payments are through HHS, through Medicare and
Medicaid. To prevent improper payments, better tools are needed to
analyze and share data on those who do business with the
government. Unfortunately, the data are siloed in different
systems in different agencies. HHS's challenge is to continue to
deliver services and pay bills on time while tracking down the
sources of improper payments. Technology is used to screen those
enrolling in Medicaid and claims coming in.
--Mr. Kindler asked how HHS was affected by the ICD-9/10
conversion. Mr. Budetti said, while the added complexity brings
challenges, it also gives greater detail.
--Mr. Salem said, given the size of inappropriate payments, this
is an issue for PMAB to address. Mr. Werfel added that this issue
degrades citizen trust in the government.
--Ms. McGovern asked how the government can make so many improper
payments if it knows it is making improper payments. Mr. Werfel
said the problem is that different federal agencies have different
systems, and information is not shared efficiently. This problem
is compounded in programs run by the states. Mr. Salem said a
large infrastructure change would be needed to solve this problem.
He referred to a new system in Brazil that includes electronic
signatures.

Mr. Jordan spoke on strategic sourcing. The challenge is that
federal purchasing is very de-centralized. Different agencies have
contracts with major vendors that often times show a wide
variation in pricing. There is limited price transparency.

Initial efforts toward strategies sourcing have yielded results.
The Federal Strategic Sourcing Initiative was launched in
partnership with GSA focusing on office supplies, domestic
delivery, and wireless telecommunications. In FY11, $341 million
was spent through FSSI, generating $60 million in savings (15

percent). Other agencies have also led enterprise-wide strategic sourcing efforts. USDA has saved $20 million by consolidating its mobile wireless contracts. Behavioral management will bring further savings, such as choosing less expensive shipping options. --Ms. McGovern noted that an abrupt decrease in contract spending can hurt the economy. Mr. Salem pointed out that the money being spent comes from taxes.
--Mr. Kindler said decentralized procurement problems happen in the private sector as well. It is important to address cultural issues and make people see the benefit of centralization.

Next Steps and Adjournment: The Board will reconvene by telephone to discuss administrative aspects of the subcommittees. The Board adjourned at 12:14 p.m.