12 January 2018

MEMORANDUM FOR SECRETARIES OF THE MILITARY DEPARTMENTS
                CHAIRMAN OF THE JOINT CHIEFS OF STAFF
                UNDER SECRETARIES OF DEFENSE
                DEPUTY CHIEF MANAGEMENT OFFICER
                CHIEF, NATIONAL GUARD BUREAU
                GENERAL COUNSEL OF THE DEPARTMENT OF DEFENSE
                DIRECTOR OF COST ASSESSMENT AND PROGRAM
                    EVALUATION
                INSPECTOR GENERAL OF THE DEPARTMENT OF DEFENSE
                DIRECTOR OF OPERATIONAL TEST AND EVALUATION
                CHIEF INFORMATION OFFICER OF THE DEPARTMENT OF
                    DEFENSE
                ASSISTANT SECRETARY OF DEFENSE FOR LEGISLATIVE
                    AFFAIRS
                ASSISTANT TO THE SECRETARY OF DEFENSE FOR PUBLIC
                    AFFAIRS
                DIRECTOR OF NET ASSESSMENT
                DIRECTORS OF DEFENSE AGENCIES
                DIRECTORS OF DOD FIELD ACTIVITIES

SUBJECT: FY 2017 DoD Annual Performance Report

       The DoD Annual Performance Report (APR) for FY 2017 provides performance-related results and progress towards strategic objectives, performance goals, and Agency Priority Goals in the DoD Agency Strategic Plan, FY 2015-2018, version 2.0. This report closes out the FY 2015-2018 strategic plan, last updated in 2016. The Department will publish and submit to Congress the FY 2018-2022 DoD Agency Strategic Plan with the FY 2019 President's Budget Request in February 2018. The classified portion of the FY 2017 APR is available to persons with the appropriate security clearance and official 'need to know' basis.

       The report also satisfies the requirements of the Government Performance and Results Act of 1993 (GPRA), the GPRA Modernization Act of 2010, and Office of Management and Budget Circular A-11 – all of which call for integration of annual performance goals and results with congressional budget justifications. This report complements the appropriation-specific budget justification information that is submitted to Congress by providing:

- A performance-focused articulation of the Defense Department's strategic goals and objectives; and

- A limited number of Department-wide performance improvement priorities for senior-level management attention in the current and budget year.

The Department looks forward to working with the Administration and Congress to meet the challenge of creating more effective and efficient operations while delivering a high-value return for the American taxpayer's investment in the Defense Department.

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Date: 2018.01.12 14:41:26 -05'00'

David Tillotson III
Assistant Deputy Chief Management Officer

Attachment:
As stated

U.S. Department of Defense

Annual Performance Report
Fiscal Year (FY) 2017

The estimated cost of this report or study for the Department of Defense is approximately $13,000 for the 2017 Fiscal Year.
This includes $500 in expenses and $13,000 in DoD labor.

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About This Report

The Department of Defense (DoD) Annual Performance Report (APR) for Fiscal Year (FY) 2017 provides performance-related results and progress towards strategic objectives, performance goals, and Agency Priority Goals in the DoD Agency Strategic Plan (ASP), Fiscal Years 2015-2018, version 2.0. This report closes out the FY2015-2018 strategic plan that was last updated in 2016. The Department will publish and submit to Congress the FY2018-2022 DoD Agency Strategic Plan with the FY2019 President's Budget Request in February 2018. This revised strategic plan will align to Secretary of Defense Mattis's priorities and support the Administration's management agenda. Reflecting these changes, updated planned performance targets for FY2018-2019 for the FY19 Annual Performance Plan will be included as an appendix to the FY2018-2022 ASP.

This report fulfills the Government Performance and Results Act (GPRA), Modernization Act (GPRAMA), (Public Law 111-352) and Office of Management and Budget (OMB) Circular A-11 requirements to publish an annual performance report. This report is intended to inform the general public about progress towards achieving strategic goals and objectives.

This report is included in the Performance Improvement chapter of the Department's Budget Overview Book at *http://comptroller.defense.gov/Budget-Materials/*, and published on the Office of the Deputy Chief Management Officer's website at *http://dcmo.defense.gov/*.

The FY2017 Annual Performance Report is one in a series of three documents that comprise the Department's performance and accountability reports:

- *DoD Organizational Assessment Report:* Published – October 23, 2017
- *DoD Agency Financial Report*: Published – November 15, 2017
- *DoD Annual Performance Report*: Delivery date – February 2018

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SECTION ONE: DEPARTMENT OVERVIEW

The Department of Defense (DoD) provides the military forces needed to deter war and protect the security of the United States of America. DoD provides the unified strategic direction of combatant forces for operations under unified command, for the integration into an efficient team of land, naval, air, space, and cyber forces, for a more effective, efficient, and economical administration of the nation's defense.

The DoD mission depends on our military and civilian personnel and equipment being in the right place, at the right time, with the right capabilities, and in the right quantities to protect our national interests. This has never been more important as America fights terrorists who plan and carry out attacks beyond of the traditional boundaries of the battlefield.

Mission:[1] To provide the military forces needed to deter war and to protect the security of our country.

The Department's scope of responsibility includes overseeing, directing, and controlling the planning for and employment of global or theater-level military forces and the programs and operations essential to the defense mission. The DoD shall maintain and use armed forces to:

- Support and defend the Constitution of the United States (U.S.) against all enemies, foreign and domestic.
- Ensure, by timely and effective military action, the security of the U.S., its possessions, and areas vital to its interest.
- Uphold and advance the national policies and interests of the U.S.

Values: * Duty * Integrity * Ethics * Honor * Courage * Loyalty

Joint Chiefs of Staff Prioritization of Missions[2]

1. Maintain a secure and effective nuclear deterrent
2. Provide for military defense of the homeland
3. Defeat an adversary
4. Provide a global, stabilizing presence
5. Combat terrorism
6. Counter weapons of mass destruction
7. Deny an adversary's objectives
8. Respond to crises and conduct limited contingency operations
9. Conduct military engagement and security cooperation
10. Conduct stability and counterinsurgency operations
11. Provide support to civil authorities
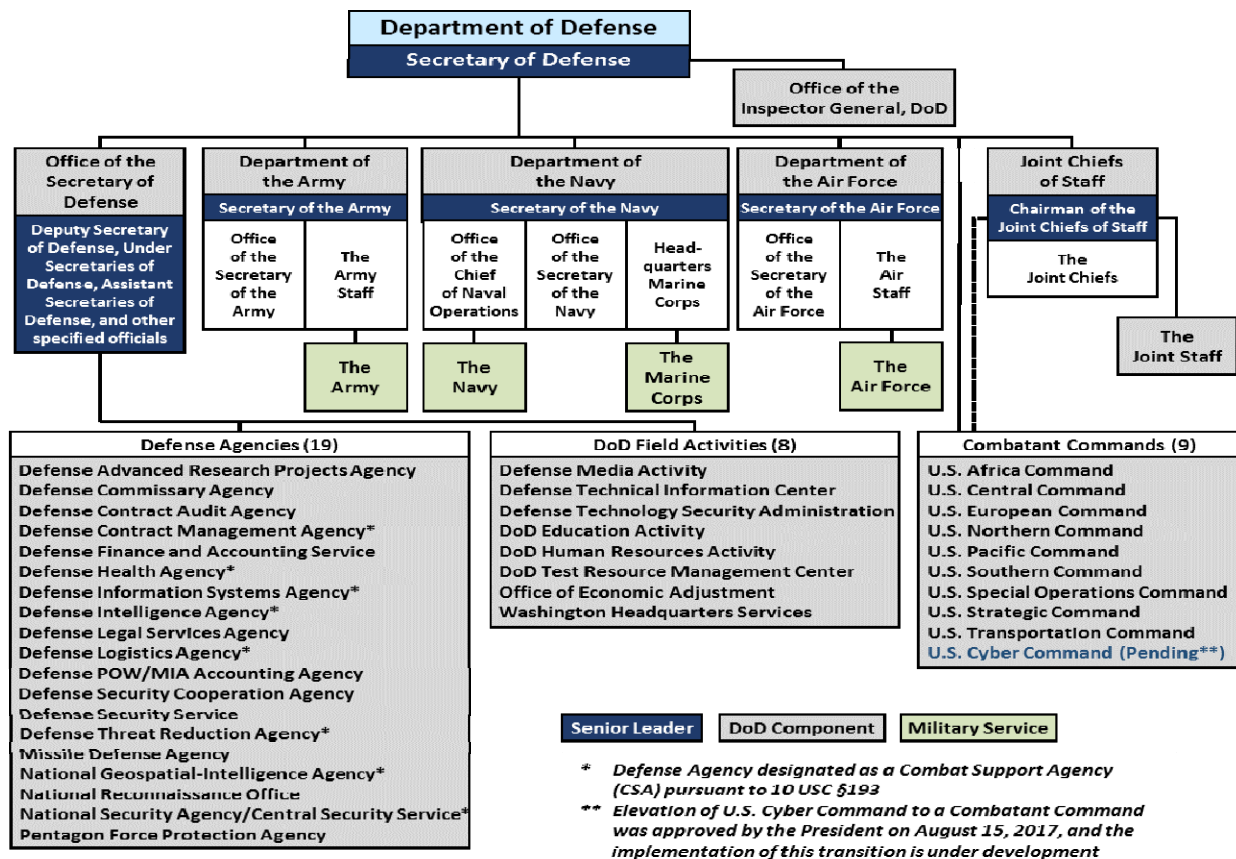12. Conduct humanitarian assistance and disaster response

[1]www.defense.gov
[2]DoD 2014 Quadrennial Defense Review, page 60-61

Agency Structure

The Department is one of the nation's largest employers, with approximately 1.3 million personnel in the Active Component, more than 800,000 personnel serving in the National Guard and Reserve forces, and about 750,000 civilians. The Department's military Service members and civilians operate in every time zone and in every climate. There are also approximately 2.3 million military retirees and survivors receiving retirement payments. DoD is one of the Federal government's larger holders of real estate, managing a global portfolio that consists of nearly 568,000 facilities (buildings, structures, and linear structures), located on over 4,800 sites worldwide and covering over 27.1 million acres.

Figure 1. Department of Defense Organizational Structure

The President of the United States of America is the Commander-in-Chief of the Armed Forces. The Secretary of Defense is the principal assistant and advisor to the President in all matters relating to the Department, and he exercises authority, direction, and control over the Department. The Department is currently composed of the Office of the Secretary of Defense (OSD), Joint Chiefs of Staff, Joint Staff, DoD Office of the Inspector General (OIG), Military Departments, Defense Agencies, DoD Field Activities, Combatant Commands, and other offices, agencies, activities, organizations, and commands established or designated by law, the President, or the Secretary of Defense.

The operational chain of command runs from the President to the Secretary of Defense to the Commanders of the Combatant Commands. The Chairman of the Joint Chiefs of Staff functions

within the chain of command by transmitting to the Commanders of the Combatant Commands the orders of the President or the Secretary of Defense.

The function of the Office of the Secretary of Defense is to assist the Secretary of Defense in carrying out his duties and responsibilities and other duties as prescribed by law. The OSD is comprised of the Deputy Secretary of Defense, who is the first assistant to the Secretary of Defense and serves as the Chief Management Officer and Chief Operating Officer; the Under Secretaries of Defense; the Deputy Chief Management Officer (DCMO); the General Counsel of the DoD; the Director of Cost Assessment and Program Evaluation; the Inspector General of the DoD; the Director of Operational Test and Evaluation; the Chief Information Officer of the DoD; the Assistant Secretary of Defense for Legislative Affairs; the Assistant to the Secretary of Defense for Public Affairs; the Director of Net Assessment; and the Director, Strategic Capabilities Office.

The OSD Principal Staff Assistants are responsible for the oversight and formulation of defense strategy, policy, and resource allocation, as well as for overseeing and managing the Defense Agencies and DoD Field Activities.

The Joint Chiefs of Staff, supported by the Joint Staff under the direction of the Chairman, constitute the immediate military staff of the Secretary of Defense. The Joint Chiefs of Staff consist of the Chairman, the Vice Chairman, the Chief of Staff of the Army, Chief of Naval Operations, the Chief of Staff of the Air Force, the Commandant of the Marine Corps, and the Chief of the National Guard Bureau. The Joint Chiefs of Staff function as the military advisors to the President, the National Security Council, the Homeland Security Council, and the Secretary of Defense.

The DoD Office of the Inspector General is an independent unit within the Department that conducts and supervises audits and investigations relating to the Department's programs and operations. The DoD Inspector General serves as the principal advisor to the Secretary of Defense on all audit and criminal investigative matters relating to the prevention and detection of fraud, waste, and abuse in the programs and operations of the Department.

The Military Departments consist of the Departments of the Army, the Navy (of which the Marine Corps is a Component), and the Air Force. Upon the declaration of war, if Congress so directs in the declaration or when the President directs, the U.S. Coast Guard becomes a special Component of the Navy; otherwise, it is part of the Department of Homeland Security. The four Services and the U.S. Coast Guard are collectively referred to as the U.S. Armed Forces per Title 10, United States Code, section 101(a)(4). The three Military Departments organize, staff, train, equip, and sustain America's military forces and are composed of four Military Services (Army, Navy, Marine Corps, and Air Force) or five when including the U.S. Coast Guard, when directed. These trained and ready forces are assigned or allocated to a Combatant Command responsible for maintaining readiness to conduct military operations.

Military Departments include Active and Reserve Components. The Active Component is composed of units under the authority of the Secretary of Defense manned by active duty Military Service members. The Reserve Component includes the Reserves of each Military Service and the National Guard, which has a unique dual mission with both Federal and State responsibilities. When commanded by the governor of each state or territory, the National Guard can be called into action during local, statewide, or other emergencies such as storms, drought,

civil disturbances, and in some cases supporting federal purposes for training or other duty (non-federalized service).

When ordered to active duty for national emergencies or other events, units of the National Guard or Reservists of the Military Services are either placed under operational control of the appropriate Combatant Commander, a Military Service, or other DoD Component. The National Guard and Reserve forces are recognized as indispensable and integral parts of the Nation's defense and fully part of the applicable Military Department.

Defense Agencies and DoD Field Activities are established as DoD Components by law, the President, or the Secretary of Defense to provide, on a Department-wide basis, a supply or service activity common to more than one Military Department when it is more effective, economical, or efficient to do so. Although Defense Agencies and DoD Field Activities fulfill similar functions, the former tend to be larger, normally provide a broader scope of supplies and services, and may be designated as Combat Support Agencies to support the Combatant Commands directly. Each of the 19 Defense Agencies and eight DoD Field Activities operate under the authority, direction, and control of the Secretary of Defense through an OSD Principal Staff Assistant.

Combatant commanders are responsible for accomplishing the military missions assigned to them. Combatant Commanders exercise command authority over assigned and/or allocated forces, as directed by the Secretary of Defense. The operational chain of command runs from the President to the Secretary of Defense to Combatant Commanders. The Chairman of the Joint Chiefs of Staff functions within the chain of command by transmitting the orders of the President or the Secretary of Defense to Combatant Commanders.

The U.S. Strategic Command, U.S. Transportation Command, and U.S. Special Operations Command (USSOCOM) are functional Combatant Commands, each with unique functions as directed by the President in the Unified Command Plan. In August 2017, the President directed the elevation of U.S. Cyber Command (USCYBERCOM) from a component of U.S. Strategic Command to a separate, unified combatant command, responsible for cyberspace operations. Elevation of USCYBERCOM will occur by the end of FY18. Among Combatant Commands, the USSOCOM has additional responsibilities and authorities similar to a number of authorities exercised by the Military Departments and Defense Agencies, including programming, budgeting, acquisition, training, organizing, equipping, and providing Special Operations Forces (SOF), and developing SOF strategy, doctrine, tactics, and procedures. The USSOCOM is reliant upon the Military Services for common support and base operating support.

In addition to supplying assigned and allocated forces and capabilities to the Combatant Commands, the Military Departments provide administrative and logistics support by managing the operational costs and execution of these commands. The USSOCOM is the only Combatant Command directly receiving congressional appropriations.

To learn more about DoD functional program offices and Components, visit www.defense.gov.

SECTION 2: ENTERPRISE PERFORMANCE MANAGEMENT APPROACH

PERFORMANCE-BASED ORGANIZATION

The Department strives to be a performance-based organization. As such, DoD is committed to managing towards specific, measurable goals derived from a defined National Defense mission, using performance data to continually improve operations, focused on optimizing value to the American public.

DoD conducts a full range of reviews and assessments to safeguard readiness of the nation's warfighters, and warfighter capabilities; demonstrate leadership commitment and capacity (people and resources) of the Department's priority programs; and ensure continuous business process improvement. The Department's commitment to complete and meaningful progress reporting is evident in the wide range of operational and business reports that monitor and demonstrate progress of priority areas across the Department. This report will discuss a few of the DoD review, assessment, and reporting capabilities.

The Department of Defense's Planning, Programming, Budgeting, and Execution (PPBE) Process serves as the annual resource allocation process for DoD within a quadrennial planning cycle. The National Defense Strategy (which supersedes the Quadrennial Defense Review), force development guidance, program guidance, and budget guidance are the principal guides used in PPBE. Programs and budgets are formulated annually. The budget covers one fiscal year, and programs encompass an additional four years. Collectively, the Department publishes planning guidance, conducts, coordinates, and/or participates in budget review, program execution, and performance reviews. Additional insight on how the Joint Chiefs of Staff engage in the PPBE process can be found in Chairman of the Joint Chiefs of Staff Instruction (CJCSI) 8501.01B, Chairman of the Joint Chiefs of Staff, Combatant Commanders, Chief, National Guard Bureau, and Joint Staff Participation in PPBE.

The Chairman's Readiness System (CRS) provides a common framework for conducting commanders' readiness assessments, blending unit-level readiness indicators with Combatant Command (CCMD), Service, and Combat Support Agency (CSA) (collectively known as the C/S/As) subjective assessments of their ability to execute the National Military Strategy (NMS). Specifically, the CRS provides the C/S/As a readiness reporting system measuring their ability to integrate and synchronize combat and support units into an effective joint force ready to accomplish assigned missions. Results of readiness assessments are classified and available upon request, on an as needed basis.

The Defense Acquisition System exists to manage the nation's investments in technologies, programs, and product support necessary to achieve the National Security Strategy and support the United States Armed Forces. The primary objective of Defense acquisition is to acquire quality products that satisfy user needs with measurable improvements to mission capability and operational support, in a timely manner, and at a fair and reasonable price. Additional insight can be found in Department of Defense Directive 5000.01, "The Defense Acquisition System."

The Department's Functional Oversight Committees serve as senior executive governance for functions and capabilities across the Department. The Department's commitment to developing strategies and plans to achieve strategic priorities, observing lessons learned, reviewing improvement opportunities, and reporting progress is evident in the publication of reports across

the Department through the Offices of the Under Secretaries of Defense. The DCMO, serving as the Department's Performance Improvement Officer, conducts quarterly data-driven reviews of the Department's agency priority goal status and that of other performance goals and measures. When appropriate, the DCMO elevates at-risk performance goals to the Deputy Secretary of Defense for information and/or decision and guidance.

The Department is committed to ensuring that the performance information used to inform management decisions is based on current, complete, and accurate data. Annually, the DCMO requests Performance Goal Owners review and update, when needed, their respective performance verification and validation practices. Additionally, goal owners assert '*Completeness and Reliability*' with official submissions of performance results and narratives. As we strengthen the Department's Enterprise Performance capability, additional improvements will be addressed to ensure the reliability of performance information.

Throughout this report, governance structures, strategies, and reports are documented with hyperlinks when appropriate.

Conclusion

The reviews, assessments, and reports discussed in this section represent a small sampling of the evidence that the Department of Defense is committed to:

- Improving long term strategy and strategic outcomes;
- Facilitating, identifying, and adopting improvement opportunities;
- Identifying the needs for additional skills or other capacity; and
- Improving transparency.

The DoD will continue to pursue improvement opportunities and act as a careful steward of taxpayer dollars.

STRATEGIC GOALS AND OBJECTIVES

Performance information in this report is organized around last Administration's strategic goal and objectives identified in the Department's Fiscal Years (FY) 2015-2018 Agency Strategic Plan (ASP), version 2.0. The Department's FY 2015-2018 ASP, version 2.0 strategic goals and objectives were:

Strategic Goal 1: Strengthen and Enhance the Health and Readiness of the Total Force

- Strategic Objective 1.1: Recruit and retain the right quality skilled personnel to meet mission requirements.
- Strategic Objective 1.2: Support and retain the DoD workforce by fostering and encouraging workforce initiatives to ensure employees are trained, engaged and retained.
- Strategic Objective 1.3: Service members separating from active duty are prepared for the transition to civilian life.

Strategic Goal 2: Defeat our Adversaries, Deter Attacks, Deny Enemy Objectives, and Defend the Nation

- Strategic Objective 2.1: Strengthen our global network of allies and partners to deter, deny, and when necessary – defeat potential state adversaries.
- Strategic Objective 2.2: Provide more effective and efficient Force Readiness Operations Support.
- Strategic Objective 2.3: Ensure the best intelligence, counterintelligence, and security support to current operations and political-military decision-making through integration, support to current operations, and future capabilities.

Strategic Goal 3: Achieve Dominant Capabilities through Innovation, Technical Excellence, and Defense Institutional Reform

- Strategic Objective 3.1: Incentivize Productivity and Innovation in Industry and Government.
- Strategic Objective 3.2: Expand core capabilities in support of military interest.
- Strategic Objective 3.3: Improve acquisition processes from requirements definition to execution phase and through lifecycle enhancements, to acquire and sustain military-unique and commercial items.
- Strategic Objective 3.4: Strengthen cybersecurity throughout the product life cycle.
- Strategic Objective 3.5: Improve overall performance, strengthen business operations, and achieve efficiencies, effectiveness, and cost savings that can be transferred to higher priority needs.
- Strategic Objective 3.6: Improve financial processes, controls, and information via audit readiness.

CROSS-AGENCY PRIORITY GOALS

Section 115 of title 31, U.S. Code, requires the identification of Cross-Agency Priority (CAP) Goals in areas where increased cross-agency coordination on outcome-focused areas is likely to improve progress. We will be actively contributing to the Cross Agency Performance goals that will be reflected in the FY 2020 Annual Performance Plan, published with FY 2020 President's Budget Request.

HIGH RISK AREAS

To drive increased accountability and efficiencies in the Federal government, the Government Accountability Office (GAO) determines high risk areas across the Federal government based on vulnerability to fraud, waste, abuse, or mismanagement, and changes required to address major economic, efficiency, or effectiveness challenges. The GAO has published biennial high-risk series updates since 1990 (see *http://www.gao.gov/highrisk/overview*). The Defense Department either leads or shares responsibility for the following areas on the GAO high risk list:

- *DoD Supply Chain Management
- *DoD Weapon System Acquisition
- *DoD Financial Management
- *DoD Business Systems Modernization
- *DoD Support Infrastructure Management
- *DoD Approach to Business Transformation
- *DoD Contract Management
- Strategic Human Capital Management
- Ensuring the Security of Federal Information Systems and Cyber Critical Infrastructure and Protecting the Privacy of Personally Identifiable Information
- Managing Federal Real Property
- Ensuring the Effective Protection of Technologies Critical U.S. National Security
- Improving Management of IT Acquisitions and Operations
- Managing Risks and Improving VA Health Care
- Establishing Effective Mechanisms for Sharing and Managing Terrorism-Related Information to Protect the Homeland
- Limiting Federal Government's Fiscal Exposure by Better Managing Climate Change Risks
- Mitigating Gaps in Weather Satellite Data
- U.S. Government's Environmental Liabilities (added in 2017)

*=DoD lead

Status updates to GAO high risk areas are addressed on the GAO High Risk website at: http://www.gao.gov/highrisk/overview

DOD MAJOR MANAGEMENT CHALLENGES

The Office of the Inspector General (IG) works to promote efficiency, effectiveness, and integrity in the programs and operations of the Department. The DoD IG identified the following areas as presenting the most serious management and performance challenges:

- Countering Global Strategic Challenges
- Addressing Challenges in Overseas Contingency Operations in Iraq/Syria and Afghanistan
- Enabling Effective Acquisition and Contract Management
- Increasing Cyber Security and Cyber Capabilities
- Improving Financial Management
- Maintaining the Nuclear Enterprise
- Optimally Balancing Readiness, Modernization, and Force Structure
- Ensuring Ethical Conduct
- Providing Effective, Comprehensive, and Cost Effective Health Care
- Identifying and Implementing Efficiencies in the DoD

Detailed information regarding these challenges, the DoD IG's assessment of the Department's progress, and the Department's management response can be found with the report at *http://www.dodig.mil*

SECTION 3: PERFORMANCE OVERVIEW

The Deputy Secretary of Defense, as the Department of Defense's Chief Management Officer and Chief Operating Officer, is responsible for performance management and improvement within the Department. Each year, in accordance with the Government Performance and Results Act of 1993 and Office of Management and Budget Circular No. A-11, the Department develops and tracks performance goals and measures to meet DoD strategic priorities.

The Government Performance and Results Modernization Act of 2010 requires the federal agencies, including the Department of Defense, to develop an Agency Strategic Plan. The Department's Fiscal Years (FY) 2015 – 2018 ASP strategic goals were:

- Strengthen and enhance the health and readiness of the total force;
- Defeat our adversaries, deter attacks, deny enemy objectives, and defend the nation; and
- Achieve dominant capabilities through innovation, technical excellence, and defense institution reform.

The Department will publish and submit to Congress the FY 2018 – 2022 DoD Agency Strategic Plan with the FY 2019 President's Budget Request in February 2018. This updated plan will align to the Secretary of Defense's priorities and support the administration's management agenda.

SUMMARY OF PERFORMANCE RESULTS

The Department has been successful in meeting many of the measures through fourth quarter, FY 2017, including those related to strengthening business operations, achieving efficiencies, effectiveness and cost savings, and ensuring our service members are ready for their transition to civilian life as Veterans.

At the end of the fourth quarter in FY 2017, the Department met or exceeded 48 percent of its performance targets. The Department had not met 53 percent of its targets.

The Department used several classified performance measures in the FY 2017 performance cycle. While the details of these measures are not included in this unclassified report, their status (met, not met, exceeds) is included in the overall assessment.

To ensure the quality of performance data collected for this assessment, DoD goal owners have attested the performance data results and narrative information is complete, accurate, and reliable and that verification and validation procedures are documented and available upon request.

The FY 2017 APR provides a progress updates of the performance plan and shows strategic alignment and fourth quarter, FY 2017 summary results.
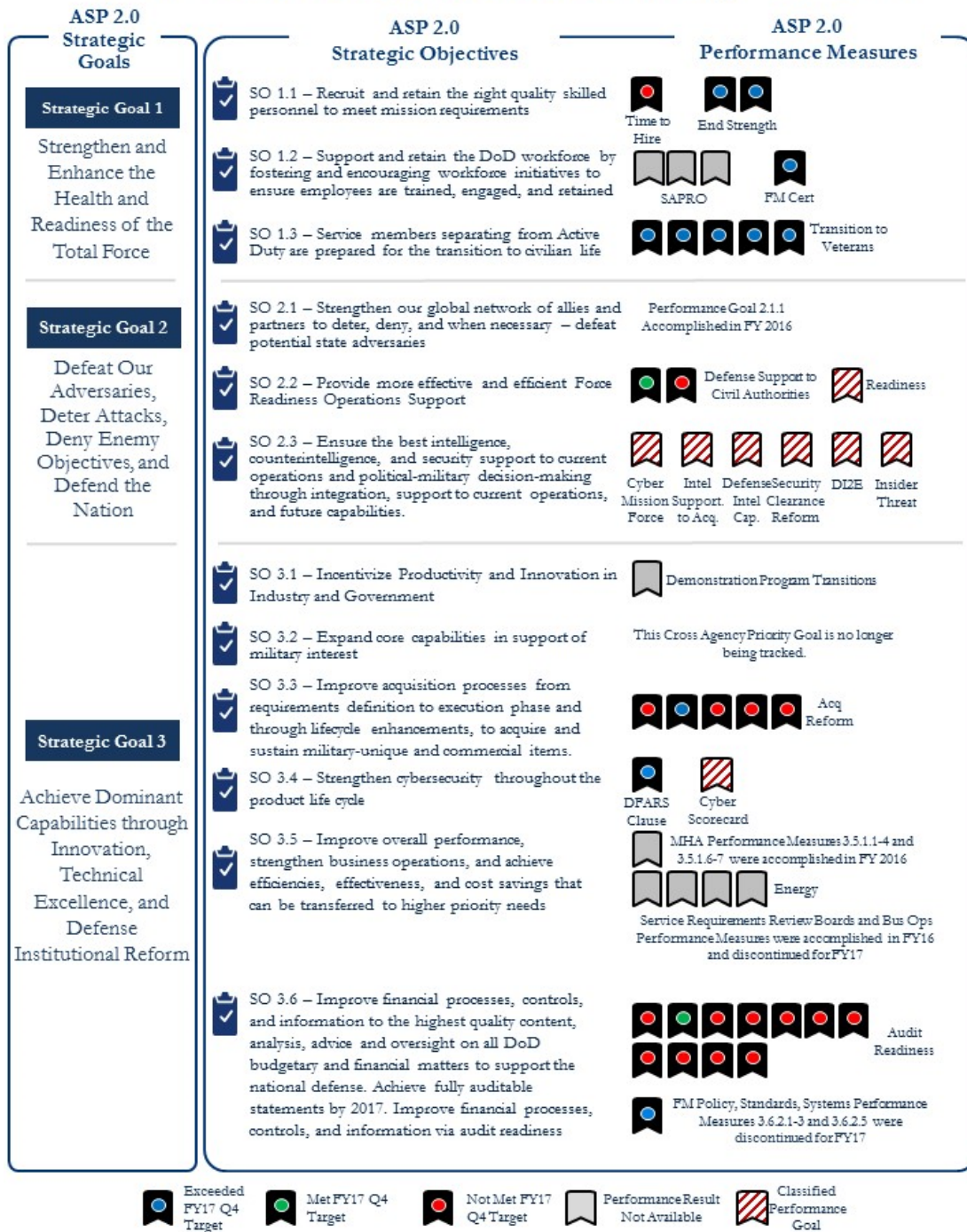

Figure 2 – DoD's Summary of Performance Results, Fourth Quarter FY 2017

STRATEGIC GOAL 1

Strengthen and enhance the Health and Readiness of the Total Force

STRATEGIC GOAL OVERVIEW:

People are DoD's most valuable assets and critical to achieving all aspects of the DoD mission. Taking care of DoD Service members, their families, and civilian staff is a commitment that DoD continues to honor. DoD will make the most efficient use of the Total Force by targeting areas such as recruiting and retaining the right quality skilled personnel to meet mission requirements, supporting and retaining the workforce by fostering and encouraging workforce initiatives to ensure employees are trained, engaged and retained, and preparing Service members for the transition to civilian life prior to their separation, retirement, or release from active duty.

A U.S. soldier assigned to 1st Battalion, 10th Special Forces Group (Airborne), salutes his fellow soldiers while jumping out of a C-130 Hercules aircraft over a drop zone in Germany, Feb. 24, 2015. U.S. Army photo by Visual Information Specialist Jason

To build a force of the future, we must continue to attract the most talented people so the Department can keep pace with our competitors' advances in technology. This has never been more important as America fights terrorists who plan and carry out attacks outside of the traditional boundaries of the battlefield. Today there are unique challenges that face military recruiting within the Department, including minimal support from influencers to recommend service, steady but low youth propensity to serve, a shrinking pool of qualified youth, maintaining a highly qualified and diverse force, and maintaining adequate recruiting resources.

FY 2017 PROGRESS UPDATE:

Strategic Objective (SO) 1.1: Recruit and retain the right quality skilled personnel to meet mission requirements

As has been clear in establishing this performance goal, the capacity to hire quality candidates in a timely manner is critical in the Department's ability to build a larger, more capable, and more lethal joint force. Factors both within and beyond the control of DoD have contributed to the overall increase of time to hire for the previous quarters of FY 2017. Simply, there is no single factor that can be identified as the root cause.

Some areas of ongoing assessment in time to hire (TTH) influence include inconsistency in communications across components, differences in human resource (HR) information technology systems, lack of consistent process execution, HR span of control in the hiring process, budget, and/or seasonality effects. Multiple internal and external forces can complicate both analysis in understanding and determining root causes, and in implementing successful action plans.

DoD has continued to work through these challenges and uncertainties. More engagement with the OPM through building up analytical capabilities and competency models in USA STAFFING, complemented with the reestablishment of a DoD TTH Civilian Hiring working group, allow for enhanced communications, sharing of best practices, and strengthening of

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targeted training and professional development opportunities within the HR community. Additionally, reemphasizing the importance of communication between the HR advisors and the hiring managers will continue to be a priority effort to improve TTH processes. To ensure progress in achieving timely hiring practices, established objectives and targets that contribute to program success will be captured and monitored as part of the Human Capital Operating Plan. The Department will continue to review and assess the TTH process in order to minimize negative impacting factors, while seeking to achieve its ultimate goal of timely hiring.

SO 1.2: Support and retain the DoD workforce by fostering and encouraging workforce initiatives to ensure employees are trained, engaged and retained

The DoD FM functional community supports DoD's efforts to educate, train, and retain a qualified workforce by fostering and encouraging workforce development initiatives to ensure that FM members are trained and engaged. The key initiative in 4th Quarter FY 2017 was the continued maturation of the DoD FM Certification Program, which increased the technical FM competence and leadership competence of individual FM members in support of DoD's various and changing missions. The FM Certification Program is based on FM and leadership competencies, and attainment of FM certification is a requirement for all FM workforce members. The Program is focused on making a strong workforce better by improving audit readiness and decision support/analytics competencies and by creating a standard body of knowledge across the FM workforce. The expectation is to improve the capability of the FM workforce by providing the required training via the FM Certification Program. This training framework, better enables robust and flexible budgetary support to the warfighters and capability improvements for achieving auditable financial statements.

In the 4th Quarter of FY 2017, DoD continued its record of steady progress in achieving the strategic objective of sustaining a well-trained workforce that possesses the requisite FM knowledge, skills, and abilities to perform effectively in all FM career series. DoD sustained 70% FM community members certified, with 823 additional certifications recorded in the 4th Quarter. The number of FM and leadership courses included in the FM myLearn e-catalog increased by 268 in 4th Quarter FY 2017. Approximately 27,300 instances of Comptroller-developed web-based courses were completed in 4th Quarter FY 2017, with approximately 510,000 total instances completed.

The Office of the Under Secretary of Defense (Comptroller)/Chief Financial Officer (OUSD(C)/CFO) manages the effort to sustain the percentage of FM members certified at or above the FY 2017 goal of 60%. Process improvements, with a focus on internal control, continued in 4th Quarter FY 2017. The much needed replacement for the electronic system of record (the FM LMS) was included in the FY 2018 President's Budget request. The FM Community continues to explore alternatives offered through the Defense Digital Service.

Competency assessments of the four FM mission critical occupations (MCOs) are tentatively scheduled for completion in 2018. The assessment date is contingent on the availability of the OUSD(P&R) competency assessment tool.

As part of the ongoing effort to provide tools to continue professionalization of the FM workforce, OUSD(C)/CFO began the development of an automated, enterprise-wide Individual Development Plan (IDP) capability for the FM civilian workforce. The FM IDP is integrated with the FM career roadmaps and the FM Certification Program requirements and will be prepopulated with information specific to each individual's certification status. The FM IDP will

facilitate specific career discussions with supervisors, including discussions concerning continuing education and training. The FM IDP was released in November 2017.

The FM and acquisition communities are collaborating on the development and implementation of the Pilot Program for the Temporary Exchange of Financial Management & Acquisition Personnel, which was authorized by the NDAA FY16. The Program provides opportunities for DoD and non-traditional defense contractors to exchange personnel and facilitate the sharing of best practices and solutions for some of the challenges facing the FM and acquisition communities. Since it is a joint pilot program, the FM and acquisition communities are each authorized to have five members participating at any given point in time. The joint pilot program is expected to begin in FY 2018.

Sustainment training of FM certified members is being measured continually through random audits of CETs, which have yielded compliant results.

The FY17 measures for Performance Goal 1.2.1, "End Sexual Assault in DoD," will not be available until May 2018 based on the program reporting cycle. This reporting requirement is fulfilled through the annual report to Congress, last submitted in May 2017 (Link: http://sapr.mil/index.php/reports/sapro-reports/fy16-annual-report)." Note: the FY16 results were part of the Q2 update, but were not updated in this report since it's only completed annually

SO 1.3: Service members separating from active duty are prepared for the transition to civilian life

Our Nation should provide the best support possible to those who keep our country free and strong as they transition to civilian life, especially during this time of planned structural Department reorganizations. The DoD remains focused on how to achieve lasting success for transitioning Service members both in preparing them for careers beyond the military and ensuring a smooth transition from active duty. To effectively address these issues, the Department continues to implement policies and practices that focus on Readiness and supporting Service members and their families.

The Department and other critical federal partners are working to ensure that all eligible Service members participate in an effective program of pre-separation planning and education through evidence-based learning. This support is delivered through curriculum, Transition GPS (Goals, Plans, Success) within the DoD Transition Assistance Program (TAP), which is comprised of both core instructional blocks and individually selected tracks for accessing higher education, for obtaining career technical training, and for entrepreneurship.

Through 3rd Quarter FY 2017, more than 90 percent of known eligible active duty and Reserve Component Service members have met the TAP performance objectives.

Since 2007, the Department of Defense and Department of Veterans Affairs (VA) have operated an Integrated Disability and Evaluation System (IDES) to provide both DoD and VA disability benefits to Service members discharged due to medical disability. For the IDES performance goals, during third quarter FY 2017, the equally weighted goal components of the average of IDES process timeliness; Service member customer service satisfaction; accuracy and consistency of Military Department IDES dispositions; and Military Department compliance with case processing administrative requirements resulted in an overall 85% score for the DoD IDES performance measure, which exceeded the third quarter target (80%). The DoD will

Strategic Goal 1

continue to evaluate the Military Departments' performance against all measures that comprise the IDES Performance Goal.

STRATEGIC GOAL 1
Strengthen and Enhance the Health and Readiness of the Total Force

Strategic Objective (SO) 1.1: Recruit and retain the right quality skilled personnel to meet mission requirements

Strategic Objective (SO) Leaders: USD(P&R), OSD

Performance Goal (PG) 1.1.1: Beginning FY 2015, the Department will monitor the time to hire for all civilian hiring actions to determine its performance to an annual goal of 80 days while examining the drivers affecting the ability to meet the goal.					**Performance Goal (PG) Leader:** Chief of Staff, Office of the Under Secretary of Defense, Personnel & Readiness (OUSD, P&R), OSD
Performance Measure		**Q1 2017**	**Q2 2017**	**Q3 2017**	**Q4 2017**	**Prior Year Results**
1.1.1.1: Beginning in FY 2016, the Department will improve and maintain its timeline for all internal and external (direct hire authority, expedited hire authority, and delegated examining) civilian hiring actions at 80 days or less.	Target	< 80	< 80	< 80	< 80	FY12: 83 FY13: 94 FY14: 89 FY15: 83 FY16: 86
	Actual	88	96	112	100.5	

PG 1.1.2: Improve data management of variance in Active Component end strength to meet or exceed Congressional end strength by no more than three (3) percent						**Performance Goal (PG) Leader:** Chief of Staff, Office of the Under Secretary of Defense, Personnel & Readiness (OUSD, P&R), OSD
Performance Measure		**Q1 2017**	**Q2 2017**	**Q3 2017**	**Q4 2017**	**Prior Year Results**
1.1.2.1: For each fiscal year, the DoD Active Component end strength will not vary by more than three percent from the SECDEF/ NDAA prescribed end strength for that fiscal year.	Target	+/- 3%	+/- 3%	+/- 3%	+/- 3%	FY11: -0.50% FY12: -1.60% FY13: -1.40% FY14: -0.83% FY15: 0.25% FY16: -0.58%
	Actual	-0.88%	-1.08%	-1.07%	-0.11%	

PG 1.1.3: Improve data management of variance in Reserve Component end strength to meet or exceed Congressional end strength by no more than three (3) percent						**Performance Goal (PG) Leader:** Chief of Staff, Office of the Under Secretary of Defense, Personnel & Readiness (OUSD, P&R), OSD
Performance Measure		**Q1 2017**	**Q2 2017**	**Q3 2017**	**Q4 2017**	**Prior Year Results**
1.1.3.1: For each fiscal year, the DoD Reserve Component end strength will not vary by more than three percent from the SECDEF/ NDAA prescribed end strength for that fiscal year.	Target	+/- 3%	+/- 3%	+/- 3%	+/- 3%	FY11: 0.20% FY12: -0.80% FY13: -0.86% FY14: -1.10% FY15: -1.00% FY16: 0.09%
	Actual	-0.29%	-0.33%	-0.65%	-0.64%	

STRATEGIC GOAL 1
Strengthen and Enhance the Health and Readiness of the Total Force

SO 1.2: Support and retain the DoD workforce by fostering and encouraging workforce initiatives to ensure employees are trained, engaged and retained

SO Leader: USD(P&R), OSD

PG 1.2.1: <u>End Sexual Assault in DoD</u>: By 2018, working with the Military Services and nationally-recognized organizations, shape the health and readiness of the force through the following key indicators. Continue to tie this PG into other DoD efforts to prevent sexual assault and respond to victims.	**PG Leader:** Director, Sexual Assault Prevention and Response Office (SAPRO), OUSD (P&R), OSD

Performance Measure		**Q1 2017**	**Q2 2017**	**Q3 2017**	**Q4 2017**	**Prior Year Results**
1.2.1.1: Increase the percentage of bystander interventions of sexual assault from 87 percent to 95 percent.	Target				95%	FY16: 88% (Target: 90%)
	Actual	Measured Annually			N/A	
1.2.1.2: Increase from 25 percent to 35 percent the overall estimated (restricted and unrestricted) reporting rate of sexual assault allegations across the DoD over FY 2014 reporting rate.	Target				35%	FY16: 32% (Target: 30%)
	Actual	Measured Annually			N/A	
1.2.1.3: Increase from 10 percent to 20 percent the portion of male Service members reporting allegations of sexual assault over the FY 2014 reports.	Target				20%	FY16: 17% (Target 15%)
	Actual	Measured Annually			N/A	

PG 1.2.2: The Department needs a well-trained financial workforce, which has knowledge, skills, and abilities necessary to provide decision support and analysis as well as provide critical enabling support to help the Department achieve auditable financial statements.	**PG Leader:** Director, Human Capital and Resource Management, Office of Under Secretary of Defense, Comptroller/Human Capital and Resource Management, OSD

Performance Measure		**Q1 2017**	**Q2 2017**	**Q3 2017**	**Q4 2017**	**Prior Year Results**
1.2.2.1: The DoD will increase the percent of FM members certified to 55% between FY2015 and FY2016 and by an additional 5% each, in fiscal years 2017 and 2018.	Target				60%	FY16: 66% (Target 55%)
	Actual	Measured Annually			70%	

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STRATEGIC GOAL 1
Strengthen and Enhance the Health and Readiness of the Total Force

SO 1.3: Service members separating from active duty are prepared for the transition to civilian life.

SO Leader: USD(P&R), OSD

PG 1.3.1: Transition to Veterans. By September 30, 2017, DoD will improve the career readiness of Service members transitioning to civilian life.	**PG Leader:** Chief of Staff, OUSD(P&R), OSD

Performance Measure		Q1 2017	Q2 2017	Q3 2017	Q4 2017	Prior Year Results
1.3.1.1: 80 percent of Service members will meet the DoD IDES performance goal.	Target	80%	80%	80%	80%	FY12: 24% FY13: 32% FY14: 79% FY15: 87% FY16: 84%
	Actual	88%	84%	85%	87%	
1.3.1.2: Verified percent of known eligible active duty Service members who met Career Readiness Standards or received a warm handover to appropriate partner agencies prior to their separation or retirement from active duty.	Target	85%	85%	85%	85%	FY14: 34% FY15: 88% FY16: 96.9%
	Actual	98.3%	97.8%	97.4%	97.3%	
1.3.1.3: Verified percent of known eligible reserve component Service members who met Career Readiness Standards or received a warm handover to appropriate partner agencies prior to their separation or retirement from active duty.	Target	85%	85%	85%	85%	FY15: 93% FY16: 92.7%
	Actual	98.6%	97.6%	98.0%	98.0%	
1.3.1.4: Verified percent of known eligible active duty Service members who attended (a) pre-separation counseling, (b) a Department of Labor employment workshop, and (c) Veterans Affairs Benefits briefings prior to their separation or retirement from active duty.	Target	85%	85%	85%	85%	FY14: 63% FY15: 94% FY16: 96.8%
	Actual	97.7%	97.3%	96.7%	96.6%	
1.3.1.5: Verified percent of known eligible reserve component Service members who attended (a) pre-separation counseling, (b) a Department of Labor employment workshop, and (c) Veterans Affairs Benefits briefings prior to their separation or retirement from active duty.	Target	85%	85%	85%	85%	FY15: 90% FY16: 94%
	Actual	95.6%	95.5%	95.0%	94.4%	

Strategic Goal 1

STRATEGIC GOAL 2

Defeat our Adversaries, Deter Attacks, Deny Enemy Objectives, and Defend the Nation

STRATEGIC GOAL OVERVIEW:

The Nation's ability to project power is inextricably tied to the DoD's ready and trained forces, and the ability to move forces rapidly from place to place and operate anywhere around the

The USS Ronald Reagan steams in formation with ships from Carrier Strike Group 5 and the South Korean navy during Invincible Spirit, a bilateral exercise in the waters off the Korean Peninsula, Oct. 14, 2016. The Reagan is supporting security and stability in the Indo-Asia-Pacific region. Navy photo by Seaman Jamaal Liddell

world. DoD will retain and strengthen its power projection capabilities to deter conflict, and if deterrence fails, to win decisively against any aggressor, anywhere in the world. Key strategic focus must remain on strengthening our global network of allies and partners to deter, deny, and when necessary, defeat potential state adversaries, rebalancing our global posture and presence to position forces where they are the most needed, providing more effective and efficient force readiness operations support, and ensuring the best intelligence, counterintelligence, and security support to current operations and political-military decision making through integration, support to current operations, and future capabilities.

FY 2017 PROGRESS UPDATE:

Strategic Objective (SO) 2.2: Provide more effective and efficient Force Readiness Operations Support

During FY 2017, the Department continued to emphasize effective and efficient Force Readiness Operations Support to ensure the Department's ability to accomplish its national security missions, including defending the homeland and providing defense support to civil authorities. DoD conducted close collaboration and support in the preparation and staffing of national policy documents and national response plans, branch plans and annexes within the inter-agency, to include: the National Security Council, the Department of Homeland Security, and the Department Health and Human Services.

Based on requirements identified in Departmental guidance documents, the Combatant Commanders developed contingency plans, which identify capabilities required to achieve CBRN response and Defense Support of Civil Authorities (DSCA) mission requirements. DoD directed United States Northern Command (USNORTHCOM) and United States Pacific Command (USPACOM) to build contingency plans addressing the provision of DSCA. In addition, the Combatant Commands were directed to conduct integrated regional planning to mitigate risk associated with potential civilian and defense capability gaps. DoD has published

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standing execute orders to address DSCA and CBRN response and has established the CBRN Response Enterprise (CRE) as standing CBRN response force capability. While the percentage of CBRN response units fully sourced dipped slightly, to 95 %, the Department remains ready to accomplish high priority contingency plans involving CBRN response.

STRATEGIC GOAL 2
Defeat our Adversaries, Deter Attacks, Deny Enemy Objectives, and Defend the Nation

SO 2.1: Strengthen our global network of allies and partners to deter, deny, and when necessary – defeat potential state adversaries.

SO Leader: USD(P), OSD

PG 2.1.1: By CY 2018, develop counterterrorism partnership concepts for the Levant, Yemen, East Africa, Maghreb/Sahel, and the Lake Chad Basin, and execute programs in support of these partnership concepts, to build partner capacity in countries and regions where violent extremist organizations pose a serious threat to U.S. national interests.	PG Leader: DASD for Special Operations and Combating Terrorism, Office of the ASD for Special Operations and Low-Intensity Conflict, OUSD(P)				
Performance Measure		**Q1 2017**	**Q2 2017**	**Q3 2017**	**Q4 2017**	**Prior Year Results**

Performance Measure		Q1 2017	Q2 2017	Q3 2017	Q4 2017	Prior Year Results
2.1.1.1: Concept paper production / Number of concept papers.	Target	Objectives for this measure were completed in Q3 FY 2016. Performance Measure 2.1.1.1 has been discontinued.				Q3 FY16: 5
	Actual					

SO 2.2: Provide more effective and efficient Force Readiness Operations Support

SO Leaders: USD(P&R), OSD and USD(P), OSD

PG 2.2.1: Preparedness to provide Defense Support of Civil Authorities (DSCA)	PG Leader: Deputy Assistant Secretary of Defense (HDI&DSCA), OUSD(P), OSD				

Performance Measure		Q1 2017	Q2 2017	Q3 2017	Q4 2017	Prior Year Results
2.2.1.1: Number of operational/contingency plans approved to address DSCA and CBRN response / Number of formal plans	Target	Measured Annually			8	FY16: 8 (Target: 6)
	Actual				8	
2.2.1.2: Sourcing level of CBRN Response Enterprise (CRE) / Percentage of units fully sourced	Target	Measured Annually			100%	FY16: 100% of Units Fully Sourced (Target 100%)
	Actual				95%	

STRATEGIC GOAL 2
Defeat our Adversaries, Deter Attacks, Deny Enemy Objectives, and Defend the Nation

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SO 2.3: Ensure the best intelligence, counterintelligence, and security support to current operations and political-military decision-making through integration, support to current operations, and future capabilities.	
SO Leader: USD(I), OSD	
PG 2.3.1: Build the Intelligence portion of the Cyber Mission Force (CMF) to improve cyber capability and defend against growing threats.	**PG Leader:** Director for Defense Intelligence (Technical Collection and Special Programs) – OUSD(I), OSD
Performance Measures are classified and reported annually and are not included in this report.	
PG 2.3.2: Inform fact based resource decisions for intelligence production in order to reduce intelligence gaps in support of major weapons systems.	**PG Leader:** Director for Defense Intelligence (Intelligence Strategy, Programs, and Resources), OUSD(I), OSD
Performance Measures are classified and reported annually and are not included in this report.	
PG 2.3.3: By the fourth quarter of FY 2017, ensure key intelligence capabilities meet cost, schedule and performance requirements to protect and enhance defense intelligence capabilities in the areas of global coverage, counterterrorism and counterproliferation and Anti-Access/Area Denial (A2AD) environments.	**PG Leader:** Director for Defense Intelligence (Intelligence Strategy, Programs, and Resources), OUSD(I), OSD
Performance Measures are classified and reported semi-annually (2nd & 4th quarter) and are not included in this report.	
PG 2.3.4: Evolve and implement DoD personnel security clearance reforms to mitigate the inherent risks and vulnerabilities posed by personnel entrusted with access to government information, facilities, systems, and other personnel.	**PG Leader:** Director for Defense Intelligence (Intelligence and Security), OUSD(I), OSD
Performance Measures are classified and reported annually and are not included in this report.	
PG 2.3.5: Achieve improved mission effectiveness, efficiency, and security across the DoD, Intelligence Community, and with our international partners through seamless integration of intelligence information enterprise Information Technology (IT) capabilities into both the Joint Information Environment (JIE) and the Intelligence Community Information Technology Environment (IC ITE).	**PG Leader:** Director for Defense Intelligence (Intelligence, Strategy, Programs, and Resources), OUSD(I), OSD
Performance Measures are classified and reported quarterly and are not included in this report.	
PG 2.3.6: By the fourth quarter FY 2017 the 43 DoD Components to reach and maintain "Full Operating Capability" with their Insider Threat Programs, based on the guidelines and tier-level(s) distributed by the National Insider Threat Task Force.	**PG Leader:** Director for Defense Intelligence (Intelligence and Security), OUSD(I), OSD
Performance Measures are classified and reported semi-annually (2nd & 4th quarter) and are not included in this report.	

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STRATEGIC GOAL 3

Achieve Dominant Capabilities Through Innovation, Technical Excellence and Defense Institutional Reform

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STRATEGIC GOAL OVERVIEW:

The Nation's long-term security depends on DoD addressing today's crises while preparing for tomorrow's threats. Downward fiscal pressure continues to reinforce the need to innovate for long-term challenges while considering tradeoffs among operations and maintenance, readiness/ security, procurement, and modernization expenditures. DoD must preserve capabilities that give a technological edge and prioritize investments to combat new technologies, national powers and non-state actors, as well as emerging asymmetric threats. This is coupled with the imperative to control and reduce the cost of overhead and management structures for 21st century business operations better suited to support and resource warfighters of the future. Focus areas include incentivizing productivity and innovation in industry and government; expanding core

Marine Gunnery Sgt. Joseph Perara guides a robot during the Department of Defense Lab Day at the Pentagon, May 14, 2015. Perara is assigned to the Marine Warfighting Laboratory. DoD photo by EJ Hersom

capabilities in support of military interest; improving acquisition processes; strengthening cybersecurity throughout the product life-cycle; enhancing overall business operations performance, achieving efficiencies, effectiveness, and cost savings transferable to higher priority needs; and improving financial processes, controls, and information with the highest quality content, analysis, advice and oversight on all budgetary and financial matters to support the national defense.

FY 2017 PROGRESS UPDATE:

Strategic Objective (SO) 3.1: Incentivize Productivity and Innovation in Industry and Government.

Our Department-wide focus on technology innovation seeks to identify and invest in unique capabilities to sustain and advance the Department's military superiority for the 21st Century. The Department's research and engineering enterprise plays a vital role in maintaining the U.S. technological advantage despite the increased rate of investment in military research and development (R&D) from near-peers and easy proliferation of knowledge and technology that has eroded U.S. historic advantages. The Department's research and engineering enterprise is focused on providing the technologies to address current and future threats, reducing the cost of current systems while increasing their capability, and creating technological surprise for our

adversaries. In the process of delivering capabilities into the warfighter's hands, we have leveraged all sources of innovation, both internal and external to DoD, and we used prototyping and experimentation to inform, evaluate, and accelerate technology development. The Department's continued R&D efforts contribute to the fielding of capabilities to the warfighter to ensure the Department is able to win today's fight and any future fights.

Strategic Objective (SO) 3.2: Expand core capabilities in support of military interest.

This included a Cross Agency Priority Goal that is no longer being tracked.

Strategic Objective (SO) 3.3: Improve acquisition processes from requirements definition to execution phase and through lifecycle enhancements, to acquire and sustain military-unique and commercial items.

Reforming the DoD Acquisition Process: As the 2016 Annual Report on the Performance of the Defense Acquisition System illustrates, cost growth for Major Defense Acquisition Programs is at a 30-year low. The Department has achieved this success by observing several key tenets: setting reasonable requirements, putting trained professionals in charge, giving them the resources that they need, and providing strong incentives for success. With some exceptions, performance requirements and schedules are generally stable across major programs and the United States continues to field the most capable warfighting systems in the world.

Since the Weapons System Acquisition Reform Act of 2009, major programs baselined reflect cumulative underruns in excess of $30 billion. All three military departments are showing net improvements across their portfolios of programs with original baselines since 2009. This result comports with analysis indicating that cost growth has improved recently and that it is the programs started before 2009 that have higher cost growth. We have seen success in ensuring the Department is paying reasonable prices by tying contractor performance and risk to profit/fee. We have been monitoring operating margins of our prime contractors to ensure that the net effect of these efforts combined with other issues, such as Sequestration – is not undermining the health of our defense industrial base. Results for the six largest prime contractors since 2009 show that they have performed consistently or slightly better, providing evidence that our efforts have not hurt the profit margins of these companies.

The annual report also describes the Department's significant progress in rebuilding the acquisition workforce. Congress made this success possible through the Defense Acquisition Workforce Development Fund, Acquisition Demonstration Project (AcqDemo), and other special hiring authorities. The Department has rebuilt workforce size, reshaped the workforce to strengthen early and mid-career year groups, significantly improved certification and education levels, and expanded participation in the contribution-based AcqDemo personnel management system.

Average development timelines for major programs must be reduced to be more responsive to the force. Defense manufacturing costs continue to increase at rates greater than those of the larger economy. To some extent this is the result of the increasing complexity and performance requirements of the systems themselves, but the overall trends are unaffordable. The Department has had many successes, and will continue to review and improve our work in delivering capability to the warfighter and protecting the taxpayer.

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<u>Competitively Awarded Contract Obligations</u>: When viable, competition is, perhaps, the single best way to motivate contractors to provide the best value (i.e., the best performance at the lowest price). Since 2010, competition goals have been set by the Department. The military departments each analyze projections of future acquisitions to identify opportunities and creative strategies for future competitive awards.

Competition achievement by contracting organizations varies widely based upon the missions and type of supply or service being procured. Challenges to improving competition include high-value sole-source Foreign Military Sales, large on-going shipbuilding and aviation programs, and sustainment for major weapon systems that have already moved past the stage in the lifecycle where competition is economically viable. Another challenge can be industry bid protests of source selections results, requiring DoD to award sole-source bridge contracts for goods and services in the interim until the protests are resolved and the new contracts can be awarded. Fiscal uncertainty, including continuing resolutions, and limited new starts, have negatively affected competition rates.

Despite these challenges, the DoD is continuing to pursue various approaches for breaking out system components for competition and take steps to increase competition for major systems by introducing competition during the sustainment phase of a product's life cycle through the use of open systems and open architectures. Beyond this kind of head-to-head competition, we are also expanding the types and use of other competitive environments to drive performance and cost savings. For example, the Navy's evolving Profit-Related-to-Offer techniques adjusts profit and production share between two captive shipyards based on bidding and cost control. Finally, analysis is continuing to set goals based on what is achievable rather than on simply setting goals based on prior actuals.

Strategic Objective (SO) 3.4: Strengthen cybersecurity throughout the product life cycle

This strategic objective addresses key cyber threats, malware proliferation, Risk to DoD Networks and Infrastructure, and Deterrence in the Future Security Environment. Details regarding these areas are addressed in the DoD Cyber Strategy, pages 9-12. DoD's full cybersecurity campaign effort is available at: https://www.defense.gov/News/Special-Reports/0415_Cyber-Strategy/. Also included in this objective are the Department's efforts to address contractor compliance with Defense Federal Acquisition Regulation Supplement (DFARS) rules 2013-D018.

In support of the Secretary of Defense's priorities to build a more lethal force, strengthen partnerships, and bring business reforms, the DoD continues to make strides in strengthening cybersecurity throughout the DoD information enterprise. DoD has expanded a number of initiatives that strengthen our cybersecurity posture on existing systems and networks, ensure systems are built to be cyber survivable; enhance partnerships with mission partners and industry; and improve processes.

Addressing Cybersecurity Threats to Warfighter Systems

- <u>Cybersecurity Posture and Compliance:</u> The DoD Cybersecurity Scorecard, developed as an extension of the Department's Cybersecurity Discipline Implementation Plan, is a tool that provides senior leadership situational awareness of compliance with key cybersecurity policies across the Department. The Scorecard enables leadership to address issues and modify compliance behaviors. The Department realized tremendous overall improvements in cybersecurity hygiene attributable to leadership awareness and involvement. The most

notable have directly targeted securing access to our network and reducing the adversaries' attack surface. DoD significantly improved our ability to limit network access to authorized users only. Across the entire Department, to include defense agencies and DoD field activities, DoD more than doubled the compliance rate of requiring privileged users to access the DoD Information Networks (DoDIN) through two-factor authentication via Public Key Infrastructure (PKI). Further protecting DoDIN from malicious actors, DoD markedly increased the number of non-privileged users required to use PKI to access classified and unclassified websites/web applications. The Department is now working to develop a risk-based scoring model that will facilitate opportunities for us to proactively shape our cybersecurity efforts.

- Identity Management: DoD is evaluating end-to-end digital identity capabilities to drive the Department to automated and auditable access and account provisioning based on changing authoritative identity and security data to support critical cybersecurity, insider threat, and reform efforts. In conjunction with the Cybersecurity Framework, DoD is working to standardize digital identity services using international and commercial norms for digital identity that support extending strong authentication to improve the assurance of joint, interagency, intergovernmental, and multinational partner information sharing, as well as transition to cloud services.

- Reducing the Attack Surface: DoD has reduced its overall attack surface by removing unneeded webservers and moving those that remain behind approved De-Militarized Zones. DoD has bolstered its cybersecurity posture with the transition to Windows 10. Windows 10 provides the Department a more secure and resilient operating system (OS) and forces the transition from obsolete and vulnerable Windows OSs that have reached end-of-life. In 2017, DoD transitioned nearly a third of its unclassified office information technology to Windows 10.

- Platform IT Cybersecurity: DoD continues to improve cybersecurity being built into our weapon systems as a result of the cyber survivability elements in the System Survivability Key Performance Parameter (SS KPP), which was approved in FY 2015. Since the SS KPP is mandatory, this ensures the consideration of cybersecurity during the requirements phase. In FY 2017, the Cyber Survivability Endorsement Guide, co-developed by the Joint Staff and DoD Chief Information Officer (CIO), was published and references to the guide are being included in the current update to the Joint Capabilities Integration and Development System (JCIDS) Manual. DoD also continues to address challenges of implementing cybersecurity measures for non-traditional IT through the Platform IT Systems Cybersecurity Working Group, including improving implementation of measures in control systems and tracking progress.

- Supply Chain Risk Management: DoD is responding to a growing number of supply chain-related threats to DoD systems. The DoD continues to refine supply chain risk management (SCRM) processes to address them, and elevate risk decision making when needed. In addition to process improvements, online learning modules were launched to train acquisition professionals through Defense Acquisition University and other DoD students at the graduate student-level at National Defense University. DoD CIO also co-led with National Institute of Standards and Technology (NIST) the update of the Committee on National Security Systems (CNSS) Directive 505 on SCRM, which will require CNSS agencies to stand up SCRM capabilities, if they do not already have them in place.

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- Insider Threat User Activity Monitoring: A departmental strategy leading to a comprehensive framework for user activity monitoring is emerging. The Department realizes no single tool is the answer to this requirement and a plan to address how cyber and cybersecurity tools might contribute to this problem set needs to be developed. DoD CIO leads the work effort to analyze the strengths of departmental cyber capabilities that address insider threat.

Building Strategic Partnerships

- International Cybersecurity: DoD CIO has focused on strengthening international partnerships to ensure secure interoperability for current and evolving mission landscapes by sharing information and best practices. Discussions about international standards and DoD CIO policies (e.g., DoD Instruction 8500 series, Cybersecurity Scorecard) have been incorporated into bilateral and multilateral engagements. DoD CIO has facilitated a better understanding of critical infrastructure shared with partner nations through Defense Information Systems Agency-aided critical infrastructure assessments and bilateral engagements. Promotion of the Department of Homeland Security's Automated Information Sharing program with partner nations has provided the Department with insight to additional threat indicators. These international engagements have fostered partner collaboration for international and DoD seminar participation (e.g., Locked Shields and Cyber Flag/Cyber Guard Multinational Engagement Day) and cybersecurity training through Defense Cyber Investigations Training Academy within DoD Cyber Crime Center.

- Industry Engagements: The DoD CIO maintains an active, enduring relationship with industry partners. The DoD CIO developed a recurring series of visits to technology centers of gravity making a deliberate effort to renew interactions with tradition defense industry partners and evolve new touch points with innovative companies, venture capitalists, innovation engines and start-ups. These efforts, which included the Military Services, Defense Agencies, DoD Field Activities and expanded to other USG entities, enabled unprecedented information sharing and synchronization to bring the collective buying power of the Department and USG to the forefront. Additionally, the DoD CIO leveraged the power of industry engagement visits by inviting Five Eyes nations and other key international partners to participate in comprehensive information technology and cybersecurity innovation discussions and demonstrations. These close partnering opportunities fostered an open and productive dialogue on mutual topics of interest that have already enhanced standardization, synchronization and a common understanding that is enabling advances in multinational information systems and architectures.

Reforming Processes to Align with Cybersecurity Priorities and Maximize Efficiencies

- Cybersecurity Portfolio Management: DoD CIO focused on improving the alignment of the cybersecurity portfolio towards capabilities and outcomes needed to support the Secretary of Defense's prioritized objectives. This effort better supported success in DoD's cyber and cyber-supported mission sets by continuously enabling more effective and efficient capabilities, both of which are vital to operating in cyber contested and resource constrained environments. A key element of this effort was the maturing of governance processes that ensured investments were backing DoD strategic priorities. This alignment improved integration between components and led to extensive accomplishments by all Components in modernizing the DoD's endpoints, mitigating vulnerabilities, and hardening and reducing the

Strategic Goal 3

DoD's overall network footprint. Specific examples include the further implementation of the Windows 10 Secure Host Baseline, expansion of common enterprise licensing solutions, better resource tracking, and transition from legacy capabilities to modern machine learning based solutions.

- NIST Cybersecurity Framework: The Department is currently reviewing the tenets of the NIST Cybersecurity Framework to identify how our current practices are aligned. The goal is to ensure the execution of the Risk Management Framework (RMF) is more efficient and effective, and properly addresses the cyber threats targeting Department systems. To achieve this goal, OMB and NIST will add an organizational preparation step to the RMF, to allow for organizations to leverage existing guidance for applying the appropriate level of cybersecurity based upon business/mission function. This guidance will implement many of the practices contained in the NIST Cybersecurity Framework that are not yet fully incorporated into the RMF.

- Defense Industrial Base (DIB) DFARS Compliance: The current DFARS clause 252.204-7012 requires DIB contractors to implement security requirements in NIST Special Publication 800-171, "Protecting Controlled Unclassified Information in Nonfederal Information Systems and Organizations." DIB companies are required to comply by December 31, 2017 when covered defense information is processed or stored on their internal information system or network. The Department has put in place processes, procedures, and tools to assist with implementation.

- DoD Information Security Continuous Monitoring: The Department is moving forward with efforts to improve its Continuous Monitoring Program. Some DoD Components have made investments to advance their continuous monitoring capabilities, such as Comply-to-Connect (C2C), and enhanced reporting through the Continuous Monitoring Risk Scoring (CMRS) System. These capabilities increase security awareness of deficiencies associated with poorly configured endpoints. DoD Components with a properly constructed C2C framework are realizing the benefits of synchronized and automated security workflow processes that are designed to reduce reliance on human resources, improve operational performance of cyber tools, and enforce cybersecurity discipline for better cyber hygiene. Components using C2C see these benefits reflected by their improved risk scores in CMRS.

Strategic Objective (SO) 3.5: Improve overall performance, strengthen business operations, and achieve efficiencies, effectiveness, and cost savings that can be transferred to higher priority needs

The Secretary of Defense, the Executive Office of the President (including the Office of Management and Budget (OMB)), and Congress continue to drive reform within the DoD. In his Budget Guidance Memorandum to the Department, dated January 31, 2017, Secretary Mattis stated DoD must improve how it does business in order to increase the lethality, improve the readiness, and grow the capability and capacity of our forces. To this end, the FY 2019-2023 Defense Program contains an ambitious reform agenda. Further, the President issued an Executive Order directing OMB to develop a plan to reorganize the Executive Branch. In response, OMB directed federal agencies to develop comprehensive plans for reforming the federal government, reducing federal civilian workforces, and maximizing employee performance.

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As a result of this direction, DoD developed a comprehensive reform agenda, which will be included in the next ASP to be published in February 2018. The focus of the reform agenda is pursuing cross-enterprise consolidation, reduction, and where appropriate, elimination of specific business activities or duplication of efforts to achieve greater efficiency, effectiveness, and savings. These efforts will free up resources for higher priority requirements that will contribute to the lethality of the Department. Implementation of the reform agenda and other Department priorities will be tracked through the ASP, which is based on the Secretary's priorities; the Annual Performance Plan, which sets out specific goals and targets; and the Annual Performance Report, which publishes the Department's performance results each year.

In FY 2017, the Department expanded its ongoing reform efforts to further reduce the cost of doing business. By identifying additional opportunities for management improvements and investments in high priority programs, the Department is striving to maximize the availability and utilization of its constrained resources to achieve an optimum balance of force structure capacity and technological capabilities. This approach included divesting lower priority or excess force structure and excess infrastructure as well as implementing compensation reforms.

Current initiatives include reduction of Major DoD Headquarters Activities (MHA), service contract requirements reviews, Information Technology (IT) optimization, leased space consolidation, military healthcare reforms, operational energy improvements, implementing more efficient logistics practices, and optimizing business operations including exchanges and commissaries.

Institutional reform will continue over the coming years as initiatives are developed through a set of cross-functional teams that have been established to champion the Department's reform agenda.

Contract Management: The Department obligates over $250 billion annually to contract for goods and services, including acquisition of major weapons systems, support for military bases, implementing new information technology, and other mission areas. The Department's leadership has taken significant steps to plan and monitor progress regarding the management and oversight of contracting techniques and approaches. In FY 2016, the OSD staff and the Defense Agencies and DoD Field Activities institutionalized a requirements review process known as Service Requirements Review Boards (SRRBs), complementing similar reviews already underway in the Military Departments. Through these SRRBs, senior leaders focus on assessing, reviewing, and validating service contract requirements. The process requires organizations to review their service contract requirements and assess opportunities for efficiencies, to include elimination of non-value added services, identification and elimination of duplicative requirements, realignment of requirements to better align to mission, and identification of strategic sourcing opportunities. In addition, the OSD staff and Defense Agencies and DoD Field Activities, via the SRRB process, were tasked with capturing savings of $1.9 billion by 2021 for reinvestment in higher priority requirements. In 2017, 15 senior review panels were conducted for 25 organizations, and identified savings of $141 million for FY 2017 alone. The projected savings for FY 2018 is approximately $500 million.

Major DoD Headquarters Activities (MHA): Section 346(b) of the NDAA for FY 2016 directed a 25 percent reduction in the cost of MHA from FY 2016 re-baselined levels by FY 2020 (including credit for previous headquarters reductions conducted under former Secretary of Defense Hagel). In December 2015, Deputy Secretary of Defense Robert Work approved

programmatic reductions of $1.39 billion and 2,350 military and civilian manpower authorizations through FY 2021 to be incorporated into the President's Budget (PB) 2017 request. At the end of FY 2017, the Department will have achieved 20.7 percent of the 25 percent cost reduction directed by statute. By the end of FY 2020, the Department expects to be at 25.9 percent against the
25 percent cost reduction target.

Section 346(b) prescribed a top level, common framework for MHA. That framework, as amplified by the Office of the Deputy Chief Management Officer (ODCMO), identifies all activities of OSD, the Joint Staff, and the Military Department headquarters as MHA, and also defines select functions in the Combatant Commands, Major Commands and Component Commands of the Military Departments, and the Defense Agencies and DoD Field Activities as MHA. This major re-baselining effort established an authoritative MHA baseline for the purposes of reporting, tracking, and future management. The baseline includes manpower (military and civilian) and operating costs of headquarters, including contractor support.

Leased Space: In FY 2014, the Department started with a baseline of 5.4 million square feet of DoD-occupied space in the National Capital Region (NCR). The Department set forth a plan to reduce this footprint by 1.2 million square feet prior to FY 2020. To date, the Department has eliminated 267,000 square feet of leased space used in the NCR by making better use of government space, resulting in a savings to the Department of $10 million per year beginning in FY 2016. The Department will release an additional 886,000 square feet by FY 2020 for a total of $43 million per year in savings thereafter. In addition to the FY 2014 planned efforts, the Department continues to look for additional leased space savings within the NCR, and will also look into opportunities nationwide.

Defense Resale: Recent budget proposals sought to reduce Defense Commissary Agency (DeCA) funding by more than 70 percent, or $1 billion per year, beginning in FY 2017. In order to implement a phased approach, the Department requested an alternate plan in the FY 2017 President's Budget to achieve DeCA savings of $1 billion per year by FY 2021. Consolidation of defense resale is an initiative being pursued through the Department's reform agenda, to be published with the next DoD Agency Strategic Plan.

Information Technology Optimization: The Department continues to make progress in our efforts to fundamentally transform delivery of IT infrastructure and services in a more secure, stable, resilient, and cost effective way. The Department estimates over $1.4 billion of information technology (IT) savings for FY 2017 through FY 2021 based on efforts to: (a) consolidate data center infrastructure, National Capital Region IT, and Defense Media Activity IT; (b) centralize licensing agreements; (c) optimize circuit management; and (d) rationalize medical IT. The DoD will continue to aggressively identify and pursue opportunities to further optimize IT infrastructure, and take full advantage of its enterprise buying power.

Business Operations Improvements: The Department identified IT net benefits resulting from current Fourth Estate investments to develop, modernize, or enhance business systems. These benefits will enable a $310 million reduction of business operations costs resulting from IT modernization investments in Fourth Estate activities between FYs 2017 and 2021. Although the net benefits analysis and findings do not currently capture any Defense health savings, the Department continues to analyze this business area to determine if additional potential savings

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can be achieved in the future. Defense Travel Modernization is also underway and will leverage simplified and automated business rules with a projected savings of up to $450 million over five years.

Energy: The Services and Combatant Commands have made strides in including the risks of energy disruptions in planning activities. Experiential learning through including operational energy in wargames, exercises, and operation plans allows the industrial base to bring capabilities they have developed and truly test them with the warfighter. This benefits the government-industry partnership and allows new operational concepts and warfighting strategies to be developed.

The earlier we consider energy in the development process, the more we are able to effectively influence the design and capability of future systems. Underpinned by an analysis of how a system will be supported in a future warfighting scenario, the energy key performance parameter helps the Department make holistic decisions about future combat forces and the energy logistics and infrastructure needed to support those forces. The needs of our Combatant Commands will inform Department investments in people, equipment, and installations. Joint and Service wargames and scenario analyses will identify long-term risks to our combat capability that can be remedied through changes in how we consume and distribute energy in operations. These "demand signals" for operational energy improvements will then be integrated across requirements, acquisition, and innovation decision-making to quickly and effectively meet warfighter needs.

Strategic Objective (SO) 3.6: Improve financial processes, controls, and information to the highest quality content, analysis, advice and oversight on all DoD budgetary and financial matters to support the national defense. Achieve full auditability of the budgetary and financial information that is most valuable in managing the DoD. Improve financial processes, controls, and information via audit remediation.

The National Defense Authorization Act (NDAA) for FY 2014 mandates that the Secretary of Defense ensures a full audit is performed on the DoD financial statements beginning in FY 2018. In December 2017, the Department entered its first DoD Consolidated Audit. With more than $2.4 trillion in assets, this financial statement audit is one of the largest ever undertaken in history. It comprises more than 24 standalone audits and an overarching consolidated audit. The DoD has notified the Department of Defense Inspector General (DoD IG) and congressional committees that it has the necessary capabilities to start the full financial statement audit in FY 2018. The Department expects to receive a variety of audit findings and recommendations, which will help to establish the baseline and provide a benchmark against which progress can be measured. During FY 2017, the Department established ambitious goals to gain the maximum benefit for improving our readiness posture going into next year's audit. While several of these aggressive goals were not achieved, all material organizations have asserted that sufficient capability exists to support and obtain actionable feedback from a full scope financial audit.

Remediating audit findings from the full financial statement audits is at the core of DoD's audit strategy and is the most certain and cost-effective path to achieving a clean audit opinion. The audit assesses our financial processes and systems and will bring to light areas where the Department can improve. Over the next year, the Department must support a number of concurrent activities, including supporting the ongoing audits, addressing issues identified in

earlier audits, and planning for future audits. This all directly supports the Department's strategic priority business processes.

In order to standardize how audit results are reported and tracked by the Department, the DoD has developed a common tool with standardized categories of deficiencies in order to capture critical elements of audit findings to drive change, accountability, and measure progress. The tool will support accountability of remediation activities across the components. In FY 2018, these performance measures and targets will be changed in response to expected feedback and Notices of Findings and Recommendations received via the independent public accounting audit results.

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STRATEGIC GOAL 3
Achieve Dominant Capabilities Through Innovation, Technical Excellence and Defense Institutional Reform

SO 3.1: Incentivize Productivity and Innovation in Industry and Government.

SO Leader: USD(AT&L), OSD

PG 3.1.1: Maintain a strong technical foundation within the Department's Science and Technology (S&T) program by transitioning completed demonstration programs.	**PG Leader:** Assistant Secretary of Defense for Research and Engineering (R&E), OUSD (AT&L), OSD

Performance Measure		Q1 2017	Q2 2017	Q3 2017	Q4 2017	Prior Year Results
3.1.1.1: Percent of completing demonstration programs transitioning each year.	Target	Measured Annually			40%	FY13: 77% FY14: 82% FY15: 82% FY16: 72% (Target: 40%)
	Actual				N/A	

SO 3.2: Expand core capabilities in support of military interest.

SO Leader: USD(AT&L), OSD

This Cross Agency Priority Goal is no longer being tracked.

SO 3.3: Improve acquisition processes from requirements definition to execution phase and through lifecycle enhancements, to acquire and sustain military-unique and commercial items.

SO Leader: USD(AT&L), OSD

PG 3.3.1: Reform the Acquisition Process. By September 30, 2017, DoD will improve its acquisition process.	**PG Leader:** Director, Acquisition Resources and Analysis, OUSD (AT&L), OSD

Performance Measure		Q1 2017	Q2 2017	Q3 2017	Q4 2017	Prior Year Results
3.3.1.1: The median growth in cycle time for Major Defense Acquisition Programs (MDAPs) will not increase by more than 15 percent from the Milestone B baseline.	Target	Measured Annually			</= 15%	FY11: 4.5% FY12: 6.6% FY13: 5.37% FY14: 0.0% FY15: 0.0% FY16: 14.9% (Target: </= 15%)
	Actual				17%	
3.3.1.2: Biennial rate of quantity adjusted unit procurement cost growth for MDAPs will not exceed 6 percent.	Target	Measured Annually			</= 6%	FY12: -0.3% FY13: -1.42% FY14: 0.21% FY15: -0.41% FY16: 0% (Target: </= 6%)
	Actual				0.08%	

STRATEGIC GOAL 3
Achieve Dominant Capabilities Through Innovation, Technical Excellence and Defense Institutional Reform

SO 3.3: Improve acquisition processes from requirements definition to execution phase and through lifecycle enhancements, to acquire and sustain military-unique and commercial items.

SO Leader: USD(AT&L), OSD

PG 3.3.1: Reform the Acquisition Process. By September 30, 2017, DoD will improve its acquisition process.	**PG Leader:** Director, Acquisition Resources and Analysis, OUSD (AT&L), OSD

Performance Measure		Q1 2017	Q2 2017	Q3 2017	Q4 2017	Prior Year Results
3.3.1.3: Annual number of MDAP breaches–significant or critical cost overruns for reasons other than approved changes in quantity–will be zero.	Target		Measured Annually		0	FY13: 0 FY14: 1 FY15: 0 FY16: 1 (Target: 0)
	Actual				1	
3.3.1.4: Percent of contract obligations that are competitively awarded will be 53 percent in FY 2017.	Target		Measured Annually		53%	FY13: 56.9% FY14: 58.7% FY15: 55.1% FY16: 52.8% (Target: 57%)
	Actual				52%	
3.3.1.5: Percent of acquisition positions filled with personnel meeting Levels II and III certification requirements.	Target		Measured Annually		>80.6%	FY13: 76.3% FY14: 80.6% FY15: 78.8% FY16: 78.3% (Target: >80.6%)
	Actual				78.21%	

SO 3.4: Strengthen cybersecurity throughout the product life cycle

SO Leaders: USD(AT&L), OSD; DoD CIO, OSD

PG 3.4.1: By the end of FY 2017, the DoD will include in 85 percent of all new contracts, and as necessary modify contracts associated with critical programs and technology, the Defense Federal Acquisition Regulation Supplement (DFARS) clause 252.204-7012. Safeguarding Covered Defense Information and Cyber Incident Reporting.	**PG Leader:** Director, Defense Procurement and Acquisition Policy, OUSD (AT&L), OSD

Performance Measure		Q1 2017	Q2 2017	Q3 2017	Q4 2017	Prior Year Results
3.4.1.1: The percent of contracts and contract modifications that contain DFARS Clause 252.204-7012	Target	85%	85%	85%	85%	FY14: 52% FY15: 75% FY16: 56%
	Actual	89%	88%	89%	88%	

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Achieve Dominant Capabilities Through Innovation, Technical Excellence and Defense Institutional Reform

SO 3.4: Strengthen cybersecurity throughout the product life cycle

SO Leaders: USD(AT&L), OSD; DoD CIO, OSD

PG 3.4.2: Cybersecurity. Improve awareness of security practices, vulnerabilities, and threats to the operating environment, by limiting access to only authorized users and implementing technologies and processes that reduce the risk from malicious activity.	**PG Leader:** Deputy CIO for Cybersecurity, DoD CIO, OSD

PM 3.4.2.1: Performance Measures are reported to the SECDEF via DoD Cybersecurity Scorecard Cybersecurity Discipline (FOUO or higher) in line with the Deputy Secretary of Defense memorandum, "DoD Cybersecurity Campaign – Cybersecurity Discipline Implementation Plan", October 26, 2015. The DoD Cybersecurity Discipline Implementation Plan was amended February 2016.

SO 3.5: Improve overall performance, strengthen business operations, and achieve efficiencies, effectiveness, and cost savings that can be transferred to higher priority needs

SO Leaders: DCMO, OSD; USD(AT&L), OSD; DoD CIO, OSD

PG 3.5.1: Realigning Major DoD Headquarters Activities. Increase funding for high priority core missions by reducing the cost of overhead and management structures and redirecting those savings to core missions	**PG Leader:** Director, OP&DS, ODCMO, OSD

Performance Measure		Q1 2017	Q2 2017	Q3 2017	Q4 2017	Prior Year Results
3.5.1.1: Baseline MHA using a revised policy framework – baseline OSD; the Office of the IG, DoD; and the Defense Agencies and DoD Field Activities.	Target / Actual	Objectives for this measure were completed in Q1 FY 2016 and reported in the FY 2016 DoD Organizational Assessment. Performance Measure 3.5.1.1 has been discontinued.				FY16: Met
3.5.1.2: Baseline the MilDeps, the JS, and the CCMDs.	Target / Actual	Objectives for this measure were completed in Q4 FY 2016 and reported in the FY 2016 DoD Organizational Assessment. Performance Measure 3.5.1.2 has been discontinued.				FY16: Met
3.5.1.3: Program reductions in OSD; the Office of the Inspector General, DoD; and the Defense Agencies and DoD Field Activities for the FY 2017 President's Budget (PB).	Target / Actual	Objectives for this measure were completed in Q2 FY 2016 and reported in the FY 2016 DoD Organizational Assessment. Performance Measure 3.5.1.3 has been discontinued.				FY16: Met
3.5.1.4: Program reductions to MHA across the Future Years Defense Program in the MilDeps, the JS, and the CCMD headquarters for the FY 2017 PB.	Target / Actual	Objectives for this measure were completed in Q2 FY 2016 and reported in the FY 2016 DoD Organizational Assessment. Performance Measure 3.5.1.4 has been discontinued.				FY16: Met

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Achieve Dominant Capabilities Through Innovation, Technical Excellence and Defense Institutional Reform

SO 3.5: Improve overall performance, strengthen business operations, and achieve efficiencies, effectiveness, and cost savings that can be transferred to higher priority needs

SO Leaders: DCMO, OSD; USD(AT&L), OSD; DoD CIO, OSD

PG 3.5.1: Realigning Major DoD Headquarters Activities. Increase funding for high priority core missions by reducing the cost of overhead and management structures and redirecting those savings to core missions.	**PG Leader:** Director, OP&DS, ODCMO, OSD

Performance Measure		Q1 2017	Q2 2017	Q3 2017	Q4 2017	Prior Year Results
3.5.1.5: Revise the MHA policy: #1 Work Group effort complete no later than second quarter FY 2016 #2 Draft issuance for formal coordination no later than third quarter FY 2016 (June 2016) #3 Draft issuance for principal signature no later than fourth quarter FY 2016; #4 Final issuance no later than fourth quarter FY 2016 (September 2016)	Target	Refined in FY 2017: Target: To be completed by the end of 4Q FY 2018.				FY16: Not Met
	Actual					
3.5.1.6: Office of the Director, Cost Assessment and Program Evaluation (ODCAPE) will create MHA flags at the category level to coincide with the revised policy framework categories (e.g., B1, B5i) and update the MHA data using the DoD component data collected and validated by ODCMO.	Target	Objectives for this measure were completed in Q4 FY 2016 and reported in the FY 2016 DoD Organizational Assessment. Performance Measure 3.5.1.6 has been discontinued.				FY16: Met
	Actual					
3.5.1.7: ODCMO, in coordination with ODCAPE and OUSD(C)/CFO, will review Program Objective Memorandum/Budget Estimate Submission, and oversee MHA changes during the PBR.	Target	Objectives for this measure were completed in Q4 FY 2016 and reported in the FY 2016 DoD Organizational Assessment. Performance Measure 3.5.1.7 has been discontinued.				FY16: Met
	Actual					

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SO 3.5: Improve overall performance, strengthen business operations, and achieve efficiencies, effectiveness, and cost savings that can be transferred to higher priority needs

SO Leaders: DCMO, OSD; USD(AT&L), OSD; DoD CIO, OSD

PG 3.5.2: Improve DoD Energy Performance. By September 30, 2025, DoD will improve its facility energy performance by reducing average building energy intensity by 25 percent from the 2015 baseline.	**PG Leader:** Assistant Secretary of Defense for Energy, Installations and Environment, OUSD (AT&L), OSD

Performance Measure		Q1 2017	Q2 2017	Q3 2017	Q4 2017	Prior Year Results
3.5.2.1: Reduce Facility Energy Intensity	Target		Measured Annually		5.0%	FY15: 19.9% FY16: 5.1% (Target: 2.5%)
	Actual				N/A	
3.5.2.2: Institutionalize Operational Energy Considerations in Force Development: Energy Supportability Analysis (ESA)-informed Energy KPP for JROC-interest item Acquisition programs, using OE.	Target		Measured Annually		100%	FY16: 96% (Target: 100%)
	Actual				N/A	
3.5.2.3: Institutionalize Operational Energy Considerations in Force Development-OE constraints and limitations analyses in Title 10 war games.	Target		Measured Annually		100%	FY16: 75% (Target: 90%)
	Actual				N/A	
3.5.2.4: Institutionalize Operational Energy Considerations in Force Development: Energy Supportability Analysis (ESA)-used in all ACQ programs, using OE.	Target		Measured Annually		90%	FY16: 92% (Target: 80%)
	Actual				N/A	

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Achieve Dominant Capabilities Through Innovation, Technical Excellence and Defense Institutional Reform

SO 3.5: Improve overall performance, strengthen business operations, and achieve efficiencies, effectiveness, and cost savings that can be transferred to higher priority needs

SO Leaders: DCMO, OSD; USD(AT&L), OSD; DoD CIO, OSD

PG 3.5.3: By FY 2021, DOD will document and realize a $1.9 billion funding reduction by reviewing and validating service requirements across the OSD, the Defense Agencies, and DoD Field Activities.	PG Leader: Director, Defense Business Management Analysis & Optimization (DBMAO), ODCMO, OSD

Performance Measure		Q1 2017	Q2 2017	Q3 2017	Q4 2017	Prior Year Results
3.5.3.1: By FY 2016, Service Requirements Review Boards will be conducted for all components of the Office of the Secretary of Defense (OSD), Defense Agencies, and DoD Field Activities and results reviewed by a Senior Review Panel.	Target	Objectives for this measure were completed in Q4 FY 2016 and reported in the FY 2016 DoD Organizational Assessment. Performance Measure 3.5.3.1 has been discontinued.				FY16: Met (Target: Q4 FY16)
	Actual					
3.5.3.2: By 2017, Requirements Review Boards conducted for all components of the Office of the Secretary of Defense (OSD), Defense Agencies and DoD Field Activities will have identified and realized $141.5 million in savings.	Target	Objectives for this measure were completed in Q4 FY 2016 and reported in the FY 2016 DoD Organizational Assessment. Performance Measure 3.5.3.2 has been discontinued.				FY16: Met (Target: Q1 FY17)
	Actual					

PG 3.5.4: By FY 2021, DoD will reduce budgeted Fourth Estate business operation costs through investments in business system information technology by a minimum of $300 million.	PG Leader: Director, DBMAO, ODCMO, OSD

Performance Goal 3.5.4 Discontinued in 2017.

PG 3.5.5: By FY 2017, DCMO will complete a comprehensive review of current proposed modernizations of the business systems for OSD, the Defense Agencies, and DoD Field Activities.	PG Leader: Director, DBMAO, ODCMO, OSD

Performance Measure		Q1 2017	Q2 2017	Q3 2017	Q4 2017	Prior Year Results
3.5.5.1: By FY 2017, ODCMO will complete a comprehensive review of current proposed modernizations of the business systems for OSD, the Defense Agencies, and DoD Field Activities.	Target	Objectives for this measure were completed in FY 2016 and reported in the FY 2016 Organizational Assessment. Performance Measure 3.5.5.1 will not be carried forward				FY16: Met
	Actual					
3.5.5.2: The DoD will measure the net benefits ratio associated with discretionary development & modernization IT investments.	Target	Objectives for this measure were completed in FY 2016 and reported in the FY 2016 Organizational Assessment. Performance Measure 3.5.5.2 will not be carried forward				FY16: Met
	Actual					

SO 3.6: Improve financial processes, controls, and information to the highest quality content, analysis, advice and oversight on all DoD budgetary and financial matters to support the national defense. Achieve full auditability of the budgetary and financial information that is most valuable in managing the DoD. Achieve fully auditable statements by 2017. Improve financial processes, controls, and information via audit readiness

SO Leader: Deputy CFO, OSD

PG 3.6.1: Financial Statement Audit Readiness. The DoD's financial statement will be audit ready by September 30, 2017.	PG Leader: Deputy Chief Financial Officer, OUSD(C)/CFO, OSD

Performance Measure *Note: While the Department continues to work towards 100% completion of these measures, it has the ability to present financial processes and systems needed to begin audit of full financial statements in order to receive actionable feedback and drive remediation activities.*		Q1 2017	Q2 2017	Q3 2017	Q4 2017	Prior Year Results
3.6.1.1: Universe of Transactions, Reconciliations to GL Systems, Schedule of Budgetary Activity (SBA)* *SBA will no longer be used in FY 2018 and measure is no longer a valid performance target.	Target	99%	99%	99%	100%	FY16: 97%
	Actual	99%	99%	99%	99.98%	
3.6.1.2: Universe of Transactions, Reconciliations to general ledger (GL) Systems, Statement of Budgetary Resources and Balance Sheet	Target	93%	98%	98%	99%	FY16: 75%
	Actual	86%	91%	94%	99%	
3.6.1.3: Universe of Transactions, Reconciliations from feeder source systems to the GL, Schedule of Budgetary Activity (SBA)* *SBA will no longer be used in FY 2018 and measure is no longer a valid performance target.	Target	93%	99%	99%	100%	FY16: 77%
	Actual	89%	90%	98%	99%	
3.6.1.4: Universe of Transactions, Reconciliations from feeder source systems to the GL, Statement of Budgetary Resources and Balance Sheet	Target	83%	97%	97%	98%	FY16: 68%
	Actual	82%	82%	88%	96%	
3.6.1.5: Journal Vouchers, unsupported	Target	0.40%	0.50%	0.75%	0.80%	FY16: 0.99%
	Actual	0.12%	0.15%	0.15%	1.22%	

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Achieve Dominant Capabilities Through Innovation, Technical Excellence and Defense Institutional Reform

SO 3.6: Improve financial processes, controls, and information to the highest quality content, analysis, advice and oversight on all DoD budgetary and financial matters to support the national defense. Achieve full auditability of the budgetary and financial information that is most valuable in managing the DoD. Achieve fully auditable statements by 2017. Improve financial processes, controls, and information via audit readiness

SO Leader: Deputy CFO, OSD

PG 3.6.1: Financial Statement Audit Readiness. The DoD's financial statement will be audit ready by September 30, 2017.	**PG Leader:** Deputy Chief Financial Officer, OUSD(C)/CFO, OSD

Performance Measure *Note: While the Department continues to work towards 100% completion of these measures, it has the ability to present financial processes and systems needed to begin audit of full financial statements in order to receive actionable feedback and drive remediation activities.*		**Q1 2017**	**Q2 2017**	**Q3 2017**	**Q4 2017**	**Prior Year Results**
3.6.1.6: Fund Balance with Treasury: DoD's timely clearing of all overaged unmatched disbursements and collection transactions	Target	Semi-Annual	0.1%	Semi-Annual	0.08%	FY16: 0.42%
	Actual		0.51%		0.33%	
3.6.1.7: Fund Balance with Treasury: DoD's timely clearing of overaged all in-transit disbursements and collection transactions	Target	Semi-Annual	0.5%	Semi-Annual	.25%	FY16: 0.51%
	Actual		0.75%		0.61%	
3.6.1.8: DoD-wide Mission Critical Assets Existence and Completeness Baseline, General Equipment	Target	85.6%	100%	100%	100%	FY16: 79.4%
	Actual	90%	91%	94%	96%	
3.6.1.9: DoD-wide Mission Critical Assets Existence and Completeness Baseline, Real Property	Target	77.2%	100%	100%	100%	FY16: 75.8%
	Actual	85.5%	91%	96%	97%	

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SO Leader: Deputy CFO, OSD

PG 3.6.1: Financial Statement Audit Readiness. The DoD's financial statement will be audit ready by September 30, 2017.	**PG Leader:** Deputy Chief Financial Officer, OUSD(C)/CFO, OSD

Performance Measure *Note: While the Department continues to work towards 100% completion of these measures, it has the ability to present financial processes and systems needed to begin audit of full financial statements in order to receive actionable feedback and drive remediation activities.*		Q1 2017	Q2 2017	Q3 2017	Q4 2017	Prior Year Results
3.6.1.10: DoD-wide Mission Critical Assets Existence and Completeness Baseline, Internal Use Software	Target	100%	100%	100%	100%	FY16: 83.7%
	Actual	87%	92%	97%	97%	
3.6.1.11: DoD-wide Mission Critical Assets Existence and Completeness Baseline, Inventory, Operating Materials, and Supplies	Target	100%	100%	100%	100%	FY16: 83.1%
	Actual	88%	87%	90%	92%	

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Achieve Dominant Capabilities Through Innovation, Technical Excellence and Defense Institutional Reform

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SO Leader: Deputy CFO, OUSD(C)/CFO, OSD

PG 3.6.2: Enhance and implement financial policies and processes to streamline, simplify and standardize the financial management business and systems environment to improve efficiencies and reduce costs for key end-to-end processes and data exchanges.	PG Leader: Deputy CFO, OUSD(C)/CFO, OSD				

Performance Measure *Note: While the Department continues to work towards 100% completion of these measures, it has the ability to present financial processes and systems needed to begin audit of full financial statements in order to receive actionable feedback and drive remediation activities.*		Q1 2017	Q2 2017	Q3 2017	Q4 2017	Prior Year Results
3.6.2.1: IGT – Percent of General Terms and Conditions in G-Invoicing	Target	*Deleted in FY 2017. The IGT development and implementation plan is still under development and not fully vetted for operational use. As such, the original performance measure and associated goal for this effort was prematurely reported. Reporting of the establishment of the general terms and conditions is not an appropriate representation of the effort and therefore should be eliminated from the inventory of performance measurement.*				FY16: 1.6%
	Actual					
3.6.2.2: Standards – Percent of systems and data exchanges assessed by the Joint Interoperability Test Command that are compliant with Standard Financial Information Structure (SFIS) and United States Standard General Ledger (USSGL)	Target	*Deleted in FY 2017*				FY16: 80.4%
	Actual					
3.6.2.3: Standards – Percent of transactions with a valid standard line of accounting which are validated using the SLOA validation service.	Target	*Deleted in FY 2017. This measurement area has not yet been implemented. Transactions will begin to be tested through the Standard Line of Accounting (SLOA) Centralized Service (SCS) beginning November 1, 2016. As such, the original performance measure and associated goal for this effort was prematurely reported. In addition, this area is not a critical capability or measurement area deemed necessary to identify as an agency goal.*				FY16: 0%
	Actual					
3.6.2.4: Simplify – Percent of key financial systems retired	Target	Measured Annually			12%	FY16: 5% (Target: 10%)
	Actual				13%	

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SO Leader: Deputy CFO, OUSD(C)/CFO, OSD

PG 3.6.2: Enhance and implement financial policies and processes to streamline, simplify and standardize the financial management business and systems environment to improve efficiencies and reduce costs for key end-to-end processes and data exchanges.	**PG Leader:** Deputy CFO, OUSD(C)/CFO, OSD				

Performance Measure ***Note: While the Department continues to work towards 100% completion of these measures, it has the ability to present financial processes and systems needed to begin audit of full financial statements in order to receive actionable feedback and drive remediation activities.***		**Q1 2017**	**Q2 2017**	**Q3 2017**	**Q4 2017**	**Prior Year Results**
3.6.2.5: Standards – Percent of key data exchanges using the Standard Line of Accounting validation service	Target	*Deleted in FY 2017.* This measurement area has not yet been implemented. Transactions will begin to be tested through the Standard Line of Accounting (SLOA) Centralized Service (SCS) beginning November 1, 2016. As such, the original performance measure and associated goal for this effort was prematurely reported. In addition, this area is not a critical capability or measurement area deemed necessary to identify as an agency goal.				FY16: 0%
	Actual					

SECTION FOUR:

Appendices

APPENDIX A: STRATEGIC GOAL 2 Performance Overview (CLASSIFIED)

Appendix A (excised from this report) contains classified performance information pertaining to Strategic Goal 2.

Appendix A is available to persons with the appropriate security clearance and official need to know.

Appendix B: Acronyms and Definitions

Acronym / Abbreviation	Definition
A2AD	Anti-Access/Area Denial
ACQ	Acquisition
ACQDEMO	Acquisition Demonstration Project
AFR	Annual Financial Report
APP	Annual Performance Plan
APR	Annual Performance Report
ASD	Assistant Secretary of Defense
ASP	Agency Strategic Plan
C2C	Comply-to-Connect
CAP	Cross-Agency Priority
CBRN	Chemical, Biological , Radiological, Nuclear
CCMD	Combatant Command
CJCSI	Chairman of the Joint Chiefs of Staff Instruction
CMF	Cyber Mission Force
CMRS	Continuous Monitoring Risk Scoring
CNSS	Committee on National Security Systems
CRE	CBRN Response Enterprise
CRS	Chairman's Readiness System
CSA	Combat Support Agency
DBMAO	Defense Business Management Analysis & Optimization
DeCA	Defense Commissary Agency
DFARS	Defense Federal Acquisition Regulation Supplement
DoD	Department of Defense
DoDIN	Department of Defense Information Networks
DoD CIO	Department of Defense Chief Information Officer
DoD IG	Department of Defense Office of Inspector General
DSCA	Defense Support of Civil Authorities
FBWT	Fund Balance With Treasury
FOUO	For Official Use Only
FY	Fiscal Year
GAO	Government Accountability Office
GC DoD	General Counsel of the Department of Defense
GPRA	Government Performance and Results Act
GPRAMA	Government Performance and Results Act Modernization Act
GPS	Goals, Plans, Success
HR	Human Resource
IDES	Integrated Disability Evaluation System
IGT	Intragovernmental Transactions
IPD	Individual Development Plan
IT	Information Technology
JCIDS	Joint Capabilities Integration and Development System
JROC	Joint Requirements Oversight Council
KPP	Key Performance Parameter
LMS	Learning Management System
MCO	Military Critical Occupation
MDAP	Major Defense Acquisition Program

Acronym / Abbreviation	Definition
MHA	Major DoD Headquarters Activities
MilDep	Military Department
NCR	National Capital Region
NDAA	National Defense Authorization Act
NIST	National Institute of Standards and Technology
NMS	National Military Strategy
OA	Organizational Assessment
ODCMO	Office of the Deputy Chief Management Officer
OE	Operational Energy
OIG	Office of the Inspector General
OMB	Office of Management and Budget
OPM	Office of Personnel Management
OSD	Office of the Secretary of Defense
PB	President's Budget
PKI	Public Key Infrastructure
PPBE	Planning, Programming, Budgeting, and Execution
QPU	Quarterly Performance Update
R&D	Research and Development
R&E	Research and Engineering
RMF	Risk Management Framework
RPA	Request for Personnel Actions
SAPRO	Sexual Assault Prevention Response Office
SBA	Schedule of Budgetary Activity
SBR	Statement of Budgetary Resources
SCRM	Supply Chain Risk Management
SECDEF	Secretary of Defense
SFIS	Standard Financial Information Structure
SLOA	Standard Line of Accounting
SO	Strategic Objective
SOF	Special Operations Forces
SRRB	Service Requirements Review Boards
TAP	Transition Assistance Program
TTH	Time to Hire
UoT	Universe of Transactions
USC	United States Code
USCYBERCOM	U.S. Cyber Command
USD(AT&L)	Under Secretary of Defense for Acquisition, Technology, and Logistics
USD(C)/CFO	Under Secretary of Defense Comptroller/Chief Financial Officer
USD(I)	Under Secretary of Defense for Intelligence
USD(P)	Under Secretary of Defense for Policy
USD(P&R)	Under Secretary of Defense for Personnel and Readiness
USSGL	United States Standard General Ledger
USSOCOM	U.S. Special Operations Command
VA	Veterans Affairs

APPENDIX C –FY 2018 PERFORMANCE MANAGEMENT ACTIVITIES

Quarterly Performance Updates (QPU) and Performance Reviews

- 2/1/2018 - 1Q Performance results due; 1Q Performance Review early-Mar 2018

- 5/2/2018 - 2Q Performance results due; 2Q Performance Review early-May 2018

- 8/1/2018 - 3Q Performance results due; 3Q Performance Review early-Sep 2018

- 11/1/2018 - 4Q Performance results due; 4Q Performance Review early-Dec 2018

DoD 2018 Strategic Review - Early May 2018

- Will include 1Q FY2018 results

- Late April / early May - coordination begins with goal owners

DoD 2018 Organizational Assessment (OA) Report

- Mid-August - OA coordination begins with goal owners

- Mid October - Publish DCMO-approved 2018 OA on DCMO website

DoD 2018 Agency Financial Report (Management Discussion and Analysis (MD&A) section)

- Mid-August - MD&A coordination begins with goal owners

- Early October - Submit DCMO-approved 2018 MD&A section to OUSD(C)/CFO for AFR submission

DoD 2018 Annual Performance Report (APR)

- Mid November 2018 - APR coordination begins with goal owners

- Early January 2019 - Submit DCMO-approved 2018 APR to OUSD(C)/CFO