Report to Congress
Restructuring the Department of Defense Acquisition, Technology and Logistics Organization and Chief Management Officer Organization

In Response to Section 901 of the National Defense Authorization Act for Fiscal Year 2017 (Public Law 114 - 328)

August 2017

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Report Requirement

The Fiscal Year (FY) 2017 National Defense Authorization Act (NDAA) (Public Law 114-328) contains a provision (Sec. 901) that amends chapter 4 of title 10, United States Code, to establish an Under Secretary of Defense (Research and Engineering) (USD(R&E)), an Under Secretary of Defense (Acquisition and Sustainment) (USD(A&S)), and a Chief Management Officer (CMO) within the Department of Defense (DoD), effective on February 1, 2018. Section 901 also makes other modifying and conforming changes, and requires the Secretary of Defense to conduct a review and submit a series of reports to the congressional defense committees on the organizational and management structure of the Department.

Section 901 states the following:
1. That the Secretary of Defense shall conduct a review and identify a recommended organizational and management structure for the DoD that implements the organizational policy guidance expressed in this section and the amendments made by this section. The review and recommendations shall address, but not be limited to, the following:
    a. The organizational and management structure of the Department including the disposition of leadership positions, subordinate organizations, and defined relationships across such leadership positions and organizations.
    b. The recommended disposition within the Office of the Secretary of Defense (OSD) of the various Assistant Secretaries of Defense (ASDs), Deputy Assistant Secretaries of Defense (DASDs), and Directors affected by the organizational policy guidance.
    c. The specific delineation of roles, responsibilities, and authorities, as directed by the Secretary, for the organizational and management structure recommended.
2. Not later than August 1, 2017, the Secretary of Defense shall submit to the congressional defense committees a final report on the review and recommended organizational and management structure, including:
    a. A proposed implementation plan for how the Department would implement its recommendations;
    b. Recommendations for revisions to appointments and qualifications, duties and powers, and precedent in the Department;
    c. Recommendations for such legislative and administrative action, including conforming and other amendments to law, as the Secretary considers appropriate to implement the plan;
    d. Any other matters that the Secretary considers appropriate.

This document is the final report required by the FY2017 NDAA.

Executive Summary

The Department of Defense (DoD) reorganization directed by the FY 2017 NDAA provides a once in a generation opportunity to improve how the Department is organized and operates. While much work remains to be done, this report explains how the DoD will reorganize to better pursue the goals of technological superiority, affordable systems, and well managed business operations.

The DoD research, engineering, acquisition and sustainment organizations and processes must be sources of competitive advantage that ensure the warfighting superiority of U.S. forces around the globe. The weapon systems and capabilities that the Department delivers to the warfighter today are in many respects the envy of other nations' fighting forces. However, the current pace at which we develop advanced warfighting capability is being eclipsed by those nations that pose the greatest threat to our security. Additionally, the increasing cost of our major weapon systems has placed at risk our ability to acquire and sustain these systems at sufficient levels.

To outpace the threat and seize on technological opportunities, the development of advanced capabilities must be a top strategic objective for the DoD. A culture of innovation that is rooted at the highest levels of DoD is required and each echelon of the Department must be structured to rapidly adapt and field capabilities that leverage the advances that are occurring at an ever increasing pace in the commercial and defense technology sectors. This requires that the Department increase the extent to which it is willing to take risk in development in order to deliver the full range of advances, from incremental to "game changing." In parallel, the Department must increasingly leverage prototyping, experimentation and other developmental activities in order to retire technical risk before either weighing down the research and engineering phase with costly procurement decisions or weighing down a procurement program with costly technical risk.

The FY 2016 and FY 2017 NDAAs provide sweeping guidance, tools, and direction to implement profound changes to acquisition management in order to achieve the overarching objectives of technical superiority and weapon system affordability. The Department is embracing the opportunities provided by the Congress to create a new Under Secretary of Defense for Research and Engineering (USD(R&E)) to drive innovation and accelerate the advancement of our warfighting capability and a new Under Secretary of Defense for Acquisition and Sustainment (USD(A&S)) to deliver proven technology into the hands of the Warfighter more quickly and affordably.

This new organization refocuses the Office of the Secretary of Defense's (OSD) principal role from program oversight to that of directing major Department investments to ensure integrated, technically superior capability that consistently outpaces the threat. In support of this strategic shift, Congress has provided the Department with the authorities necessary to achieve the innovation essential to our weapon systems development and the discipline critical to our weapon systems procurement (see Annex A). Further, Congress has provided the Department with the impetus to significantly streamline the acquisition organization and assign greater responsibility and accountability to the Services for program execution and performance. The two new Under Secretaries will exercise these authorities to determine and drive necessary

changes to current acquisition processes, structure, and culture in accordance with the objectives outlined above, in support of the National Defense Strategy.

Simultaneously, the Department is elevating the Deputy Chief Management Officer into the Chief Management Officer (CMO) in accordance with the FY 2017 NDAA. The purpose of the CMO is to improve the quality and productivity of the business operations of the Department, thereby reducing the costs of those operations. This supports the President's goal of improving the efficiency, effectiveness, and accountability of the executive branch as outlined in Executive Order 13781 and the Secretary of Defense's focus on creating a more lethal and effective force by allowing the Department to reallocate resources from business operations to readiness and recapitalization of the combat force.

The Department will use the establishment of the CMO organization as an opportunity to renew focus on business operations reform. The structure of the organization is a modest part of this renewal. Accompanying the restructure is explicit action to shift the business operations of the Department to enterprise services. This shifts from the current military department and defense agency "stovepipes" to a whole of DoD alignment. This shift not only reduces the cost of business operations, but also increases the leverage of the Department in the marketplace. Achieving this outcome requires creating the means and mechanisms to drive change and alignment of the senior leadership of the Department.

Much work remains to be done, and will be done in partnership and consultation with Congress. For example, one area that has not been finalized is the final alignment of the Assistant Secretary of Defense for Energy, Installations, and Environment. The Department owes Congress a final answer on this question and will work closely with Congress going forward.

Part 1 – Restructuring the Department of Defense Acquisition, Technology and Logistics Organization

Current USD(Acquisition, Technology and Logistics) Organization

In the course of its existence, USD(AT&L) has grown in size and complexity, largely as a result of the accrual of additional responsibilities, the impacts of additional legislation, the increase in complexity of major weapon systems, and the assumption of increased oversight responsibilities over the Services. In developing the organizational structure for USD(R&E) and USD(A&S), it is important to understand this current USD(AT&L) organization and determine how the current (AT&L) functions support the overarching objectives for the new organization, and whether these functions should transition to (R&E), (A&S), another OSD functional head, the Services, or be divested altogether. Figure 1 depicts the current USD(AT&L) organization.
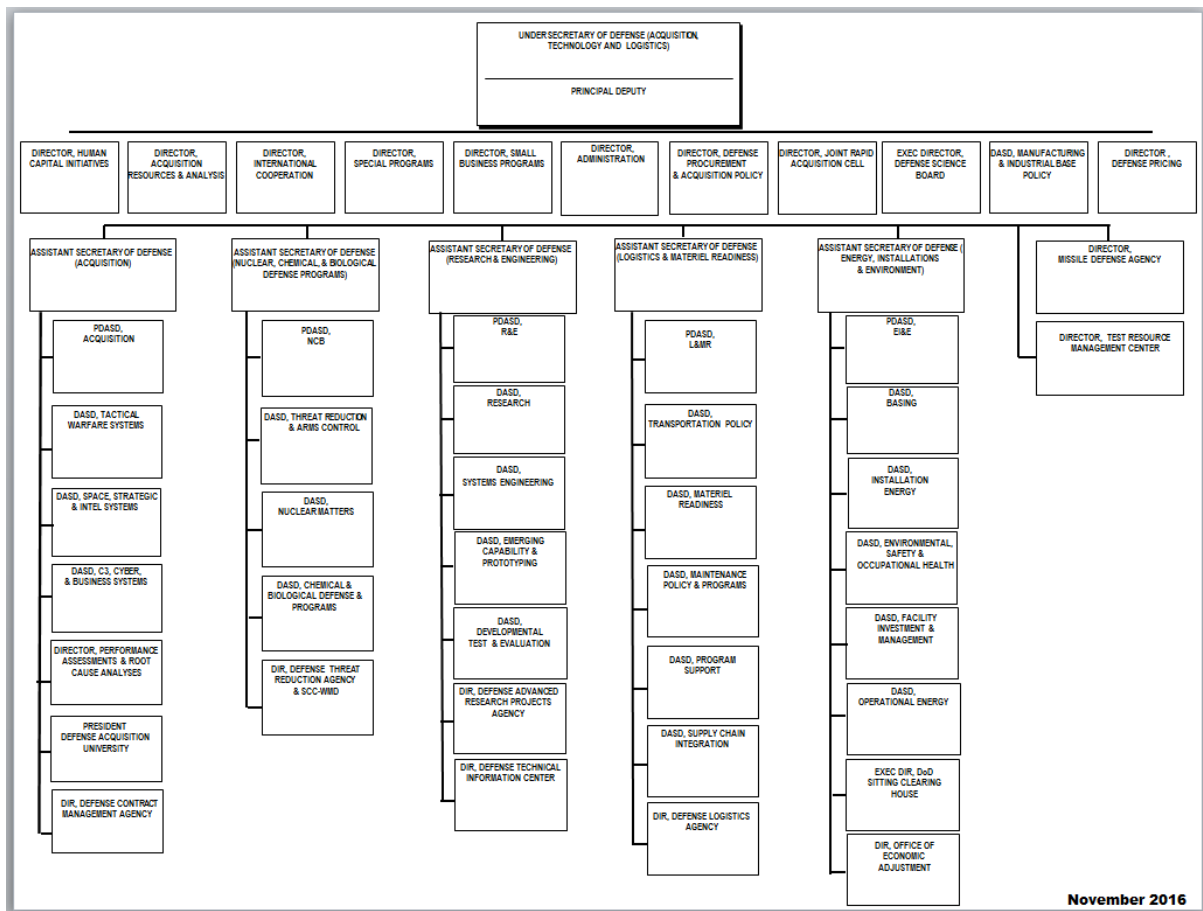

Figure 1: Current USD(AT&L) Organization

Congressional Guidance Regarding Organizational Objectives

Four broad priorities framed the Congress' objectives for the new organization:

(1) Elevate the mission of advancing technology and innovation within the Department;
(2) Foster distinct technology and acquisition cultures to better deliver superior capabilities for the armed forces;
(3) Assign greater responsibility/accountability for acquisition to the Services; and
(4) Provide greater oversight and management of the Department's Fourth Estate.

The FY2017 NDAA conference report further stated that:

> *"The conferees believe that separating the 'chief technology officer' and 'chief acquisition officer' responsibilities currently residing with the Under Secretary of Defense (Acquisition, Technology and Logistics) [(USD(AT&L))], as well as establishing a 'chief management officer' within the Department, addresses these priorities and better postures the [OSD] organizationally to meet future national security challenges.*

> *"The conferees believe the technology and acquisition missions and cultures are distinct. The conferees expect that the [USD(R&E)] would take risks, press the technology envelope, test and experiment, and have the latitude to fail, as appropriate. The conferees would expect the [USD(A&S)] to focus on timely, cost-effective delivery and sustainment of products and services, and thus seek to minimize any risks to that objective.*

> *"...The conferees acknowledge that there will be seams in any organizational construct, but also believe that this seam creates a healthy tension that can be mitigated through effective leadership and management. As an Under Secretary, third in precedence, the conferees expect that the [USD(R&E)] as the 'chief technology officer' would have the stature and resources to drive innovation throughout the Department, including as needed through development and implementation of innovative policies and practices. At the same time, the conferees would expect the [USD(A&S)] to challenge any advanced technology ideas that the Under Secretary cannot confidently deliver on within cost, schedule, and performance objectives, and shape those efforts appropriately.*

> *"The conferees recognize that the implementation of this provision will require further examination and analysis, to include a deeper review of authorities, responsibilities, resource implications and the appropriate allocation of subordinate positions and organizations. As such, the provision provides policy guidance on roles and responsibilities for each of the three senior leadership positions and repeals requirements in statute for specific subordinate ASDs and DASDs to provide flexibility to the Department to allocate such subordinate positions to best meet congressional policy guidance."*

The new organization's performance must be guided by and measured against the National Defense Strategy (NDS). USD(R&E) will focus on closing the gap on current and emerging threats, and on driving the disruptive innovation that provides the measure of technical dominance in specific warfare areas and on the scale and timeline called for by the NDS. Recognizing the need to accomplish this objective in a constrained budget environment, USD(A&S) will focus on major defense program performance and on reducing life cycle costs to

free up resources for further investment. In both cases, the new organization should achieve its objective by breaking down barriers to execution and reducing layers of oversight and unnecessary process imposed upon the Services which are executing acquisition programs.

Consistent with these guidelines, the current functions and organizational structure of USD(AT&L) were assessed alongside the objectives for the new organization, and a determination was made regarding the functions and structure necessary to perform the Chief Technology Officer and Chief Acquisition Officer roles of the new USD(R&E) and USD(A&S) organizations. The following section describes the proposed structure with further detail regarding functional allocation provided in Annexes B and C.

Proposed Restructure of the USD(AT&L) into the USD(R&E) and USD(A&S)

Organizational and Management Structure of the USD(R&E)

The creation of an Under Secretary with responsibility and authority for ensuring U.S. military technical superiority, empowered by Congress' express intent that the Under Secretary take on the technical risk inherent to this responsibility, and equipped with a suite of business tools that enable greater exploitation of the non-defense sector provides a powerful framework for Defense Acquisition. The new USD(R&E) will:

- Set the Technology Strategy for DoD
  - o Decision authority to set the strategic heading for the Department's research, technology, and engineering investments required to dominate the battlespace and regain a decided advantage in every warfighting domain; which relies upon a deep and sustained understanding of the world's commercial, defense, and security technologies—current, emerging, and future—and how they will be applied to dominate the battlespace.
    - Understand technologies used by the threat in order to provide US forces with decisive disruptions;
    - Understand the maturity of US and world technology and know what it takes to adapt the technology for the US warfighter;
    - Ensure US forces are not surprised by an adversary's use of new technology.

- Solve the Critical Technical Warfighting Challenges
  Technical authority and overarching system architect for the increasingly complex, and often joint, warfighting challenges that no single Service has the ability to solve alone.

- <u>Deliver Technology Solutions Faster</u>
  - Establish alternate pathways that accelerate delivery of superior technologies across the entire acquisition spectrum.
    - Align processes, incentives, and culture to deliver the needed advanced technology, new concept explorations, and prototyping of new ideas that will provide military superiority;
    - Revolutionize the way the Department leverages commercial technology by exploiting every opportunity to access the broader marketplace;
    - Leverage the combined capabilities of the Defense Industrial Base (including DoD Research and Engineering infrastructure, traditional defense companies, small businesses, and innovation companies) to solve the Department's hardest science and engineering problems—at speed.
    - Expand, as appropriate, approaches by DARPA, Defense Innovation Unit Experimental (DIUx), and Strategic Capabilities Office (SCO), including:
      - Repurposing or adapting fielded systems with new technology and innovation that change the calculus of warfighting;
      - Experimenting with new commercial technology, contracting and workforce authorities, and acquisition methods to accelerate delivery of needed capability;
      - Coordinating with Services and Staffs, shorten the requirements stroke between the warfighter and system deliverer.

This focus allows USD(R&E) to better advise the Secretary and DoD on key investments to retain technical superiority based on the analytical rigor and understanding of risk associated with these technologies. This also establishes USD(R&E) as the knowledgeable expert in sources of technology throughout the world – forming the basis of strategic alliances with our allies.

To these ends, the USD(R&E) will organize around three major themes:

- The Strategic Intelligence Analysis Cell will focus on understanding the enemy's capabilities and vulnerabilities, conducting analysis on our own U.S. capabilities, tracking technology trends across the globe and assessing potential/emerging threats and/or future opportunities that warrant action, that merit investment.

- The Assistant Secretary of Defense (ASD) for Research and Technology will set the strategic technical direction and subsequent investment strategy for the Department that will ensure technical dominance on the battlefield. This ASD will be responsible for integrating the DoD laboratory infrastructure and stewardship of the technical community that focuses on research to ensure Warfighter dominance.

- The ASD for Advanced Capabilities will conduct prototyping and experimentation to increase understanding of technology and its impact on warfighting capability. This ASD will be focused on driving down technical risk, gaining warfighter feedback to better inform requirements, and ensuring that concepts going forward into acquisition not only provide the needed capability, but are timely and affordable.

An overview of the USD(R&E) organization and supporting Agencies is depicted in Figure 2.
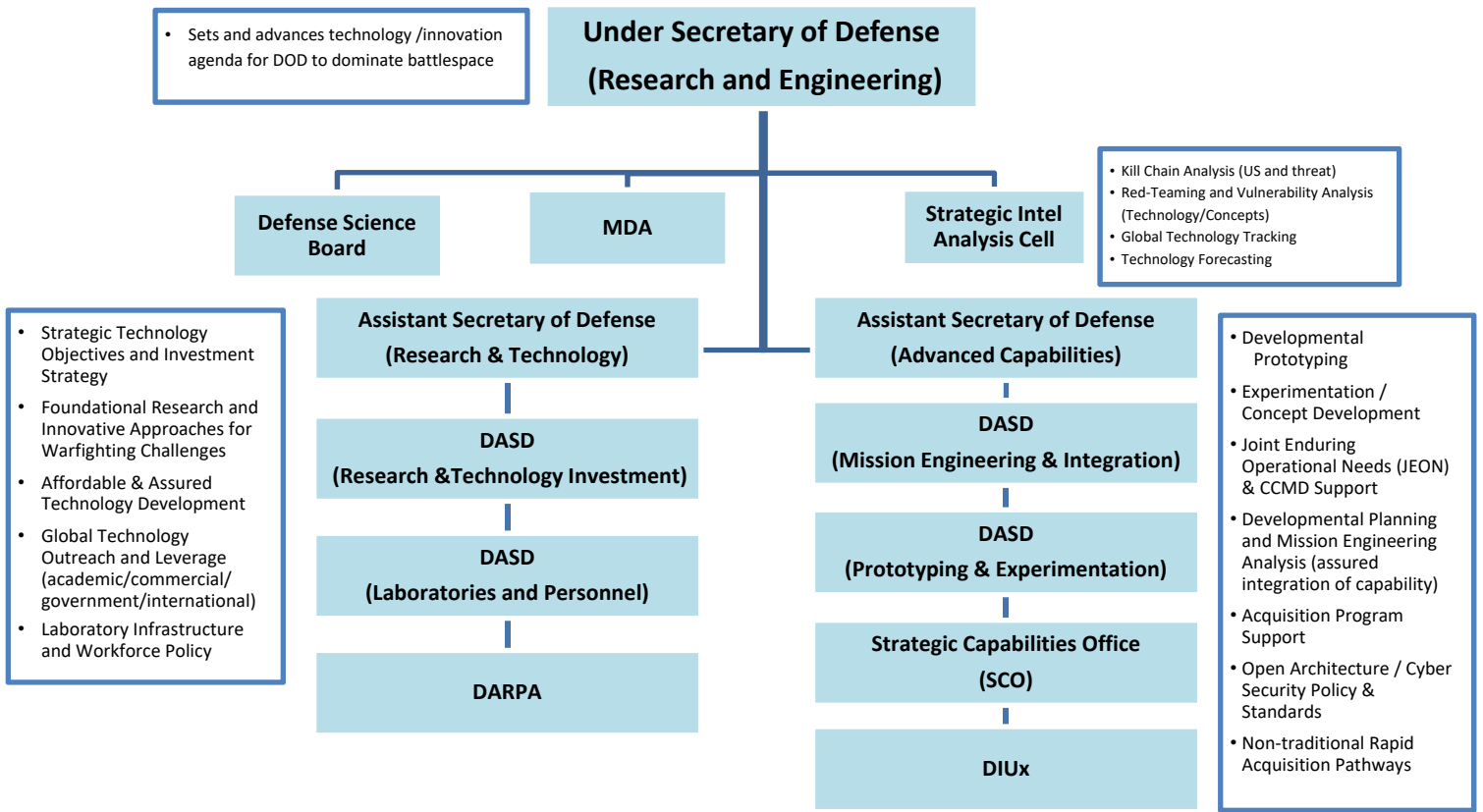
Figure 2: Proposed USD(R&E) Organization

Under Secretary of Defense (Research and Engineering)
- Sets and advances technology /innovation agenda for DOD to dominate battlespace

Defense Science Board

MDA

Strategic Intel Analysis Cell
- Kill Chain Analysis (US and threat)
- Red-Teaming and Vulnerability Analysis (Technology/Concepts)
- Global Technology Tracking
- Technology Forecasting

Assistant Secretary of Defense (Research & Technology)
- Strategic Technology Objectives and Investment Strategy
- Foundational Research and Innovative Approaches for Warfighting Challenges
- Affordable & Assured Technology Development
- Global Technology Outreach and Leverage (academic/commercial/ government/international)
- Laboratory Infrastructure and Workforce Policy

DASD (Research &Technology Investment)

DASD (Laboratories and Personnel)

DARPA

Assistant Secretary of Defense (Advanced Capabilities)
- Developmental Prototyping
- Experimentation / Concept Development
- Joint Enduring Operational Needs (JEON) & CCMD Support
- Developmental Planning and Mission Engineering Analysis (assured integration of capability)
- Acquisition Program Support
- Open Architecture / Cyber Security Policy & Standards
- Non-traditional Rapid Acquisition Pathways

DASD (Mission Engineering & Integration)

DASD (Prototyping & Experimentation)

Strategic Capabilities Office (SCO)

DIUx

Figure 2: Proposed USD(R&E) Organization

Notes:
1. Systems Engineering (SE) will continue to focus on the formative stages of the acquisition programs. USD(R&E) will provide: (a) defense systems engineering policy and broad SE standards; (b) joint and major cross-Service interface standards; and (c) mission engineering and interoperability analysis that informs the Planning, Programming, Budgeting, and Execution (PPBE) process stakeholders in coordination with USD(A&S).
2. Developmental Test and Evaluation (DT&E) will continue to focus on the formative stages of the programs. USD(R&E) will develop and implement developmental test standards and processes for cross-cutting capabilities, and be responsible for broad policy and guidance on DT. USD(R&E) will champion the development and adoption of realistic and cost-effective simulation capabilities.
3. Small Business Innovative Research (SBIR) and Rapid Innovation Fund (RIF) Programs currently managed by the Office of Small Business Programs will be aligned under USD(R&E).
4. Manufacturing Technology (ManTech) and the National Manufacturing Institutes, currently managed by the office of DASD Manufacturing and Industrial Base Policy (MIBP), will be aligned under the USD(R&E).
5. The Defense Technical Information Center (DTIC), and the Director, Test Resource Management Center will be aligned under ASD(R&E).
6. DARPA, SCO, and DIUx are depicted as reporting to their respective functional ASDs. Final reporting relationships will be determined by USD(R&E).

Organizational and Management Structure of the USD(A&S)

The USD(A&S) will advise the Secretary on all matters regarding acquisition and sustainment and be involved in the oversight of individual programs as required. The USD(A&S) will focus on joint mission integration to maximize the effectiveness and efficiency of the capability delivered to Warfighters, and the resources used to acquire them. USD(A&S) will provide acquisition oversight on major joint programs, as appropriate, while advising and assisting the Services on other Major Defense Acquisition Programs. In executing its responsibilities to improve delivery of needed capability to the Warfighter in the most responsive, timely, and responsible manner while still managing risk, USD(A&S) will develop and promulgate acquisition policy for weapon systems and services.

Additionally, USD(A&S) will issue guidance to ensure effective full lifecycle acquisition and sustainment of the systems delivered to the Warfighter. A focus on acquisition sustainment will be achieved through activities such as life cycle sustainment planning, cross-Service procurement, software integration, and Industrial Base assessment and management. Direct Warfighter support will be provided through functions that include operational logistics, strategic mobility, war reserves, and sustainment services to name just a few.

ASD offices assigned to USD(A&S) will focus on disciplined and affordable acquisition, logistics, material readiness, installation readiness, and nuclear readiness.

- The ASD for Acquisition will provide the Services with best practices on acquisition programs in order to achieve affordable and capable warfare systems. This includes oversight of joint programs, industrial base and supply chain expertise, cross-Service data analytics and metrics, and stewardship of the acquisition workforce.
- The ASD for Sustainment will focus on joint and cross-Service material readiness issues, support for the Services' up-front program logistics planning, and identifying best practices to drive down costs of weapon systems sustainment.
- The ASD for Nuclear, Chemical and Biological Defense Programs (ASD(NCB)) will oversee and prescribe policy for nuclear forces modernization; arms control programs; and counter weapons of mass destruction (Counter WMD) programs.

An overview of the USD(A&S) organization and supporting Agencies is depicted in Figure 3.
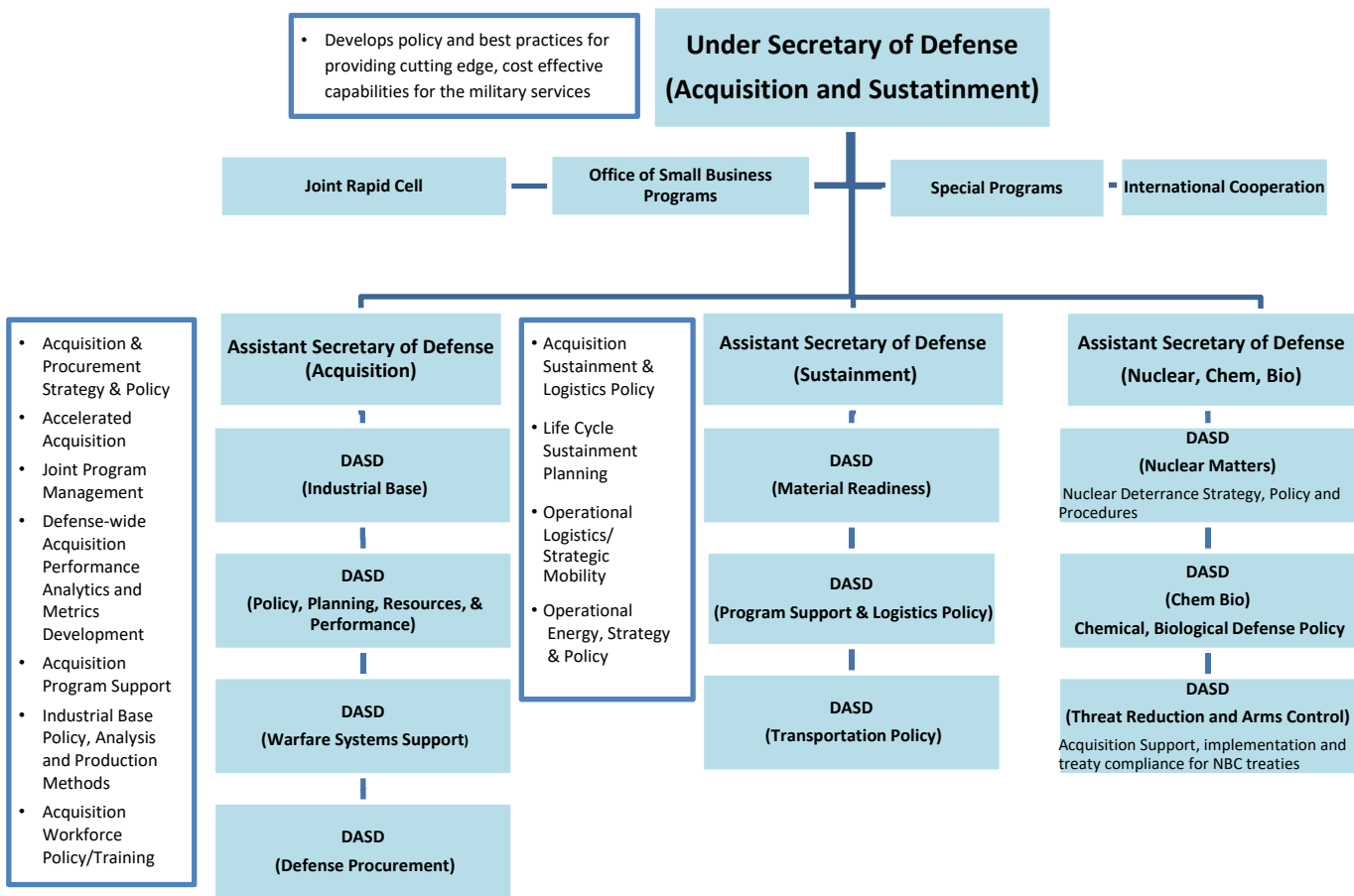
Figure 3: Proposed USD(A&S) Organization

Notes:

1. Alignment of Defense Agencies: Defense Threat Reduction Agency (DTRA) will report to ASD(NCB); Defense Logistics Agency (DLA) will report to ASD (Sustainment); and Defense Contracting Management Agency will report to DASD (Defense Procurement).

2. The acquisition and sustainment responsibilities executed by ASD(EI&E) continue to be reviewed as the Department evaluates the relative benefits of aligning (EI&E) functions under USD(A&S), with a focus on readiness; or aligning (EI&E) under the Chief Management Officer, with a focus on gaining efficiencies in the management of the Department's significant property resources. Final disposition of ASD(EI&E) will be determined prior to the new organization standup, February 1, 2018 .

3. Acquisition Resources and Analysis's (ARA) role will change to focus on enabling oversight functions such as information management (establishing and maintaining a common authenticated database reflecting program information) which can be utilized by ARA and Services to conduct analysis and assess progress.

4. International Cooperation (IC) will be assigned to USD(A&S), however, the roles and responsibilities assigned to IC will be further assessed pending determination of potential benefit of integrating with Defense Security Cooperation Agency.

5. The Defense Acquisition University will report to the ASD(Acquisition).

6. The industrial base policy and analysis, currently managed by DASD MIBP, will be aligned under USD(A&S).

7. The Department will assess the best placement of the Program Assessment and Root Cause Analysis function within USD(A&S).

Implementing the New Organization

Technological superiority is the core issue addressed by the FY 2017 National Defense Authorization Act. Accordingly, establishing the USD(R&E) is the first priority in implementing the new organization. To the extent possible, the Department intends to take a clean sheet approach in standing up this organization, structured around the most pressing problem - restoring the technical overmatch of the U.S. armed forces.

The USD(R&E) is envisioned to be a lean organization staffed by subject matter experts uniquely qualified to simplify and govern the myriad processes (traditional and non-traditional) associated with identifying, selecting, resourcing, designing, developing, and demonstrating the high-end architectures and associated technologies critical to our warfighting effectiveness.

The Strategic Intelligence Analysis Cell will first be established in order to inform investments in the current DoD Budget Planning and Programming phases to point the Department immediately toward the most urgent technology needs and opportunities.

Upon appointment of the USD(R&E), the associated agencies (MDA, DARPA) and organizations (SCO, DIUx, DSB) will commence transition to USD(R&E). Assignments for ASD(Research & Technology) and ASD(Advanced Capabilities) will follow upon appointment of the respective ASDs. ASD(Research & Technology) will ensure the DoD technical infrastructure, engineering and scientific capabilities, and S&T resources are aligned to the Defense investment strategy. Likewise, the ASD(Advanced Capabilities) will be established early in order to: (1) establish a Department capability for Joint Mission Engineering that analyzes and recommends technologies that eliminate or disrupt adversary kill chains or, alternatively, that deliver superior Blue Force kill chains; and (2) implement new methods, policies, and alternate acquisition pathways that rapidly move innovative technologies and prototypes that prove their ability to meet the warfighter's needs from the lab to the field.

Establishing the USD(A&S) closely follows the establishment of USD(R&E). Maintaining certain current day-to-day functions of USD(AT&L) while transitioning to the new USDs will be important to ensure uninterrupted execution of major defense programs alongside the smooth transition of personnel and functions. The stand-up of USD(A&S) is expected to be an orderly process of *reduction*, *reassignment*, and *realignment* of current USD(AT&L) functions necessary to establish USD(R&E) and in support of moving responsibility for Service specific major acquisition programs to the Services. Office reductions are expected as a natural result of organizational efficiencies tracing to consolidating offices or eliminating functions; reassignments are expected consistent with the reassignment of certain current USD(AT&L) functions to the new USDs; and realignments are expected to occur as entire offices that now exist may be realigned to a new organization outside of either new USD.

The flexibility provided by Congress to the Department to form this new organization included removing requirement for several Assistant Secretaries and Deputy Assistant Secretaries, which provides the Department with considerable discretion in constructing a new organization that best meets the objectives outlined by Congress for this new organization.

The Department is conducting RACI (Responsible-Accountable-Coordinating-Informed) analysis evaluating processes and functions of the two USDs to determine competencies and

numbers required within each sub-tier under the heading of a Deputy Assistant Secretary. This will lead to the more detailed formulation of specific position descriptions for each of the organization staffs. With the key leadership in place and USD(R&E) and USD(A&S) established by February 1, 2018, and position descriptions for the sub-tier organization(s), the Department anticipates it will require up to one year to complete the personnel actions associated with transition from the current USD(AT&L) organization to the new organization; to include onboarding of new personnel and redeployment/reassignment of current USD(AT&L) staff.

Commensurate with standing up this organization, the leadership team will work across OSD to develop draft operating instructions for the two new Under Secretaries that outline their respective responsibilities and authorities, as well as key business processes and interfaces among key OSD offices (e.g. CMO, Joint Staff, etc.), and the Services.

It is important to recognize that changing the USD(AT&L) organization alone will not address the organizational performance required of these two new USDs. In order to ultimately achieve the objectives of the new organization, the critical processes (such as the Defense Acquisition System and the Joint Capabilities Integration and Development System (JCIDS)), organizational relationships and incentives, roles and responsibilities, personnel talent, and regulation must also be aligned to these same performance objectives. These efforts will commence with the formation of the leadership team for the new organization.

Sizing the Organization

The Department is currently required to reduce its size in management headquarters activities (MHA) by 25%. The Department's intent is to execute this reorganization AND achieve the 25% MHA reductions as it was applied to the USD(AT&L). Further adjustments (up or down) will be assessed as DoD stands up these two new USD organizations, re-engineers its requirements, acquisition, and business processes consistent with the objectives of the new organization, and implements other Departmental reform initiatives.

Relationship between USD(R&E) and USD(A&S)

In order to deliver new and needed capability to the Warfighter, USD(R&E) will take risks while pushing the technology "envelope", testing and experimenting, and being willing and allowed to fail when appropriate. Once technological and integrated solutions have been identified and matured, USD(A&S) will minimize further risk, as necessary to ensure the needed capability is delivered and sustained in the most timely and cost-effective manner possible. The fact that the two organizations most integral to the delivery of effective and sustainable systems and services approach risk from such different perspectives reinforces special challenges. USD(R&E) and USD(A&S) will minimize this challenge through improved process and planning, communication and effective leadership and management. An example of an alternative acquisition process that would accommodate these objectives is described in Annex D. Other key organizational relationships between these new USDs and the DoD are outlined in Annex E.

Part 2 – Restructuring the Chief Management Officer Organization

Current Deputy Chief Management Officer (DCMO) Organization

The evolution of the current DCMO organization reflects the Department's varying perspectives on the role the office should play. Prior to the legislation establishing the Chief Management Officer function, the Department had an office that focused on business transformation. When the legislation creating the CMO and DCMO was enacted, there was also legislation specifying the review and management of business systems. As a result, the DCMO office focused heavily on business system management. At one point, the DCMO was the milestone decision authority for business systems within the Department, and there was an associated Business Transformation Agency that had direct program management responsibility for many of those systems.

Within the last three years, two changes transpired causing further evolution in the organization. First, the Department refocused the DCMO on the overall orchestration of business processes, to include how those process reforms affect both the organizational structures of the Department and the associated supporting business systems. However, detailed program management of business systems acquisition and associated information technology infrastructure was returned to the acquisition and Chief Information Officer (CIO) communities, respectively. Second, the Department integrated the functions of the former Director of Administration and Management (DA&M) into the DCMO, giving the DCMO officer more directive authority over the structure of the OSD staff, Defense Agencies and Field Activities on behalf of the Deputy Secretary of Defense.

This evolution resulted in strengths and weaknesses in the DCMO structure. The functions associated with the former DA&M organization came with personnel with appropriate skill sets. Association with the CMO has resulted in renewed focus on instilling efficiency and standardization into those processes supporting the OSD staff, and this has resulted in both improved delivery of services and reduced cost of operations. On the other hand, the staff supporting the CMO functions largely evolved into a staff aimed at managing systems, rather than overall business outcomes. The change in direction has required an evolution of that staff. More importantly, the growth of the role of the DCMO in impacting broader business process functions, while positive, depends significantly on the commitment of the Deputy Secretary of Defense, as the Department's COO and CMO, toward the outcomes.

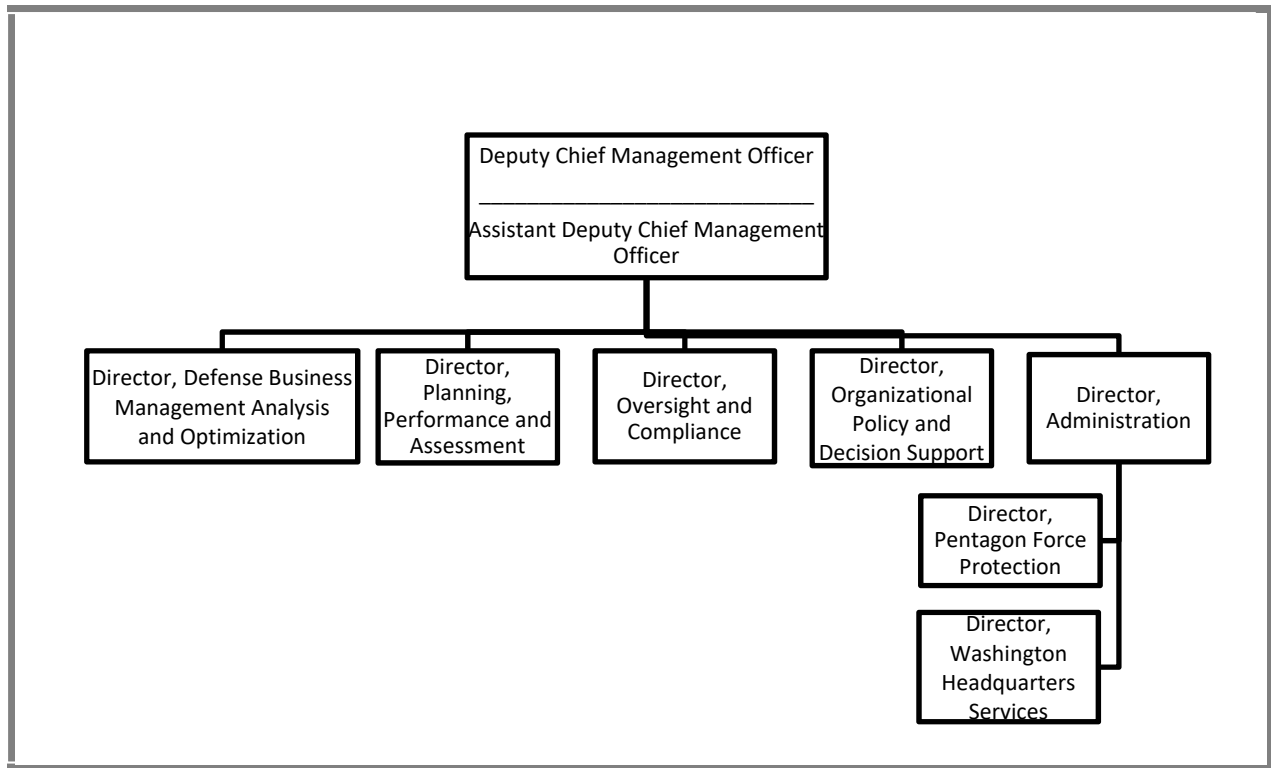Figure 4 depicts the current DCMO organization.

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                    │  Deputy Chief Management Officer │
                    │ ─────────────────────────────── │
                    │ Assistant Deputy Chief Management│
                    │             Officer              │
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| Director, Defense Business Management Analysis and Optimization | Director, Planning, Performance and Assessment | Director, Oversight and Compliance | Director, Organizational Policy and Decision Support | Director, Administration |

Director, Pentagon Force Protection

Director, Washington Headquarters Services

Figure 4: Current DCMO Organization

Congressional Guidance Regarding Organizational Objectives

Based on Section 901 of the FY2017 NDAA, four tasks/authorities are intended for the CMO:

(1) Separate the CMO duties from the Deputy Secretary of Defense with a focus on business operations of the Department;
(2) Have the CMO establish policies on and supervise all business operations of the Department including:
   - business planning and processes;
   - performance management;
   - business information technology (IT) management; and
   - allocation of resources.
(3) Have the CMO serve as the principal advisor to the Secretary of Defense on all business operations activities; and
(4) Give the CMO directive authority over the military departments and all other DoD components consistent with responsibilities

The FY2017 NDAA report explained that:

"The conferees believe that separating the 'chief technology officer' and 'chief acquisition officer' responsibilities currently residing with the Under Secretary of Defense (Acquisition, Technology and Logistics) (USD(AT&L)), as well as establishing a 'chief management officer' within the Department, addresses these priorities and better postures the OSD organizationally to meet future national security challenges."

"The conferees recognize that the implementation of this provision will require further examination and analysis, to include a deeper review of authorities, responsibilities, resource implications and the appropriate allocation of subordinate positions and organizations. As such, the provision provides policy guidance on roles and responsibilities for each of the three senior leadership positions and repeals requirements in statute for specific subordinate ASDs and DASDs to provide flexibility to the Department to allocate such subordinate positions to best meet congressional policy guidance."

Internal Considerations Regarding Organizational Alternatives

The Department's internal assessments of the challenges associated with reforming the CMO revolve around several observations.

- First, despite efforts at improvement over the last eight years, there are still substantial redundancies, overlaps, and inefficiencies in the Department's organizations and processes.

- Second, to address these problems the Department must commit to enterprise services consolidation and have skilled leadership to drive scaled change.

- Third, the existing senior leadership of the Department must be fully engaged in driving the change to common services. To allow existing leaders the time to play a key role as reform leaders, the Department will backfill those leaders with their deputy, or appoint acting leadership. This not only allows key leaders to drive reform, but it gives the deputy a key development opportunity.

The Department also considered how to structure such an organization functionally. The Department views its support functions in eight major lines of business operations:

- Human Resource Management
- Health Care Management
- Financial Management
- Supply Chain and Logistics
- Acquisition and Procurement
- Real Property Management
- Community Services
- Information Technology Business Systems

Consistent with these considerations and the congressional guidelines above, the current functions and organizational structure of DCMO and the broader Department were assessed alongside the objectives for the new organization.

Proposed Restructure of the DCMO into the CMO

The purpose of the establishment of the CMO is to improve the quality and productivity of the business operations of the Department. By doing so, the Department will also reduce the costs of those operations. This outcome supports the President's goal of improving the efficiency, effectiveness, and accountability of the executive branch as outlined in Executive Order 13781 and the Secretary of Defense's focus on creating a more lethal and effective force by allowing the Department to reallocate resources from business operations to readiness and recapitalization of the combat force.

The Department will move toward more use of enterprise services to conduct business operations. Focusing on delivering enterprise services ensures the Department more synergy in planning and executing business operations, while reducing the cost of those operations. In the course of effecting these reforms, the Department anticipates significant change in the structure of organizations across the DoD will occur over time. We expect that some organizations will not exist, or will not exist in their current form. Therefore, the Department will proceed with time-phased changes to its organizational structure. While the Department can determine the initial organizational structure of the CMO to begin the process, subsequent organizational changes will evolve in response to decisions the Department makes about how to deliver DoD enterprise services. At end state, the Department will establish enterprise service provider organizations that will be accountable for service delivery and performance, but will not be part of the CMO organization.

Phase I – 1Q/FY18: Establish the initial CMO organization and develop plans for business transformation.

During this period, the Department will convert the DCMO position to CMO, and modify the existing DCMO organization into a form to plan and execute changes to enterprise service delivery.

Business Reform. Establish CMO reform leadership in the key areas shown below. A key leader from the Department will be assigned to develop and initiate the transformation plan for each of the functional areas. The Department will identify a leader from within DoD by assigning a proven leader as the reform leader, and backfilling their existing duties and responsibilities with either their deputy or appointing an acting deputy. This makes business transformation the primary duty of the reform leader for the duration of the task, while affording the deputy talent development opportunity. The Department will supplement the reform leader's team with highly qualified experts (HQEs) and outside advisors to align business approaches from the commercial sector with corresponding Department processes. The reform leader's initial task is to develop the plan for transforming the affected functional area, and to establish an "enterprise home room" from which to coordinate activities. The initial plan includes defining a time-phased way forward; establishing outcome objectives and timing for the focus area that drives the Department to converting the mission into an enterprise service; determining

supporting goals; and determining the scope of affected organization(s). The areas directly under the CMO organization include:

- Human Resource Management.
- Health Care Management
- Supply Chain and Logistics
- Real Property Management
- Community Services

Reform leadership for financial management and acquisition and procurement will remain with USD(C), USD(R&E), and USD(A&S) respectively. The Department will follow the same approach by establishing a reform leader to focus in each of these business areas.

IT Business Systems Management. The PEO for IT Business Systems will plan and execute the transformation of all business systems affecting support areas within the Department. The Department continues to support too many business systems which duplicate functions and in many cases lack the kind of internal controls that support the effective management and integrity of information for decision making. This redundancy in business systems also drives the existence of substantial workforces, both government and contractor, that exist simply to reconcile information and data among the disparate systems. The PEO for IT Business Systems will develop a time-phased roadmap that evolves and deploys systems to support business reforms; reduce the total number of systems; and ensure systems have the necessary controls to support audit and information integrity. The PEO for IT Business Systems will develop this plan across the business systems portfolios in support of the functional leads within CMO, and also across the USD(C), USD(A&S), and USD(R&E). Functional areas include:

- Human Resource Management
- Health Care Management
- Supply Chain and Logistics
- Real Property Management
- Community Services
- Financial Management
- Acquisition and Procurement

Performance Management. The business reform leaders will be responsible for establishing performance goals for the functional areas. The performance management reform leader will be responsible for working with the CMO and Deputy Secretary of Defense in establishing a process for routinely managing the progress of the functional reforms and IT business system deployments against the plan using those goals and other measures. In addition, the performance management reform leader and the USD(C) will establish a cost management and cost reporting framework for each of the major lines of business to ensure that cost data becomes part of the management decision process. As the Department conducts audits, the reform leader and the USD(C) will pursue opportunities to increase the clarity and accuracy of cost data as we improve financial and management controls identified by the audit. Overall, the objective of this effort is

to establish clear, fact-based means to judge the effectiveness of Department support operations and to identify the resource reallocation opportunity in support of the lethality objective.
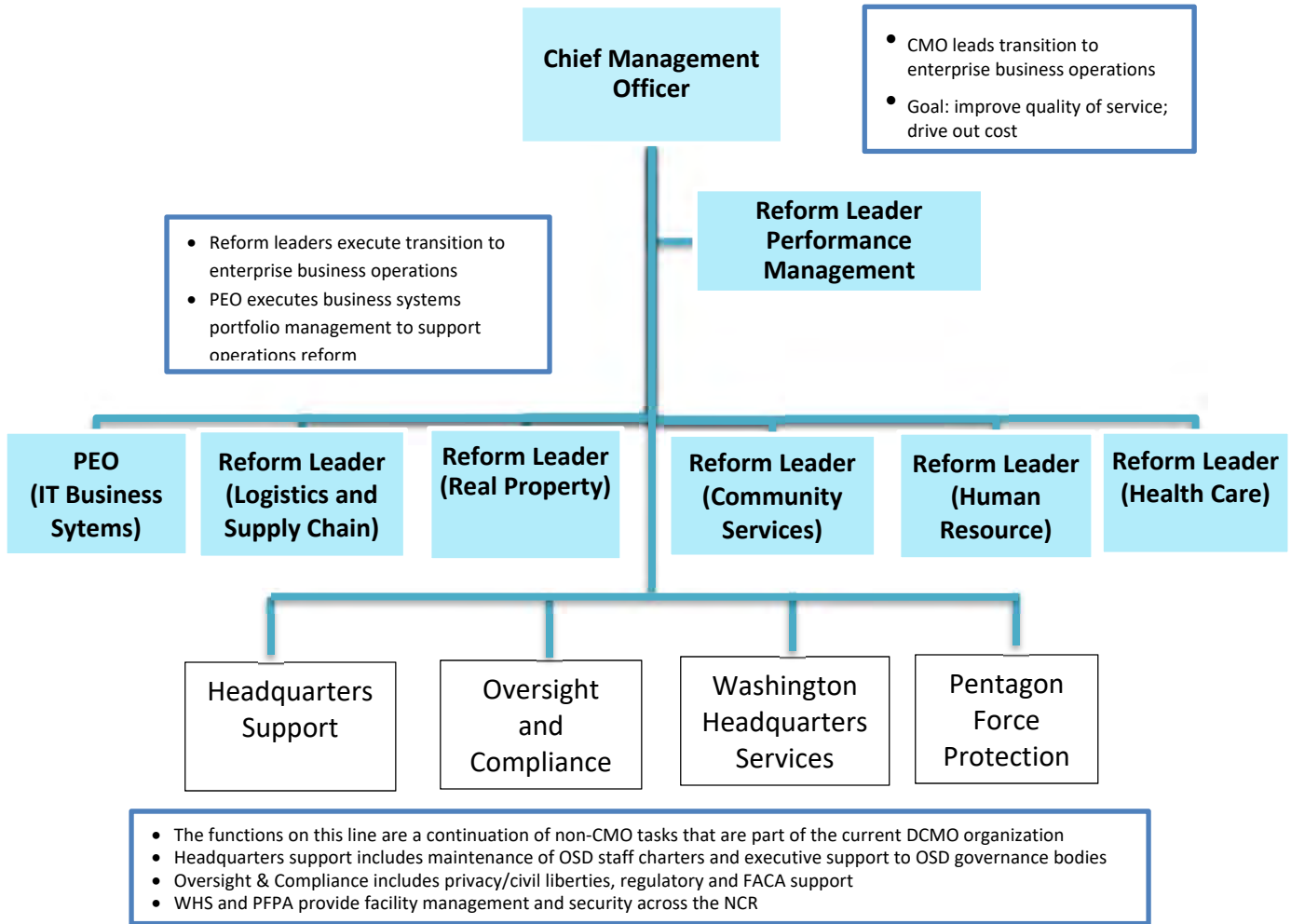
The initial CMO organization is shown at Figure 5.

Figure 5: Proposed CMO Organization

Phase II – 2QFY18: Reform plan implementation and initial organizational restructuring.

Business Reform: In Phase 2, the Department gets the work of business and system reform underway for each of the five functional areas. Reform leaders will have the responsibility, functional authority, and resource direction authority for affected organizations or portions of

organizations in their business space. At this point, new organizational relationships for mission execution will be established.

The reform leaders will operate a cross-functional team that includes military service representatives, HQEs and outside experts to modify processes to move toward enterprise service delivery. First focus is to develop a detailed work plan with explicit and detailed objectives for the first 60 days of work. This plan includes a rapid summary of target business processes; definition of performance goals, including targets for cost reduction, and redesign of organizations to accomplish revised procedures. During development and deployment of these revised processes and procedures, the CMO, the Deputy Secretary of Defense, and the Military Department Secretaries will evaluate progress of the plan, and make decisions to remove obstacles to progress and provide clarifying direction on the way forward.

During this phase, the Department expects "early wins" based on an assessment of ease of implementation and payoff in terms of cost reduction and productivity improvements. In these early win areas, the team leaders will complete initial business process re-engineering and initial enterprise standards. Also in these areas, the Department will begin organization optimization. Under this review, the Department will restructure to execute the function as an enterprise service, considering organizational elements across the entire DoD. This restructure will eliminate duplicate functions, address spans of control, and eliminate unnecessary layers of the organization. Finally, the Department will adjust allocation of resources to the new enterprise service leaders to support the mission and redirect savings to readiness and recapitalization goals. Following are areas the Department has identified for more detailed work during this phase:

- Initial transition to enterprise medical health delivery by looking at an organizational structure to address clinical care standards, investment planning, and management of resource execution;
- Initial transition to enterprise management of military exchanges;
- Initial transition to enterprise management of lodging operations; and
- Consolidation of Department warehousing operations.

IT Business Systems Management. The PEO IT Business Systems executes the roadmap to reduce the number and redundancy of business systems in the Department.

Like the business reform work, the Department expects early deliverables in this phase. Opportunities for early initiatives include:

- Create a single instance of civilian personnel system;
- Complete deployment of a single rating system for GS employees;
- Connect DoD inventory systems into a business intelligence layer; and
- Assess the ability to accelerate deployment of enterprise medical management system and restructure IT support to medical systems to reduce overall cost.

Performance Management. The performance management reform leader works with the CMO and Deputy Secretary of Defense to complete standup of the *Obeya* room to manage implementation of the transformation plans. The *Obeya* (from Japanese "large room" or "war

room") refers to a form of project management used in Asian companies and is a component of lean manufacturing. During the product and process development, all team leaders, the CMO and the Deputy Secretary of Defense will meet in a "great room" to speed communication and decision-making. This is intended to reduce "departmental thinking" and improve on methods like email and social networking. The Department's *Obeya* will contain visual charts and graphs depicting such information as program timing, milestones and progress-to-date and countermeasures to existing technical or scheduling issues. Both CMO-led transformations, and those transformations being conducted by USD(C), USD(R&E) and USD(A&S) will be addressed in these sessions.

In addition, the performance reform leader will continue working with the USD(C) to produce additional cost management frameworks for remaining lines of business. Both the information from the cost management data and improved financial information from ongoing audits will serve as a significant foundation for Departmental management decisions regarding the way forward for business reform and the move to enterprise services.

During this phase, the Department expects to make additional changes to organization structures across the entirety of the DoD. However, the particulars will be dependent on the process decisions made.

Phase III – 3QFY18: Continued reform plan implementation and initial establishment of enterprise service delivery leaders.

Business Reform. By this phase, the Department will show initial results based on the work of the reform leaders and associated teams. Department leaders will be adopting an enterprise mindset and showing a bias toward common DoD standards and goals. Both the initial transformation results and the culture change will propel the development of more ambitious opportunities with decisions supported by functional performance and cost information. The CMO and reform leaders will extend and document the business architecture describing the Department's support operations; extending the implementation plan to new opportunities; and deciding on additional offset opportunities to support resource reallocation to the lethality objective.

During this phase, the Department will identify required Congressional notifications and legislative proposals. As the Department drives toward enterprise service delivery, organizations will be significantly changed, or even eliminated. These actions are likely to trigger normal notification processes to Congress.

The Department also expects to identify the first established enterprise service delivery leaders in the Department. The Department's intent is to use the reform leaders to effect the change, but anticipates moving to permanent enterprise service delivery leaders within the larger structure of the Department, and not within the CMO.

IT Business Systems: The PEO for IT Business Systems will continue to drive deployment of enterprise IT approaches to support the centralized processes. These solutions could range from

single system approaches to establishing a business intelligence layer across existing systems to produce enterprise level information.

Performance Management: The performance reform leader will work with USD(C) to complete cost management frameworks against two more lines of business and support modification of financial information to support both the cost management and audit initiatives.

Phase IV – 4QFY18: Transition to DoD Enterprise Services

The reform leaders will complete initial business process re-engineering assessments across all eight lines of business operations (working with USD(C), USD(R&E), and USD(A&S)). The Department will establish initial performance goals for all lines of business. As new processes and organizations are deployed, the Department will transition leadership from the reform leaders accountable under the CMO, to permanent enterprise leaders accountable for the system delivery across the DoD. These enterprise leaders will be at the head of organizations (new or modified from current structures) tasked with delivering the enterprise service to customers. At this point, a new organization chart for the Department will be finalized.

Annex A – Other Provisions in FY 2016 NDAA and FY 2017 NDAA Relevant to the USD(A&S) and USD(R&E)

Recent legislation has directed or authorized the DoD to establish alternative acquisition procedures, or to change existing procedures, to enable the military departments to acquire innovative technology and weapon systems in an expedited and streamlined manner. Examples of these provisions include the following:

FY16 NDAA

- Section 804 requires "middle tier" acquisition procedures to be established for rapid prototyping and rapid fielding.
- Section 805 requires alternative acquisition procedures to be established to acquire capital assets and services that meet critical national security needs.
- Section 814 amended 10 U.S.C. § 2373 to add transportation, energy, medical, and space-flight to the categories of supplies that the military departments may procure non-competitively for experimental purposes.
- Section 815 amended title 10 to add section 2371B, which authorizes the Director of Defense Advanced Research Project Agency (DARPA), Secretary of a military department, or any other official designated by the Secretary of Defense to exercise other transaction authority to carry out prototype projects that are directly relevant to enhancing mission effectiveness of military personnel or the platforms, systems, components, or materials in use by the armed forces.
- Section 825 amended 10 U.S.C. § 2430 to provide that the Milestone Decision Authority for an Major Defense Acquisition Program (MDAP) reaching milestone A after October 1, 2016 shall be the Service Acquisition Executive (SAE), except in limited circumstances in which the Secretary of Defense may designate another official.

FY17 NDAA

- Section 233 provides for a pilot program for a limited number of lab directors to waive on a temporary basis regulations, policies, and procedures to enhance research, development, test and evaluation efforts.
- Section 806 adds 10 U.S.C. §§ 2447b-e, which require the Secretary of each military department to establish or identify an oversight body for managing prototype projects for weapon system components and other technologies; require the SAE to select prototype projects through a merit-based selection process; and authorize the SAE to select a project for a non-competitive, follow-on production contract or other transaction under certain circumstances.
- Section 807(b) further amends 10 U.S.C. § 2340 to limit the duration of OSD's authority to designate a Milestone Decision Authority other than the SAE for MDAPs that address a joint requirement.
- Section 847 further amends 10 U.S.C. § 2340 to exclude programs or projects under the rapid prototyping and rapid fielding pathways (FY16 NDAA, section 804) from the definition of a MDAP.

- Section 848 amends 10 U.S.C. § 2431a to grant the SAE authority to issue and maintain requirements for acquisition strategies when the SAE is the milestone decision authority for a program.
- Section 855 requires the Secretary of Defense to establish mission integration management activities for identified mission areas, focusing in activities such as Research, Development, Test and Evaluation (RDT&E), implementation of modular open system architectures, and composing systems-of-systems.
- Section 879 authorizes the Secretary of Defense and the Secretary of each military department to carry out a pilot program to acquire innovative commercial items, technologies, and services through use of competitive general solicitation procedures.
- Section 897 allows the Secretaries of the military departments to establish department-specific rapid prototyping funds (under section 804 of the FY16 NDAA).
- Section 925 revises 10 U.S.C. § 181, including an emphasis on the Service Chiefs' responsibility for service-specific, non-joint performance requirements (providing that such requirements do not require validation by the Joint Requirements Oversight Council (JROC) absent a determination by the Chairman of the Joint Chiefs of Staff (CJCS).

Annex B – Proposed Functions, Responsibilities and Authorities of the Under Secretary of Defense for Research and Engineering USD(R&E)

1. Serve as Chief Technology Officer (CTO) with the mission of driving military superiority through advanced technology and innovation.
2. Serve as the principal decision maker for major game-changing investments for the Department.
3. Establish increased ties with the Intelligence Community (IC) and Combatant Commanders to understand the threats and opportunities.
4. Represent the DoD to the National and Global innovation economy, ensuring the USD(R&E) is the knowledgeable expert in sources of technology throughout the world.
5. Provide direction and alignment for DoD strategic investment in technology and emerging capability. Direct Service and DoD-wide resources required to respond to emerging threats and technology opportunities. Determine where common research across the Services should best be accomplished through collaboration or by assigning to a lead Service.
6. Perform mission area engineering analyses for cross-cutting technologies and conduct integrated Joint and cross-Service warfighting capability assessments with support from USD(A&S).
7. Identify and resource cross-cutting prototyping and experimentation activities to inform new mission capabilities for the Joint Warfighter.
8. Inform/influence program requirements based on the results of the knowledge acquired through technology forecasting, effective modeling/simulation, prototyping and experimentation.
9. Lead DoD initiatives to engage non-traditional suppliers of technology through organizations such as Defense Advance Research Project Agency, Defense Innovation Unit-Experimental (DIUx) and the Service laboratories, and assess opportunities to use existing capabilities in new and unanticipated ways to disrupt the adversary such as the Strategic Capabilities Office (SCO) mission.
10. Develop and promulgate policy that implements alternate pathways to innovate, develop, exploit and transition technology, to include commercial technology.
11. Serve as the advocate and functional lead for DoD laboratories, warfare/engineering centers, and agencies to include facilities and R&E laboratory personnel, focusing the latter on human capital requirements and training.
12. Review and oversee research, system engineering, and developmental test processes across the Services, especially during the formative stages of programs.
13. Support the USD(A&S) and the Services with Major Defense Acquisition Program Systems Engineering and Developmental Test assessments.

Annex C – Proposed Functions, Responsibilities and Authorities of the Under Secretary of Defense for Acquisition and Sustainment USD(A&S)

1. Serve as Chief Acquisition and Sustainment with the mission of ensuring timely, affordable delivery and sustainment of capabilities to the Warfighter.
2. Support USD(R&E) in mission area engineering analyses.
3. Develop and administer broad policy governing the acquisition of weapon systems and services, guiding the Components in delivering needed capability effectively and efficiently.
4. Serve as the Defense Acquisition Executive (DAE) and as the decision authority for select major Joint programs.
5. Align Joint and cross-Service mission capability to ensure "whole" or "end to end" capability will be delivered to the Warfighter.
6. Identify and combine common procurements across the Services which are best accomplished by consolidating or assigning to a lead Service.
7. Review and oversee Service acquisition process implementation. Establish standards and common data sets to facilitate appropriate program insight and inform decision making in Services, Agencies and OSD. Develop and monitor metrics that can be used to determine and measure successful Department programs and acquisition and sustainment processes.
8. Develop and promulgate policy for the conduct of logistics, maintenance, materiel readiness, and sustainment support in the DoD, including supply and transportation; monitor, review, and advise logistics, maintenance, materiel readiness, and sustainment support programs.
9. Develop joint weapon systems' sustainment policy for addressing standard and rapid capability development efforts.
10. Maintain an industrial base and economic analysis capability to identify the impact and effects of budget procurement and sustainment decisions; and likewise assess the posture of the Industrial Base to accommodate future defense needs. Conduct analysis to address risk and vulnerabilities in the supply chain.
11. Oversee and prescribe policy for nuclear forces modernization; nuclear, chemical, and biological (NCB) arms control programs, and counter-weapons of mass destruction (Counter WMD) programs, and Defense Threat Reduction Agency (DTRA) responsibilities.
12. Serve as the advocate and functional lead for acquisition personnel, focusing on human capital requirements and training.

Annex D – Notional Acquisition Models (Alternative Pathways)

Today, the Department predominately uses two acquisition pathways that are well understood and used regularly; one for Major Defense Acquisition Programs (described in DoDI 5000.02) and one for Urgent/Emerging Operational Needs (described in DoDI 5000.71). However, in today's near-peer competitive environment, DoD needs alternative pathways to acquire capabilities faster than these two models alone can support. The FY 2016 NDAA provided such an additional pathway, referred to as "middle tier acquisition." This provision recognizes DoD's need to move faster on promising technologies that are too early to declare as an acquisition program, but have the ability to provide significant Warfighter advantages if delivered faster.

USD(R&E)'s success in accelerating advanced capabilities to the warfighter will require that the Department formulate alternate acquisition pathways for delivering promising capabilities. An example of such an alternate acquisition pathway is provided below (Figure 6). The top portion of the model is the familiar Major Defense Acquisition Program process. An alternate path proposed below speeds delivery of capability to the warfighter. It is an intentional method that prototypes new system ideas, often with commercial technologies or modified commercial technologies, and moves them toward limited production before committing the Department to larger scale financial outlays. Step (1) of this alternate path would be initiated by operators defining a need (vice detailed requirements) or researchers identifying an opportunity through experimentation, wargaming, technology scouting, etc.; step (2) continues when additional resources are applied to procure a limited number of units for testing, prototyping, user evaluations, operational assessments (OAs), CONOPs, etc.; and step (3) allows for a deliberate decision point to determine whether to invest further in order to introduce the capability on a larger scale (to Engineering and Manufacturing Development (EMD), OT, or production); or whether to divest, continue modifying, or harvest the technology and move on. This alternate acquisition path is built on the principles of provisions in section 804 and 847 (NDAAs FY 2016 and FY 2017, respectively).

The familiar standard DoDI 5000.02 acquisition process remains in place for the Services to field MDAPs, as well as the DoDI 5000.71 Rapid Acquisition Process. In this construct, USD(R&E) performs the role of setting broad policy for implementing the alternative pathway in the Services.

This alternate acquisition pathway is not uncommon to smaller user communities in the Military Services such as Explosive Ordnance Disposal (EOD), Special Operations, Intelligence, etc. (often referred to as the User Operational Evaluation Systems (UOES)). However, the alternate path described here would intentionally scale-up the approach to greater investment levels, which is consistent with Congressional intent.
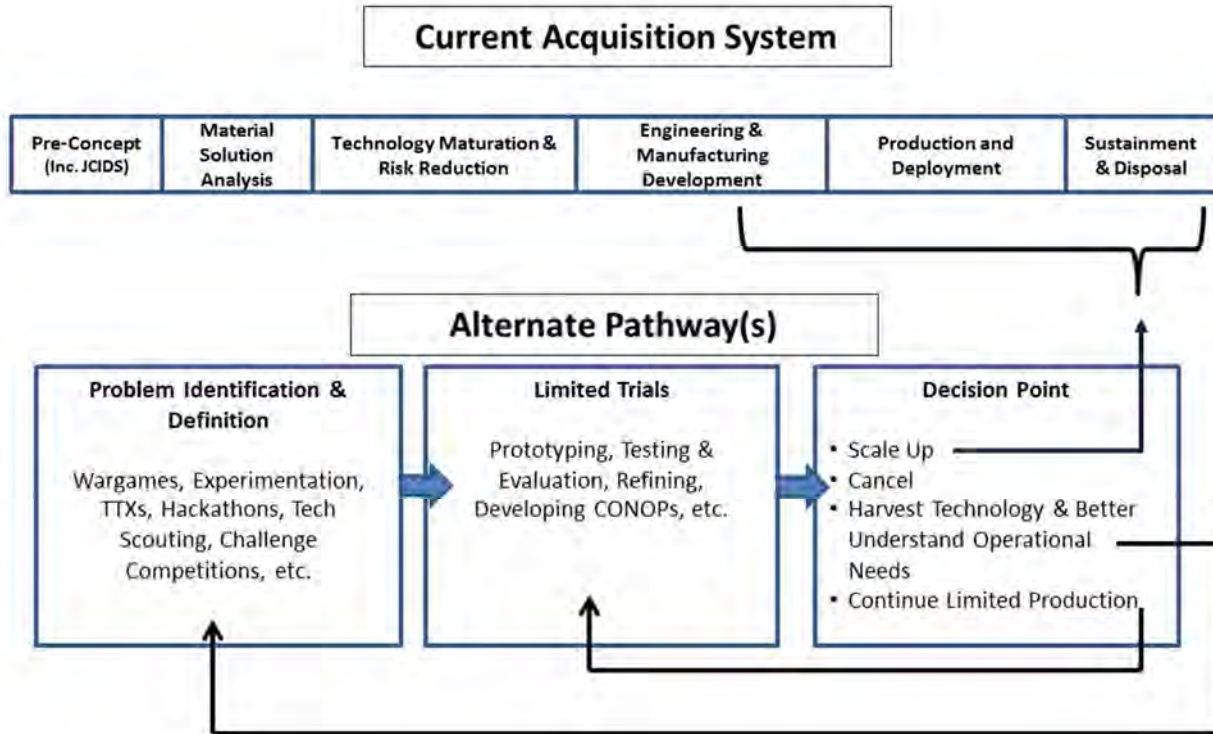
Figure 6: Alternate Pathways[1]

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[1] Adapted from Fitzgerald, et. al., *Future Foundry: A New Strategic Approach to Military-Technical Advantage,* Center for a New American Security (December 2016).

Annex E – Key Organizational Relationships

Relationship with the Services

Section 808 of the NDAA for FY 2016 (Public Law 114-92) required the Service Chiefs to submit reports to the Congress on Linking and Streamlining Requirements, Acquisition, and Budget Process within the Armed Forces. This report was informed by these reports, as well as direct input from the Service Chiefs and, consistent with Congressional intent, the future acquisition organization and processes are built upon the presumption of an increased role and responsibility by the Service Chiefs in acquisition.

The new construct will fundamentally change the way OSD and the Services interact on all phases of major acquisition programs. The assumption of additional authority and accountability for major acquisition programs must align with the Services' capability and capacity to provide the leadership and informed decision making necessary to achieve the needed results. Additionally, with a changed OSD management role, processes and information management must be sufficiently robust to provide USD(A&S) the ability to perform his/her statutory supervisory responsibilities over service acquisition programs for which the Service Acquisition Executive is the milestone decision authority.

DoD Chief Management Officer (CMO)

A close relationship among the CMO, the USD(R&E) and the USD(A&S) is critical. Based on the initial review of their respective functions, authorities and responsibilities, the planned organizational structure would reflect:

1. Fourth Estate agencies that are primarily tied directly to specific USD functions, authorities and responsibilities would come under the direction of the specific USD. This includes DTRA, Defense Contract Management Agency, Defense Logistics Agency, and Missile Defense Agency.
2. To drive efficiencies for Fourth Estate business systems, CMO will be responsible for aligning business processes and providing business system expertise and process engineers to achieve the desired end states.

DoD Chief Information Officer (CIO) and Cyber

There are going to be areas where USD(R&E), USD(A&S), and other organizations all have equities. As such, their respective functions, responsibilities and relationships need to be determined. Cyber is one of these areas.

The USD(R&E) and USD(A&S) roles/missions will need to be distinguished from those responsibilities of the United States Cyber Command (U.S. CYBERCOM) and the DoD CIO. In the area of cyber, the authority over research and development should reside with the USD(R&E) and the acquisition and fielding of capabilities should reside with the USD(A&S). The responsibilities for "policy, oversight and guidance for the architecture and programs related to the networking and cyber defense architecture of the Department" as required by section 902 in the 2017 NDAA should reside with the DoD CIO. The validation and establishment of priorities will reside with US CYBERCOM subject to the authority, direction, and control of the DoD Principal Cyber Advisor.

The acquisition authorities provided to US CYBERCOM should be limited to buying capability for urgent needs, vice establishing their own acquisition programs. That said, the actions of DoD CIO, US CYBERCOM, USD(R&E), and USD(A&S) will require strong coordination.

Security Cooperation

Section 1204 of the Fiscal Year 2017 NDAA requires DoD to conduct an evaluation of the implementation of the strategic framework for security cooperation.

Since security cooperation is a significant responsibility of the current USD(AT&L) and USD(Policy), we will defer any action on the Director, International Cooperation (DIC) at this time to ensure that all organizations (DIC, Defense Technology Security Administration (DTSA) and Defense Security Cooperation Agency (DSCA)) that are involved in this important DoD function are properly considered as part of the effort without prematurely sub-optimizing the ultimate recommendations.

Director of Cost Assessment and Program Evaluation (CAPE)

USD(A&S) will coordinate with USD(R&E) to provide mission engineering analysis of joint mission wholeness, and inter-service kill chains to inform CAPE for their tradeoff and Program Evaluation (PE) responsibilities. The Services will provide Service-unique mission engineering. CAPE's responsibility to conduct independent cost estimates is not affected.

Both USDs will also work with CAPE and the Services to better collect, analyze, and improve the quality of operating and support costs of fielded systems. It is essential to have a strong analytical base to understand the dynamics of sustainment to make trade-off decisions.

Operational Test and Evaluation (OT&E)

While not in the current USD(AT&L) portfolio, it is important to consider how OT&E fits into this new business model. The focus has to shift to what capability can be delivered, not a regimented compliance to the test requirements document prepared several years in advance. Risk management strategy informs the test community to optimize for only that testing needed to meet the immediate warfighting needs.

Acquisition Workforce

The changes planned will require a significant change in how "acquisition" is taught to the acquisition workforce. Instead of teaching a regimented process, such as the DoD Instruction (DODI) 5000.02, the emphasis needs to be on critical thinking, risk management, flexible decision-making and working with the Warfighters to evaluate trades pursuant to delivering capability. Focus on "what is the requirement" must change to "what capability is needed." This requires a culture change and the re-education of our workforce. This is a significant cultural shift that must be continually reinforced with risk tolerance and the move away from a perceived "zero risk" mentality.