

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, JUNE 7, 2013

The Board met in Room 238 of the Eisenhower Executive Office Building, 1650 Pennsylvania Avenue, NW, Washington, D.C., at 9:00 a.m., Steven VanRoekel, Chair, presiding.

PRESENT

STEVE VanROEKEL, Chair
SAM GILLILAND
JEFF KINDLER
DEBRA LEE
GAIL McGOVERN
SHANTANU NARAYEN
ENRIQUE SALEM
LIZ SMITH
RON WILLIAMS



ALSO PRESENT

SCOTT WINSLOW, Designated Federal Officer
SYLVIA MATHEWS BURWELL, Director, OMB
NORMAN DONG, Interim Controller, OMB
GAY GILBERT, Administrator, DOL
DAVID J. HAYES, Deputy Secretary, DOI
MAURICE JONES, Deputy Secretary, HUD
JOSEPH G. JORDAN, Administrator, OMB

JONATHAN D. McBRIDE, Deputy Director, Presidential Personnel

JENNIFER PAHLKA, Deputy Chief Technology Officer, Office of Science and Technology

JOHN D. PORCARI, Deputy Secretary, DOT

DANIEL M. TANGHERLINI, Administrator, GSA

Mr Winslow, Designated Federal Officer, called the meeting to order at 9:11 a.m. He thanked those in attendance, and reminded them that the meeting would be webcast.

Sylvia Burwell, Director of the Office of Management and Budget, said the value that PMAB adds has already been seen in some of the projects that it has worked on, especially in permitting. The administration will be in place for the next 3 ½ years but Director Burwell is interested in changing culture and management within government for the next 10 years. She encouraged PMAB to think about specific efforts to effect change which are implementable, measureable, understandable and supportable.

Joe Jordan, Administrator of the Office of Management and Budget, spoke on recent progress made in the PMAB focus area of Strategic Sourcing. Twelve months ago: purchasing was fragmented across government, causing significant price variance. Efforts to determine the depth of the problem revealed a lack of tools for the job. Administrative costs ought to be reduced, while the government's buying power ought to be increased. PMAB transmitted to OMB its list of recommendations at the last PMAB meeting. These recommendations have been developed and deployed in several areas. Every federal agency now has a senior accountable official for Strategic Sourcing. The Strategic Sourcing Leadership Council has been formed with representation from the Big 7 spending agencies plus the Small Business Administration. \$50 million in savings has been realized thus far this year, in addition to tens of millions more savings in indirect costs.

Mr Tangherlini, of the General Services Administration, said an inventory of cell phone services uncovered 4,000 different contracts and 800 different plans. These contracts and plans have been collapsed into one contract and one plan with four vendors. The strategy is to leverage government's scale to drive down prices. A very conservative estimate for the redesigned cell phone

contracts: \$30 million saved over five years.

Member Salem suggested focusing on surmounting areas of pushback to maximize returns. **Member McGovern** suggested further thought about bring-your-own-device arrangements. **Chair VanRoekel** said efforts in this area are developing. **Mr Jordan** said PortfolioStat is helping identify opportunities for savings. **Chair VanRoekel** identified two plans by which the government incentivizes agencies finding savings in IT spending.

Mr Jordan said early successes are being heralded to strengthen the argument for other supplies, i.e laboratory supplies, building maintenance operations services, etc. GSA is piloting a prices-paid portal to help agencies understand what their sister agencies are paying for similar products.

Norman Dong, Interim Controller of the Office of Management and Budget, gave an update on federal efforts in the area of Improper Payments. The error rate for FY12 dropped to 4.35% (which represents about \$108 billion), down from 5.4% in FY09. Progress is being made in program areas with chronically high error rates. Efforts have been focused on reducing improper unemployment insurance (UI) payments and maximizing capabilities in the Treasury's Do Not Pay portal. A new state-led model for addressing UI errors is being launched. Treasury has initiated efforts to standardize disbursement data, and is updating its analytics approach with respect to Do Not Pay. Lessons learned will be provided to a new UI Integrity Center. UI Integrity Center of Excellence is a partnership between US DOL, OMB and NY DOL. The work done in New York will benefit all 50 states, building capacity with data analytics and predictive modeling. The Center will develop a secure alert system to update states to new fraud schemes, and will emphasize training, especially in data analytics and trends. Steering Committees have been established in areas of focus.

Member Narayan encouraged, and **Member Williams** seconded, paying special attention to developments in big data analytics, especially in fraud prediction by credit card companies. **Chair VanRoekel** said the Recovery Accountability Transparency Board has some experience in these matters. Discussions are ongoing with several tech firms to glean experience they have in fraud prediction and prevention.

With respect to Do Not Pay, Mr Dong said he is very pleased with the progress made over the last year. Efforts have focused on two datasets: the Death Master File and the Excluded Parties List System, though other datasets have been accessed to improve data. Milestone achieved: by June 1 to run all federal payments, as appropriate, through DNP. Potential payments are routed to Treasury for analysis, "hits" are sent back to the paying agency for adjudication, and feedback is returned to Treasury for disposition.

Next steps include development of an implementation guide to assist agencies in expanding and institutionalizing DNP across federal agencies, reaching out to states to help them implement DNP for state-administered payments, adding new datasets to DNP analysis. Yield metrics will be better known once results begin to come in.

Member McGovern asked where the point of diminishing return is with respect to Improper Payments. Mr Dong said the government's initial goal is to reduce Improper Payments to 3%. **Chair VanRoekel** said the cost-benefit analysis to determine the point of diminishing return has not yet been performed. **Member Smith** recommended embedding the process at the point of data entry to reduce subsequent investigations and disposition. Mr Dong said that process has been started. **Member Salem** suggested approaching payroll check-cutting firms to solicit creative ideas how they might approach the problem.

Dan Tangherlini, Acting Administrator of the General Services Administration, spoke on efforts toward real estate optimization. He said the program attempts to make fixed costs variable so that they can be driven down. Assumption: the federal government has more real estate than it needs to carry out its missions and activities. Analysis has identified properties to repurpose, consolidate or put back onto the market. By repurposing or eliminating underutilized properties, cost of operations will be driven down. Second-order effects are anticipated in reducing the administrative "tail" of programs, and in increased productivity. \$8 billion saved in the past three years. Policy now stands for zero growth in the federal real estate portfolio; GSA's goal is for negative growth in the federal real estate portfolio.

Challenges include: limited visibility into current performance; creating a workable shared government-wide

goal; realizing savings now, given real estate has such long lead times; and cost, inasmuch as there is limited funding to realize goals. Tactics include: aligning data collection to decisionmaking, developing deeper understanding of agencies' portfolios, "freezing the footprint", encouraging adoption of flexible workforce management practices including hoteling and telework, developing long-term real estate planning process, and streamlining the process by which federal real estate is brought to market.

Member Salem said corporate-led real estate and employee management go hand in hand. Use badging reports to identify underperforming facilities and shut them down. The biggest gains will probably be made with respect to flexible workforce. Mr Tangherlini said pushing operations to the cloud has made operations more flexible and resilient. **Member Smith** said real estate is a core functional expertise and properly resides at the corporate level. "Real estate is about ROI." Create benefits for increasing efficiency and innovation. **Member Kindler** suggested having real estate expenses, depreciation, etc. be felt by affected program units. **Member Williams** suggested thinking about optimization as an analogue to a merger process between two organizations in terms of control and critical decisionmaking. Strategic real estate planning should be part of business planning. **Member Gilliland** asked about the limits GSA has to top-down management. Mr Tangherlini said GSA controls about 10% of federal real estate holdings, about 40% of federal office space. DoD and intelligence services' holdings are not controlled by GSA. Addressable opportunity consists of about 1/3 billion square feet of office space. **Member McGovern** suggested incenting federal partners to reduce square footage by lowering rents. **David Hayes**, of the Department of Interior, said historical impediments to thinking about incentives may reduce uptake of GSA assistance in this area. Mr Tangherlini said portfolio analysis must strike a balance between emergent response and long-term planning. GSA is congressionally mandated to charge market rates for rents. **Member Sarayen** suggested thinking about the value aspects of people and places. **Member McGovern** suggested tackling consolidation efforts on a city-by-city basis. **Member Kindler** suggested using targets and rewards to incentivize finding efficiencies.

Also, that local officials be challenged to work together to identify and achieve cost-savings targets. **Maurice Jones**, Secretary of Housing and Urban Development, encouraged PMAB to remember the vital role that Congress, and the members thereof, play in decisions pertaining to federal facilities across the country.

The Advisory Board stood in recess between 10:51 a.m. and 11:02 a.m.

Jennifer Pahlka, the US Deputy Chief Technology Officer, and **Jonathan McBride**, Deputy Director of Presidential Personnel, spoke on Hardwiring Innovation into the Federal Government. Prior to her federal service, Ms Pahlka was the founder and director of Code For America, an organization which worked to apply the principles of the Web to Gov 2.0. **Chair VanRoekel** said government is disinclined to innovate "for so many reasons." He and **Todd Park**, US Chief Technology Officer, believe the approach to fostering innovation in government must be on a whole-of-organization basis, rather than a team-based approach to develop solutions. Careful thinking needs to be done with respect to structuring, evaluating and rewarding innovation. Mr McBride said early efforts have focused on developing cross-sector leadership programs. Thinking has largely centered on exchange programs, either within government or across government-private sector lines. Out of this thinking, two approaches have been developed: one light and one heavy. The pilot is a shared learning experience. Participating entities would host the cohort for 3-4 days a month at development centers, including briefings from leadership. Participants in the program would be required to share and impart knowledge they have gained to their federal counterparts. Other aspects of the program are still being considered and developed.

Member Smith said the service sector is the main employer in the US and therefore representatives from that sector should be included in this program. **Member Narayan** suggested returning participants must have authority to make changes in their government programs. He also suggested putting participants to work to consider the government's real estate optimization goals. **Member Gilliland** suggested setting very specific objectives with respect to their work, goals, and education upon return to the federal agency. **Mr Hayes** suggested focusing the program on customer service, especially with respect to

regulatory interface. **Member Narayen** said companies would be interested to gain the knowledge held by program enrollees, making the program more attractive to those companies. **Member Lee**, "It has to be a substantive role. Put them in a real department where they can offer some real help."

DFO Winslow closed the meeting to public observation at 11:41 a.m. The meeting continued in administrative session.