DEFENSE BUSINESS BOARD

Submitted to the Secretary of Defense

The Chief Management Officer of the Department of Defense: An Assessment

DBB FY 20-01
An assessment of the effectiveness, responsibilities, and authorities of the Chief Management Officer of the Department of Defense as required by §904 of the FY20 NDAA

June 1, 2020

Executive Summary

Tasking and Task Force: The Fiscal Year (FY) 2020 National Defense Authorization Act (NDAA) (Public Law (Pub. L. 116-92) required the Secretary of Defense (SD) to conduct an independent assessment of the Chief Management Officer (CMO) with **six specific areas** to be evaluated. The Defense Business Board (DBB) was selected on February 3, 2020 to conduct the independent assessment, with Arnold Punaro and Atul Vashistha assigned to co-chair the effort. Two additional DBB board members comprised the task force: David Walker and David Van Slyke. These individuals more than meet the independence and competencies required by the NDAA.

Approach: The DBB task force focused on the CMO office and the Department of Defense (DoD) business transformation activities since 2008 when the office was first established by the Congress as the Deputy Chief Management Officer (DCMO), and in 2018 when the Congress increased its statutory authority and elevated it to Executive Level (EX) II and the third ranking official in DoD. The taskforce reviewed all previous studies of DoD management and organizations going back twenty years and completed over ninety interviews, including current and former DoD, public and private sector leaders. The assessments of CMO effectiveness since 2008 are focused on the performance of the CMO as an organizational entity, and is not an appraisal of any administration or appointee.

Conclusion: The DBB concluded that there is a critical need for a top-level official to drive the Business Transformation effort within DoD with the support of and in partnership with the SD and the Deputy Secretary of Defense (DSD). This critical need is driven by changing near peer competition and other threats, growing fiscal pressures, and the failure of past business transformation efforts. At DoD, transformation needs to be defined as making major changes in the size, structure, policies, processes, practices, and technologies to improve the economy, efficiency and effectiveness of the organization. Transformation goes far beyond traditional cost cutting exercises and should result in much larger sustained reductions in costs and improvements in effectiveness over time that can be used to enhance readiness. Transformation within DoD includes many actions, including addressing the many Government Accounting Office (GAO) "High-Risk" areas, reducing the tail (overhead) in order to sharpen the tooth (readiness), while rationalizing the workforce mix (e.g., military, civilian and contractors), and restructuring/rightsizing the "Fourth Estate," and fundamentally shifting the output performance benchmarks to compete with near-peer adversaries, particularly China.

Since its establishment in 2008, the Office of the CMO (OCMO) has failed to deliver the level of department-wide business transformation envisioned in the legislation, nor met the expectations of multiple SD, DSD, other senior officials or the Congressional defense leadership. There are many reasons for this: since its inception in 2008 and especially since the addition of enhanced statutory authorities in 2018, the OCMO has not taken advantage of its inherent authorities or organizational position; the position has frequently been assigned or assumed tasks unrelated to its core transformational mission, which served to shift focus and effort away from the critical job of long-term transformation of the department; the OCMO has substituted short-term budget cutting drills for fundamental business transformation of the scale required; there continues to be significant overlap and confusion across the department on the role of responsibilities of the CMO relative to the role of the DSD as the Department's Chief Operating Officer (COO) and other Presidentially Appointed and Senate Confirmed (PAS) positions; the CMO has not shifted the business performance metrics to deal with near-peer adversaries and the

National Defense Strategy (NDS) despite its adoption over two years ago; the CMO does not have an approved charter – a fundamental DoD document that provides leadership and authority; for almost fifty percent of the time during this over 12 year period, the DCMO and then the CMO position has been either vacant or filled by a non-PAS individual in an "acting" or "preforming the duties" of status. For these and other reasons that follow in this assessment, the OCMO has not delivered the needed transformation to the Department.

Assessment:

Task 1: *The extent to which the position has been effective in achieving the desired results, and in exercising its specified powers and authorities*: **The nearly unanimous response from interviews and document reviews was that the position has not been effective***.* DoD has not had true transformation of major business processes in decades.

- While the OCMO has made positive changes and identified savings – with the substantial help of the Director of Cost Analysis and Program Evaluation (CAPE), the Under Secretary for Comptroller (USD(C)), and outside consultants, it has not been transformational or led to sustained improvements in effectiveness and enduring reductions in costs of existing business processes, gone beyond traditional cost-cutting exercises, or adapted performance outputs to the NDS.

Task 2: *The perspectives of the Under Secretaries of the military departments based on their experiences as the Chief Management Officers of their military departments***: There was a unanimous response from interviewees that the CMO role has not been effective and provided little value added**.

- Service CMOs are much more effective at utilizing their inherent authorities as the line Under Secretary in their Military Departments (MilDep), whereas the OCMO has not similarly exercised its statutory authorities, particularly since their enhancement in 2018.

Task 3*: The extent to which the ingrained organizational culture of the Department of Defense poses fundamental structural challenges for the CMO position*: **The nearly unanimous response received was that the DOD culture and subcultures remain resistant to transformational business process changes**.

- This is a significant problem and has been for many years. Strong incentives and norms persist to "ignore" or "wait out" transformational or budgetary changes that may negatively affect positions or organizations.

Task 4: *The observations of the Comptroller General of the United States on progress and challenges during the twelve years since the establishment of the CMO position in DoD*: **The consistent response among those interviewed was that the CMO has not been effective in most areas**. The position has failed to transform and institutionalize enterprise-wide business process changes. This is well documented in dozens of specific GAO reports on the subject.

- When the DCMO was created in 2008, GAO had six "High Risk" areas it created in 2009 that are relevant to the position, in 2020 the same six High Risk areas are still on GAO's list while six others have been added, a condition pointing to a lack of sustained leadership to business process transformation enterprise-wide. GAO continues to believe that the CMO position, as designed and implemented, has not been successful.

Task 5*: An identification and comparison of best practices in the private sector and the public sector of a CMO-like position*: ***Private and public sector best practices have not been effectively adopted within the DoD.***

- The private sector has evolved to a shared services management model commonly known as Global Business Services. In this approach, successful business transformation processes involve the transfer of a function along with ownership of the related people, resources, data, budgets and tools.

- This is not the case in DoD.

Task 6*: An identification and assessment of differences in responsibilities and authorities of the CMO with the DoD Chief Operating Officer (COO) and the Deputy Secretary of Defense*: **There is much overlap and confusion between the DSD, the CMO, and other organizations and PAS officials with respect to responsibilities and authorities**.

- Additionally, as currently structured and authorized, the DBB does not believe the CMO can review and oversee the Fourth Estate and simultaneously jumpstart and drive business transformation successfully across the department.

In addition to the need to substantially improve the output for enterprise business transformation, the additional areas for major reforms include:

- The Defense Agencies and Field Activities (DAFA) have grown substantially in number, costs, and scope. The SD has correctly targeted them for improved management and efficiencies as the current approach is insufficient, to include the more recent role of the CMO.
- The Defense Working Capital Funds (DWCF) are used by some DAFA and the services in the range of $100 billion annually. There are close to 200,000 personnel in the organizations that use DWCF. The DWCF do not always realize the purported advantages of decreased costs, price transparency, and price stability.
- The large DoD intelligence agencies have also grown in size, complexity, and cost as the threats have changed. However, they have not been subject to the same degree of review and scrutiny in terms of reforms, effectiveness, and efficiency.
- The DoD has not shifted its output performance benchmarks to compete with near-peers, especially China.

Major Conclusions and Recommendation: Based on the results of the required statutory assessment pursuant to section 904 of the FY 2020 NDAA, the DBB concludes that the CMO has been and is mostly ineffective in all assigned roles and recommends that the CMO be disestablished and replaced by one of the three alternative described below as selected by the SD.

Three possible alternative options to address the failures of the OCMO to effectively fulfill its statutory responsibilities of enterprise business transformations would be:

1. **Re-designate the CMO as a Level III Principal Undersecretary for Business Transformation**. This position would focus solely on business transformation. The relationships and authorities of and between DSD, Principal Staff Assistants (PSA), MilDeps, and DAFA would need to be clarified. All activities under the CMO other than business transformation would be divested to other officials.
2. **Create two Deputy Secretaries of Defense, one focused externally (Policy and Strategy) and one focused internally (Resources and Management)**. Under the Deputy for Resources and Management, separate officials would be responsible for the DAFA and enterprise business transformation. The CMO would be disestablished and all activities moved to other officials under

this deputy. The GAO has consistently recommended the two deputies approach, but it has never been adopted.

3. **Enhance the existing Deputy Secretary of Defense as the Chief Operating Officer of DoD**. Eliminate the CMO and distribute key responsibilities and staffing to:
    a. CAPE, Comptroller, Undersecretary of Defense for Acquisition and Sustainment (USD(A&S)), Chief Information Officer (CIO), and J-8.
    b. Establish a Level IV Performance Improvement Officer whose function would be business transformation, performance improvement, and improving Defense-wide and DAFA enterprise business operations exercising the direct and inherent authority of the SD and DSD.
    c. Establish the Director of Administration and Support and a Director of Strategic Integration, Governance, and Analysis to ensure the SD's priorities are implemented.

Under All Options:

1. Change the terminology: use the title "Chief Operating Officer" or "COO" rather than CMO, both for OSD roles and military department roles.
2. Strengthen key existing organizations, such as CAPE, USD(C), J-8, CIO, and Office of the Assistant Secretary of Defense for Legislative Affairs (OASD(LA)) that have been seriously weakened by serial budget cuts. These organizations are fundamental to enterprise reform, the NDS implementation, and ensuring SD/DSD priorities are implemented in DoD and approved by the Congress.
3. Require a shift to benchmark performance and outputs against near-peer threats, especially China.
4. Require an industrial net assessment on the DoD support base benchmarked against China.
5. Conduct a major review of the DAFA and the DWCF with the goal of improved management and output.

The major recommendations of this extensive DBB review, as well as the organizational alternatives are displayed in the two slides immediately below.

DBB Recommendations

Based on the results of the required statutory assessment pursuant to § 904 of the FY2020 NDAA, the DBB recommends the following:

Disestablishment of the OCMO and its replacement by one of three alternatives, as selected by the SD.

Recommendations consistent with all three organizational alternatives:

- Current OCMO disestablished and functions distributed in accordance with the alternative selected
- The term Chief Management Officer eliminated; MilDep undersecretaries title changed from CMO to COO
- DSD held accountable to the SD for the overall management of DoD with an emphasis on business transformation
- A Performance Improvement Officer is created under alternatives 2 and 3 (as required by the GPRA Modernization Act of 2010 (Pub. L.111-352) [Slide 118] and § 1124, title 31 U.S.C.) to focus on business transformation, including enterprise business operations and to improve operations and reduce costs in DW and DAFA
- A Director of Strategic Integration, Governance, and Analysis is established to support SD/DSD in the integrating and tracking of priorities; includes NDS and maintaining coherence in DoD governance structures
- DSD transmits the SD's annual "commander's intent" in terms of the goals and performance objectives for business transformation and holds the Department accountable to the SD
- Increased staffing in OUSD(C)/CFO, ODCAPE, and the J-8 for analytical and review capability in terms of enterprise business transformation and improved management and transformation of the DAFA under all alternatives
- Increased CIO staffing to fully develop, implement, and support a digital strategy for all of DoD in furtherance of SD/DSD priorities
- Increased OASD(LA) personnel and skill sets in existing and new areas to better inform the Congress on SD priorities
- Additional staffing requirements in OSD and TJS would be filled by using billets freed by disestablishing the OCMO
- PSAs retain ADC of DAFA while the DAFA review is underway, with additional internal capacity and capability for both budget review and management advice of DAFA and functional enterprises combined with consultation and analytical support from the OUSD(C), ODCAPE, PIO, and J-8

The greatest chance of success requires multiple changes be made

Organizational Alternatives*

Re-designate CMO as Principal Undersecretary of Defense for Business Transformation (PUSD(BT))/Deputy Chief Operating Officer (DCOO) (PAS EX III)

- Adjust current § 132a, Title 10 statutory responsibilities to focus this position strictly on business transformation
- Rationalize CMO relationships/authorities of and between DSD/COO, PSAs, MilDeps, and DAFA by re-designating the CMO as the PUSD(BT)/DCOO under the ADC of the DSD as COO
- SD should clarify focus and responsibilities through a charter outlining relationships and responsibilities. The office should have presumptive authority over the other PSAs in specified matters
- Remove administrative and regulatory functions (WHS, PFPA, COG/COOP) by establishing a Director of Administration and Support (DA&S) responsible to the SD/DSD for executing those functions
- Remove authority to direct Service Secretaries
- Shift Fourth Estate/DAFA responsibilities to DSD and a Performance Improvement Officer (PIO); with capabilities added to the PSAs, OUSD(C)/CFO, ODCAPE, and the J-8 to effect improved oversight on operations and to reduce costs

Two Deputy Secretaries of Defense (both PAS EX II)

- Deputy Secretary for Strategy and Policy focused externally and internally on policy and strategy issues
- Deputy Secretary for Resources focused internally and externally on management and resources issues with separate officials responsible to the Deputy for the Fourth Estate and another for enterprise business transformation
  - Disestablish CMO with responsibilities assumed by this Deputy and other PASs and move administrative and regulatory functions under this Deputy

Deputy Secretary of Defense as enhanced Chief Operating Officer (PAS EX II)(a & b)

- The Deputy empowered as an enhanced COO
- Disestablish CMO position and organization
- Distribute current CMO statutory responsibilities; divest CMO administrative and regulatory functions as per Alternative #1
- Establish Performance Improvement Officer tasked with business transformation, performance improvement, and improving DW/DAFA enterprise business operations
- Establish a Director of Strategic Integration, Governance, and Analysis (DSIGA) placed in the DA&S with direct support to SD/DSD (**Option a**) or reporting directly to the DSD as part of the SD/DSD's immediate office (**Option b**)
- Increase/enhance analytical capabilities in OUSD(C)/CFO, ODCAPE, and J-8 to support the DSD's COO role
- Increase/enhance IT capabilities in CIO to support digital transformation

*As previously noted, the organizational alternatives are presented **in no particular order of preference**

The DBB appreciates the confidence shown by the SD in entrusting this important review to it, which was approved unanimously by the full DBB on May 6, 2020. It is the unanimous view of the DBB membership that the United States is entering an era where the challenges it will face strategically, militarily, operationally, fiscally, and economically are considerably more serious than any faced during the Cold War. In this era, we are not the U.S. of the Cold War, and the Chinese are not the Soviets of old. In this era we face far more determined, sophisticated and better funded adversaries. The DoD begins this multi-decade struggle in some cases trailing its advisories in current and projected capabilities, a considerable burden to shoulder and most certainly to be shouldered with fewer resources. The obvious need is for a sustained and successful pursuit of "more bang per buck." But critically, deploying "the buck" in ways that are cheaper and faster is no longer a desirable abstraction; it is now an essential endeavor. It is within that sobering context that the DBB prepared and offers this assessment and recommendations.

Respectfully submitted,

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Preface

The current NDS clearly states that the United States is in the midst of a paradigm shift derived from a computational and information revolution that is transforming virtually every aspect of human endeavor. That revolution has played a considerable role in the emergence of China and the reemergence of Russia as international peer competitors energetically pursuing global influence. This is a situation the United States has not faced since the onset of the Cold War in the late 1940s. To meet these challenges, every entity in the DoD must perform at the highest levels of efficiency, from warfighting to support, to include those within government and the contractors without. Thus, the Congress and the DoD leadership has correctly placed a high priority on managerial and business process reform that is fundamental to the successful implement of the National Defense Strategy (NDS) and the protection of the Nation.

Managerial and business process reform is not necessarily a new challenge. The DoD has, nonetheless, struggled over many decades to deliver efficiencies in its complex and widespread business operations. Recognizing the Department's failure to make sufficient progress, in 2008 Congress mandated the creation of a DCMO to drive business transformation. After a decade of continuing failure by the Department to produce the needed and expected results, the Congress in 2018 elevated the position to one of CMO.

The new position was set at PAS Executive Level-II, the same level as the DSD and the Service Secretaries. The position was even designated the third most senior in DoD behind the SD and DSD. The CMO was granted the authority to direct the MilDeps in key reform areas addressing the shortfalls identified in 2008, and driving efficiencies commensurate with those seen in the private sector. Nonetheless, in the FY20 NDAA the Congress expressed continuing dissatisfaction with the results of the new position, and indicated that, pending an independent assessment conducted for the SD, it would disestablish the CMO position altogether.

The sustained inability of the Department to deliver material reform and thereby satisfy the Congress and successive DoD leaders does not obviate the imperative of achieving transformation and efficiencies. However, the emergence of peer competitors changes the imperative for success and the benchmarks for determining its achievement. It is no longer sufficient to make DoD's business operations achieve the productivity and cost control of the U.S. top logistics, health care, retail, finance, human resources, information technology, and other world-class operations. Peer competition demands that DoD's outputs must be better, faster and cheaper than those of the current pacing threat -- China. Achieving significant progress in efficiency is now beyond a statutory mandate; improving efficiency and re-directing capital within an existing budget is now an existential mandate.

This study covers a twelve-year assessment of the responsibilities, authorities, and performance of the position of the DoD CMO and its predecessors. A product of the DBB, the findings, observations, advice, and recommendations are provided herein to support the statutory evaluation of the efficiency and efficacy of the CMO organization and to identify alternatives if warranted. The DBB emphasizes that this is not a report card on any administration or any individual as our assessment focuses strictly on the office of the CMO itself and its predecessors. Accordingly, the findings in this report are not and should

not be considered an evaluation of any individuals who have served in the CMO position or in the senior leadership of DoD over the twelve years since its inception.

The management of this study was governed by the Federal Advisory Committee Act of 1972 (5 United States Code (USC), Appendix, as amended), the Government in the Sunshine Act of 1976 (5 USC § 552b, as amended), 41 CFR 102-3.140, and other appropriate federal and DoD regulations.

DBB Task Force

In § 904 of the NDAA for Fiscal Year 2020 (Pub.L. 116-92), signed December 20, 2019, the Congress required the SD to have two assessments conducted of the implementation of the position of the CMO of DoD. One assessment would be an independent assessment "conducted by the Defense Business Board or an appropriate number of individuals selected by the Secretary from among individuals in academia or academic institutions with expertise in public administration and management."

In January 2020, per § 904(a)(2), the SD directed the Chairman of the DBB, Mr. Michael Bayer, to have the DBB conduct the independent assessment and in it to include any needed modifications to the responsibilities and authorities of the CMO. Specifically, the DBB, guided by § 904(b), assessed the six areas identified in the statute and the Secretary's guidance to include any modifications that might be needed. The six assessed areas are:

- The extent to which the position has been effective in achieving the service, and exercising the powers and authorities, specified in section 132a of title 10 United States Code (USC)(which establishes the CMO position and its current statutory responsibilities).

- The perspectives of the Under Secretaries of the MilDeps on the matters described in the above bullet, based on the experiences of such Under Secretaries as the CMO of their MilDep.

- The extent to which the ingrained organizational culture of the DoD poses fundamental structural challenges for the position of CMO of the DoD, irrespective of the individual appointed to the position.

- The observations of the Comptroller General of the United States on progress and challenges during the prior 10 years in the establishment of positions of CMO in agencies throughout the Executive Branch, including in the DoD and in other Federal agencies.

- An identification and comparison of best practices in the private sector and the public sector for the responsibilities and authorities of CMOs.

- An identification and assessment of differences in responsibilities and authorities of the CMO of the DoD, the Chief Operating Officer (COO) of the DoD, and the DSD.

In addition to the assessment enumerated in § 904, the DBB also considered language that accompanied the NDAA conference report, which further noted:

- "The conferees note the Department has faced significant structural challenges in implementing the Chief Management Officer position since its inception.

- Accordingly, it is the conferees' intention to change the position from senior executive schedule II to III and, pending the assessment directed by this section, to disestablish the Chief Management Officer position altogether.

- The conferees therefore direct the Secretary to ensure the assessment provided for in this section is sufficiently comprehensive to allow for the reassignment of roles and responsibilities, as well as the authorities that would be necessary for orderly transition of such activities should the conferees decide to do so."[1]

The DSD on February 3, 2020 directed that the independent assessment would be led by Major General Arnold Punaro, USMC, Ret., (Former Staff Director, Senate Armed Service Committee; CEO, The Punaro Group) and Atul Vashistha, (DBB Co-Chair; Founder and Chairman, Neo Group). General Punaro and Mr. Vashistha were assigned to co-lead the Task Force undertaking the effort.

DBB members David Van Slyke (Dean of the Maxwell School of Citizenship and Public Affairs Syracuse University) and David Walker (Professor [William J. Crowe Chair], U.S. Naval Academy; former Comptroller General of the United States; CEO of the GAO; and former President and CEO of the Peter G. Peterson Foundation) were assigned to the task force. All four have extensive experience in reviews of this nature, and their biographies are found in Tab A.

The study was guided by a full scope of research, interviews and legislation and analysis for this assessment. This study included the mandate of the DSD "to submit its independent assessment for each of the elements set forth in the NDAA along with any recommendations or modifications of the responsibilities and activities of the CMO." Materials used by the DBB Task Force as well as a list of interviews and other relevant supporting documentation is displayed in "Tabs" attached to the support:

TAB A: Biographies of Task Force Members
TAB B: Support Staff
TAB C: Section 904 of the FY20 NDAA, Conference Report 116-33 & DSD Tasking Memorandum
TAB D: Reference Material
TAB E: Senior Leaders Interviewed
TAB F: DCMO /CMO History and Background
TAB H: DBB May 6, 2020 Public Meeting Presentation Slide Deck
TAB I: Additional Backup Materials
TAB J: Public Comments

The study, along with its findings and recommendations, was presented to the entire DBB membership at an open meeting conducted by Video Teleconference on May 6, 2020, and after discussion and deliberations was approved unanimously.

[1] National Defense Authorization Act for Fiscal Year 2020 Conference Report to Accompany S. 1790. H. Rept. 116-333, December 9, 2019 p. 1333.

The Strategic Imperative for Transformation

The world has changed. America is no longer the sole superpower.

The realities of this competition for superpower status, coupled with constrained U.S. Government and national security budgets, drives the urgent requirement for sustained system-wide defense transformation.

And what is does "transformation" mean in this context? At DoD, transformation needs to be redefined as making major changes in the size, structure, policies, processes, practices, and technologies to improve the economy, efficiency and effectiveness of the overall defense effort. Transformation goes far beyond mere cost cutting exercises. While it is much more difficult to achieve, it can result in much larger reductions in costs and improvements over time that can be used to enhance readiness. Transformation within DoD includes many actions, including addressing the many high risk areas identified by the GAO, reducing the tail (overhead) in order to sharpen the tooth (warfighting), rationalizing the workforce mix (e.g., military, civilian, and contractors), and restructuring/rightsizing the numerous DAFA – which constitute a large portion of the so-called "Fourth Estate."

For several decades the rationale for the Department's efforts to achieve effectiveness and efficiency was the "wise use of taxpayer dollars." In that, the bench markings were close at hand and obvious. The benchmarks were comparable private sector activities in medical services, logistics, education, retail, and top-level management. So too the goal: comparable Departmental activities were to meet or exceed the speed or performance of similar U.S. private sector activities. Nonetheless, the DoD struggled to achieve those desired efficiencies and generally failed to proliferate sufficient effectiveness throughout its complex and varied global operations.

Recognizing the Department's failure to make progress, the Congress in 2008 mandated the creation of a DCMO to drive business transformation. After a decade of the failure by that office to produce transformational results, the Congress in 2018 elevated the position to CMO. The new position was set at PAS Executive-Level II, the same level as the DSD and the Service Secretaries of the Army, Navy and Air Force. The newly empowered CMO was granted additional authority to direct the MilDeps in key reform areas, to address the shortfalls from 2008, and to drive efficiencies commensurate with those seen in the private sector. However, in the FY20 NDAA, Congress' dissatisfaction with the position's lack of results culminated in the NDAA demanding an independent assessment of the CMO for the SD, and expressed the Congress' intent to disestablish the CMO position altogether.

This multi-decade inability to achieve system-wide efficiencies has taken even greater importance within the fiscal consequences of what is a likely future of flat-lined defense budgets in the best case. In some cases this will impose constraints on DoD's ability to keep pace with both peer and near-peer competitors, and in other cases limit the ability to outpace them. This is aggravated by the increasing speed of technological advancements, many of them requiring the Department to respond rapidly by discarding expensive but now outdated capabilities, or to develop new ones that leap ahead of those emerging in rival arsenals. Improving U.S. efficiency and freeing up capital within existing warfighting and support budgets is no longer merely "wise stewardship", it is essential if America is to maintain its edge against a specific pacing threat whose economy is destined to grow faster and larger than our own.

It is the only way DoD will have the ability to reinvest sufficient resources in modernization, readiness, and enhanced capabilities necessary to meet future threats. It is important to note that normal "budget cut drills," although involving very tough choices, are not transformative and will not address the pacing threat of China.

The National Security Strategy (NSS) and National Defense Strategy (NDS) Framing

> *[T]he United States faces an extraordinarily dangerous world filled with a wide range of threats that have intensified in recent years.*
>
> *America's half century of global dominance and superiority is being profoundly challenged in key areas.*

The 2018 NDS clearly and compellingly states:

> *China is a strategic competitor using predatory economics to intimidate its neighbors while militarizing features in the South China Sea. Russia has violated the borders of nearby nations and pursues veto power over the economic, diplomatic, and security decisions of its neighbors.*

This rather forbidding evaluation of the global security situation echoes the 2017 NSS's observation that "The central challenge to U.S. prosperity and security is the re-emergence of long-term, strategic competition by what the National Security Strategy classifies as revisionist powers."

Reinforcing even further the significance of these warnings, the congressionally directed, bipartisan Commission on the National Defense Strategy for the United States posited in their report:

> The security and well-being of the United States are at greater risk than at any time in decades. America's military superiority—the hard-power backbone of its global influence and national security—has eroded to a dangerous degree. Rivals and adversaries are challenging the United States on many fronts and in many domains. America's ability to defend its allies, its partners, and its own vital interests is increasingly in doubt. If the Nation does not act promptly to remedy these circumstances, the consequences will be grave and lasting.

It is a national security imperative to effect widespread, holistic, and complete transformation of DoD business processes in order to redirect resources to compete with China. To do otherwise critically jeopardizes America's dominant global position. As the NSS summarized:

> *[T]he United States faces an extraordinarily dangerous world filled with a wide range of threats that have intensified in recent years.*[2]

There are three major areas that should be of utmost concern for DoD:

[2] *National Security Strategy of the United States of America 2017*. The White House, Washington, DC.

Changing Security Threats

- China is a Peer threat economically (#1 Gross Domestic Product (GDP) in Purchasing Power Parity (PPP)), diplomatically (#1 in embassies), militarily (#2-3 and rising), and culturally.
- China has already passed the U.S. GDP based on PPP and the gap is widening. In addition, considering PPP and the dramatic difference in the cost to maintain an all-volunteer military force versus conscription, as in China and Russia, China already has more purchasing power for defense than the U.S.
- China's hyper competitively informed industrial capacity has outstripped the U.S. and it controls a range of state-owned enterprises that it can mobilize and direct at will.
- The U.S. has become overly reliant on China for a range of key materials (e.g., prescription drugs, rare earth metals).
- Russia's development of new weapons (e.g., hypersonic missiles).
- Emerging alliances to counter the U.S. on a global basis (e.g., China, Russia, Iran, North Korea, etc.).
- Eroding of traditional U.S. Alliances (e.g., Philippines, Thailand).
- Emerging threats and competitive spaces (e.g., Biological, Cyberspace, Space).

Growing Fiscal Pressures

- Increasing Debt/GDP that has been exacerbated by the added costs incurred responding to the Coronavirus and the related contraction of the economy. The trillions of dollars spent as a result of the Coronavirus combined with the related economic contraction is likely to result in public debt/GDP rising from 80% to 110% in 2020. This approximates the U.S. debt burden at the end of WWII.
- Due to the above, and the likely increased demands for accelerating the growth of non-defense discretionary and mandatory spending (e.g., Social Security, Medicare/Medicaid, Interest on the debt), the downward pressure on defense budgets -- already projected to be flat over the next FYDP -- will be even greater.

Failure of Past Business Transformations

- There has been continued adverse growth in the "tooth-to-tail" ratios and Defense-wide spending including in the DAFA that is constraining the internal allocation of funds needed for technology development and modernization tied to the NDS. Traditional budget cutting drills, while important and successful, are not reversing this trend and are not transformational.
- For more than a decade DoD has failed to mitigate six direct GAO "High Risk" areas and seven government-wide "High Risk" areas or implement enterprise-wide business transformation that reflects enduring changes in the size, structure, policies, processes, practices, and technologies that improve the economics, efficiency, and effectiveness of major activities within the Department.
- Public health preparedness will likely soon be added as a result of the Coronavirus experience. The DoD will not be immune from sharing a large share of those costs, particularly as it relates to its own force resilience.

The Challenge of China

The U.S. world dominance after World War II (WWII) was enabled by commanding 50% of the world's GDP, today it is less than 25%. Indeed, in the years immediately following WWII, the U.S. accounted for 70% of total world industrial production. The diminishment of the U.S. global monopoly in technology, and its shrinking share of the global gross domestic product, coupled with the rise of equally sophisticated peer rivals present "urgent challenges that must be addressed if the United States is to avoid lasting damage to its national security."[3] The U.S. dollar's position as the world's primary reserve currency is also threatened and this threat has increased as a result of the fiscal and monetary actions taken as a result of the Coronavirus pandemic.

America's over half-century of global dominance and superiority, forged in WWII and culminating in the fall of the Soviet Union, is being profoundly diminished in key areas. Great Power competition has returned and the "Great Game" is once again being played out globally. Simultaneously, a very powerful and new player has entered the board: China. Unlike Russia, China has the economic, diplomatic, military AND cultural strength to be a global Superpower.

The United States, once arguably the world's technological leader, is in danger of being usurped by China. Adding to this threat from China is a reactionary, revisionist, and sometimes reckless Russia, which once again is threatening the international order.

The strategic focus of the United States has shifted. "Inter-state strategic competition, not terrorism, is now the primary concern in U.S. National security."[4] Secretary of Defense Mark Esper, in his keynote address to the Reagan National Defense Forum on 7 December 2019, noted:

> In this new era of great power competition, our warfighting advantages over strategic competitors are being challenged. The international rules-based order is increasingly under attack. China and Russia – today's revisionist powers – are modernizing their militaries while seeking veto power over the economic and security decisions of other nations.
>
> China's economic ties have allowed it to triple its annual military spending since 2002 with estimates reaching close to $250 billion last year. Beijing continues to violate the sovereignty of Indo-Pacific nations and expand its control abroad under the pretense of Belt and Road infrastructure investments. Meanwhile, it is pursuing competitive advantages, often in illicit ways in emerging technologies like artificial intelligence and 5G, while exploiting other nations' intellectual property for its own gain.
>
> Russia is another nation intent on upending the international norms through its aggressive foreign policy, broken treaty obligations, nuclear intimidation and cyber operations.

[3] *Providing for the Common Defense: The Assessment and Recommendations of the National Defense Strategy Commission*. The Commission on the National Security Strategy of the United States, 2018, pg. iii.
https://www.usip.org/sites/default/files/2018-11/providing-for-the-common-defense.pdf
[4] *Summary of the 2018 National Defense Strategy of the United States of America.* The Pentagon, Washington, DC. pg 1.
https://dod.defense.gov/Portals/1/Documents/pubs/2018-National-Defense-Strategy-Summary.pdf

In addition to this global strategic paradigm shift, has come the explosion of second and third order capabilities derived from ever-expanding computational speeds that are revolutionizing every aspect of human endeavor, including warfare

"Russia is another nation intent on upending the international norms through its aggressive foreign policy, broken treaty obligations, nuclear intimidation and cyber operations."
~ Secretary of Defense Mark Esper, 7 December, 2019

In his opening statement on the 2019 *Worldwide Threat Assessment of the U.S. Intelligence Community* before the Senate Select Committee on Intelligence delivered in January 2019, the Honorable Daniel Coats, Director of National Intelligence, noted:

> The composition of the current threats we face is a toxic mix of strategic competitors, regional powers, weak or failed states, and non-state actors using a variety of tools in overt and subtle ways to achieve their goals.

He went on to say:

> China's actions reflect a long-term strategy to achieve global superiority… In its efforts to diminish U.S. influence and extend its own economic, political, and military reach, Beijing will seek to tout a distinctly Chinese fusion of strongman autocracy and a form of western style capitalism as a development model and implicit alternative to democratic values and institutions. These efforts will include the use of its intelligence and influence apparatus to shape international views and gain advantages over its competitors – including the United States. [5]

Lieutenant General Robert P. Ashley, Jr., USA, Director, Defense Intelligence Agency, noted earlier in 2018: "[I]f you were to ask Russia and China, 'Do you think you're at some form of conflict with the U.S.?' - I think, behind closed doors, their answer would be 'yes'."

The shift to this great power competition has profoundly changed the conversation about U.S. defense issues from what it was prior to 2014, leading to a reduced relative emphasis in the conversation on counterterrorist operations, although such operations continue, to a new and renewed emphasis on:

- Grand strategy and geopolitics as part of the context for discussing U.S. defense issues.
- Nuclear weapons and nuclear deterrence.
- New U.S. military operational concepts.
- U.S. and allied military capabilities for countering China's military capabilities in the Indo-Pacific region.
- U.S. and NATO military capabilities for countering Russia's military capabilities in Europe.
- Capabilities for conducting so-called high-end conventional warfare (i.e., large-scale, high-intensity, technologically sophisticated warfare) against countries such as China and Russia.
- Maintaining U.S. technological superiority in conventional weapons.
- Innovation and speed of weapons system development and deployment.

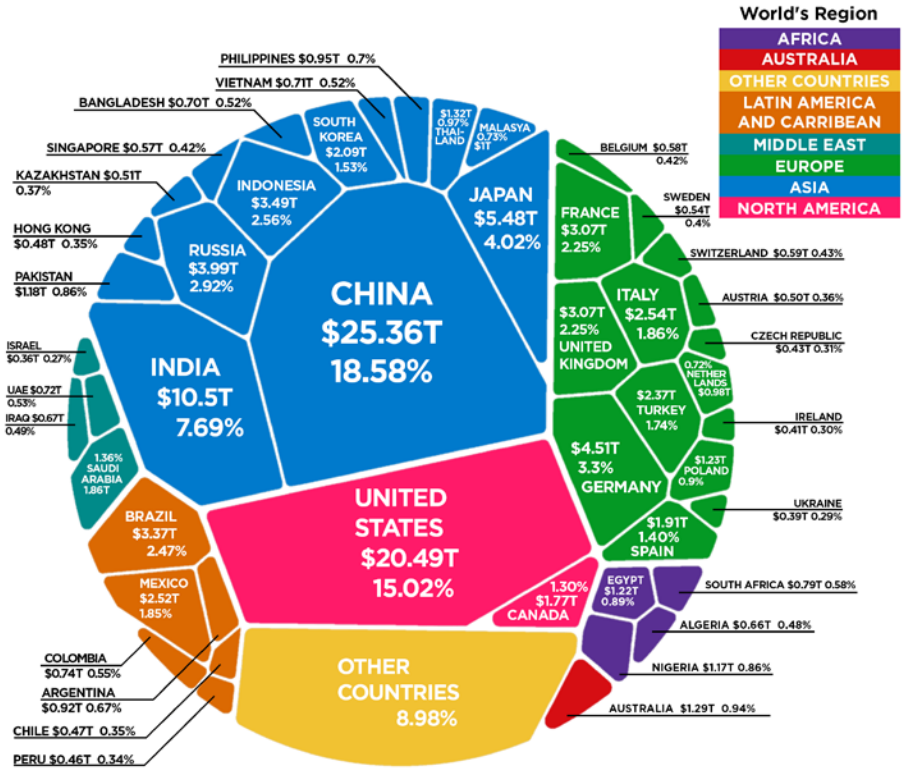
[5] Annual Threat Assessment Opening Statement Tuesday, January 29, 2019. https://www.dni.gov/index.php/newsroom/congressional-testimonies/item/1949-dni-coats-opening-statement-on-the-2019-worldwide-threat-assessment-of-the-us-intelligence-community

- Mobilization capabilities for an extended-length large-scale conflict against an adversary such as China or Russia.
- Supply chain security, meaning awareness and minimization of reliance in U.S. military systems on components, subcomponents, materials, and software from Russia and China.
- Capabilities for countering so-called hybrid warfare and gray-zone tactics employed by countries such as Russia and China.

GDP and U.S./China Defense Spending Comparisons

There is a global struggle for dominance between democratic and authoritarian economies such as China's. China is expanding its global economic reach which results in diplomatic clout and influence. The Belt and Road Initiative (BRI) creates a global infrastructure network whereby China uses, acquires, and builds railroads, port facilities, and pipelines.

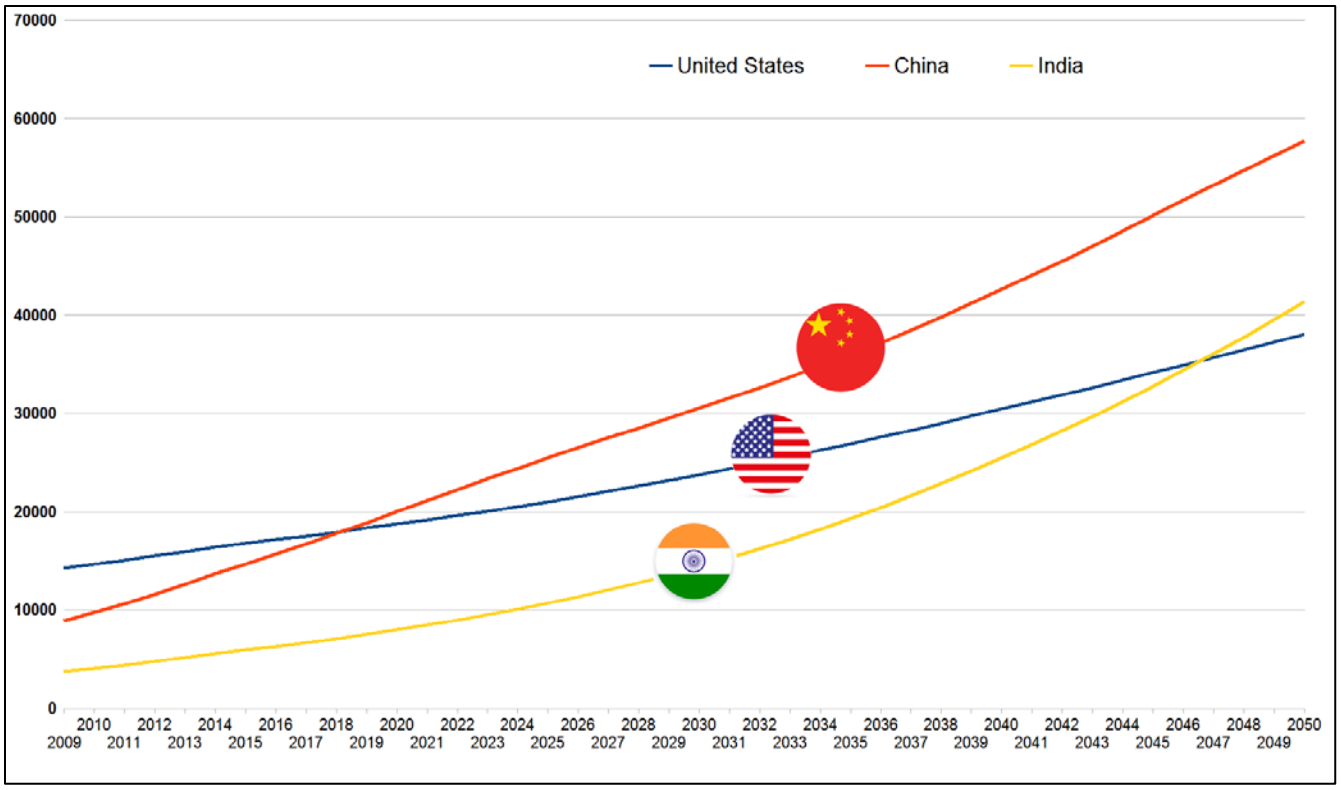
Over the coming decades, China is clearly resourced to be the pacing peer threat. The Peoples Republic of China (PRC) is focused on realizing a powerful and prosperous nation that is equipped with a "world-class" military, securing China's status as a great power with the aim of emerging as the preeminent power in the Indo-Pacific region. The NDS considers China a "pacing threat."



The World Economy Under Price Parity[6]

China has already passed the U.S. based on PPP of GDP, and the gap is increasing. In addition, India is expected the pass the U.S. in the 2040's.

[6] Source: Howmuch.net https://howmuch.net/articles/the-world-economy-ppp-2018 & the World Bank https://databank.worldbank.org

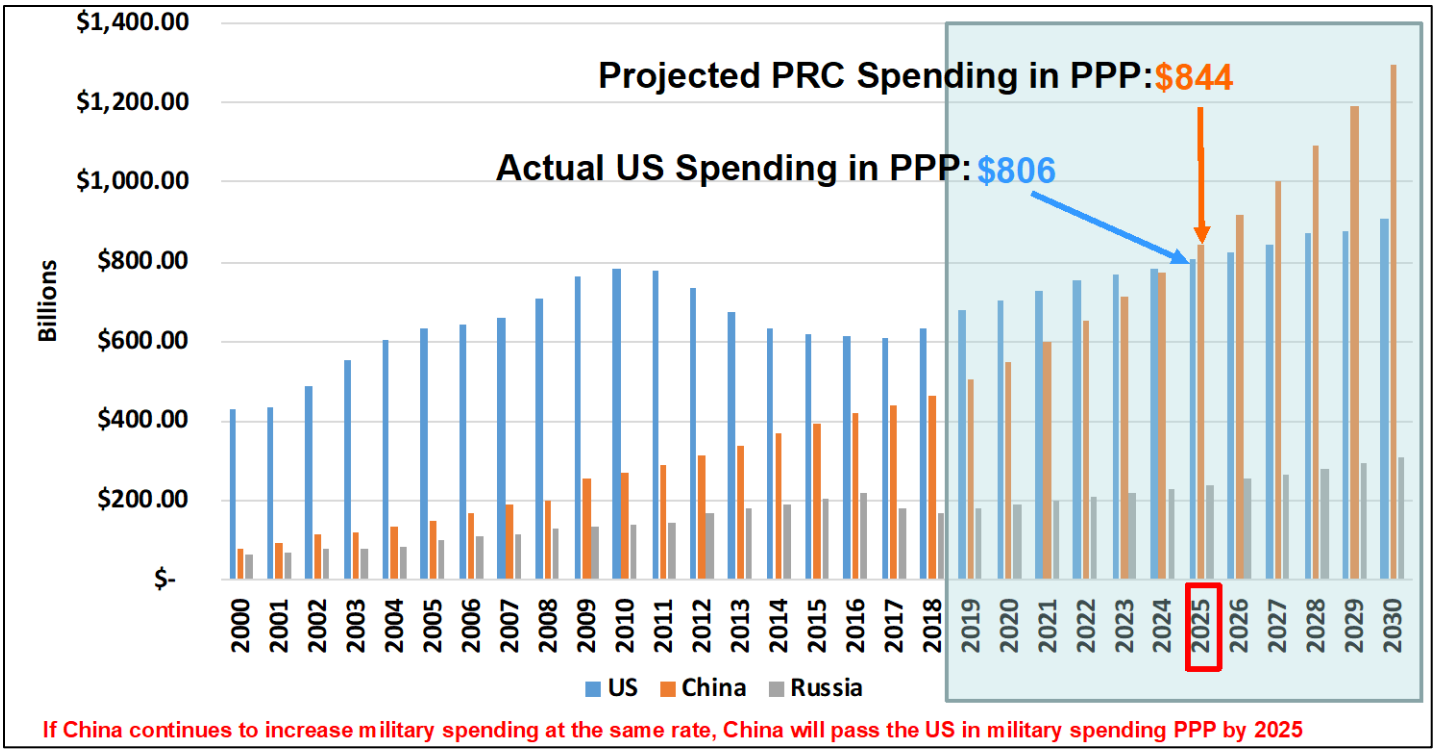


U.S., China, India GDP Growth Based on PPP

Importantly, from a defense spending perspective, while the U.S. spends much more on defense than China on a nominal dollar basis, the gap is not nearly as great and is closing rapidly when measured with the PPP metric. Furthermore, China has military conscription while the U.S. has a very expensive all-volunteer force.

Considering both PPP and the difference in the cost of manpower, China actually has more defense purchasing power than the U.S.

China also has greater industrial capacity -- an industrial capacity that was formed to meet the West's demand for some of the most sophisticated consumer goods that could not be economically manufactured in the West. China also has a vast collection of state-controlled enterprises that it can mobilize at will.



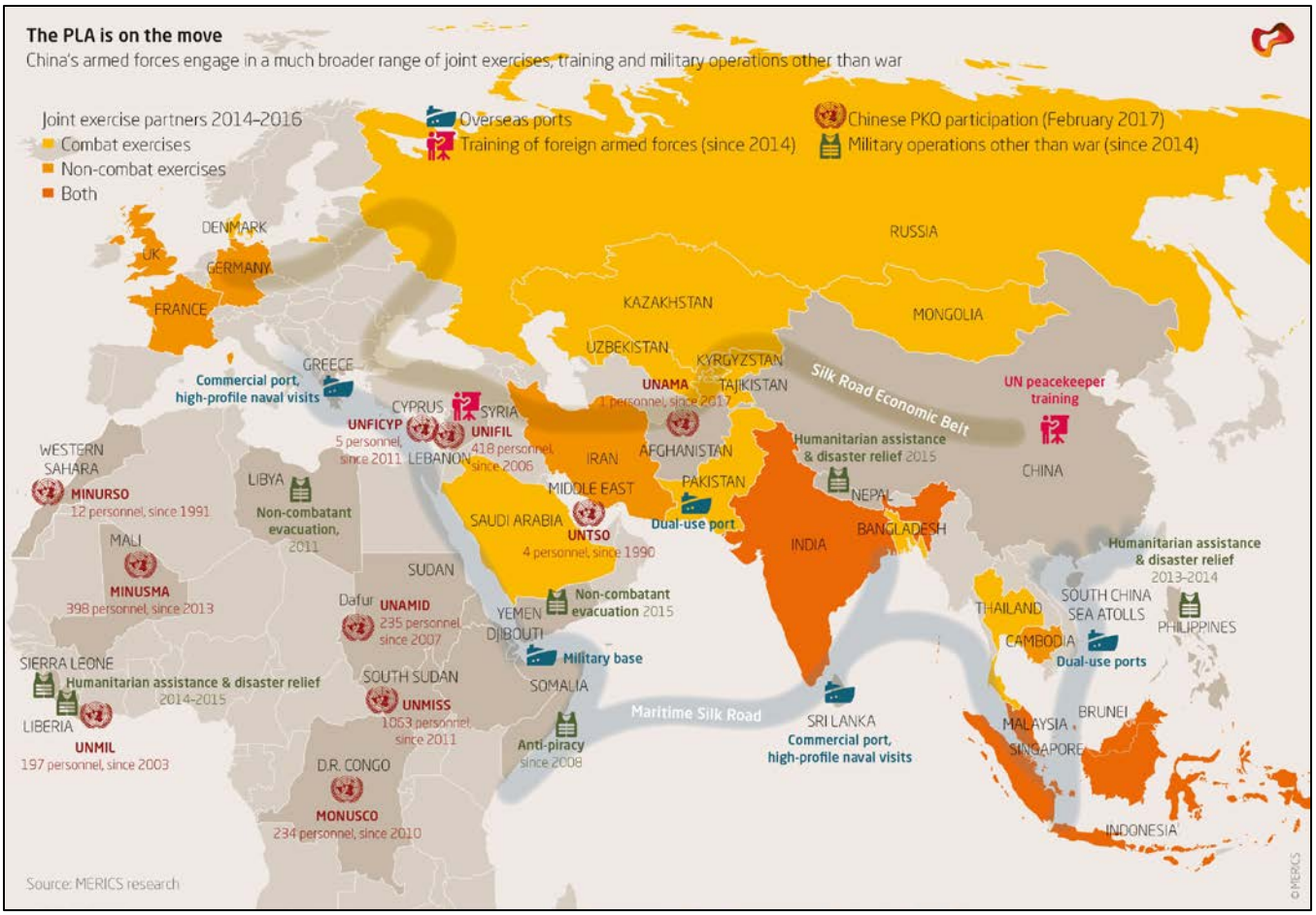
Great Power Military Spending in PPP[7]

China advances projects such as the "One Belt, One Road" Initiative (rebranded Belt & Road). This initiative has economic, diplomatic, military and cultural objectives. Among other things, this BRI will probably eventually result in Chinese military basing overseas because of a perceived need to provide security.

In addition, China conducts influence operations against media, cultural, business, academic, and policy communities of the United States, other countries, and international institutions to achieve outcomes favorable to its security and military strategy objectives.

As many have noted, Beijing aggressively employs predatory economic practices to coerce and influence Third World countries through indebtedness creating an erosion of national sovereignty. Beijing has systematically obtained control over select infrastructure projects through equity arrangements, long-term leases, or multi-decade operating contracts.

[7] Sources: DBB graphic https://www.statista.com/statistics/217577/outlays-for-defense-and-forecast-in-the-us/ used for US defense spending
https://chinapower.csis.org/military-spending/ used for an estimate of China and Russia defense spending SIPRI estimate in Nominal GDP
http://statisticstimes.com/economy/gdp-nominal-vs-gdp-ppp.php used for the multipliers to convert Nominal GDP to PPP for each country



Chinese Global Presence[8]

It is clear that the PRC purposefully creates unsustainable financial burdens. Chinese lending to some countries has increased their risk of debt default or repayment difficulties, while certain completed projects have not generated sufficient revenue to justify the cost.

China has several key strategic advantages over the U.S.:

- Chinese State-Owned Enterprises (SOE) can be mandated for strategic production, unlike U.S. firms, and the PRC has fused companies and their people abroad into their national strategic objectives.
- Chinese military forces are far cheaper to man and equip due to conscription, lower worker wages, and intellectual property (IP) theft reducing Research and Development (R&D) cost. Just under one-third of Chief Financial Officers (CFO) of North America-based companies on the CNBC Global CFO Council say Chinese firms have stolen from them at some point during the past decade.
- China conducts "Gray Zone" operations far more effectively due to the U.S. military focus on kinetic warfare.
- China is far more adept at leveraging a variety of technology transfer vehicles.

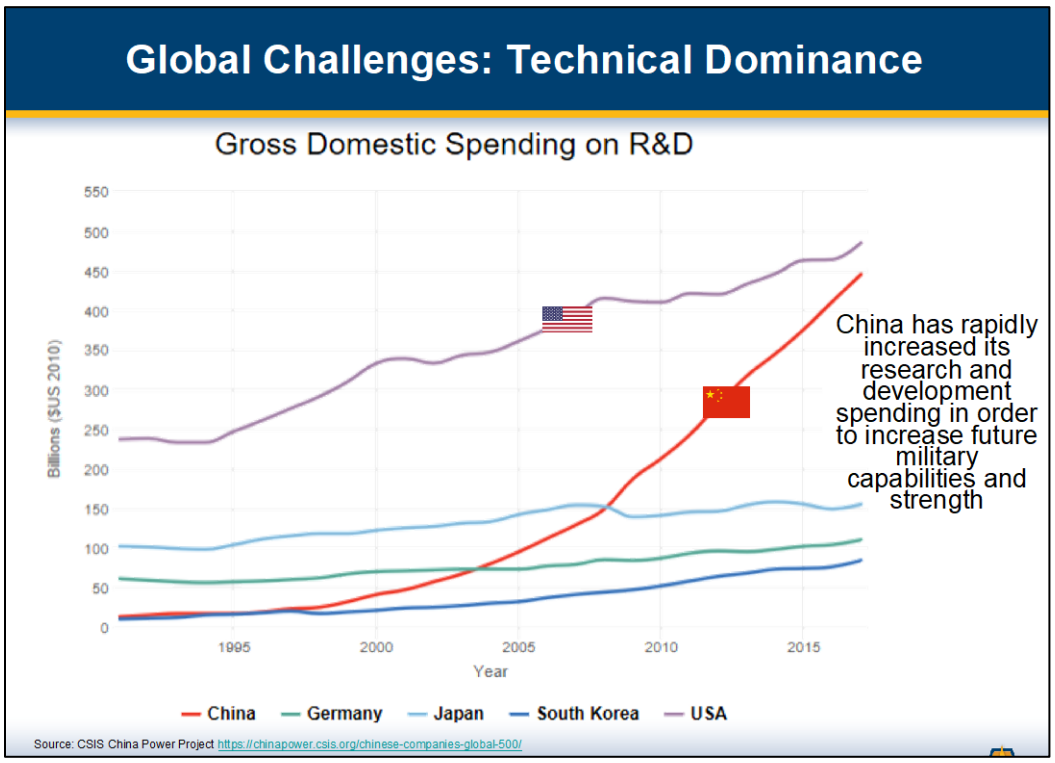
[8] Source: Centre for Research on Globalization: https://www.globalresearch.ca/chinas-military-interests-along-the-silk-road-stretch-from-sea-to-shining-sea/5647536 from Mercator Institute for China Studies (merics) research: https://www.merics.org/en

- At present China has no significant global military presence to maintain, enjoys the advantage of proximity in most plausible Asian conflict scenarios, and has developed capabilities that capitalize on that advantage.
- China is making a concerted effort to link military, academia, government, and industry to ensure achievement of their 13th Five-Year Plan, which means that they have methodically been implementing their strategy for over 65 years. They do not advance to the next five-year effort unless they have accomplished their established objectives or adjusted their goals.

The changing character of war, and our major adversaries pursuing more action in the Gray Zone,[9] means conflict will vary across a far wider spectrum ranging from "non-military" capabilities, such as economic coercion, cyber-attacks, and information operations, to advanced conventional weapons and weapons of mass destruction. All of this is occurring in multiple domains, to include space and cyberspace.[10]

"The greatest victory is that which requires no battle."
~ Sun Tzu, The Art of War

China is working methodically to become the world's technology leader. China's rise as a technological powerhouse is not merely a threat to U.S. jobs; it is also becoming a huge concern for the U.S. military. In some critical industries, the competition for technological dominance is one America is already losing.



[9] The goal of "Gray Zone" conflict is to stay below the threshold of triggering a full-scale war by employing mostly noncombat tools, often backed by posturing of military power, to achieve political objectives over time. This trend is already occurring: China's and Russia's actions, in the South China Sea and Ukraine respectively, are contemporary examples of this approach.

[10] For in depth examinations of Gray Zone conflict see:

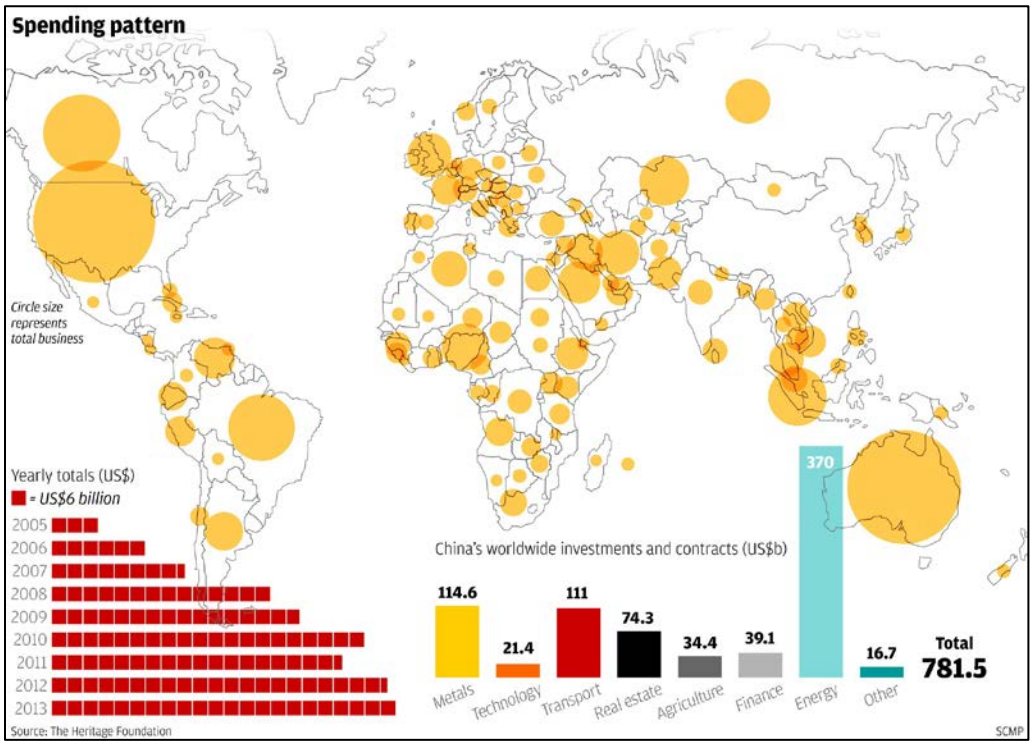
https://www.csis.org/features/competing-gray-zone

https://warontherocks.com/2015/05/fighting-and-winning-in-the-gray-zone/

Chinese IP theft from U.S. businesses has been an area of concern for years, both because of its security ramifications and its cost to American companies. This IP theft includes the sale of counterfeit goods and pirated software, as well as stolen corporate secrets. It is estimated the cost to the U.S. economy is between $225 billion and $600 billion per year, according to the 2017 update from the Commission on the Theft of American Intellectual Property prepared by The National Bureau of Asian Research.[11]

In its 2018 report, the U.S.-China Economic and Security Review Commission, made up of security and economic experts, found Chinese dominance of networking-equipment manufacturing threatens the security of U.S. fifth-generation, or 5G, wireless infrastructure. The panel cited Chinese telecommunications giants Huawei Technologies Company and ZTE Corporation, in particular. The Commission warned that China's technology-manufacturing strength threatens U.S. national security and advised U.S. government agencies to be mindful of Chinese attempts to compromise government systems.

In addition, China's position as the world's largest manufacturer of internet-connected household devices creates, "numerous points of vulnerability for intelligence collection, cyberattacks, industrial control, or censorship."[12] One need only look at the 500-meter-wide radio telescope in Guizhou, or the Sunway TaihuLight supercomputer that is by far the fastest in the world, as examples of China's rising technological superiority.



Chinese Global Investment[13]

[11] *2017 Update to the IP Commission Report, The Theft of American Intellectual Property: Reassessments of the Challenge and United States Policy*. The National Bureau of Asian Research.

[12] *2018 Report to Congress of the U.S.-China Economic and Security Review Commission*, One Hundred Fifteenth Congress, Second Session, November 2018. pg. 443.

[13] Source: The South China Morning Post: Rising Chinese outbound investment may bring benefits and problems https://www.scmp.com/business/china-business/article/1409631/rising-chinese-outbound-investment-may-bring-benefits-and

Chinese firms, both private and state-owned, have in recent years invested billions of dollars in the U.S. technology industry raising concerns that this now powerful rival has gained, or soon could gain, access to sensitive and, in some cases, critical technologies that underpin American military superiority and economic might. This investment has substantively increased Chinese entry into new U.S. technology sectors having two main national security implications: a direct threat to the U.S. military's technological superiority; and more broadly, an undermining of U.S. competitiveness in the ongoing economic competition with Beijing.

Extensive Chinese investment in sensitive technologies (guidance systems, artificial intelligence (AI), and light sensors that aid unmanned aviation systems in particular) could erode or even eliminate America's technological edge, potentially diminishing our ability to credibly defend allies, especially in Asia. Moreover, Chinese investment in high-tech firms could, in many cases, preclude U.S. government or military investment and cooperation with those same companies.

While most Chinese investments appear to come from nominally private-sector firms, the U.S. should view them as being made at the bidding of the Chinese government largely through state-owned banks providing the Chinese Communist Party enormous influence over significant private-sector companies. In China, there is little distinction between SOE and private firms; Chinese state-provided financial lending has a significant political overtone to what might otherwise appear to be private-sector investment decisions.

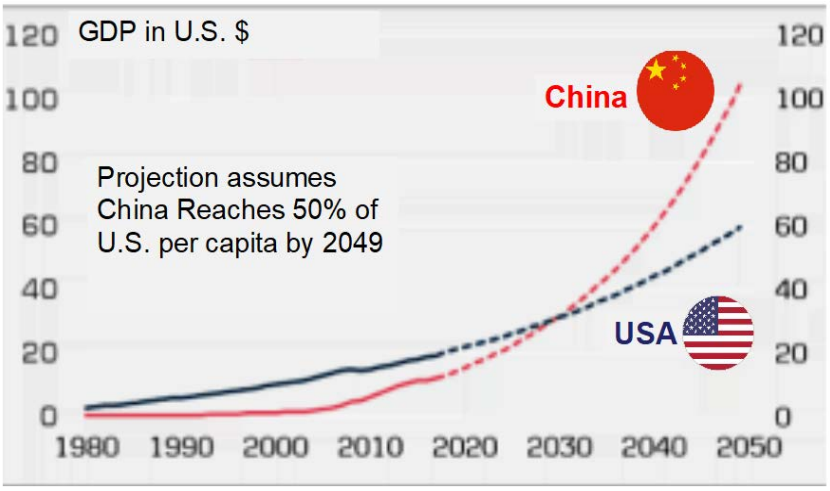
Changing Global Economic Balance

It is clear by now that the BRI is about much more than gaining market access and shares, securing trade routes and energy supplies as well as exporting Chinese industrial overcapacities to far-away construction projects. First, the initiative is a key part of Xi Jinping's grand foreign policy design to increase China's influence in its regional neighborhood and beyond.

Second, rather than remaining limited to initial target regions along historic land and maritime routes between China and Europe, the geographical scope of the BRI is constantly expanding. Last year, the "Vision for Maritime Cooperation under the Belt and Road Initiative" introduced a new so-called economic passage through the Arctic to Europe. Beijing also signaled its intention to further expand the BRI into Latin America. The increasingly global scope of the BRI underlines that Beijing is using this initiative as a vehicle to frame and market its overall foreign policy.

Third, the BRI is no longer limited to economic goals. The "Vision for Maritime Cooperation" includes a sub-chapter devoted to security issues as one of Beijing's cooperation priorities. In view of China's ballooning investments and growing Chinese expatriate communities in risk-prone countries, Beijing has become convinced that it has to take security concerns along the BRI routes into its own hands. In 2015, China adopted an anti-terrorism law allowing for foreign missions of People's Liberation Army (PLA) units, and it opened its first overseas military base in Djibouti, a hub of the Maritime Silk Road. A new industry of Chinese private security companies is rapidly developing, providing protection to BRI projects. Beijing also touts its technological, law enforcement, and military capabilities to countries covered by the BRI on security-related issues like satellite navigation, disaster management and combating crime.

China is already the world's largest trading nation. China's exporting prowess has fueled massive trade surpluses and tensions with the U.S. Its competitive advantage in many products is now so entrenched for both local and foreign firms that even the trade war has failed to dent it.



China Set to Pass U.S. in GDP Growth[14]

In 1996, China invested 0.56 percent of its GDP in R&D, while the U.S. invested 2.44 percent of its GDP. In 2015, China invested 2.06 percent of its GDP, whereas the U.S. invested 2.79 percent. The R&D intensity in China increased by 1.5 percentage points and in the U.S. by only 0.3 percentage points.

Is China becoming the new global leader in innovation?

The PRC has been very active at implementing policies to incentivize innovation in China. The National Indigenous Innovation Campaign (2006) includes a goal to transform China into the world's technology powerhouse by 2020.

The 12th and 13th "five-year" plans (2011-2020) detailed goals for R&D intensity and patent applications. The government offered subsidies targeted to increase the number of patent applications.

Extensive Chinese investment in sensitive technologies (guidance systems, AI, and light sensors that aid unmanned aviation systems in particular) could erode or even eliminate America's technological edge, potentially diminishing our ability to credibly defend allies, especially in Asia. Moreover, Chinese investment in high-tech firms could, in many cases, preclude U.S. government or military investment and cooperation with those same companies.

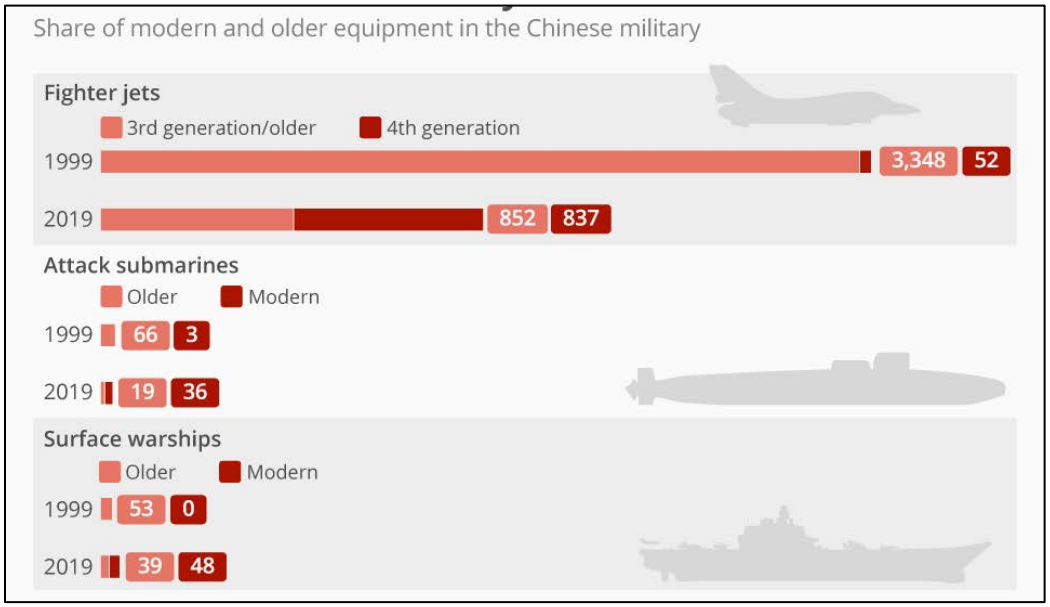
"Meanwhile, it [China] is pursuing competitive advantages, often in illicit ways, in emerging technologies like artificial intelligence and 5G, while exploiting other nations' intellectual property for its own gain."
~ *Secretary of Defense Mark Esper Keynote Address, Reagan National Defense* Forum, 7 December, 2019

[14] Source: IMF, Danske Bank https://www.isabelnet.com/u-s-gdp-vs-china-gdp/

Global Challenge: Shifting Military Balance

If China continues its tremendous economic growth and is able to increase military spending at the same rate, it will pass the U.S. in military spending measured in PPP by 2025. China has rapidly increased its research and development spending in order to achieve that future military capability and strength.

China continues to increase its investment towards creating greater military capabilities and size in order to exercise greater regional control and potential global outreach.



China's Military Modernization[15]

The Challenge of Russia

Russia also remains an acute and formidable threat to the U.S. and its interests in Europe. It continues to foment instability in the region and, despite domestic economic problems, continues to prioritize the rebuilding of its military and funding for its military operations abroad.

Russia has violated the borders of nearby nations and pursues veto power over the economic, governmental, diplomatic, and security decisions of nations on its periphery. Moscow continually undermines the international order from within the international system itself, routinely exploiting its benefits while simultaneously undercutting its principles and "rules of the road."

Russia is deploying an increasingly sophisticated strategy of propaganda, political manipulation, economic exploitation and provocation to disrupt U.S. influence and restore Russia's global standing. In addition, they are increasingly deploying paid private volunteer troops trained at Russian Special Forces bases and often under the command of Russian Special Forces.

[15] Statista: https://www.statista.com/chart/19162/share-of-modern-and-older-equipment-in-the-chinese-military/
Data source: International Institute for Strategic Studies, University of Sydney, AU

Russia has also prioritized its nuclear capabilities for modernization, and estimates suggest that 82% of its nuclear forces have been modernized.

What Does It All Mean to DoD?

Since the end of the Cold War, throughout the decade of the peace dividend and the decade and a half of Counter Terrorism, the enterprise level of the DoD and its command and administrative support structure has grown in scope and complexity while simultaneously the size of the warfighting force has shrunk. This underscores why the nation needs a rationalized structure and strong coherent management for a return to Peer-on-Peer competition.

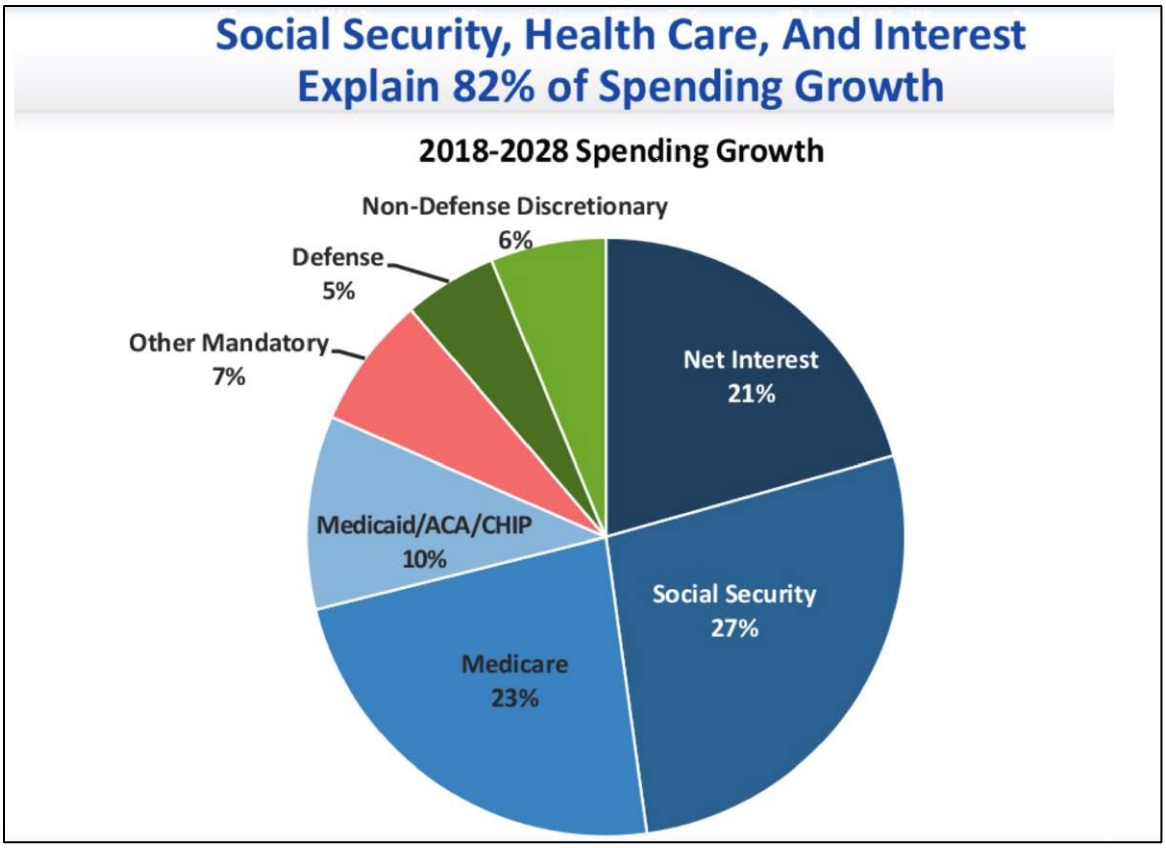
Is the current structure and capabilities of that "Fourth Estate" properly structured to meet and defeat the broad range of technological challenges facing the United States? Based on our analysis, as well as the numerous interviews conducted, we believe the answer is no.
The new NDS and focus on near-peer competition requires a very different organization from the Cold War construct. The last true Departmental transformation was the Goldwater-Nichols Act (GNA) in 1986, which greatly improved civilian control of the military, provided for clear and concise military advice by designating the Chairman of the Joint Chiefs (CJCS) as the senior military advisor, and enhanced the power of -- and streamlined the chain of command of -- the combatant commanders.

The GNA in 1986 achieved many necessary reforms in the operational chain of command of the U.S. military establishment. However, the Pentagon's management "chain of command" has not had a similar reform. If the U.S. is going to compete with and prevail against near-peers, the management side of DoD needs similar reform. That has been the animation for systematic enterprise reform. The past "lost decade" of this need adds to the urgency of the recommendations of this study.

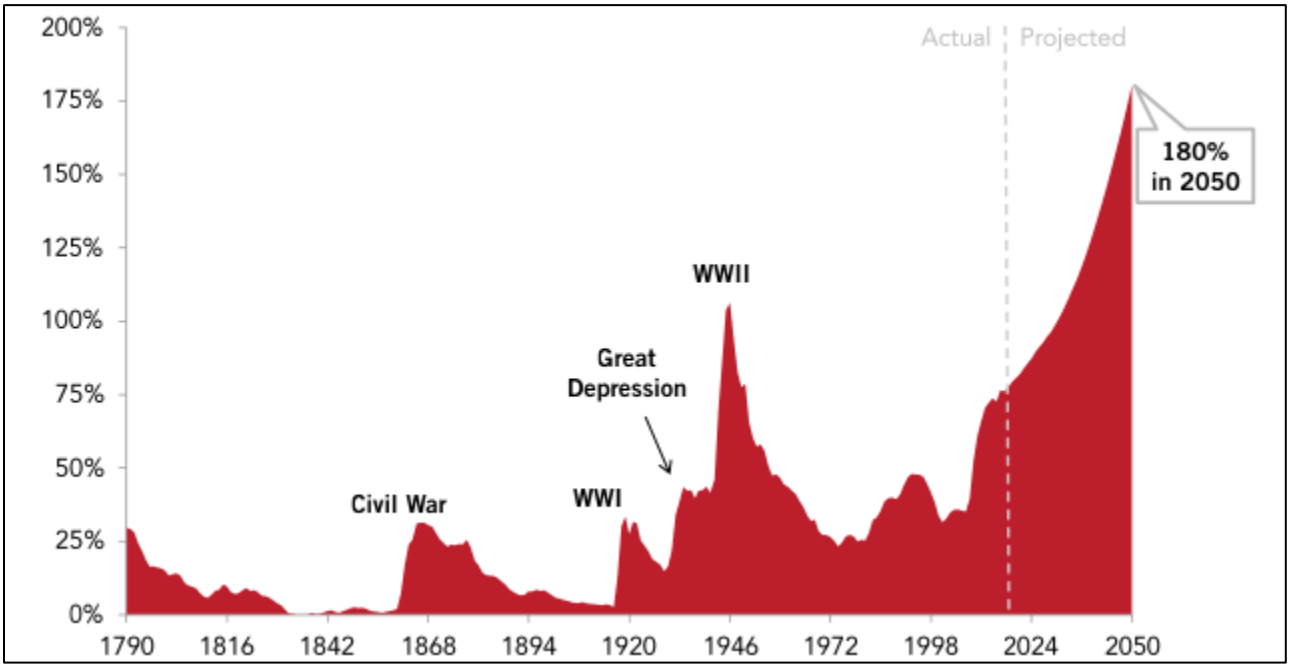
Domestic U.S. Challenges

Since 1960 the DoD's total annual budget has grown at an exponential rate, far exceeding any of our Allies in comparison.

But now, the DoD is facing a lengthy period of flat budgets, as indicated by Office of Management and Budget (OMB) and DoD leaders, and increasing fiscal pressure – mainly from growing, record deficits. As the following charts show, in the coming decade the majority of future spending growth will be in the mandatory programs that comprise the major elements of the social safety net. Simultaneously, growing national debt will increase debt servicing while pressuring defense spending. The paradox is that although current defense spending is near record highs in nominal terms, it is at or near a historic low measured as a percentage of GDP. There is a clear need to improve efficiency with these limited defense resources, and to aggressively benchmark against rival and near peer competitors. The currently projected DoD discretionary funding levels are insufficient to implement the NDS with its required 3-5% real growth rates of increase.



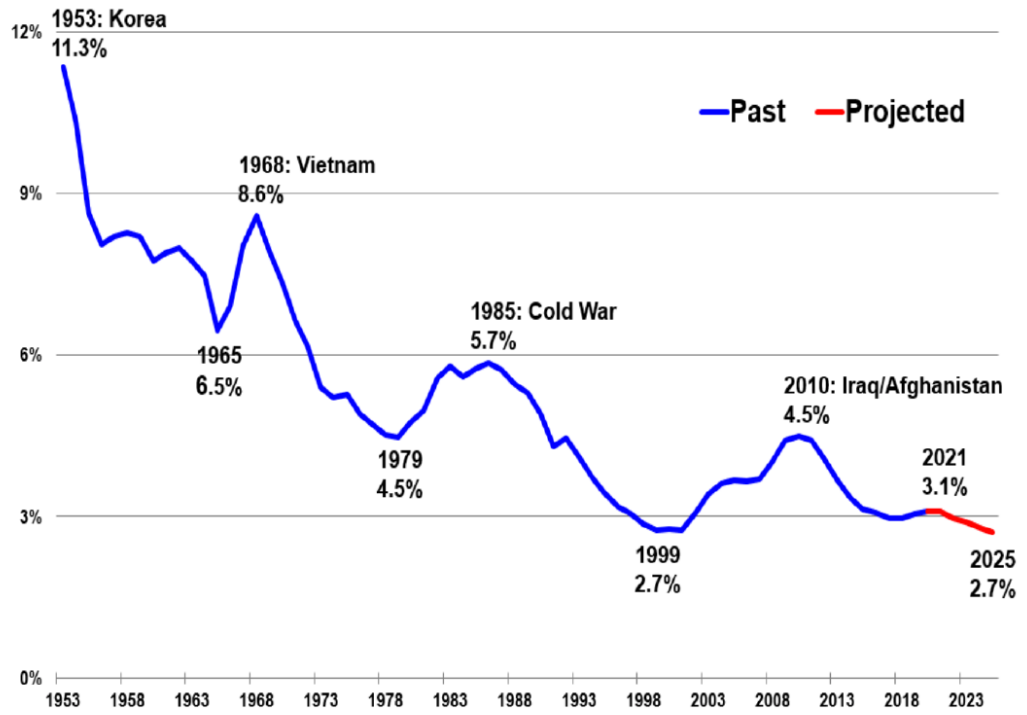
Mandatory Spending[16]



Debt Held by the Public (% of GDP) before Covid-19[17]

[16] Committee for a Responsible Federal Budget, http://www.crfb.org/papers/chartbook-americas-budget-outlook/

[17] Peter G. Peterson Foundation https://www.pgpf.org/chart-archive/0010_federal-debt-proj from the Congressional Budget Office, *The Budget and Economic Outlook: 2020*; and Office of Management and Budget Historical Tables, *Budget of the United States Government Fiscal Year 2021*, February 2020.



Source: DoD spending as a percent of GDP compares DoD outlays, both discretionary and mandatory, from the National Defense Budget Estimates for FY 2020 (Table 7-7) and projected GDP from OMB's Economic Assumptions for the FY 2021 Budget.

Defense Spending as % of GDP before Covid-19[18]

President Trump has already proposed future Defense spending reductions as part of his Fiscal 2021 budget submission. The OMB projected future year spending profile over the Future Years Defense Program (FYDP) and the decade ahead do not keep pace with even their inflation estimates. Despite desires to the contrary, going forward additional spending, economic contraction, and significantly increased public debt/GDP resulting from Coronavirus-related spending, will serve to dramatically increase the pressure on discretionary spending, including the defense budget.

Because of these pressures, over the next decade, the U.S. defense budget is unlikely to meet the needs outlined by the NDS owing to a combination of political, fiscal and internal pressures:

> "Gentlemen, we are out of money; now we have to think."
> *~ Sir Winston Churchill*

- The defense budget has been subjected to nearly a decade of delayed and unpredictable funding (Continuing Resolution (CRs)).
- Repeated failures by Congress to pass regular and sustained budgets has hindered the Pentagon's ability to effectively allocate resources and plan over the long term.
- Growing partisanship and ideological polarization — within and between both major parties in Congress —makes consensus on federal spending priorities hard to achieve. Lawmakers are likely to continue reaching political compromises over America's national defense at the expense of its strategic objectives.

[18] CSIS: The FY2021 U.S. Defense Budget Request: A Dysfunctional Set of Strategic Blunders, pg. 10. Office of the Under Secretary of Defense (Comptroller)/Chief Financial Officer, "Defense Budget Overview," United States Department of Defense, 1-13, 2020.

- America faces growing deficits and rising levels of public debt; political action to rectify these challenges has so far been sluggish. If current trends persist, a shrinking portion of the federal budget will be available for defense, constraining defense budgets into the future.
- Above-inflation growth in key accounts within the defense budget — such as operations and maintenance — will leave the Pentagon with fewer resources to grow the military and acquire new weapons systems. Every year it becomes more expensive to maintain the same sized or smaller military.

With flat budgets, it is absolutely critical the Department get more for "bang for the buck" and do so by "reforming a Department to make sure our finite resources are directed toward our highest priorities." (SD January 2, 2020 Memo)

Department of Defense Internal Challenges

The DoD leadership has repeatedly indicated that the Department needs 3-5% real growth on an annual basis in order to fully implement the NDS. However, the administration has submitted a FY21 budget that is "flat," and OMB projections also indicate flat future years spending for the foreseeable future. This was prior to the Covid-19 pandemic and the resultant pressures on defense spending. This means that DoD will be unable to cover even inflation in the coming years creating a significant shortfall and a strategy – resources gap.

- The wars of the past two decades have placed a premium on enhanced pursuit of modernization and the pursuit of cutting-edge high technology.
- The cost growth in health care, logistics support, and information technology continue to consume an ever-increasing portion of the DoD budget.
- The increasing cost of major weapons systems including the life-cycle cost of their sustainability.
- Organizations are frequently created within DoD, but rarely are organizations disestablished altogether.
- Often disestablished organizations are merely spread to other elements without an actual decrease in mission or personnel, this trend will remain a growing burden.

Current U.S. defense budgets are unlikely to satisfy the global strategic requirements set forth in the NDS. The Defense budget has also been subjected to nearly a decade of delayed and unpredictable funding (CRs) not to mention sequesters. Repeated failures by Congress to pass regular and sustained budgets have hindered the Pentagon's ability to effectively plan and then allocate resources accordingly over the long term.

> "[W]e need Congress to grant us the authorities required to maintain an edge over our adversaries in every war fighting domain, to include space."
>
> *~ Secretary of Defense Mark Esper, 7 December, 2019*

America faces growing deficits and rising levels of public debt, and political action to rectify these challenges has so far been sluggish. If current trends persist, a shrinking portion of the federal budget will be available for defense, constraining budget top lines into the future.

Above-inflation growth in key accounts within the defense budget — such as operations and maintenance and personnel costs and benefits — will also leave the Pentagon with fewer resources to modernize the military and pursue the high technology the NDS requires. Every year it becomes more expensive to maintain the same sized military.

In an effort to summarize all of these challenges, back in 2009 the GAO created a "High Risk List" of items threatening DoD's ability to meet its future missions. A recent review by the GAO showed that many of these decade-old concerns still exist while new ones have been added:

Department Challenges: GAO High Risk List

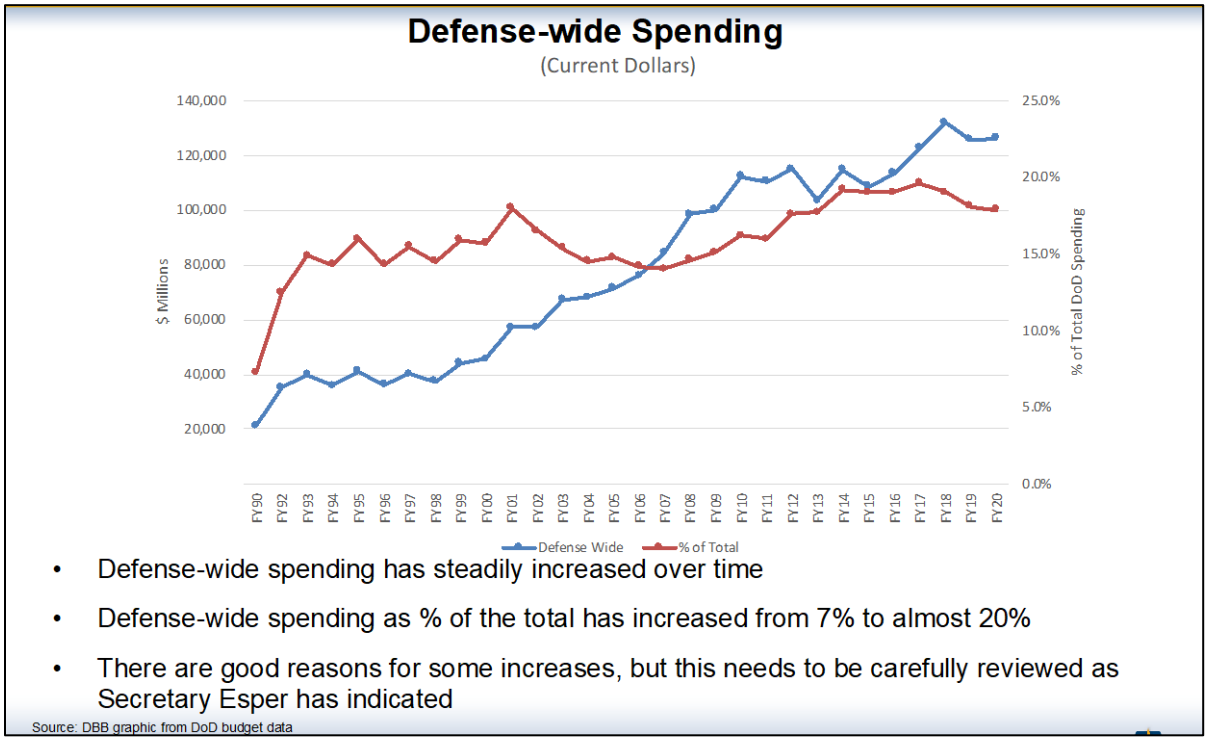
2019 Open Issues	2009 Open Issues
▪ DoD Weapon Systems Acquisition (1990)	▪ DoD Weapon Systems Acquisition (1990)
▪ DoD Contract Management (1992)	▪ DoD Contract Management (1992)
▪ DoD Business Systems Modernization (1995)	▪ DoD Business Systems Modernization (1995)
▪ DoD Financial Management (1995)	▪ DoD Financial Management (1995)
▪ DoD Support Infrastructure Management (1997)	▪ DoD Support Infrastructure Management (1997)
▪ DoD Approach to Business Transformation (2005)	▪ DoD Approach to Business Transformation (2005)
2019 Government Wide	▪ DoD Personnel Security Clearance Program (2005) – *Closed*
▪ Government-wide Personnel Security Clearance Process	▪ DoD Supply Chain Management (1990) – *Closed 2019*
▪ Ensuring the Cybersecurity of the Nation	
▪ Ensuring the Effective Protection of Technologies Critical to U.S. National Security Interests	
▪ Strategic Human Capital Management	
▪ Improving the Management of IT Acquisitions and Operations	
▪ U.S. Government Environmental Liability	
▪ Improving and Modernizing Federal Disability Programs	
https://www.gao.gov/highrisk/overview	https://www.gao.gov/products/GAO-09-271

DoD Management and Overhead Challenges

While the overall DoD budget has nearly doubled over the past twenty years, so too has the cost for Defense-Wide (DW) operations in terms of budget and manpower (civilian/military/contractor). During this period, the DW cost of operations as a percentage of the total DoD budget has grown from ~8% in FY01 to more than 17% by FY20.

The DW community has grown into a big business. DW spending has increased almost five times above the levels seen in the early 1990's, up over $100B -- and the $100 billion is not the all-in costs of DW as there is a significant amount of classified spending and contractor spending. The last two years show a slight decline from the overall high and currently stands projected at 17.9%. But again, this is not the all-in costs, which are substantially higher than 17%. There are good reasons for some increases, but this

entire area needs a highly focused review as Secretary of Defense Mark Esper and Deputy Secretary David Norquist have indicated.



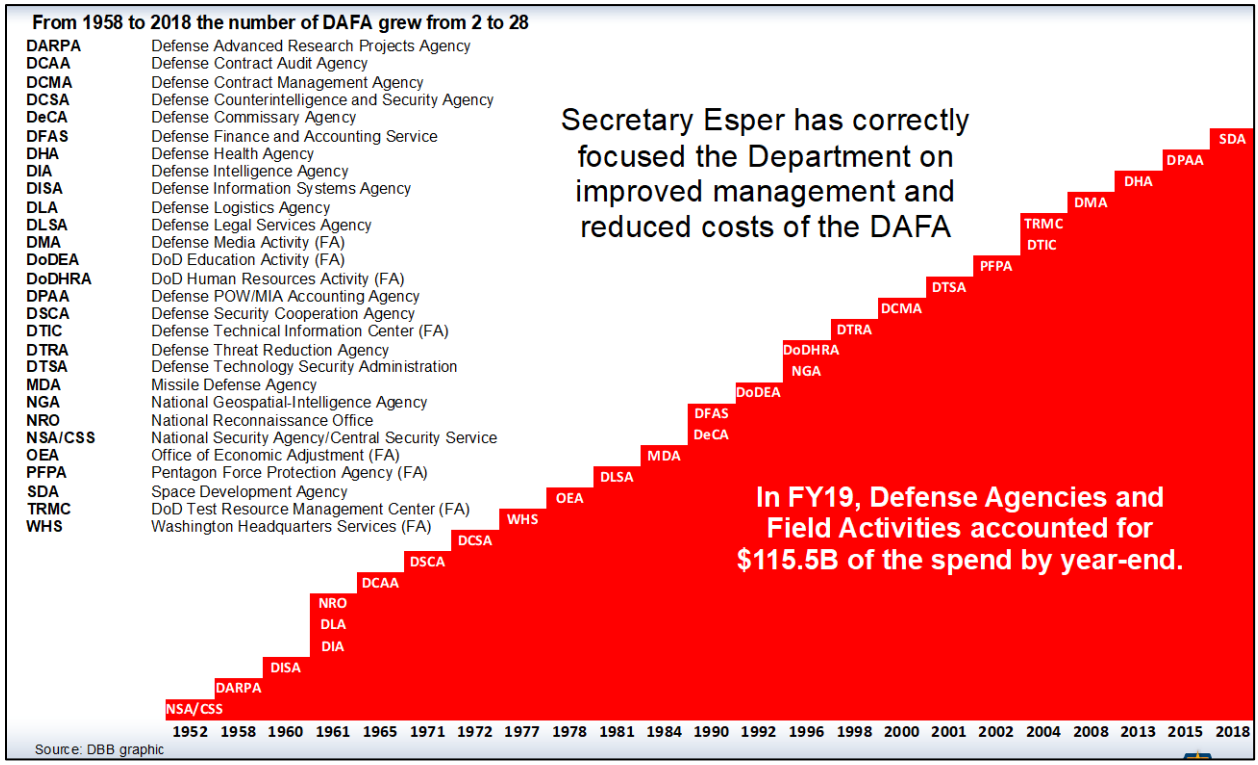
The DoD divides its overall spending into two broad categories: forces and infrastructure. In addition to headquarters activities, other non-warfighting activities, when included, represent 43.7% of the total force. This 43.7% infrastructure applied to the total DoD funding line for FY20 equals an infrastructure expense of $309.4B. That $309B places DoD Infrastructure at #56 on the list of world-wide country rankings by annual GDP if it were measured as a national economy. What the DBB does not know is the similar infrastructure costs for the pacing competitor (China), and this needs to be remedied with an industrial base net assessment.

Department Challenges: Infrastructure

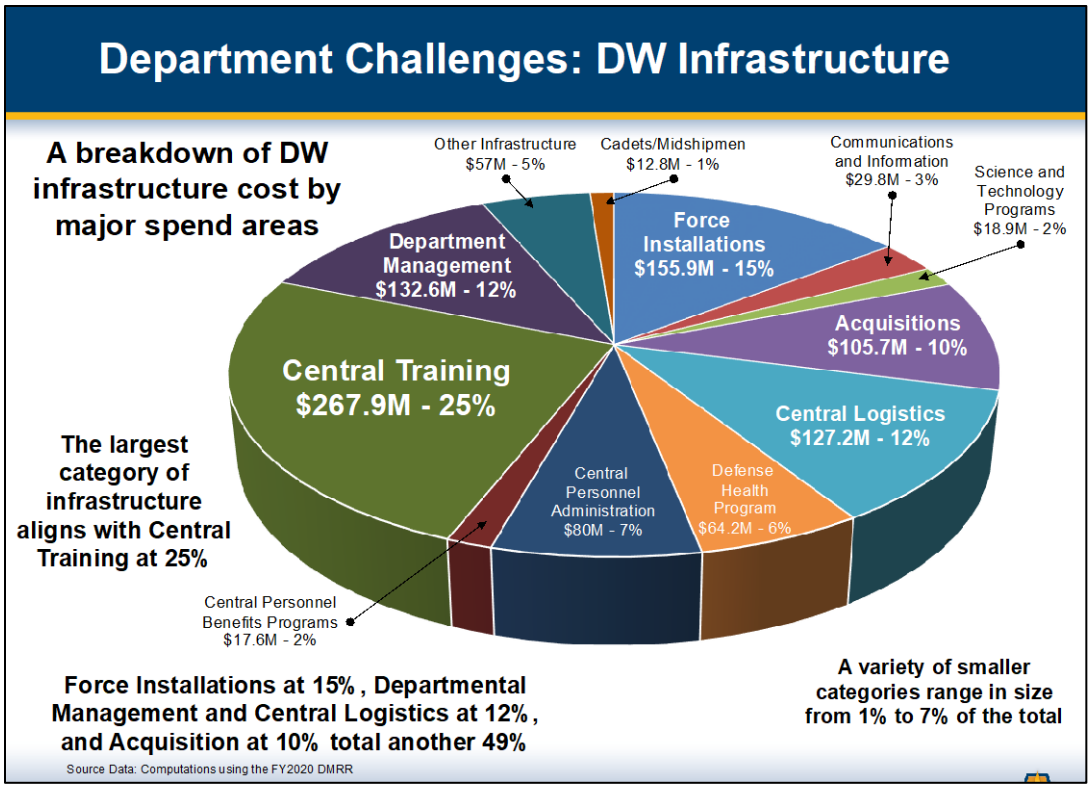
- The Department has indicated total force infrastructure costs constitute 43.7% of the budget
- 43.7% applied to the total DoD appropriated funding line of $708B for FY20 equals $309.4B
- If $309B was a GDP, it would be 56 on a list of rankings by country

Country Rankings by GDP (PPP)*		
Rank	Country	GDP ($B)
54	Israel	317.1
55	Portugal	314.1
56	***DoD Infrastructure***	***309.4***
56	Greece	299.3
57	Morocco	298.6
58	Kuwait	289.7
59	Hungary	289.6
60	Denmark	287.8
61	Sri Lanka	275.8
62	Finland	244.9
63	Uzbekistan	223
64	Ethiopia	200.6

*Source: GDP from CIA World Fact Book estimates as of 2017
DoD infrastructure 43.7% of $708B FY20 Discretionary Total



From 1958 to 2018 the number of DAFA grew from two to twenty-eight -- a sizeable growth. In FY19, DAFA accounted for $115.5B of the spending by year-end, 16.8% of the total DoD budget. Again these totals do not include the classified intelligence spending.



The largest category of infrastructure aligns with Training at 25%, with Force Installations at 15%, Departmental Management and Central Logistics at 12%, and Acquisition at 10%. Similar activities and costs are obviously born by peer competitors, but without net assessment metrics it is impossible to determine the comparative efficiency of U.S. expenditures. A variety of smaller categories range in size from 1% to 7% of the total.

The DBB also looked at the DoD governance structure that is essential to implementation of the SD's -- and the administration's -- priorities and the NDS. As part of this look, the DBB determined that the directive that applies here had not been updated since 2008 as indicated below. While the SD has a weekly meeting with all his senior leaders on the implementation of the NDS adopted in 2018, the multiple governance structures beneath the secretary (other than the Deputies Management Action Group (DMAG), the Joint Requirements Oversight Council (JROC), the Defense Acquisition Board (DAB), and "the tank") have not been updated to deal with the new NDS. The number of such senior governance groups now exceeds fifty. These governance bodies consume significant amounts of leadership time often creating a mountain of paper directives that again have not been rationalized or updated in recent years.

Since 2018, SD-level time and focus on strategy implementation has increased and evolved into a stable battle rhythm (SD Weekly Priorities Review (SWPR) and NDS-I):

- At DSD-level, DMAG remains the primary management and resource allocation integration body.
- At CJCS-level, the Tank remains the primary forum to integrate "best military advice" on matters related to the Joint Force.

Below SD, DSD, and CJCS-levels, however, there are large number of governance bodies and supporting tiers. These bodies require significant time and effort. Most pre-date the NDS and are optimized to the Global War on Terrorism (GWOT) and the pre-Budget Control Act (BCA) regime - not China. Again, there is no net assessment with which to compare the level of similar effort and cost undertaken by global peer rivals.

The governing directive for these groups, DoDD 5105.79 "Senior Governance Councils," was last updated in 2008.

Governance: Quick Facts	
Total Number of Governance Bodies: 50+	
• SD, DSD, or CJCS-level: 5+	
• PSA or 4-star: 26+	
• CFT or TF: 17+	
Total Hours/Year (est.): >1K+	
Average Date of Establishment: -2009	
Guidance Docs: Quick Facts	
NSS + NOS + NMS + UCP + CPG +	
DPG + JSCP = 1K+ pgs	
• DoDDs: 309	• DTMs: 31
• DoDIs: 872	• CJCSIs: 180
• Specified tasks to CCMDs: 10K+	
• Totals: -2K docs. 50 million+ words	

Multiple guidance documents complicate governance. Relationships between governance bodies, major processes, and their guidance documents, are usually unclear, often conflicting, and always evolving. Even the staffing time associated with guidance documents is significant. According to DoD, there are over 2,000 documents totaling over fifty million words. This does not imply streamlined or clear governance.

The DBB believes that the SD should update the existing governance system to maximize implementation of the NDS, especially regarding near-peer competition with China.

Regaining Managerial Expertise

The DoD once led the U.S. and the world in management innovation. With breakthroughs such as computer-based inventory systems to the first containerized shipping, the DoD defined the state of managerial art and science in the 70's and throughout the 90's. Sadly, it has lost this preeminence in best management practices. To regain the edge in this expertise, the solutions are far more nuanced than simply creating organizations and issuing directives. DoD will need managerial skills infused from far more than the defense industrial base; it must try to reach those with leadership expertise from the information, economic and financial, biological and other sectors.

The exchange of private sector industry personnel to engage in assignments within DoD would also enhance the effort to cultivate workforce talent. The recruiting, developing, and retaining of a high-quality civilian workforce is essential for warfighting success. Defense industry personnel exchange programs, which include both military and civilians, can facilitate the retention and development of the DoD workforce by assisting the ability of our warfighters and the Department workforce to integrate innovative technologies, upgrade capabilities, adapt warfighting approaches, and change business practices to achieve mission success. While certainly the creativity and talent of American military members is DoD's greatest enduring strength, it can be further enhanced through the appropriate engagement, application, and exercise of skills gained from private sector industry practices.

However, the crushing weight of culture and regulatory restrictions prevents those entering the Department from the private sector from acting with the same agility and flexibility they have in the private corporate sector. This stifles initiative and innovation within the Department workforce as well.

The statutory/regulatory/oversight frameworks under which DoD should operate, not to mention its cultural barriers, need to change significantly to enable this necessary flexibility. This underscores the need for both Congress and the Department to critically identify and examine those statutory or non-statutory changes that serve to inhibit the accession of talent that will enhance the Department's managerial agility and flexibility.

If DoD is to successfully respond to a changing environment it must accomplish three tasks: (1) achieve a coherent and appropriate organizational direction and culture; (2) acquire innovative leadership at all levels; and (3) revise and realign key organizational levers. Congress and DoD absolutely should immediately develop a comprehensive and effective program which allows private sector industry expertise to engage in term assignments within DoD in order for them to demonstrate and import modern, cutting-edge management processes and technologies. Similarly, it is necessary to allow military and civilians in the Department meaningful exchanges with private industry in order for them to be individually exposed to modern, cutting-edge management processes and technologies at work.

A modern, agile, information-advantaged Department should look to the private sector to more effectively use data and information, not simply manage it or place it in a repository. This will require a motivated, diverse, and highly skilled civilian workforce. To reap the benefits from introducing new skills to complement the current DoD civilian workforce expertise with information experts, data scientists, computer programmers, and basic science researchers and engineers, will require close cooperation with private industry. The Department would benefit from exchange programs that explore streamlined, non-traditional pathways for bringing critical skills into play, expanding access to outside expertise, and devising new public-private partnerships to work with small companies, start-ups, and universities.

Success, whether economic or military, no longer necessarily goes to the nation that develops a new technology first, but rather to the country that better integrates it and adapts it to its way of prosecuting war. Currently the Department is insufficiently responsive to this need; DoD is over-burdened with outmoded practices, policies, and procedures; and not optimized for exceptional performance. Efforts to prioritize speed of decision-making, constant adaptation, and frequent process upgrades would benefit greatly from more robust Industry-Government exchange programs. Out of necessity, in a global marketplace, the private sector learned to eliminate cumbersome approval chains, wasteful applications of resources in uncompetitive space, or overly risk-averse thinking which impedes corporate survival. Requiring the same today, the DoD should shed its outdated management practices and structures by integrating insights available from the exchange of private sector industry personnel. The exchange of defense as well as non-defense industry personnel will provide rich organizational expertise to allow for the rapid identification of structures that hinder substantial increases in lethality or performance, thereby allowing service secretaries and agency heads to consolidate, eliminate, or restructure as needed.

Better management begins with effective financial stewardship and will drive budget discipline and affordability to achieve solvency. Through the exchange of industry personnel, the Department will

improve its prospects of achieving full auditability of all its operations while improving its financial processes, systems, and tools needed to understand, manage, and improve cost. Leveraging on the exchange of industry personnel will allow DoD to continue to scale operations to drive greater efficiency in procurement of materiel and services, while consolidating and streamlining contracts in areas such as logistics, information technology, and support services. Private industry expertise can improve efforts towards reducing management overhead, the size of headquarters staff, reducing or eliminating duplicative organizations, and creating more efficient systems for managing human resources, finance, health services, travel, and supplies.

The exchange of defense and non-defense industry personnel with the DoD will provide the expertise to streamline rapid, iterative approaches from development to fielding through the exposure to alternative approaches towards capability development which will reduce costs, technological obsolescence, and acquisition risk. The Department can leverage acquired expertise to realign incentives and reporting structures to increase speed of delivery, enable design tradeoffs in the requirements process, and utilize non-traditional suppliers. Private industry experience in prototyping and experimentation could be leveraged for defining those requirements utilizing commercial-off-the-shelf systems.
The opposite exchange also has value. The Department's technological advantage depends on a secure and healthy national security innovation base that is informed and acculturated whether with a traditional or non-traditional defense partner. An effective program allowing DoD personnel tours within industry would allow the Department to significantly inculcate its values, culture and vision in to the C-suites of its most crucial partners.

Because the accelerating pace of the threat and technological change, there is no substitute for increasing industry-government (two-way) exchanges. Improving industry-government exchanges is essential to ensuring the U.S. military is able to innovate at speed in order to sustain and build military advantage over other great powers. Well-intended but outdated rules and regulations currently make such exchange opportunities too infrequent, too limited, and too difficult to implement for the government. They also tend to be too time-consuming and costly for private sector participants.

A comprehensive and well executed exchange of personnel from both defense and non-defense industry would be a major departure from previous practices and culture, yet will allow the Department and industry to more quickly respond to changes in the security environment and make it harder for global competitors to offset our systems.

DoD Organization and Cultural Trends

Talent is a critical tool/weapon in today's highly competitive space.

The private sector power balance has shifted in favor of the employee. Whereas traditional companies saw the power held by management and long-term managers, in today's work place it's the newer generations who are displacing the "Baby Boomer" generation and are wielding more and more individual power over their careers. This in part is due to the greater degree of information available coupled with a desire to have greater freedom and flexibility in the workplace.

These younger workers have less interest in longevity (a condition expanded by the demise of "pensions") and are much more mobile in their careers. They understand their skill value in the work arena and are always looking for growth opportunities and experiences. The tech revolution has given them instant access to search for and find those opportunities if they are not offered by their present employer. These newly empowered employees are less a function of generational change and more a function of the current access to information. This is not a perception but a reality. Consider these realities:

- Median age at Activision is 28.
- Half of IBM employees are under 30.
- 76% of Goldman Sachs employees are under 30.

DoD seriously needs a representative share of this "A+" talent, but due to the antiquated hiring process, compensation rules, burdensome regulations, and an industrial age hiring mindset, attracting such talent is quite difficult. The "A+" talent in the technology arena gravitates towards Silicon Valley. Its business processes along with an entrenched culture are impeding the ability of DoD to acquire the quality skills it needs. In addition, its current culture is not providing the employee experience needed to keep quality people (length of onboarding, not having a computer the first day, no enterprise-wide education and training system to speak of).

A changing DoD environment requires an altered vision, culture and values. Having a supportive and fully engaged culture is particularly important to translating the vision and strategy (the NDS) into action. The strategy must be adopted by the organization's multiple work cultures. Drawn from anthropology, culture refers to the relatively enduring set of values and norms that underlie a social system (Burke and Litwin, 1992). Passed from one generation to the next, a culture is slow to develop and not readily amenable to change. Culture also operates on at least two levels. At the deeper and less visible level, it is constructed around the values shared by a group that persist when the group's membership changes. If a group culture emphasizes security and predictability over risk-taking and innovation, substituting new values for old is a major effort.

At the more visible level, culture represents the patterns of behavior that new employees are expected to adopt for doing work. Since participants are conscious of these cultural elements, they are somewhat more malleable than their less visible counterparts. (Kotter and Heskett, 1992)

Climate is often confused with culture. Culture refers to workers perception of how their leaders manage and how effectively their day-to-day colleagues work on the job. Climate is broader and affected by culture and represents an important piece of the behavioral approach to change. It is more volatile and temporal than culture.

The single most visible factor that distinguishes those major cultural changes that succeed from those that fail is the leadership at the top. Leaders give voice to the vision and strategy for change and motivate employees to participate in the process of transformation. They also serve as behavioral role-models for their followers.

If DoD-wide integration is to succeed, current thinking must move beyond merely identifying a certain set of individual characteristics or training employees to lead. Effective leadership revolves around the kind of relationship top leaders have with their many constituencies. When these ties are characterized by effective communications, positive attributions, mutual respect, integrity, attention to customers and trust, good leadership is present.

To achieve needed enterprise-wide integration, civilian and military leaders must:

1. Articulate a vision coupled with a sense of urgency (burning platform).
2. Form a powerful guiding coalition.
3. Commit resources to crossover key processes and technologies.
4. Communicate values and goals up and down the organization.
5. Inculcate integrity throughout the organization.
6. Energize and empower others to make change happen.
7. Plan and create short-term wins.
8. Consolidate and institutionalize improvements and reform.
9. Possess the stamina to sustain changes across five or more years.

The DoD has three basic cultures (not including contractors) that come together in the high-level policy arena: active duty military, career civilians, and political appointees. The chart below shows the characteristics of these three DoD work groups:

Characteristics of DoD Work Groups

Aspect	Political Appointees	Career Civilians	Active Duty Military
Longevity	In/Out = 2-3 years	There for the long haul = 25 years+	In/Out = average 20 yrs but rotate
Rank	Vested in person's appointment	Vested in Job Position	Vested in person's assignment
Source of Competency	Political clout	Technical proficiency	Varied- Tend to be high potential
Goal Orientation	Personal/political	Personal	Career
Process vs. Accomplishment	"Make your mark"	Maintain status quo	"Make your mark" or "ticket punch for career"
Basis for Awards/ Advancement	Personal selection	Personal selection/ who you know	Centralized promotion system
Source of clout	Outside DoD	Internal; Knowledge of system plus "networks"	Service; possible tension among Service vs joint staff and OSD roles
Values	May not necessarily share the same values	DoD embedded Culture	Military ethos and culture
Career Mobility	Rung on a ladder; often private and public	Can move across government, usually stay in DoD only	Stay within own service; Joint duty / rotate location and positions/responsibilities
Career stability and ability to terminate	Dependent on political winds/fortunes	High stability/little private sector experience	Up or Out
Outside- Inside Status	Usually outsiders	"Inside-Outsiders"	"Inside-Insiders"
Knowledge of DoD Organization	May be low	Medium to high, most never served in the military	Medium to high
Knowledge of Service Cultures	Often little to none	Yes, but not always current	Immersed in culture and lifestyle but adaptable
Legal Distinctions	Excepted service	Career civil service	Different legal basis and UCMJ

The military represents the most flexible personnel system within DoD. Active duty military are available and on call twenty-four hours a day. There is no concept of compensatory overtime, or other accepted premises of employment. They carry their rank on their shoulders and can be placed in jobs one or two

levels above their pay grade for indefinite periods, dismissed from a position or have duties assigned dependent upon performance, immediate need, or a superior's determination.

Civil Service constitutes one of the most rule-bound personnel systems in the United States. Position descriptions define turf within the organization and carry the grade and attached pay. The increasing number of persons directly supervised provides an opportunity to protect one's pay grade. Once an individual obtains status, various regulatory and legal protections dictate a careful sequence of lengthy administrative procedures to effect removal for cause, reduction-in-force, or downgrade in position. It is exceedingly difficult to remove someone due to poor performance and there is little if any flexibility to select specific personnel with required competencies. Instead, strict civil service rules must be followed protecting a long list of preferences, longevity and grade.

Career civil servants tend to be hired into one organization within DoD and never work anywhere else for their entire career. Accordingly, they tend to become rigid in their work performing their assigned job in the same way for sometimes twenty years or more.

This is not a criticism of the dedicated people in DoD, it's an assertion that there are not enough of them! However, to win in the current environment they and the Nation critically need specific people and skill sets that the DoD cannot currently access.

While the military is rapidly changing to be able to respond to the evolving threat the civil service structure is not. "The frozen middle" (near the GS-15 level) are so entrenched in the bureaucracy and status quo that they very often thwart any progressive evolution, a condition creating a larger chasm between civil service and the military. The military rotates and has broadening opportunities for life-long learning while civil servants rarely move from their original organization. There is no incentive for continuing education and while such individuals are supposed to be providing DoD breadth and depth of subject matter expertise, they are actually falling behind. They are not measured by innovative efforts, not encouraged to embrace it, and therefore instead of being our competitive edge they actually can be barriers to success.

Political appointees arrive on the scene via Presidential appointment and are managed under "excepted" civil service rules. The most senior appointees often have intermittent periods of public service and private sector experience, regularly rotating through what is called a "revolving door" between the two types of service. Excepted service means their positions are vulnerable to dismissal or displacement. They have rank, but are well aware there is no guaranteed position they can expect to occupy until retirement. Most are driven by achievement, which may run counter to the embedded culture. They arrive with a vision of where they want to take the DoD establishment, but their ability to execute the vision may be severely constrained by a number of factors:

- The increasing barriers to recruit the most highly qualified individuals.
- Lack of insider resources.
- Increasing length of time taken by the confirmation process.
- Shorter tenure in their positions (career civil service waits them out).
- Longevity of Career Civil Servants and Senior deputies (SESs).
- Enormous staying power of the organization's culture.

The Defense Reorganization Act of 1986 was the last major organizational change strategy for DoD codified into law. There have been numerous smaller changes codified in NDAAs; however, the lasting effects of the 1986 Act show that an organization can be changed and changed radically by legislation. Social dynamics, near-peer competition, technology, and other interdependencies and innovations may require another shift in the organizational structure of DoD codified in some type of new defense reform act (DRA), or other alternatives to the current management structure that is not delivering sufficient change to the status quo.

Changing Military Trends

The United States has a force that is not sufficiently ready, equipped or postured for Great Power competition in the Indo-Pacific — a challenge it is working hard to address considering:

- Twenty years of near-continuous combat and budget instability has eroded the readiness of key elements in the services. Military accidents have risen, aging equipment is being used beyond its lifespan, and training has been cut.
- Some readiness levels across the Joint Force are improving, but structural challenges remain. Military platforms built in the 1980s are becoming harder and more costly to maintain; while many systems designed for great power conflict were curtailed in the 2000s to make way for the force requirements of the "War on Terror"— leading to stretched capacity and overuse.
- The military is beginning to field and experiment with next-generation capabilities. Yet the deferment or cancellation of new weapons programs over the last few decades has created a backlog of simultaneous modernization priorities that will likely outstrip budget capacity.
- Many U.S. and allied operating bases in the Indo-Pacific are exposed to possible Chinese missile attack and lack hardened infrastructure. Forward deployed munitions and supplies are not set to wartime requirements and, concurrently, America's logistics capability has steeply declined.
- New operational concepts and novel capabilities are being tested in the Indo-Pacific with an eye towards denying and blunting Chinese aggression. Some services, like the Marine Corps, plan extensive reforms moving away from counterinsurgency and towards sea control and area denial.
- Changed domestic priorities, dissimilar economic conditions, and differing threat perspectives have combined to change the nature and focus of traditional alliances to the degree that the fundamental utility of some will have to be reassessed.

Conclusions

With two global competitors it is absolutely critical DoD get more "bang for the buck" and achieves, as Defense Secretary Esper has said, "reforming the Department to make sure our finite resources are directed toward our highest priorities."

These global competitors have SIGNIFICANT cost and process advantages.

Regaining the U.S. cost and process advantage is a national imperative with existential consequences and no time to waste. There is likely to be no increased funding for the Department and there will be requirements within flat budgets to support new missions derived from the scourge of COVID 19. The existing ratio of "tooth-to-tail" is no longer sustainable so the tail must shorten for the teeth to sharpen.

The Department must drastically reduce its overhead and greatly improve its business processes to provide the necessary savings and offsets to reallocate resources towards beating China by increasing readiness, modernizing the force, changing operations, taking advantage of technology, and thus greatly improving lethality.

This is only possible though a laser focus on eliminating outmoded processes and bureaucracy and instituting a results oriented culture possessing the right skillsets.

The benchmark needs to be competing with and besting China in every activity the Department undertakes as the very size of China along with its authoritarian structure provides it considerable advantage. It is not possible to pretend that this is just another big player. This is the biggest player in the history of the world.

The DBB Assessment

The DBB assessment of the six statutory requirements was undertaken with the following filters and principles:

- The assessments in regards to effectiveness since 2008 would only focus on the performance of the CMO as an organizational entity, not as a critique or appraisal of any administration or appointee. Use of the term CMO/DCMO throughout refers only to the PSA position, not to any specific individual.
- The office and organization would be reviewed since its inception in 2008, taking into account that over time the Congress and the Department both have made major changes to the position, its authorities, and its responsibilities.
- The statutorily required perspectives of the Under Secretaries of the MilDeps and observations of the Comptroller General would not be filtered and are presented as provided to the DBB Task Force.
- The appraisal of how the organizational culture of the DoD impacts the decision-making process and enterprise-wide transformation efforts would reflect the views of those interviewed.
- The best practices in the private sector and the public sector applicable to DoD would be identified and used as a comparison guide.
- The Task Force would address any other matters it deemed necessary for the Secretary's determination.

In § 904(b) of the FY20 NDAA the assessment elements for consideration totaled six separate categories. The Task Force approached the six distinct tasks as follows:

- Task 1: The extent to which the position has been effective in achieving the service, and exercising the powers and authorities, specified in § 132a of title 10 USC.

- Task 2: The perspectives of the Under Secretaries of the MilDeps on the matters described in Task 1 based on the experiences of such Under Secretaries as the CMO of a MilDep.

- Task 3: The extent to which the ingrained organizational culture of the DoD poses fundamental structural challenges for the position of CMO of the DoD, irrespective of the individual appointed to the position.

- Task 4: The observations of the Comptroller General of the United States on progress and challenges during the 10 years since the establishment of the positions of CMO in agencies throughout the Executive Branch, including in the DoD and in other Federal agencies.

- Task 5: An identification and comparison of best practices in the private sector and the public sector for the responsibilities and authorities of a CMO.

- Task 6: An identification and assessment of differences in responsibilities and authorities of the CMO of the DoD, the COO of the DoD, and the DSD.

The Joint Explanatory Statement of the Committee of Conference further noted:

- The conferees note the Department has faced significant structural challenges in implementing the CMO position since its inception.

- Accordingly, it is the conferees' intention to change the position from senior executive schedule II to III and, pending the assessment directed by this section, to disestablish the CMO position altogether.

- The conferees therefore direct the Secretary to ensure the assessment provided for in this section is sufficiently comprehensive to allow for the reassignment of roles and responsibilities, as well as the authorities that would be necessary for orderly transition of such activities should the conferees decide to do so.[19]

The Task Force considered the conferees' statement during its assessment.

Assessment Approach & Methodology

In this effort, the DBB conducted over ninety interviews (internal & external to DoD) reflecting an average of thirty years of government/senior managerial experience. Interviewees were:

- Senior OSD & PAS leaders, civilian and military.
- Former SDs, DSDs, and other former senior officials in DoD and other agencies.
- DoD career Senior Executive Service (SES) and mid-career leaders.
- Key leaders in defense industry and operations.
- Subject Matter Experts.
- Leaders in other federal cabinet agencies.
- Leaders of foreign national defense organizations.
- Congressional leaders and key staff.

The DBB conducted analysis focused on:

- The six assessments required by § 904.
- Statutory responsibilities & authorities of the relevant position/offices.
- Transformation efforts and successes or failures since 2008.
- Current state of OCMO performance metrics.
- Past ODCMO and OCMO performance evaluations.
- Prior studies & reports from various sources (twenty years' worth).
- Industry and other government best practices.

The DBB Assessment included the following methodology:

- Analysis of the statutory responsibilities & authorities of the CMO.
- Reviews of DCMO/CMO led transformation efforts since 2008.
- The current state of OCMO performance metrics, and past ODCMO/current CMO performance plans.

[19] National Defense Authorization Act for Fiscal Year 2020 Conference Report to Accompany S. 1790. H. Rept. 116-333, December 9, 2019 p. 1333.

- Evaluations of prior studies & reports from the DBB and other sources regarding the CMO, DoD organizational structure and industry best practices.
- Ninety semi-structured interviews using pre-determined questions based on the § 904 task.
- Forty-two current and former PAS leaders.
- Twenty-four current and former senior DoD officials, career SES and mid-career leaders.
- Eight flag officers currently serving in key positions.
- Fourteen senior leaders from public and private sector organizations.
- Two leaders from foreign national defense organizations.

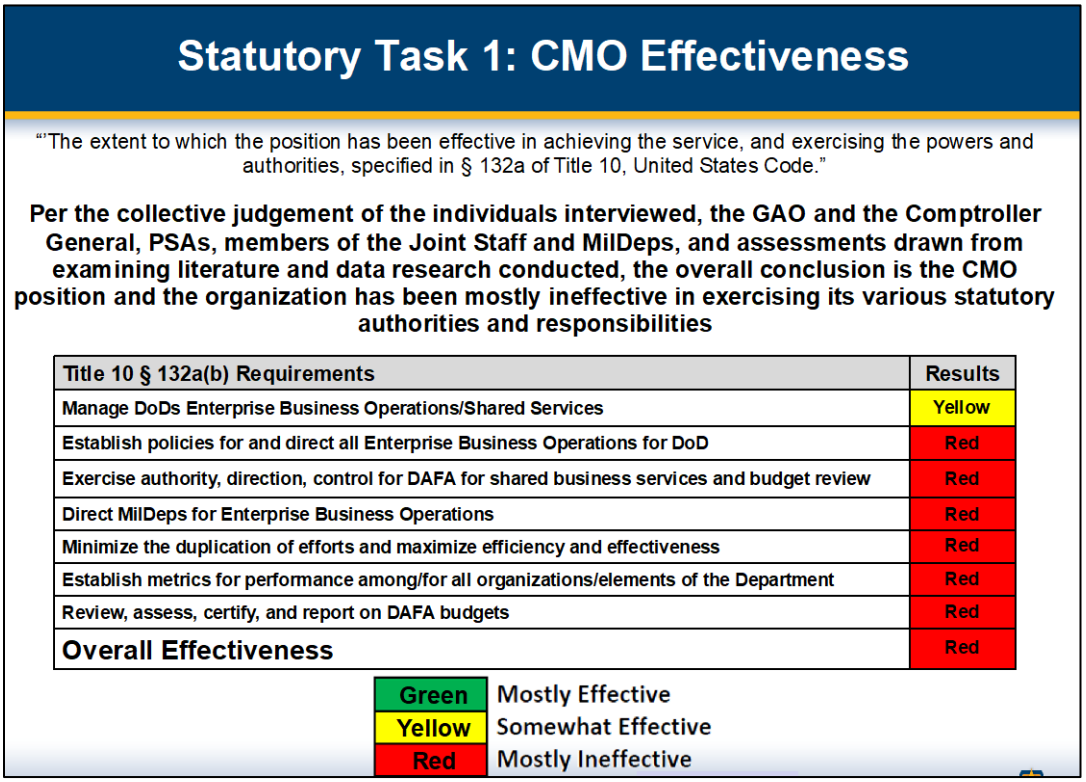
All interviews were conducted under Chatham House Rules (CHR) - "When a meeting, or part thereof, is held under the CHR, participants are free to use the information received, but neither the identity nor the affiliation of the speaker(s), nor the participant, may be revealed."

To perform the assessment, the DBB reviewed or accomplished the following:

- Utilized a questionnaire, designed by the DBB, for the conduct of the interviews internal and external to DoD.
- Studied the various statutes and conference reports that directly impact the DSD, CMO/DCMO and other PSAs within the Department (Titles 5, 10, 31, 40, etc.).
- Utilized the assessments in relevant GAO reports regarding the management of the Department with highlights and major themes identified.
- Conducted research in the germane literature from think-tanks, CBO, OMB, FFRDCs, DBB studies
- Examined the history/evolution of CMO/DCMO (including personnel size & cost).
- Obtained and analyzed data for DW activities: budgets & cost, growth trends, organization and personnel of subordinate organizations (i.e. WHS, PFPA, etc.) over the past 12 years.
- Considered how other organizations in government perform this management function and what lessons were learned.
- Examined the division of responsibility between SD, DSD, and CMO over past 12 years.
- Examined the OCMO internal self-assessments of performance, as well as other assessments of the organization's performance.
- Examined previous studies published that examined the management and the business transformation of the Department.
- Considered how OCMO is approaching the recent SD's January 6, 2020 memo on the Defense-Wide Review, together with the DSD's January 24, 2020 implementation memo, and the impacts to the CMO.

Assessments and Findings

Task 1: Has the CMO been effective in achieving its statutory mandate of installing state of the art business processes and systems in DoD?



Observations: Since 2008, the DoD and Congress have been working to fully implement the concept and functionality of a CMO. The traditional functions of such roles in the private sector can be highly effective in their pursuit of identifying and implementing enterprise-wide initiatives that are transformational, save significant expenditures, enable organizations to do more with fewer resources. There are indications of frustration at the lack of progress and results across DoD during the tenure of the CMO related organization over time. It appears that the positional vacancies (55% vacant since 2008) contribute to frustration at the lack of progress and results across DoD of the CMO organization. DoD leadership has not fully embraced its assigned task of creating (and more importantly) filling the position of DCMO/CMO. This has weakened the foundation upon which any newly appointed CMO must build and its organizational design inhibits the execution of massive transformational initiatives.

Findings: After its review, the DBB has concluded that the CMO organization, as designed and implemented, has been "mostly ineffective" in exercising its initial and subsequent statutory authorities and responsibilities during the past 12 plus years. The term "mostly ineffective" was determined by a review of the CMO performance versus the statutory requirements detailed further below. The causal factors that prohibit the CMO organization from being effective are in part: (1) misalignment between the assigned functions from the congressional statutes versus the actual functions assigned to the CMO organization; (2) difficulties in exercising authorities over Military Services and DAFA; (3) chronic

vacancies in the CMO and/or DCMO position since 2008; and assignment of additional duties that have nothing to do with business transformation.

1. **Misalignment between the assigned versus actual day-to-day functions of the CMO organization.** The DBB reviewed Congressional statutes and noted the responsibilities assigned to the CMO organization. The discussion below considers each assigned responsibility against actual performance using third party analyses such as GAO reports.

    a. **Manage DoDs Enterprise Business Operations/Shared Services:** The CMO has made some positive changes and progress since the establishment of the office in 2008 (see TAB F: DCMO / CMO History and Background); however, the savings and efficiencies have not been transformational. For example, initiatives, such as reforming the Defense Travel System (DTS) and consolidating the Personnel vetting process, while important, cannot be considered transformational. The CMO documented savings for FY19 of $6.7B validated by the Comptroller, reflect less than 1**%** (0.00935%) of the overall DoD budget of $716B, and, again are not transformational. More importantly, achieving these results required the analytical capabilities of organizations outside the CMO structure.

        i. One clear example where limited progress has been made is in shared services, specifically, in the area of Category Management (CM.) The CMO leads reform in CM for DoD and co-leads this effort across the Federal Government with OMB. DoD's success in this regard is in keeping with the OMB cost avoidance goals for success for 2019.

        ii. The CMO, in partnership with the Services, is successfully implementing CM throughout the Department. The Department supported the President's Management Agenda, exceeding both FY18 and FY19 established performance targets set by OMB for 10 categories of common "spend." The DoD category management efforts also focus on 9 additional defense-specific categories beyond the OMB common spend categories. Applying CM principles have helped programs identify areas for cost avoidance which then allows for funds to be re-directed for accelerating program execution and/or directed to higher priority efforts. The CMO spent $35M on consultant support in FY18-19 to support over 45 CM-related projects, helping identify opportunities to improve acquisition of goods and services, while passing along their expertise to DoD component organizations. The expected consultant spending for FY20 is $19.5M for category management support "sprints." This expensive effort is ongoing. (Comptroller, CMO data).

    b. **Establish Policies for EBO/Shared Services:** The CMO has not defined clearly what is included in Enterprise Business Operations (EBO)/Shared Services, nor developed polices and performance measures directing all of DoD including the MilDeps on EBO.[20]

        i. NDAA 2019 established requirements for DoD to reform its EBO. Section 921 of the act requires the SD through the CMO to reform DoD's EBO to increase effectiveness

[20] GAO-19-666 and 10 USC § 132a NDAA's 8-20; SD Jan 6, 2020 Memorandum - Department of Defense Reform Focus in 2020; DSD 24 Jan 2020 memorandum - Defense-Wide Organizations Transition to Chief Management Officer Governance).

and efficiencies of mission execution. One OCMO official told GAO that DoD was making progress; however, was unable to provide sufficiently detailed information.[21]

ii. The DBB notes documentation on 65 Resource Management Group (RMG) meetings (Jan 2018 – Feb 2020) covering 41 decisions requested by Reform Teams with 32 decisions "to pursue" initiatives or implement plans, resulting in seven business changes (RMG memos). In Sep 2018, GAO observed 135 initiatives with 104 not reaching the implementation phase.[22]

iii. Since its establishment in 2008, the CMO has also failed to lead significant business transformation across DoD according to the GAO. Six DoD specific High Risk areas identified by GAO for DoD enterprise business operations remain on the High Risk list and remain largely unchanged since 2009.[23] The High Risk List serves to identify and help resolve serious weaknesses in areas that involve substantial resources and provide critical services. DoDs Business Systems have been on the DoD High Risk List since 1995. Only four of twelve recommendations from 2012-2018 on DoD Business Systems had been implemented.[24]

iv. The GAO reports remain concerned that DoD has not clearly established reliable baselines for measuring progress and verifying cost savings estimates as late as January 2020, and will continue to monitor this activity.[25] DoD has not effectively implemented the necessary steps to mitigate or resolve high risk deficiencies.

c. **Exercise authority, direction, control of DAFA for shared business services & budget review:**

i. The CMO is not leading overall DoD transformation based on an enterprise-wide transformation strategy.

ii. Under 10 USC § 132a, the CMO is directed to serve as the principal advisor to the SD/DSD on establishing policies for, and directing: Planning and processes, and performance measurement and management activities and programs, including the allocation of resources.

iii. Although reform plans were submitted for eight reform initiatives in April 2019, no policy or directives have been established for these budget and resource process related initiatives. In addition, GAO found that the objectives for some of the

[21] Defense Management: Observations on DOD's Business Reform Efforts and Plan, GAO-19-666 (September 3, 2019).
[22] Defense Management: DOD Needs to Implement Statutory Requirements and Identify Resources for Its Cross-Functional Reform Teams, GAO-19-165 (January 17, 2019).
[23] DoD Approach to Business Transformation (2005), DOD Business Systems Modernization (since 1995), DoD Contract Management (since 1992), DoD Support Infrastructure Management (since 1997) per GAO-20-299, DOD Financial Management (since 1995), DOD Weapon Systems Acquisition (since 1990).
[24] Business Systems Modernization: DoD Has Made Progress in Addressing Recommendations to Improve IT Management, but More Action Is Needed what is preventing a MILDEP-level solution within the existing HPCON guidance, GAO 20-253 (March 5, 2020).
[25] GAO 20-253 and High-Risk Series: Substantial Efforts Needed to Achieve Greater Progress on High-Risk Areas, GAO-19-157SP (March 6, 2019).

initiatives in the DoD plan were similar to those from prior years' plans, or established deadlines that had already passed.[26]

d. **Direct MilDeps for Enterprise Business Operations**

i. The CMO is not currently leading overall DoD transformation based on an enterprise transformation strategy nor is the office currently directing the MilDeps in EBO.

ii. Guidance in 10 USC § 132a directs the CMO to serve as the principal advisor to the SD/DSD on establishing policies for, and directing, all EBO, including: performance measurement and management activities and programs, and unifying business management efforts across the Department.

iii. Although reform plans were submitted for eight reform initiatives in April 2019, since no policy or directives have been established for EBO it is hard to tell how these initiatives relate to EBO.

e. **Minimize the duplication of efforts and maximize efficiency and effectiveness:**

i. CMO had established nine reform teams along the nine lines of business in 2018 and then later downsized them to four. GAO warned of ignoring deemphasized areas, especially Human Resources. Reform efforts not included in the four were returned to their Components to continue initiatives in place. The DBB is not aware of any tracking mechanism for the outcomes of the five that were transferred.[27]

ii. The CMO reform team efforts, while laudable, have more or less trimmed around the edges of reform rather than lead comprehensive transformation. CMO has established a new process for estimating and tracking costs and potential savings resulting from reform efforts. This tracking process is being implemented in the second quarter of FY20.

f. **Establish metrics for performance among/for all organizations/elements of the Department:**

i. The OCMO published the first National Defense Enterprise Business Operations Plan (NDBOP) in May of 2018, which was updated in December 2019.

ii. The NDBOP includes the three goals from the NDS, and for the CMO, outlines how Goal 3: *Reform of the DoD's Enterprise Business Operations Goal,* supports implementation of the NDS and achievement of NDS objectives. Each year, the objectives and performance plans are reviewed and updated as necessary by the PSAs, and within the MilDeps in the DoD Annual Performance Plan.

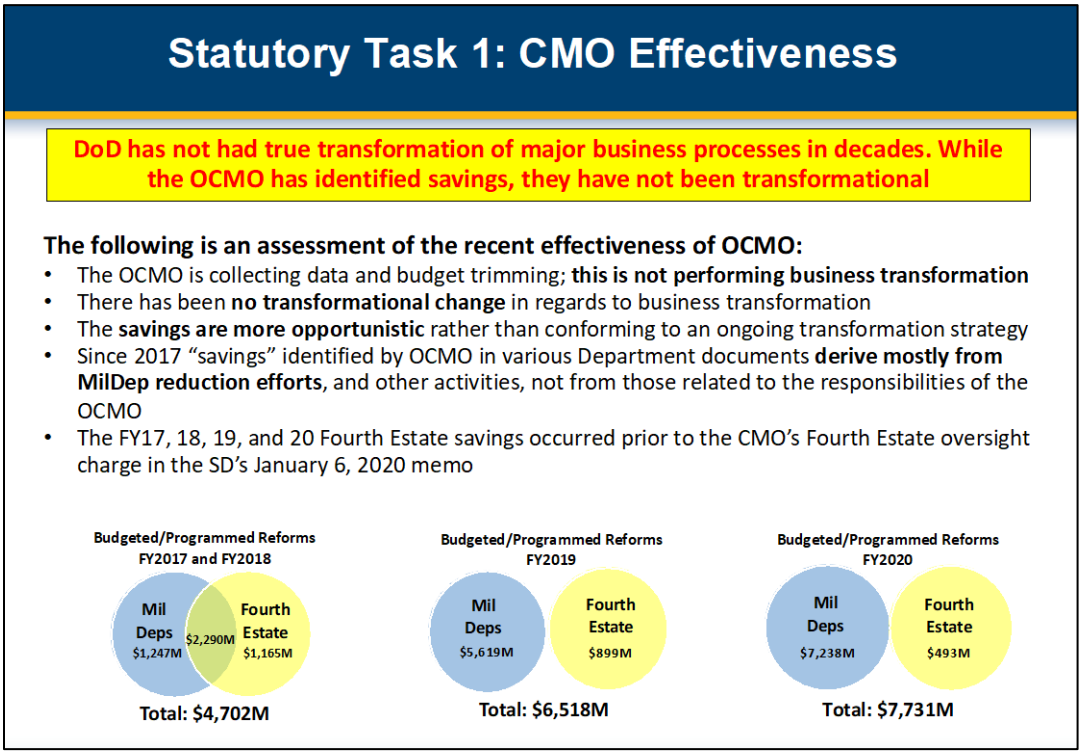
[26] GAO-19-666 and Defense Business Operations: DoD Should Take Steps to Fully Institutionalize the Chief Management Officer Position, GAO-19-199 (March 14, 2019).

[27] High-Risk Series: Substantial Efforts Needed to Achieve Greater Progress on High-Risk Areas, GAO-19-157SP (March 6, 2019).

iii. The NDBOP fulfills the Government Performance and Results and Modernization Act (GPRAMA) 2010, OMB Circular A-11 (2019), and the Congressional reporting requirements of Section 912 of the FY 2017 NDAA (Pub. L. 114- 328).

iv. Challenges remain however, in that:[28]

a) There is no governance forum mechanism to review the outcomes of the Annual Performance Plan.
b) There is no alignment of Personnel Performance Objectives with the Annual Performance Plan as directed by Government Performance and Results Act (GPRA).
c) It is not being utilized by the CMO, or applied across DoD consistently for governance and management activities related to meeting the NDS goals and objectives. Therefore, it is difficult to assess if best practices, process improvement, and the right benchmarks are being taken into account.
d) The effort is manual and labor intensive, and it takes approximately ninety days to gather all the data from across the Department for the annual performance plan. Consequently, the actual performance data lags as well.
e) The performance data is not real-time and it is gathered in a myriad of spreadsheets with no ability to display up-to-date activities for decision-making.



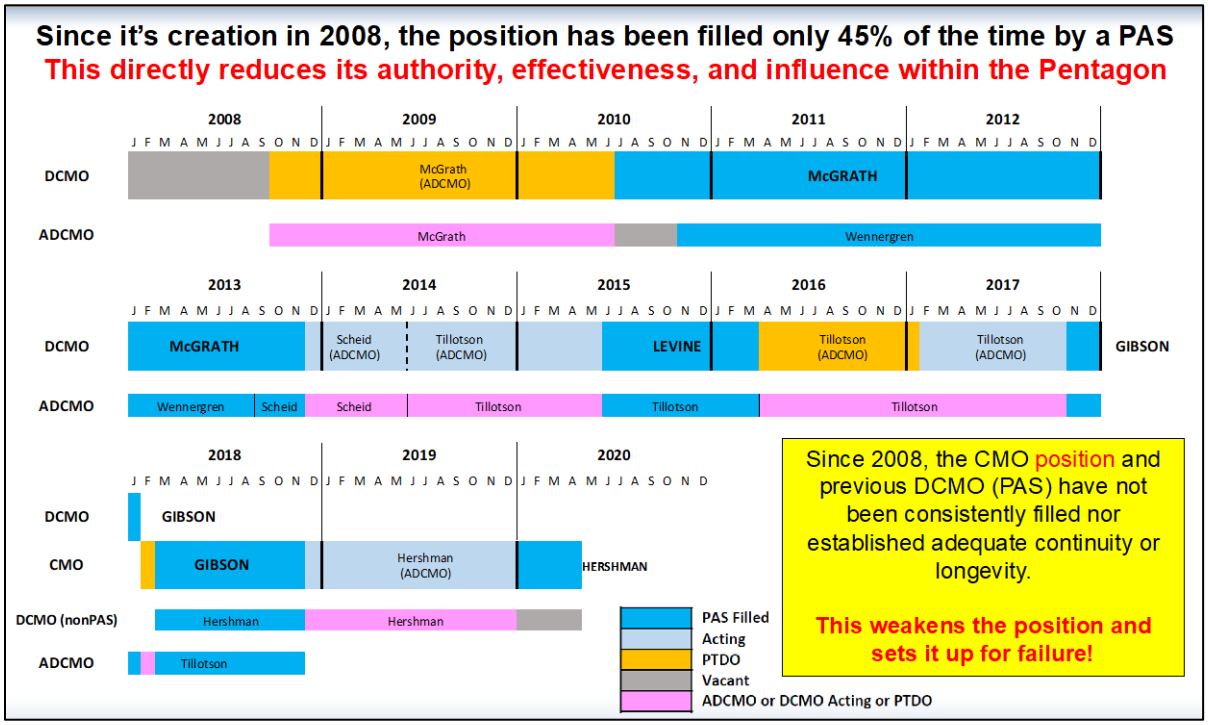
2. Chronic vacancies in the CMO and/or DCMO position:

a. Since its creation in 2008, the DCMO/CMO position has been filled only 45% of the time by a PAS official. Based on interviews and benchmarks with the private sector of a similar position, this directly reduces its authority, effectiveness and influence within the Pentagon. As of the writing

[28] Derived from GAO-19-157SP and DBB interviews.

of this report the OCMO does not yet have an approved charter delineating its authority and responsibilities within the DoD, nor has the DCMO position been filled. The current CMO has indicated in public comments that an individual in an "acting" position does not have the authority required and that did not change until confirmation and appointment.

b. Slow momentum. It could be argued that positions such as the CMO, which are responsible for massive enterprise-wide transformational initiatives, cannot develop sufficient momentum overnight. However, business process reform efforts have been directed out of OSD since 1991 and the GPRA has been in place since 1993. Major changes in DoD do not happen overnight and the fact that the DCMO or CMO position has been vacant over 55% of the time since 2008 may be a key reason why the position has not had the momentum that its creators intended.

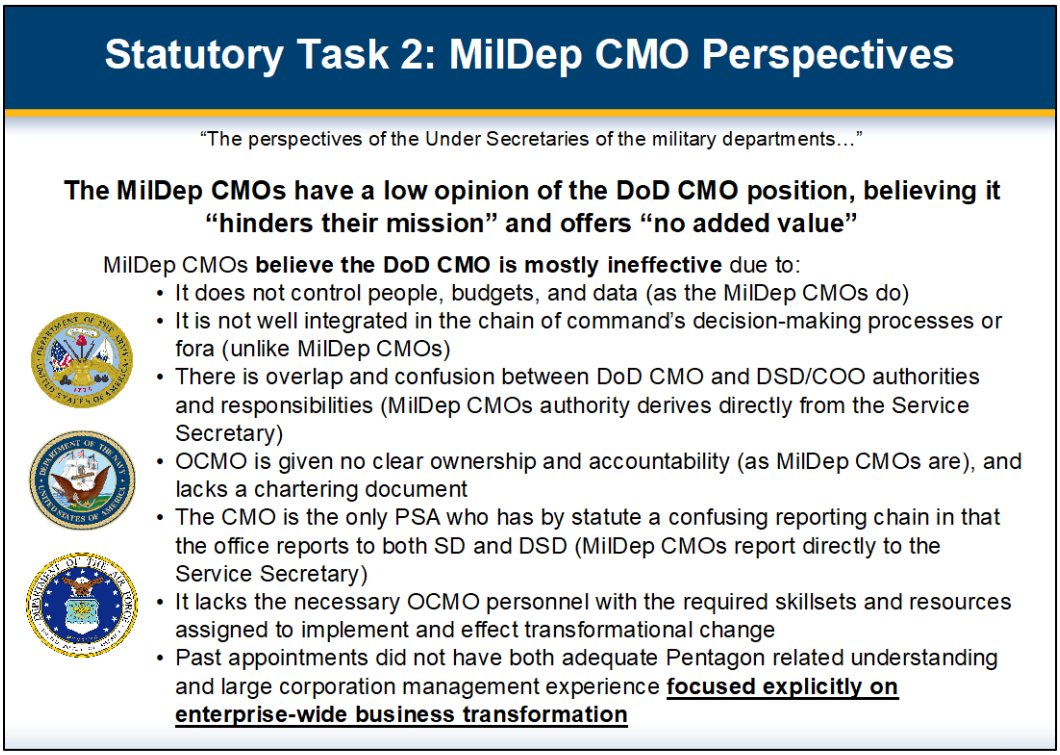


Task 1 Summary: A review of multiple GAO reports demonstrates a strong interest by Congress regarding the responsibilities, mission and functions of the CMO. Interviews with senior DoD leaders who have been inside the building for decades and those who have not, strongly suggest that the CMO position and the organization since 2008 has, as designed and implemented, been mostly ineffective in exercising its various statutory authorities and responsibilities. The current consensus from the MilDep interviews is that the office is a significant hindrance to getting things done. Furthermore, the Comptroller and CAPE attest they are doing the heavy lifting for the CMO oversight requirements laid out in statute. The massive enterprise-wide business transformation effort that is required for change is not being directed out of the CMO office at this time per 10 USC § 132a and the authorities contained in the NDAAs for FY19 and FY20.

The findings above indicate the presence of well-known challenges in achieving transformation and governance over the EBOs including those of the MilDeps and DAFA's. There is neither existing CMO policy issuance (charter) nor definitive guidance on EBOs definitions, performance expectations or reform focus. Savings identified capture efforts both in and outside the lane of the CMO were made with

significant assistance from the USD(C) and the CAPE organizations. While some progress is noted, the constraints on the DoD budget require a sense of urgency to redirect funding towards the lethality missions of the MilDeps and requires massive transformation led by the CMO, which to date has only achieved minimal impact. The current macro-economic conditions and budgetary constraints have indeed created the urgency for transformational change that the DoD leadership needs to implement an alternative to the current OCMO organization.

Task 2: The perspectives of the Under Secretaries of the MilDeps:



Observations: The MilDep CMOs have a low opinion of the DoD CMO position. They believe DoD CMO "hinders their mission" and offers "no added value."

Findings: The Under Secretaries of the MilDeps (also serve as their component's CMO) believe the DoD CMO, as designed and implemented, is ineffective. They generally have a low opinion of the CMO/OCMO and perceive CMO oversight as adding little to no value to their internal MilDep reform and transform efforts. Specifically, the MilDep CMOs believe DoD CMO, as currently designed and implemented, is ineffective due to the following reasons:

1. **The CMO does not control people, budgets, and data** (as the MilDep CMOs do). The importance of a CMO-type position was recognized by the MilDep CMOs, but the CMO is perceived by them as having little true authority within the Department due to the specifically mentioned DoD CMO lack of control over people, budgets, and data. The Under Secretaries of their DoD components, the MilDep CMOs, do have direct authority and control over their personnel, budgets, and data exercising the authority that flows directly from their respective service secretaries.

2. **The CMO is not well integrated in the chain of command's decision-making processes or fora** (unlike MilDep CMOs). The CMO does lead the RMG; however, CMO is not well integrated into the other critical DoD governance bodies. The RMG was established as a senior-level decision-making body for major DoD reform initiatives but it is not attended by high-level DoD decision makers. The MilDep CMOs contend no decisions are currently being made in the RMG, so they send lower level substitutes to monitor the briefings and status of the most probable outcomes.

3. **There is overlap and confusion between DoD CMO and DSD/COO authorities and responsibilities**. This confusion is exacerbated by the absence of a formal DoD issuance (charter) outlining the CMO's authorities (i.e. Directive/Charter). As a result, the OCMO is forced to negotiate reform and transformation through collaboration and cooperation. For instance, the MilDep CMOs perceive the RMG as a discussion forum rather than a decision-making and execution-monitoring governance body. The MilDep CMOs did recognize that Pentagon culture is naturally resistant to new positions and processes, especially a new layer of supervision. CMO is perceived as an additional layer of oversight. Ultimately, DoD Components are unclear on the scope and depth of CMO's roles and responsibilities. The Under Secretaries and their DoD components as well as the MilDep CMO's authority comes right from the Secretaries themselves and is within their chain of command so their roles and responsibilities are clear and direct. Components clearly perceive the CMO as an additional layer of supervision, duplication, and no added value.

4. **The OCMO has not accepted ownership or accountability** (as MilDep CMOs have), and has lacked a chartering document since 2008. It is widely believed that the Department needs business process transformation, but within a more effective organizational approach.

5. **The CMO has an established reporting chain**, in that, the office reports by statute to both SD and DSD (MilDep CMOs report directly to the Service Secretary). Per 10 USC § 132a, CMO is "subject to the authority, direction, and control of the Secretary of Defense and the Deputy Secretary of Defense, the Chief Management Officer shall perform such duties and exercise such powers as the Secretary or the Deputy Secretary may prescribe." Conversely, MilDep CMOs report directly, and only, to their Service Secretary. The MilDep CMOs also voiced concerns about the CMO/DCMO position, organizational structure, and duties being forced externally by the legislative process as opposed to the DoD determining the most appropriate organizational arrangement and authority to accomplish the goal.

6. **CMO lacks the necessary personnel with the required skillsets and resources assigned to implement and effect transformational change**. The MilDep CMOs also voiced their concerns that OCMO/ODCMO had little continuity of leadership, and as a result, lacked the processes and personnel with the right skillsets and backgrounds to effectively transform the Department's business processes as well as review and manage the DW budgets per the recent direction from SD. They recognized that the current DW Review process would require CMO to work closely with CAPE and OUSD(C)/CFO for fiscal analyses on the DW organizations.

7. **Appointments did not have both adequate Pentagon related understanding and large corporation management experience**. The MilDep CMOs believed the CMO/DCMOs lacked "extensive management or business background and experience managing large or complex organizations

and/or adequate knowledge of how the Pentagon works." They recommended qualifications for any individual responsible for business transformation include private industry experience transforming large, global, and complex organizations as well as direct Pentagon experience. They also suggested DoD do a better job at recruiting the right people and top talent to lead and guide business transformation than to leave it alone, and that DoD should consider it as a term position (e.g., 5-7 years). It was strongly recommended that an individual leading business transformation needs both successful private industry business transformation experience and some prior knowledge of and experience in how the Pentagon runs in order to be fully effective in leading these efforts.

Task 2 Summary: In assessing the interviews conducted, the Task Force concurs with the MilDep CMOs that the CMO position**, as designed, has been mostly ineffective** due to its lack of clear authority, a confused reporting chain, and lack of necessary leadership experience and staff with appropriate skills.

Task 3: The extent to which the ingrained organizational culture of the Department of Defense poses fundamental structural challenges:

Statutory Task 3: Organizational Culture

"The extent to which the ingrained organizational culture of the Department of Defense poses fundamental structural challenges…"

DoD's organizational culture poses significant obstacles to effecting serious enterprise-wide transformational change in DoD

Interviews conducted by the Task Force revealed that a majority of senior individuals believe that DoD's culture is a significant obstacle to change of any sort, more so for effecting transformational change. Some specific observations noted were:

- The DoD enterprise today **overwhelmingly recognizes the DSD as the arbiter in this area** – not the CMO – due to the DSD's control of budget and people and adjudicating enterprise-wide trade-offs
  - Because the CMO does not have this deal-making ability, its authorities are diminished and the role's effectiveness is hindered
  - Several of those interviewed referred to this as a culturally accepted practice of horse trading
- **DoD consists of numerous sub-cultural groups each** possessing strong individual cultures. Employees of these organizations identify more with the sub-group than the overall DoD organization, often making decisions based on the interests or outcomes that favor their organizations rather than the good of DoD as a whole
  - DoD culture "ignores" or "waits out" transformational or budgetary changes that may negatively affect one's position or organization
- MilDep/DAFA leaders often choose to **not fully comply with transformative efforts***, as the CMO has no leverage to compel their compliance or sometimes even their participation. Only the DSD can create compliance in reform for considerations elsewhere

Observations: DoD has long standing cultural problems that make enterprise-wide transformation efforts difficult to initiate, and even harder to implement. Interviews with senior DoD officials, past and present, as well as a review of previous studies, reveals cultural problems at the highest and lowest levels among DoD staff. Although large organizations often have disparate and unique pockets of culture, the Task Force focused specifically on the impact of the DoD's overall culture on the ability of the OCMO to be effective in its role of enterprise-wide transformation.

Findings: Interviews conducted by the Task Force revealed that a majority of senior individuals believe that DoD's culture is a significant obstacle for any Department leader, including the CMO, seeking to affect major transformational change. For the OCMO to be successful in the DoD, several fundamental concerns must be addressed that impact its organizational effectiveness. These concerns, all of which

are detailed below, include: (1) a strong cultural preference to recognize the SD and DSD, and not the CMO, as the authority to direct and mandate transformational change; (2) cultural provincialism that restrict opportunities for transformation; (3) cultural practice of deal-making in relation to non-compliant department leaders faced with change mandates; (4) the lack of clear, results-oriented goals, and performance measures driven by incentives or employment termination; and (5) inconsistent management longevity and accountability on change. To address these problems, DoD leaders would need to run the Department more like a business when it comes to enterprise-wide business transformation, where incentives and employment termination are based on performance results.

1. There is a strong cultural preference to recognize the DSD, and not the CMO, as the authority to direct and mandate transformational change. Interviews with senior DoD leaders suggested that there remains confusion regarding the authorities of the CMO. This confusion stems from the wording used in the Congressional statute versus familiar legal authority language often used inside DoD.

    a. For example, the Authorities of the SD and Deputy DSD are as follows: *"The Secretary and the Deputy Secretary of Defense have authority, direction, and control over the Department of Defense"* (10 USC § 113 and § 132).

    b. Contrast this with the Authorities granted to the CMO: *The CMO also has the "authority to direct the Secretaries of the military departments and the heads of all other elements of the Department with regard to matters for which the Chief Management Officer has responsibility under this section*" (Per 10 USC § 132a).

    c. Compare this with the Authorities granted to the Under Secretary of Defense for Acquisition and Sustainment (USD(A&S)): *"the authority to direct the Secretaries of the military departments and the heads of all other elements of the Department with regard to matters for which the Under Secretary has responsibility, except that the Under Secretary shall exercise advisory authority over service acquisition programs for which the service acquisition executive is the milestone decision authority..."* (10 USC § 133b).

    d. Of note, the USD(A&S) is empowered similarly within acquisition by 10 USC § 133b. However, since neither the CMO nor the USD(A&S) have the full phrase, "authority, direction, and control," within their statutes, the word "authority" is not deemed legally sufficient for CMO or USD(A&S) to exercise these authorities over the MilDeps and other DoD components writ large on their own. CMO and USD(A&S) still require the involvement and approval (implicit or explicit) of DSD, at a minimum, to direct DoD-wide changes.

    e. All this may contribute to the confusion and inclination of DoD leaders to raise objections to the DSD for adjudication versus accepting transformational mandates from the CMO. Congress should have clarified the authorities in the statute to better reflect the authority terminology and language recognized inside DoD.

    f. During its interviews, the Task Force noted that the majority of DoD leaders did not recognize the authority of the CMO to direct significant change in their business.

2. **Cultural provincialism** that restrict opportunities for transformation:

    a. Cultural opposition to change and provincialism (sub-groups) have increased the difficulty of putting into effect corrective actions. Employees of these organizations identify more with the sub-group than the overall DoD organization, often making decisions based on what is good for their sub-cultural organization rather than what is good for the DoD as a whole.

    b. Corrective actions that involve the design and implementation of common systems and processes across military service and mission support organizations. Each military service has its own budgets, processes, and program authorities. This results in a heightened provincial interest to maintaining the status quo.

    c. Despite agreement among DoD leadership regarding the implementation of a transformational change, significant reform initiatives involving the elimination of military and civilian positions, budgetary investments, or installation closures are not possible without support among the DAFA and military services, and to date that support has not been sufficient.

3. Cultural practice of deal-making in relation to non-compliant department leaders faced with change mandates:

    a. MilDep and DAFA leaders often choose to non-comply, because they can trade compliance in return for something else. DoD leaders referred to this as a culturally accepted practice of "horse trading."

    b. The DoD organization of today (as well as the past) overwhelmingly recognizes the DSD as the arbiter of these trades, since the DSD has broader authority, and controls both budget and people. The CMO's authorities are diminished or dismissed because the CMO does not have this deal-making ability, and its effectiveness is hindered.

4. Clear performance goals and measures driven by either incentives or employment termination:

    a. **Performance measures:**

        i. Performance measures that can be tied directly to desired results or goals are difficult to find in DoD. The strategic goals of the DoD do not seem to have parity or links to strategic goals held by the military services and DAFA. Not having clear, vertically linked goals and performance measures between DoD and supporting organizations, project managers at every level lack the necessary tie-backs to demonstrate how their efforts help the DoD reach its strategic goals.

        ii. Understandably, this practice increases the probability that these project leaders will function autonomously rather than as part of a cohesive team. In the existing organizational structure, each DAFA and military service must own their part of the responsibility to hit DoD budgetary and manpower targets. Functioning without clearly established performance measures and goals will likely result in less significant change initiatives than DoD leaders anticipated.

b. **Incentives:**

   i. Unlike the private sector, Department leaders inside DoD can offer few incentives to improve the efficiency of a given process, reduce an expense, or improve employee productivity.

   ii. Interviews with DoD leaders revealed that a successful career of a DoD project manager or department director is based on their ability to push a program or operation through the existing DoD processes regardless of the actual merit of the end-product rather than improving the process to ensure a working end-product.

   iii. In the event that a given program delivers sub-standard results, exceeds estimated costs, and or exceeds project timelines as promised, is subordinate to the process of actually implementing the program. This practice is a cultural problem reinforced by a lack of accountability and an unwillingness to terminate poor performing project management, vendors and employees.

c. **Employee termination:**

   i. DoD leaders also recognize that there is a cultural problem at the individual level. The DoD culture ignores or waits out transformational or budgetary changes that may negatively affect one's position or organization.

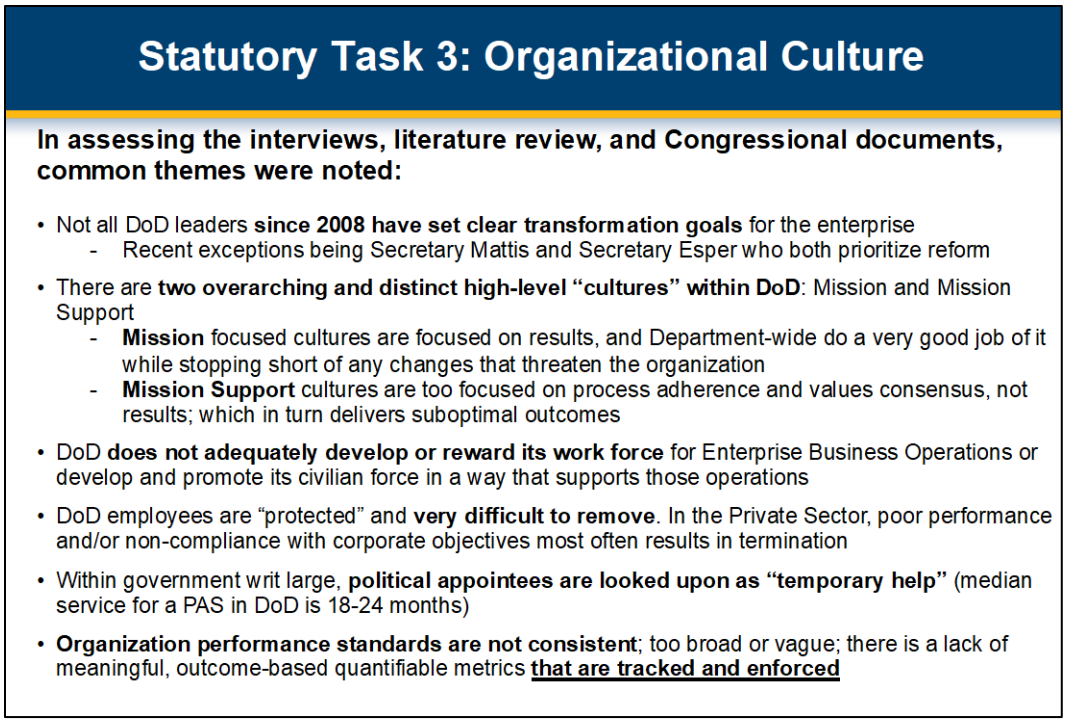
   ii. The complexity and time required to terminate DoD employees emboldens employees to resist change because it is perceived by managers as difficult to terminate them without incurring personal liability through the grievance process.

   iii. The most concerning discovery regarding the practice of non-compliance is the fact that there is no negative impact on an individual or department for ignoring transformational initiatives.

   iv. Task Force interviewers were informed by DoD leaders that they can be personally sued by any DoD employee they need to terminate for cause. It is hard to imagine an environment where high quality private sector executives considering the transition into DoD service would ever subject themselves to personal liability as a result of acting in the best interests of the DoD.

5. Inconsistent management longevity and accountability on change:

   a. Senior DoD officials described an environment where the vast number of senior and mid-level officials ignore or wait out transformational or budgetary changes initiated by short-lived political appointees and Department heads.
   b. This practice of selectively ignoring business change and transformational initiatives seems to be driven from a perception that transformational efforts are poorly conceived, badly implemented and may negatively affect one's position/organization. This practice takes place at the highest and lowest levels in DoD.



Task 3 Summary: A review of § 904 demonstrates a strong appreciation by Congress of the inherent challenges present in the DoD Culture. Interviews with senior DoD leaders who have been inside the building for decades attest to a long-standing culture that is averse to change. Congressional suggestions regarding the prohibitive nature of DoD's culture on an office (OCMO) designed to implement massive transformation are well-placed.

The findings above indicate cultural challenges at the highest and lowest levels of the organization. Private industry recognizes a functioning organizational culture as the precursor to willingness to buy-into and embrace painful transformational change. Private industry organizations faced with a broken culture are faced with an existential challenge: reinvent the culture or cease to exist as a company. Those inside and around the DoD have long recognized the complexity and challenges of its culture, but DoD leadership has arguably never been faced with the serious urgency for change. Heretofore, the DoD could function, albeit inefficiently, with its culture. However, the existing macroeconomic conditions, near-peer threats, and increasing budgetary constraints should create the urgency for transformational change that the DoD leadership has been attempting.

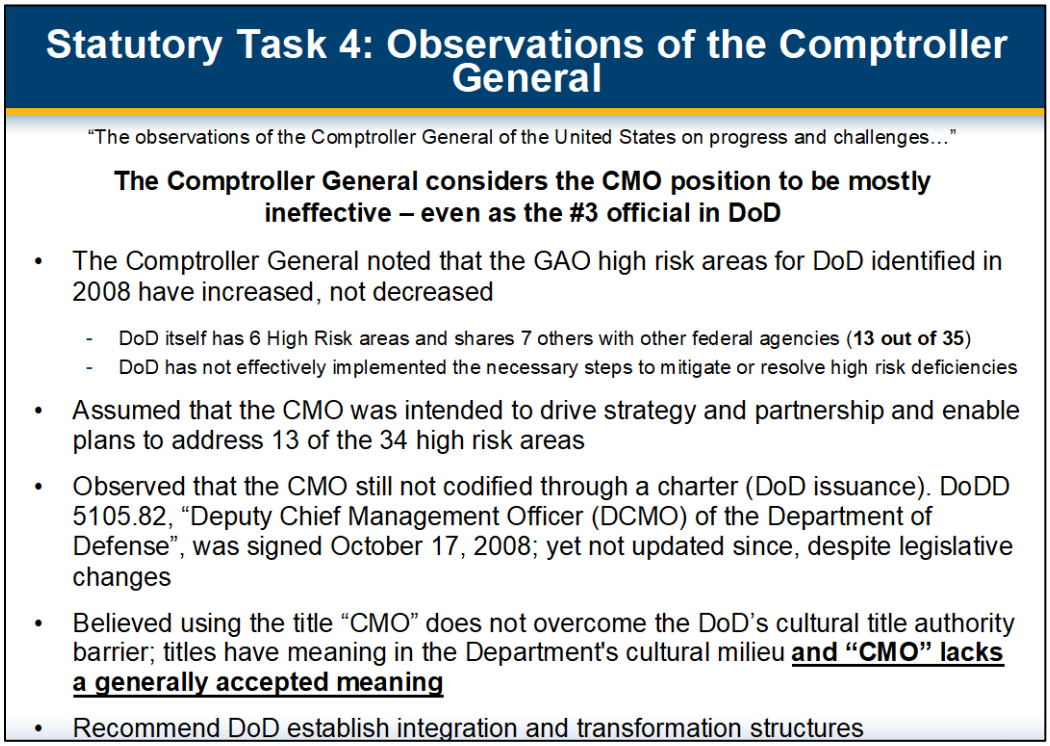
In private industry, the CEO can hire anyone and fire anyone.

The CMO has been assigned the task of shepherding transformational change in difficult conditions that have been created by the long-standing DoD organizational culture. The CMO's efforts to identify, launch and maintain transformational change is hindered by several cultural factors listed above.

DoD seriously needs the "A+" talent, but due to an antiquated hiring process, rigid compensation rules, burdensome regulations, and an industrial age hiring mindset, the current structure is unattractive to the very talent needed. The "A+" talent in the technology arena gravitates towards the less structured and more flexible work environments seen in Silicon Valley. The DoD business processes, along with a

long-established workplace culture, inhibit the DoD's ability to acquire the quality skills it needs. The DoD employee experience of today is inconsistent with the expectations of today's high-skilled workforce.

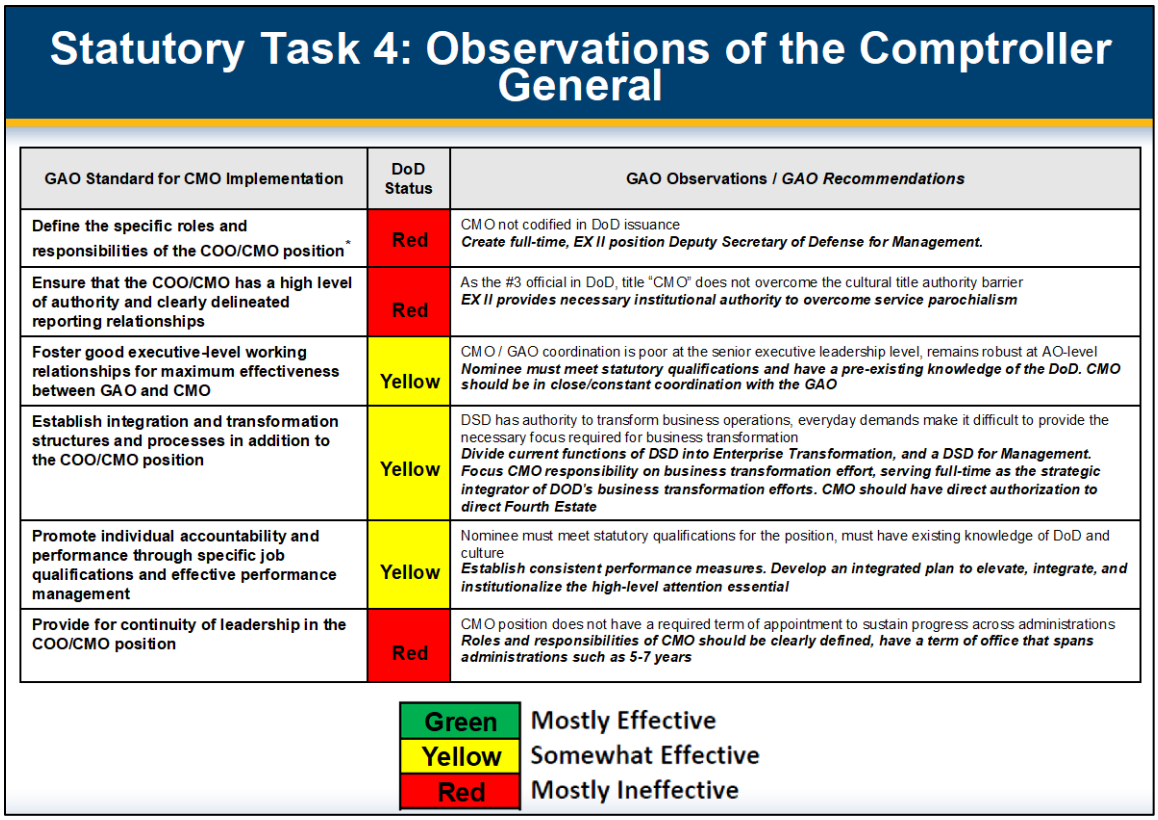
Task 4: Observations of the Comptroller General of the United States on progress since the CMO was established in 2008:



The GAO has long identified the need for DoD to have a CMO, codified in statute as a separate position, at the right level, and with the adequate amount of time in office, sufficient resources, and appropriate authority to be responsible and accountable for its business transformation efforts. The GAO specifically recommended that the DoD CMO:

- Be a full-time position, created through legislation, with responsibility, authority, and accountability for DoD's overall business transformation efforts.
- Have significant authority and experience and report directly to the SD.
- Serve in a term appointment of at least 5 to 7 years, subject to a performance contract.

*GAO Implementation of CMO Standards 2007



*GAO Implementation of CMO Standards 2007

The NDAA for Fiscal Years 2017 and 2018 elevated the 10-year old DCMO to the CMO with increased statutory authority at a Level II -- equivalent to the DSD and the Service Secretaries, and as the number three official in DoD. GAO notes that these enhancements have not been successful, and that the new office has not exercised its new authority. The CMO position has lacked leadership continuity and the sustained leadership needed to integrate and implement the Department's transformation efforts. Transforming DoD's business operations is a necessity in the context of an increasingly demanding and changing security environment and the growing pressures associated with our nation's deteriorating long-term fiscal outlook. A fully empowered individual is essential to achieving this objective.

The Task Force submitted two main questions to the GAO as required by the statute:

1. To what extent has the DoD CMO position been effective in achieving the service and exercising the power and authorities specified in Section 132a of Title 10, United States Code?

2. What are the observations of the Comptroller General of the United States on progress and challenges during the prior 10 years in the establishment of positions of CMO in agencies throughout the Executive Branch, including in the DoD and in other Federal agencies?

GAO Question 1: To what extent has the DoD CMO position been effective in achieving the service and exercising the power and authorities specified in § 132a of title 10, United States Code?

Statutory Task 4 : GAO Report Themes

- DoD has been largely ineffective towards implementing the CMO's authority to direct the military departments on business operations [GAO 19-199]
- A CMO is needed in order to sustain progress on long-standing "DoD high risk series" issues [GAO 19-199 and GAO 19-157SP]
- The GAO found a lack of sustained leadership involvement in business transformation performance and mostly ineffective in achieving efficiencies in enterprise business operations [GAO 17-369 and GAO 17-317]

1. The GAO responded that the CMO has made progress in some key areas; however, since DoD's OCMO and CMO were upgraded in February 2018, certain structural and cultural impediments, a lack of Department-wide guidance, as well as resource constraints, have hindered that progress.[29]

2. The GAO reported in March 2019 that the DoD had taken the important step to formally create the CMO position through a Department-wide memo, signed by then Secretary Mattis; and the OCMO updated its internal structures to align with key responsibilities identified in § 132a of title 10 United States Code. The CMO also created a new Chief Data Officer (CDO) position and the Data Management and Analytics Steering Committee to help fulfill the statutory responsibilities related to establishing common Department-wide data sets. The Conferees in the FY20 NDAA moved that position under the OSD CIO, indicating dissatisfaction with its placement within the OCMO.

3. The GAO also reported the CMO has made progress implementing key statutory requirements designed to strengthen Department-wide collaboration, such as the development of an organizational strategy to guide the use of DoD's cross-functional teams. Secretary Esper signed that strategy in October 2019.

4. Additionally, the CMO has taken a leadership role in chairing DoD's RMG, a governance forum for the Department's business reform efforts. This group has been responsible for overseeing

[29] GAO, Defense Business Operations: DOD Should Take Steps to Fully Institutionalize the Chief Management Officer Position, GA0-19-199 (Washington, D.C.: March 14, 2019).

key reform initiatives, including those covered in the CMO's January 2020 report to Congress.[30] According to the CMO, these initiatives-in the areas of civilian resource management, logistics management, service contracting, and real estate management are projected to save DOD at total of about $1.17 billion.[31]

5. While these actions and reported achievements indicate progress, the GAO found the CMO has not exercised the power and authorities specified in § 132a.

6. Section 132a authorizes the CMO, subject to the authority, direction, and control of the SD and DSD, to direct the Secretaries of the MilDeps and the heads of all other elements of the Department with regard to matters for which the CMO has responsibility under the statute. However, DoD leadership has not determined how the CMO will exercise this authority in instances where the MilDeps have concerns or disagree with decisions that the CMO makes.

7. In March 2019 the GAO cited instances in which the lack of determination as to how the CMO is to direct the business-related activities of the MilDeps led to questions about the respective roles and authorities of the CMO and the MilDeps as they relate to business reform, impeding progress in driving efficiencies.[32] For example, when the CMO wanted to move DoD to a single contract writing system, officials from the MilDeps voiced concern and it was not approved. The purpose of the reform had been to increase data visibility, lessen or eliminate redundant contracting needs, provide for greater management insight, and increase the buying power of the Department.[33] However, the CMO was ultimately unable to direct the MilDeps to adopt one shared system.

8. The CMO's ability to fulfill their responsibilities under § 132a is subject to the same review by the DSD as other PAS positions and the major decision body for enterprise-wide trade-offs remains the Deputy's Management Action Group chaired by the DSD.

9. The GAO recommended that the DSD make a determination as to how the CMO is to direct the business-related activities of the MilDeps and, on the basis of that determination, codify those authorities and how they are to be operationalized in formal Department-wide guidance.

    a. The GAO further identified a way to operationalize this recommendation in the SD or DSD issuing a directive covering, all of the CMO's authorities and responsibilities envisioned under § 132a, followed by series of tasking memos focused on providing more detail about different responsibilities, authorities, or aspects of business reform.

[30] DOD, Office of the Chief Management Officer, Report on Section 921(b)(3) of the John S. McCain Fiscal Year 2019 National Defense Authorization Act (Pub. L. 115-232), (January 1, 2020).
[31] GAO is currently conducting a review of this report and the initiatives it describes and will seek to validate the cost savings reported by the CMO.
[32] GAO, Defense Business Operations: DOD Should Take Steps to Fully Institutionalize the Chief Management Officer Position, GA0-19-199 (Washington, D.C.: March 14, 2019).
[33] GAO; *Defense Management: DOD Needs to Implement Statutory Requirements and Identify Resources for Its Cross-Functional Reform Teams*, GA0-19-165 (Washington, D.C.: January 17, 2019).

b. A memo issued on January 24, 2020 by the DSD provided specific authorities to the CMO to take certain actions with regard to the Defense-wide accounts and to some of the DAFA.

10. Section 132a also gives the CMO responsibility for exercising authority, direction, and control over the DAFAs that provide shared business services for the Department, as designated by the SD or DSD. This responsibility is important because the DAFAs, which are intended to provide Department-wide consolidated functions, have experienced numerous instances of fragmentation, overlap, and duplication. As of January 2020, DoD leadership has taken steps to more clearly define the CMO's responsibilities and authorities as they relate to the DAFAs.

11. Specifically, as referenced above, DSD Norquist, through memorandum, assigned the CMO responsibility for leading an effort to review and improve the business performance of the Defense-wide accounts and organizations, including leading bottom-up reviews of select DAFAs.

    a. Notably, the memorandum provides the CMO greater oversight authority over DAFAs such as participating in each phase of the performance evaluation cycle for SES DAFA directors, while maintaining the PSA's responsibility for directly supervising the heads of the DAFAs, including establishing policies and providing mission direction.

    b. The GAO noted the result of this memorandum could strengthen the CMO's ability to oversee and streamline some of the DAFAs' business operations. In addition, the focus on the Defense-wide accounts, which only represent about 17 percent of DoD's total budget, could hinder the CMO's ability to drive reforms through a broader review of the Department's resources.

    c. Last, the GAO stated: "It is unclear how this memorandum will affect the CMO's ability to drive reforms in business functions that cross both the MilDeps and the DAFAs or what this memorandum means for the CMO's relationship with the Chief Information Officer and the Director, CAPE, with whom the CMO is to collaborate on the Defense-wide review."

    d. The GAO also cited another key impediment to the CMO's ability to exercise the authorities and responsibilities envisioned under § 132a in the limitation on resources available to implement certain reforms. In January 2019, the GAO cited uncertainty with funding for reform initiatives as a possible factor inhibiting the progress of some of the cross-functional business reform teams overseen by the CMO. For instance, the OCMO did not have to support certain reform initiatives planned by cross-functional teams focusing on reforming information technology and business systems and reforming real property management. However, the OCMO has spent tens of millions of dollars on outside consultants over the years.

12. The DoD's efforts to reform key business operations have been hampered for years by limitations in accurate, reliable, real-time data:

a. For example, the GAO found in 2016 the DoD does not have reliable data for assessing headquarters functions and associated costs, potentially hindering the Department's ability to accurately assess specific functional areas or identify potential streamlining and cost savings opportunities.[34]

b. The FY 2020 NDAA directed that the CDO shall be the official in DoD with principal responsibility for providing for the availability of common, usable, Defense-wide data sets and shall report directly to the CIO.

c. The GAO reports that while this alignment is consistent with how many federal agencies construct their CDO and CIO roles, it could complicate the DoD's CMO's efforts to harness the power of data to effect change.

GAO Question 2: What are the observations of the Comptroller General of the United States on progress and challenges during the prior 10 years in the establishment of positions of Chief Management Officer in agencies throughout the Executive Branch, including in the Department of Defense and in other Federal agencies?

1. In 2007, GAO identified six key strategies that can be useful in implementing Chief Operating Officer (COO)/CMO positions in federal agencies, listed below.[35] These strategies provide a useful lens through which to assess the progress of Executive Branch agencies in establishing CMO positions.

    a. Define the specific roles and responsibilities of the COO/CMO position.

    b. Ensure that the COO/CMO has a high level of authority and clearly delineated reporting relationships.

    c. Foster good executive-level working relationships for maximum effectiveness.

    d. Establish integration and transformation structures and processes in addition to the COO/CMO position.

    e. Promote individual accountability and performance through specific job qualifications and effective performance management.

    f. Provide for continuity of leadership in the COO/CMO position.

[34] GAO, Defense Headquarters: Improved Data Needed to Better Identify Streamlining and Cost Savings Opportunities by Function, GA0-16-286 (Washington, D.C.: June 30, 2016).
[35] GAO, Organizational Transformation: Implementing Chief Operating Officer/Chief Management Officer Positions in Federal Agencies, GA0-08-34 (Washington, D.C.: November 1, 2007).

2. To date, the GAO has indicated that:

    a. This model was not successful, judging by the continued weaknesses in DoD's business operations, resulting in dollars being wasted, reduced efficiencies, ineffective performance, inadequate accountability, and lack of transparency.

    b. The DSD may be at the right level with appropriate authority to transform business operations; however, the demands placed on this position make it difficult for the DSD to focus adequate time and attention on enterprise-wide business transformation.

    c. In addition, the DSD position may not have the right background and does not typically stay in office long enough to achieve and sustain progress, especially across administrations.[36] Moreover, some DSD's have had backgrounds and expertise more focused on policy matters than on management practices, with the exception of the current DSD.

3. To address the problem of competing demands on the DSD, Congress in the FY 2008 NDAA established a DCMO position to assist the DSD. However, this model was also not entirely consistent with many of the key strategies identified above, in particular ensuring that the DCMO has a high level of authority and clearly delineated reporting relationships.

4. The GAO also noted the significant turnover in the DoD CMO position since February 2018, which is inconsistent with the last key strategy cited above. Specifically, the first CMO, John "Jay" Gibson, resigned in November 2018, less than one year after assuming the position. Lisa Hershman served as Acting CMO from December 2018 until her confirmation in December 2019.

5. The DBB has previously recommended that DoD adopt a model in which there is a "bright line" between the SD and DSD, such that the Secretary is exclusively focused on national security or policy, and the DSD is solely focused on the internal workings (e.g., Mission Support) of the Department, including enterprise-wide business transformation. The GAO cited a number or reasons for a potential failure of this recommendation.

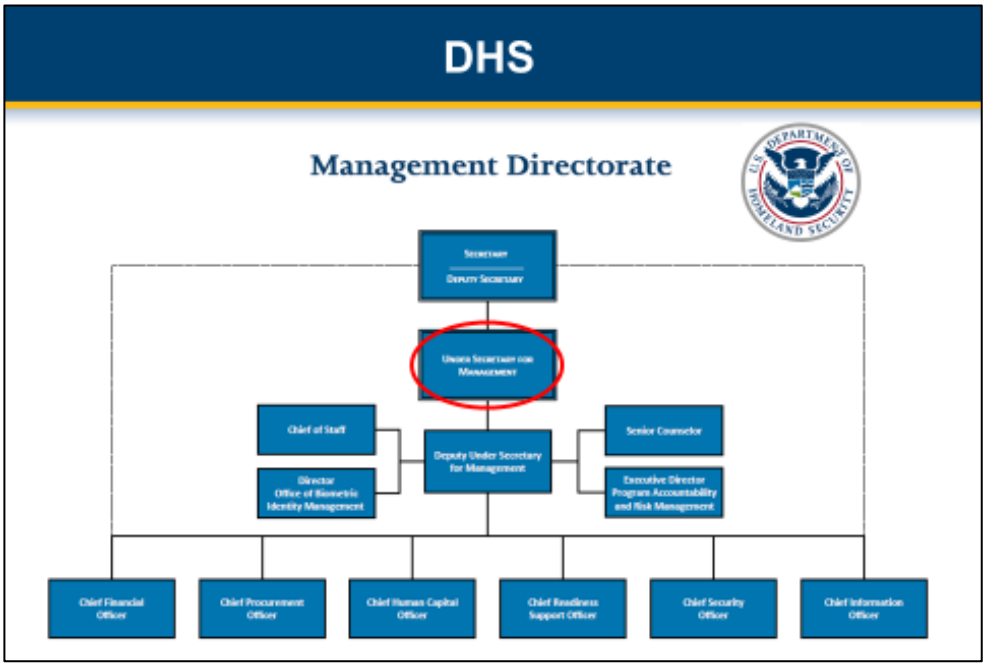
    a. First, deputies will always need to have a policy focus given the sheer breadth and complexities of DoD's national security missions.

    b. Second, such a construct breaks the important chain of command within the Department by allowing Under Secretaries of defense to circumvent the DSD for matters that would not fall under the Deputy's purview.

    c. Third, it runs directly counter to the traditional role of DSD in engaging in key interagency processes, such as Deputies Committees meetings chaired by the National Security Council.

[36] GAO, Defense Business Transformation: Achieving Success Requires a Chief Management Officer to Provide Focus and Sustained Leadership, GAO-07-1072 (Washington, D.C.: September 5, 2007).

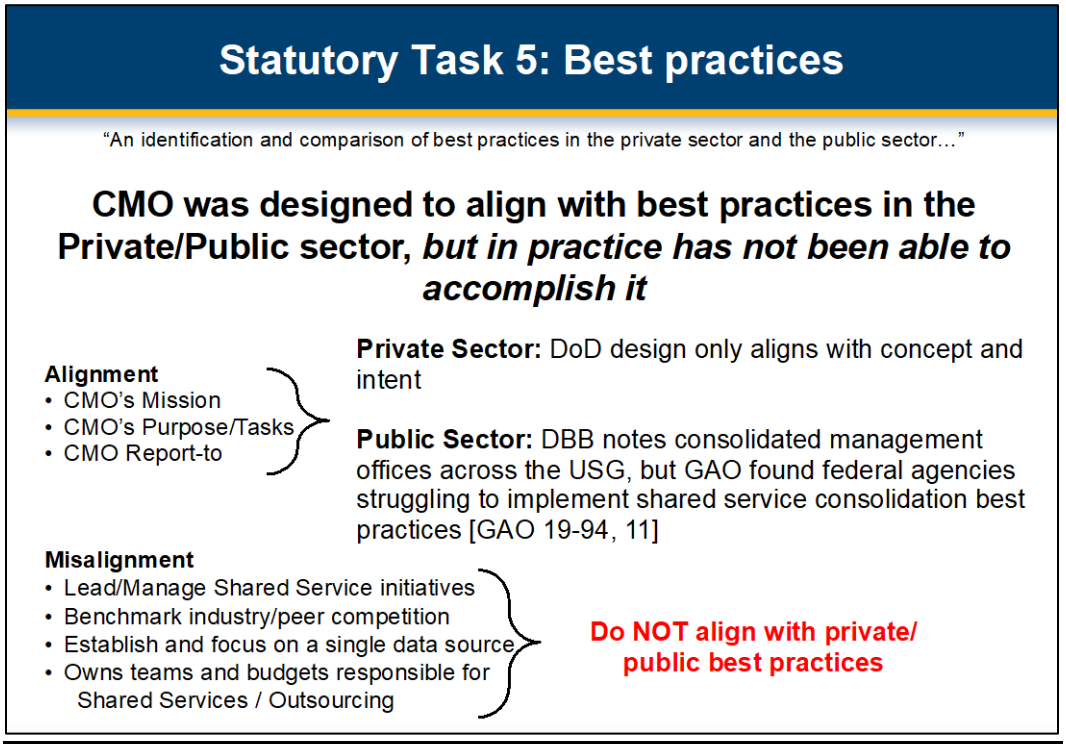
6. One of the federal agencies that have adopted this model is the Department of Homeland Security's (DHS), which has an Under Secretary for Management (USM). This position was statutorily designated as DHS's CMO in 2007. DHS has issued directives that clearly articulate the USM's roles and responsibilities and has given the USM substantial authority.



a. For example, in a directive on its planning, programming, budgeting, and execution process, DHS states that the USM is to provide leadership and oversight for all Department management and operation functions, including finance, information technology, human capital, procurement, readiness support, security, and acquisition. Although the USM does not formally approve or deny the components' requests, the USM's participation in budget review meetings ensures that the USM's business perspective is brought to bear on the Department's resource management processes.

b. While the DHS USM position has not been without its challenges, it nonetheless provides one useful example of how Executive Branch agencies can implement the key strategies the GAO has identified.

Task 5: Identification and comparison of best practices in the private sector and the public sector:



Observations: Even the best private sector companies have flaws that make perfection impossible. These flaws often inhibit their efforts at planning past near-term quarterly milestones, or driving end-results that may not benefit anyone but their shareholders. Interestingly, these flaws are **not** commonly found in the DoD. However, even with its flaws, the private sector commonly surpasses Federal Agencies, including the DoD when measuring efficiency and innovation, and at this crucial time, these are the focus DoD needs most. The reason why the private sector outpaces DoD on these two fronts is a direct result of the time and effort used to develop world-class models to optimize resources, productivity and innovate with cutting edge ideas. This enables the private sector to create more value for stakeholders, sooner and with lower expense. Senior DoD leaders are facing significant pressure from its peer competitors and could benefit from these private sector models for improving efficiency and using fewer resources.

Findings: Interviews conducted by the Task Force suggested that DoD leaders, as well as a majority of senior executives in the private and public sectors do not believe that the OCMO aligns with private/public best practices. In order to measure the degree of alignment between the OCMO and private sector best practices, the Task Force: (1) researched CMO-type roles in the private sector in order to develop an informed perspective on generally accepted best practices for such roles; (2) scheduled and collected private/public sector interview feedback from CMO-type roles; and (3) interviewed senior foreign military leaders from the United Kingdom (UK) and Australia (AUS) who hold similar roles as the DoD's CMO.

1. **CMO-type role best practices:** Research into CMO-type roles in the private and public sector revealed some notable findings.

    a. The CMO is an outdated construct. Very few organizations in the private or public sector use the term Chief Management Officer anymore. Although the CMO title appeared briefly and then disappeared from the corporate world, the function of driving internal efficiencies and measuring performance never disappeared in the best performing organizations. The CMO title is not used anywhere in either the private sector or government organizations other than DoD.

    b. Most global best in class organizations assign the tasks described above to the function of Global Business Services (GBS). GBS departments are typically responsible for not only identifying transformational efficiency initiative opportunities for organization, but also have the staff and expertise to implement and manage the transformations.

2. Best practices for GBS executives are tied to key areas listed in the table below:

Best Practice	Private*	Public*	DoD
Mission: Drive efficiencies and create new capabilities	Green	Yellow	Yellow
Focus: Lead shared service transformation	Green	Green	Red
Structure: Individual in "CMO" role reports to top executive	Green	Green	Yellow
Ownership: Control Shared Services and related capabilities	Green	Red	Red
Performance: Uses benchmarks against peer competitors to improve and enhance	Green	Red	Red
Data: Focus/Utilizes a single, reliable source for data	Green	Yellow	Yellow
Analytics: Ownership and leverage of data enterprise-wide	Green	Red	Red

- Mission
- Purpose/Tasks
- Report-to

→ Aligns with private best practices

- Lead/Manage Shared Service initiatives
- Benchmark industry/peer competition
- Estab. and focus on a single data source

→ Does **NOT** align with private best practices

Green	Mostly Effective Implementation
Yellow	Somewhat Effective Implementation
Red	Mostly Ineffective Implementation

***The DBB Task Force examined those Private/Public organizations which are considered to be the top performers in their respective business areas**

The CMO in DoD does not report to the "CEO" as noted in the chart above. It should be noted that 10 USC § 132a indicates: "subject to the ADC (Authority/Direction/Control) of SD and DSD, the CMO shall perform such duties and exercise such powers as the SD or DSD may prescribe."

3. Interviews with CMO-type executives: The Task Force private/public sector interviews enabled an understanding of how the CMO Office achieved and also missed alignment with common best practices in CMO-type roles. By comparing existing DoD CMO functions, capabilities, and resources

against those typically seen in best-in-class organizations, the Task Force was able to identify gaps and opportunities for improvement. The results of this comparison were not favorable. The OCMO's only alignment with private sector best practices is around mission and focus but execution has not begun at the scale necessary.

a. **Mission:** The congressionally assigned mission of the OCMO (to drive efficiencies through business transformation and implement shared services across the enterprise) aligns well with private sector best practices.

b. **Focus:** In the private sector, the focus of CMO-type roles is to identify opportunities for shared services and to lead the implementation of those initiatives. Although the DoD has implemented several minor shared process initiatives such as personnel vetting and Defense Travel, the OCMO does not currently identify or manage the implementation of shared services in the most meaningful functions such as Human Resources (HR), Information Technology (IT), Logistics, Finance, Health Care, etc.

c. **Structure:** The DoD structured the CMO role so that it reports directly to the DSD (e.g. the COO) and not the SD (CEO). This does not align with private sector best practices although the statute allows the CMO to report to the top official.

d. **Ownership:** In the private sector, OCMO-type organizations have ownership of certain functions that enable it to identify efficiency opportunities and manage the enterprise-wide transformation initiatives. In many cases, OCMO-type organizations have ownership of all the personnel and resources inside a shared service function. The DoD OCMO has some limited organic analytical capability to identify opportunities for cost savings, however this expertise is not focused on identifying shared services opportunities in areas typically targeted by best-in-class companies of the private sector. The CMO continues to rely on other DoD PSA's, such as USD(C) and CAPE, as well as expensive outside consultants, for analytics. The CMO within DoD does not have responsibility for key mission support functions like the CFO, CHCO, CIO or CAPE.

e. **Performance:** In the private sector, OCMO-type organizations spend considerable time and effort identifying best-in-class and benchmarking the performance of their peer competition. Subsequently, they develop strategic action plans to bridge the performance gap. The DoD OCMO has some limited organic analytical capability but it is not focused on benchmarking best-in-class performance metrics inside enterprise-wide functions normally targeted by the private sector, such as HR, IT, Logistics, Finance, etc. Moreover, the OCMO is neither equipped nor staffed to perform the function of benchmarking DoD performance against (foreign) peer competition (i.e., China).

f. **Data:** In the private sector, best-in-class OCMO-type organizations spend considerable time and effort identifying all of the disparate data sources around the enterprise and merging these sources into a single, reliable source for all departments. This data standardization normalizes data definitions across the enterprise and enables the comparative performance management both inside and outside of the organization. The DoD OCMO has begun this

approach through applications on the Comptroller's development of ADVANA, which is being developed and run by USD(C) while the CMO is an observer. The ADVANA data repository is in its early stages and not yet considered a required, single data source for any other entity inside DoD. As a result, the OCMO does not yet possess independent data analytics, and so does not align with private sector best practices in the management of data, but progress is on-going.

g. **Analytics**: In the private sector, best-in-class OCMO-type organizations have analytical teams that specialize in measuring best-in-class industry performance metrics in not only core performance, but also in functions such as HR, IT, Logistics, Finance, etc. These analytical teams must be capable of identifying opportunities inside each function of an enterprise, but also monitoring and reporting on the performance of those functions throughout the transition to shared services. The DoD OCMO has some limited organic analytical capability but it is not focused on benchmarking best-in-class performance metrics inside enterprise-wide functions normally targeted by the private sector, such as HR, IT, Logistics, Finance, etc.

Task 5 Summary (Domestic): The DoD's CMO Office was given the correct mission and potential authority; however, the implementation of the CMO role within DoD is not generally consistent with best practices in the private sector. The CMO has made some very limited process changes inside the Department, but wouldn't be considered enterprise-wide shared services initiatives. In fact, the pursuit of true shared services initiatives such as enterprise-wide HR, Logistics, Contract or Facilities Management would yield massive savings for the DoD. This pursuit would also require resources and experience that the CMO office does not currently possess and arguably, the office has not been resourced or led to pursue such rich opportunities. Further, the interviews and previous reports, both internal and external to DoD, indicate that the DSD is better positioned to drive these reforms.

International Comparison:

To provide another dimension of external comparison, the Task Force also evaluated the current American concept of a CMO position with two close allies having democratic governments, and with whom the U.S. has a long history of defense and national security cooperation, the UK and AUS.

1. **Senior foreign military leader's interviews:** A review of two foreign (UK and AUS) defense organizations provides relevant insight into the process and results of drastically changing a defense department. Although some may argue that there are few private, public, foreign or domestic organizations that can serve as adequate comparisons to the U.S. DoD, it is hard to dispute the value of insights from two foreign defense organizations that faced similar budgetary constraints and have undergone drastic change using similar organizational roles (i.e. CMO-type positions).

2. **United Kingdom (UK)**: The UK Ministry of Defense (MoD) is a significantly smaller defense organization than the DoD, however, the organizational structures, business processes and mandate for drastic change are similar. The UK's MoD was, by their measurement, not being well managed and their country's defense budget had to plan for significant reductions in manpower, equipment and mission, while increasing the productivity of resources and budgetary allocations. To meet this challenge, the UK created a CMO-type position, which reports to their Permanent Secretary (CEO)

equivalent. In the UK, the Permanent Secretary is a full-time career civil servant who typically serves for 5-7 years. The new CMO related position was given the mandate and authority to transform the enterprise in meaningful ways to become both more efficient and effective. The Task Force interviewed the individual appointed to this CMO-type role and learned the following about their challenges, actions and subsequent results:

a. The Minister of Defense in the UK is the top political person who is appointed by the Prime Minister and also serves in Parliament. It is of significance, however, that the Permanent Secretary is a career civil servant in the British system and has lengthy government experience and significant tenure in his position, unlike the American DSD who is a political appointee. Since the position was created, only two American DSDs, Paul Wolfowitz and William H. Taft IV, have tenures as long as the current UK Permanent Secretary. Neither would be seen as management-oriented deputies.

b. Reporting to the Permanent Secretary is the Chief Operating Officer (COO), which is roughly equivalent to the DoD's CMO. The COO was created in 2010 to take on time intensive transformational tasks that the Permanent Secretary's was not able to focus on. In contrast with the DoD, the position is not a political appointee, but a civil servant on a performance contract with no time limit. The COO focuses on the business transformation efforts inside the Ministry of Defense. The MoD has 12 support agencies (CFO, CHCO, CIO and several agencies similar to DAFAs) that report up through the COO to the Permanent Secretary.

c. The COO was initially tasked with reducing the size of the organization. To accomplish this, the COO focused on four key areas:

    - Equipment acquisition.
    - Enabling digital/high-tech capabilities.
    - Improving productivity in both the military and civilian workforce.
    - Logistics and Support functions.

d. The methodology used in their transformation model includes a process with three phases: strategy, delivery, and portfolio implementation.

e. The COO's initiative was able to achieve the targeted organization size of MoD and credits the achievement to implementing technology improvements and a shared services model that reduced headcount and improved productivity of core staff. The initiative did not begin with a targeted headcount reduction of any specific percent. The reduction was driven by the efficiencies realized by implementing the changes resulting in a newly balanced organization that considered itself leaner and more responsive.

f. Since this transformational effort, the MoD continues to improve business processes across the enterprise by implementing new technology or improving capabilities of its shared services functions.

3. **Australia (AUS):** Faced with similar budgetary and organizational problems, AUS reviewed its defense enterprise in 2016 and in result, augmented the role of the Associate Secretary (akin to the DoD's CMO role). The purpose and function of this improved role was to drive efficiencies in the AUS Ministry of Defence using business transformation and shared services. The Task Force interviewed the individual appointed to this CMO-type role and learned the following about their challenges, actions and subsequent results.

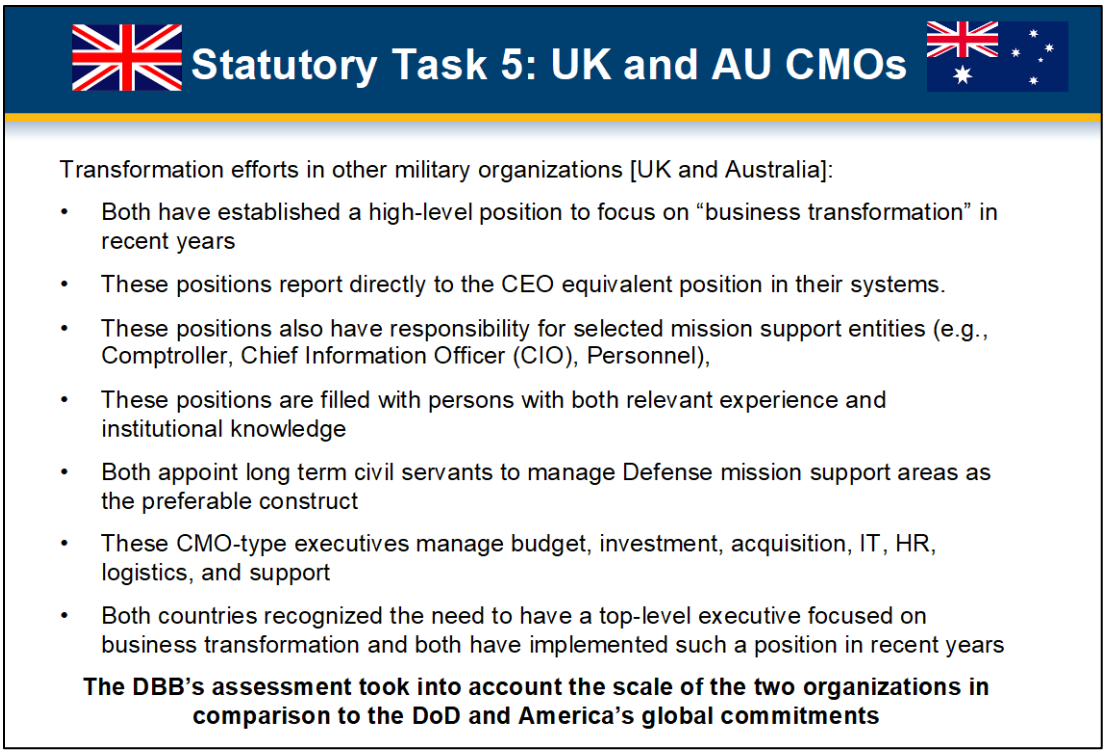
    a. The Minister of Defence for Australia is the top political person who is appointed by the Prime Minister and also serves in Parliament. The AU has a role similar to the DoD DSD called the Secretary of Defence. This role is a non-political, civil service appointment and has a five-year term. Reporting to the Secretary of Defence is the Associate Secretary (akin to the DoD CMO), which is an appointed role and not bound by a specific term. Similar to the DoD, the AU MoD has ten support agencies (similar to DAFAs) that report up through the Associate Secretary.

    b. The Associate Secretary leads the enterprise governance committee, which drives transformational change across the organization. Notably, this committee is comprised of all the group heads as well as the Joint Capability Commander.

        i. In its transformation, the AUS MoD uses the shared services model as much as possible. Formerly it had three separate focuses: Capability, IT, and Integrating Plans.

        ii. After its recent enterprise-wide transformation, it now has only one Integrated Investment Plan.

    c. The Associate Secretary drives transformation horizontally in the organization, which directly involves employees in the decision-making process and seeks to minimize the need for layers of middle management.



Task 5 Summary (International): Changing massive defense organizations is possible with a clear mandate, appropriate authorities, and organizational buy-in. The UK and AUS defense organizations were able to launch a meaningful initiative and make progress on their transformational change within only a few years as contrasted with the CMO despite increased authority and position since 2018.

Both the UK and AUS recognized the need to have a top-level executive focused on business transformation and both have implemented such a position in recent years. Both of these CMO-type positions report directly to the CEO equivalent position in their systems. These CMO-type executives manage budget, investment, acquisition, IT, HR, Logistics, and mission support entities (e.g., Comptroller, CIO, Personnel). Most importantly, these roles measure success by their ability to improve the efficiency of the organization by implementing shared services models or implementing business process transformation. The staff belonging to these CMO-type roles is populated with staff having both relevant experience and institutional knowledge. Both of these foreign services appoint long-term civil servants to manage Defense mission support areas.

Task 6: Identification and assessment of differences in responsibilities and authorities of CMO, COO, and DSD:

Statutory Task 6: Responsibilities and Authorities

"An identification and assessment of differences in responsibilities and authorities…"

There is significant overlap and confusion across the Department on the role and responsibilities of the CMO versus the role of the DSD as the COO

- CMO does have the necessary authorities in statute to meet the requirements of § 132a; however, the DoD has not codified the OCMO responsibilities and authorities in a chartering document (DoD issuance). This significantly diminishes its authority in the Pentagon hierarchy
- CMO statutory authorities were found to significantly overlap those of DSD/COO, Service Secretaries, and PSAs. This poses an issue of "who's in charge" and confuses the line of authority and responsibility
- Despite having the statutory authority to do so, major enterprise-wide trade-off decisions are not made at the CMO level
- These all contribute to the CMO not being set up for success

Observations: There is significant overlap and confusion across the Department on the role and responsibilities of the CMO as compared to the role of the DSD. The CMO does have the necessary authorities in statute to meet the requirements of 10 USC § 132a, but those authorities have not been fully implemented with the clarity required for the leadership in the OCMO.

Findings: In addition to the Task Force's own assessment, interviews conducted by the Task Force with senior DoD officials revealed an overlap and confusion between DSD and CMO responsibilities and authorities throughout DoD. The confusion obscures the true scope and depth of CMO's responsibilities and authorities.

For the CMO to be successful, several fundamental issues should be addressed. These issues include: (1) the lack of a DoD issuance, formally codifying the CMO's authorities and responsibilities; (2) the cultural preference within DoD for major enterprise-wide trade-off decisions to be made by SD/DSD; and (3) the significant overlap between CMO's statutory authorities and those of DSD/COO, the Service Secretaries, and the PSAs. All these issues contribute to the CMO not being set up for success.

1. The DoD has never codified the CMO responsibilities and authorities in a chartering document (DoD issuance). This gap diminishes CMO's authority in the Pentagon hierarchy and causes uncertainty. The lack of an official charter further reduces CMO's influence and effectiveness.

2. Despite having the statutory language to do so, major enterprise-wide trade-off decisions are not made at the CMO level. CMO does not make major budgetary decisions for EBO or other functions within its purview, further aggravating the confusion and overlap. Department-wide budget tradeoffs for all issues are customarily made at the DSD-level or above.

    a. For example, the Authorities of the SD and DSD are as follows:

        i. "The Secretary and the Deputy Secretary of Defense have authority, direction, and control over the Department of Defense" (10 USC § 113 and 10 USC § 132).

        ii. The CMO also has the "authority to direct the Secretaries of the military departments and the heads of all other elements of the Department with regard to matters for which the Chief Management Officer has responsibility under this section" (10 USC § 132a).

        iii. Of note, the USD(A&S) is similarly empowered within acquisition and sustainment by 10 USC § 133b. Neither the CMO nor the USD(A&S) have the full phrase, "authority, direction, and control," within their statutes. CMO and USD(A&S) still require the involvement and approval (implicit or explicit) of DSD, at a minimum, to direct DoD-wide changes.

    b. All this contributes to the confusion and proclivity of DoD leaders to raise disputes to the DSD for adjudication versus accepting transformational mandates from the CMO. Today, DoD overwhelmingly recognizes DSD as the arbiter of these trades, since the DSD has broader authority, and controls budget and people. The CMO's authorities are diminished or dismissed, because the CMO does not have this deal-making ability, and its effectiveness is hindered.

3. CMO statutory authorities were found to significantly overlap those of DSD/COO, Service Secretaries, and PSAs. This overlap poses an issue of "who's in charge" and confuses the line of authority and responsibility. Detailed discussion on the overlap among CMO's major statutory and discretionary responsibilities and authorities can be found below.

Statutory Responsibilities and Authority

1. **10 USC § 132a (Chief Management Officer):**

    a. CMO is responsible for the policy, direction, and management of all DoD EBO/shared services. In Oct 27, 2017, DSD appointed the DCMO to serve as DoD's reform lead for financial management and tasked the office with leading a series of reform teams. In managing EBOs for the entirety of DoD, CMO's responsibilities overlap those of DSD/COO department-wide as well as those of the MilDeps, PSAs, and leads for Defense-wide organizations within their specific DoD components. The extensive overlap causes confusion and creates seams between DoD components.

b. CMO is the DoD official with principal responsibility for minimizing the duplication of efforts, maximizing efficiency and effectiveness, and establishing DoD performance metrics. In carrying out these duties for the entirety of DoD, CMO's responsibilities overlap those of DSD/COO department-wide as well as those of the MilDeps, PSAs, and leads for DW organizations within their specific DoD components. The extensive overlap causes confusion and creates seams between DoD components.

c. CMO exercises authority, direction, and control (ADC) of DAFAs providing shared business services as determined by SD. Of note, the SD has not yet determined the shared business services covered under this statute. In exercising its ADC over DAFA shared business services, CMO's responsibilities overlap those of DSD/COO department-wide as well as those of the PSAs who are also responsible for their specific DAFA budgets as well as policy, oversight, and mission functions.

d. Per statute, CMO also reviews and submits a report to SD containing their comments and certifying whether the DAFA budgets achieve the required level of efficiency and effectiveness for EBO, consistent with CMO's budget guidance. Furthermore, the SD is responsible for submitting to Congress all the proposed DAFA budgets, the proposed budgets that did not receive CMO certification, the actions and proposed legislation that SD recommends to address inadequate levels of efficiency and effectiveness, and any additional comments. These budget reviews and certifications CMO is required to conduct overlap those of DSD/COO department-wide as well as those of the PSAs who are also responsible for their specific DAFA budgets as well as policy, oversight, and mission functions.

e. The CMO has the authority to direct MilDeps and heads of other DoD elements with regards to CMO responsibilities under this section. With this authority, CMO's responsibilities overlap those of the DSD/COO Department-wide as well as those of the MilDeps, PSAs, and the leads for Defense-wide organizations within their specific DoD components. This extensive overlap would cause confusion and creates seams between DoD components. However, as discussed above, CMO's powers within this statute have not been exercised nor have they been formally codified and clarified in a CMO issuance charter. In fifty years of tradition and practice, the SD/DSD makes budgetary and policy tradeoffs between the Secretaries of the MilDeps and the other DoD components.

2. **10 USC § 192 (DAFA Oversight):**

a. Per this stature, every 2 years the SD shall review the services/supplies provided by each DAFA to ensure there is a continuing need and the DAFA is more effective, economical, or efficient than the MilDeps; or in meeting the combat readiness of the armed forces. In addition, CMO shall review the efficiency and effectiveness of each DAFA. As part of that review, the CMO shall identify DAFA activities that are substantially similar to, or duplicative of, an activity carried out by another DoD component, or if the activity is not being performed adequately.

b. The CMO shall submit a report to the Congressional committees covering the compliant DAFAs, a plan for non-compliant DAFAs to become compliant, and recommendations to consolidate MilDep functions into DAFAs. With this authority, CMO's responsibilities overlap those of DSD/COO department-wide as well as those of the MilDeps (if MilDep functions are recommended for consolidation) and PSAs who are also responsible for their specific DAFA budgets as well as policy, oversight, and mission functions. The extensive overlap causes confusion and creates seams between DoD components. In practice, SD/DSD make budgetary and policy tradeoffs between the DoD components.

3. **10 USC § 240b (Financial Improvement and Audit Remediation Plan):**

a. CMO, in consultation with the USD(C), shall maintain the Financial Improvement and Audit Remediation (FIAR) Plan. The plan should include action to be taken to correct deficiencies; ensure financial statements are timely, reliable, and complete; and achieve unqualified audits for all major DoD elements. The statute also requires an annual report and semi-annual briefings.

b. The authorities granted to CMO in this statute do not overlap DSD/COO duties, although DSD/COO may monitor. However, the deliverables to Congress requires coordination with other DoD components and the CMO authorities overlap those of USD(C) and the MilDep FM responsibilities who also participate in the FIAR Plan and develop the required report/briefings.

4. **10 USC § 2222 (Defense Business System):**

a. There are several CMO authorities and responsibilities included in this statute. In coordination with USD(A&S), CIO, and the MilDep CMOs, DoD CMO shall issue Defense Business System (DBS) guidance, supporting SD-level overarching guidance. CMO shall develop and maintain the Defense Business Enterprise Architecture (BEA) The BEA drives Business Systems optimization, integration of seams between end-to-end business processes and guides business process re-engineering and transformation. With USD(C), CMO shall document and maintain common business enterprise data for their respective areas of authority. Lastly, CMO co-chairs the Defense Business Council (DBC) with CIO.

b. The authorities granted to CMO in this statute do not overlap DSD/COO duties, although DSD/COO may monitor. However, the requirements dictate coordination with other DoD components and the CMO authorities overlap those of USD(A&S), CIO, USD(C) and the MilDep CMOs who also have requirements.

5. **31 USC § 1124 (Performance Improvement Officer):**

a. As a result of an Executive Order, the DSD appointed the Principal Deputy Under Secretary of Defense for Business Transformation (PDUSD)(BT) as the Performance Improvement Officer (PIO) for DoD on January 4, 2008. In 2010 the DoD PIO was also designated as the Department's first DCMO. A few months later, the GPRAMA of 2010 was signed, and

reiterated the requirement for an agency PIO, adding that it "shall report directly to the Chief Operating Officer." The DCMO was the PIO from 2008-2018.

b. In 2018 when the Office of the CMO was established, the PIO duties were transferred from the DCMO position to the CMO. The duties of the PIO do not overlap with the DSD/COO duties and responsibilities as the CMO reports directly to the DSD/COO. Both the PIO and the DSD as COO are responsible for the assessment of agency progress at different levels which includes agency performance assessment and reviews. DoD performance reviews are currently held by the DSD in the DMAG via NDS-I reviews of core metrics, and other mission topics, and by the Secretary during deep dive reviews in the SD Weekly Priorities Review (SWPR).

c. The requirements of GPRAMA do overlap with the authorities of the Components, PSAs, MilDeps, and DW entities and the CMO as PIO is responsible for ensuring that agency performance as a whole is accurately captured and reported. Currently enterprise performance measures for the Department do not exist despite years of effort, and although the Components and MilDeps do share some performance metrics with the CMO, the metrics provided by the Components are not based on their key outcomes. The Components, MilDeps and DW leaders must be transparent and fully collaborate at the enterprise level to create performance measures for like functions, and provide accurate outcome based measures for mission performance. While CMO has been designated in this role, it does not appear to be actively leading performance across DoD.

6. **40 USC § 11319d (IT Review):**

a. This statute requires annual IT portfolio, program, and resource reviews. For DoD, CMO conducts annual reviews of DoD IT business systems only.

b. CIO has responsibility for all other DoD IT systems (e.g. national security systems). These duties do not overlap DSD/COO's duties, but do require that CMO coordinate and collaborate with CIO and USD(A&S) as they also have responsibilities under this statute.

7. **Major Designated/Delegated Responsibilities and Authorities:**

a. Per the SD January 6, 2020 memorandum, CMO is responsible for developing the consolidated budget for DW accounts. This responsibility expands on the CMO's statutory requirements regarding DAFA budget review in 10 USC § 132a.

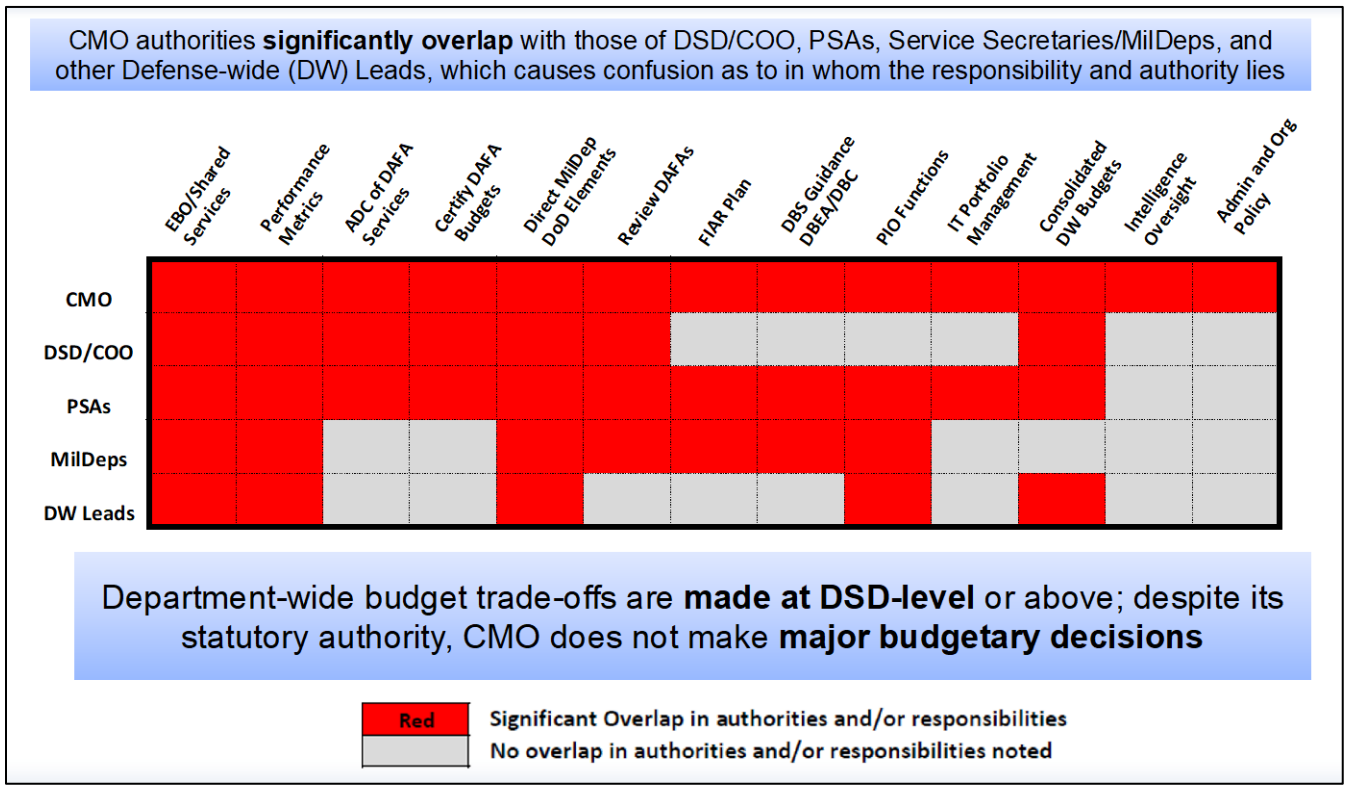
b. With this authority, CMO's responsibilities overlap those of DSD/COO department-wide as well as those of the PSAs and DW leads who are also responsible for their specific DW budgets as well as policy, oversight, and mission functions.

c. The extensive overlap causes confusion and creates seams between DoD components. In practice, SD/DSD makes budgetary and policy tradeoffs between DoD components. Additionally, due to a lack of resources, skillsets, and background within OCMO, the

consolidated DW budget process currently requires substantial assistance and leadership from USD(C) and CAPE.

d. The CMO has subsumed the personnel, duties, and responsibilities that used to be conducted by other DoD components. In April 2013, the then DCMO took over the duties of what was the Assistant to the Secretary of Defense for Intelligence Oversight. In this role, CMO's Oversight and Compliance Directorate is now responsible for Intelligence Oversight, Defense Privacy and Civil Liberties, and the Regulatory and Advisory Committee.

e. The then DCMO, now CMO, also subsumed the personnel, duties, and responsibilities of the Director of Administration and Management in February 2008. The CMO's Administration and Organizational Policy Directorate now covers these duties. This Directorate is responsible for Washington Headquarters Services, Pentagon Force Protection Agency, and Organizational Policy and Decision Support.



Task 6 Summary: While identifying and assessing the differences in responsibilities and authorities of the CMO and DSD/COO as outlined above, the Task Force identified significant overlap and confusion in the authorities and responsibilities of the CMO position with the DSD/COO and other officials. This overlap and confusion was mentioned numerous times in the interviews with senior DoD officials as well. The major issues discovered were: (1) the lack of a DoD issuance, formally codifying the CMO's authorities and responsibilities; (2) the cultural preference within DoD for major enterprise-wide trade-off decisions to be made by SD/DSD; (3) the significant overlap between CMO's statutory authorities and those of DSD/COO, the Service Secretaries, and the PSAs; and (4) the role of the SD/DSD in making

enterprise-wide trade-offs. These issues contribute to the uncertainty within DoD, and further reduce CMO's authority, influences, and effectiveness.

Overall Findings and Observations

The next two slides provide the Task Force's overall findings and observations as well as its summary assessment of the six statutory tasks all of which were found to be "mostly ineffective." This led to the overall assessment of CMO effectiveness since 2008 as "mostly ineffective."

DBB Findings and Observations

In assessing the interviews conducted, literature reviewed, data analysis performed, and examination of Congressional statutes and intent, the DBB Task Force:

- Believes the CMO and the OCMO has, despite the intentions, **never been set up for success** and as a result has been **mostly ineffective** in achieving the objectives of enterprise-wide business transformation across the DoD or in executing its statutory responsibilities per § 132a
- Observes that the **OCMO organizational structure has been mostly ineffective** in exercising its authorities and responsibilities. Further, the officials appointed have not had the enterprise-wide business transformation experience coupled with extensive Pentagon experience. Additionally, staff assigned has not been well versed in business transformation implementation
- Concurs with the MilDep CMOs that the CMO position, **as designed, has been mostly ineffective** due to its lack of clear authority, confusion about CMO's responsibilities, and lack of necessary staff with appropriate skills
- Considers DoD's **organizational culture is resistant to change, this poses significant obstacles** to effecting enterprise-wide transformational change
- Agrees with the Comptroller General that the **CMO position is mostly ineffective** and has not satisfactorily acted for 12 years in response to rectifying the items on the GAO high risk list
- Concludes that the CMO **does not align with Private/Public sector** best practices where applicable
- Concludes that there is **significant overlap and confusion** in the authorities and responsibilities of the CMO position with other officials; due largely to the lack of an official CMO charter, thereby even **further reducing its authority, influences, and effectiveness**
- Observed that there is **considerable misperception in the Department as to the definition of "transformational**," finding it is used inconsistently, typically in reference to what are actually transactional activities

DBB Summary Assessment

6 Tasks Enumerated in § 904	Assessed to be:
Task 1: The extent to which the position has been effective in achieving the service, and exercising the powers and authorities, specified in § 132a of title 10, United States Code.	Red
Task 2: The perspectives of the Under Secretaries of the military departments on the matters described in Task 1 based on the experiences of such Under Secretaries as the Chief Management Officer of a military department.	Red
Task 3: The extent to which the ingrained organizational culture of the Department of Defense poses fundamental structural challenges for the position of Chief Management Officer of the Department, irrespective of the individual appointed to the position.	Red
Task 4: The observations of the Comptroller General of the United States on progress and challenges during the prior 10 years in the establishment of positions of Chief Management Officer in agencies throughout the Executive Branch, including in the Department of Defense and in other Federal agencies.	Red
Task 5: An identification and comparison of best practices in the private sector and the public sector for the responsibilities and authorities of a Chief Management Officer.	Red
Task 6: An identification and assessment of differences in responsibilities and authorities of the Chief Management Office of the Department, the Chief Operating Officer of the Department of Defense, and the Deputy Secretary of Defense.	Red
Overall Assessment of CMO Effectiveness	Red

Green	Mostly Effective
Yellow	Somewhat Effective
Red	Mostly Ineffective

Defense Agencies and Field Activities & Defense Working Capital Funds

DAFAs are a primary means of providing broadly centralized service support functions; however, the DoD also uses an array of other management arrangements. “Defense Agencies” and “DoD Field Activities” are terms found in § 191 of title 10 USC, which states: “These organizations may be established by the Secretary of Defense to perform a supply or service activity common to more than one Military Service in a more effective, economical, or efficient manner.”

GNA established that each DAFA was to be overseen by a PSA on behalf of the Secretary.

Validation processes are supposed to be deeply rooted in all aspects of the DoD’s oversight of DAFA to ensure that the Military Services, or other sources, could not more efficiently provide their services and supplies.

DAFA are a subset of Defense-wide spending entities, a number of which are funded through DWCF. The DAFA’s have grown in numbers from the first two in 1952 to twenty-eight in 2020.

Defense-wide includes numerous activities across the DoD. It includes the twenty-eight DAFA such as the Defense Logistics Agency (DLA), the Defense Health Agency (DHA), the Defense Advanced Research Projects Agency (DARPA) and many more. It includes the Office of the Secretary of Defense, including the Under Secretaries and Assistant Secretaries and special staff. It includes the DoD Inspector General (IG), and the Joint Staff that supports the Chairman and Joint Chiefs. It includes the Special Operations Command (SOCOM), the Defense Acquisition University (DAU), the National War College (NWC), the counter drug program and more. In the language of the DoD, most of Defense-wide is commonly called the “Fourth Estate.” Clearly spending in this area is important and there are good reasons for some of the increases seen over the past decades.

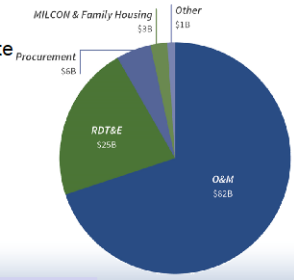
In the administration’s FY20 budget request, Defense-wide accounts were slated to receive $117 billion, just over 16% of DoD’s total discretionary budget request of $718 billion (including OCO and emergency funding). The following three slides highlight DAFA definitions, the final FY20 appropriations for the DAFA, and the DAFA broken down into functional categories. The “Current DAFA” slide notes that many are supported by the DWCF, some with non-appropriated funds, and some with both DWCF and appropriated funds.

DAFA Definitions and Assumptions

DAFA are a primary means of providing broadly centralized service support functions; however, the DoD also uses an array of other management arrangements

"Defense Agencies" and "DoD Field Activities" are terms found in § 191 of title 10, U.S.C., which states:

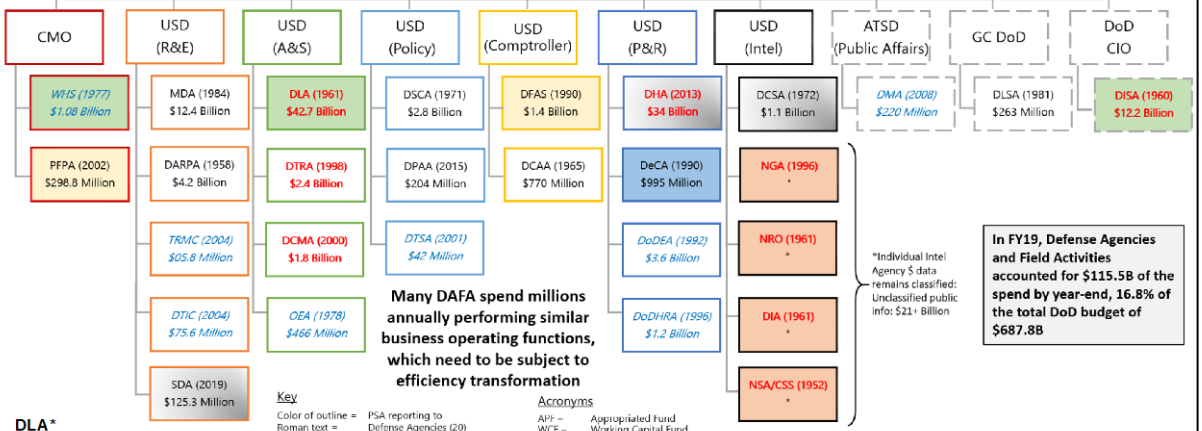
- These organizations are established by the Secretary of Defense to perform a supply or service activity common to more than one Military Service in a more effective, economical, or efficient manner
- Goldwater-Nichols established that each DAFA is overseen by a Principal Staff Assistant on behalf of the Secretary
- Validation processes are supposed to be deeply rooted in all aspects of the DoD's oversight of DAFA to ensure that their services and supplies could not be more efficiently provided by the Military Services or other sources
- DAFA are a subset of Defense-wide spending, a number of which are funded through Defense Working Capital Funds
- Defense-wide includes OSD, TJS, DAFA, USSOCOM, and the Fourth Estate
- In FY19, Defense-wide accounts spent $117B, just over 16% of DoD's total budget of $718B (including OCO and emergency funding)
  - However, there is significant cost associated with MilPers assigned to DW activities which is not reflected within those activity's budgets



Source: DBB chart created with computations using the FY19 budget data

Current DAFA

28 DAFA (20 DAs and 8 FAs)
Current appropriated budget 'enacted' by the Congress for FY2020*



DLA*
- $30B WCF Supply Chain
- $12B WCF Energy
- $428M Operations
- $30M Document Services

DHA*
- $34B Health, Welfare, MHCRF, Pharmacy, Operations

USD – Undersecretary of Defense
ATSD – Assistant to the Secretary of Defense

*DoD ADVANA data analytics FY20, which pulls from OSD Comptroller budget systems / WCF data – OSD Comptroller DW budget analysts, FY2020 Budget OP-5 Chart from Organizational Policy and Decision Support, Office of the Chief Management Officer

Defense-wide Cost for FY2020

DW Functional Categories*
(FY 2020 $B Discretionary Base)

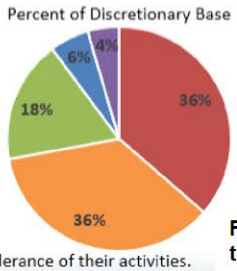
Families & Benefits	
DHP	$33.2B
DoDEA	$3.1B
DECA	$1.0B
DHRA	$0.9B
CMP	$0.2B
DPAA	$0.1B
OEA	$0.1B
Total	**$38.6B**

Warfighting & Support	
Classified	$22.1B
SOCOM	$9.6B
DTRA	$1.5B
CBDP	$1.4B
DCSA	$1.1B
DSCA	$0.8B
CN	$0.8B
TJS CE2T2	$0.7B
Total	**$38B**

RDT&E	
MDA	$9.4B
OSD RDT&E	$5.3B
DARPA	$3.6B
SDA	$0.2B
OTE	$0.2B
DTIC	$0.1B
Total	**$18.8B**

Policy & Oversight	
OSD O&M	$1.7B
DCMA	$1.5B
TJS Ops	$0.6B
DCAA	$0.6B
DAU/DAWDF	$0.6B
WHS	$0.4B
IG	$0.4B
DMA	$0.2B
DLSA	$0.0B
CAAF	$0.0B
DTSA	$0.0B
Total	**$6B**

Working Capital Funds	
WCF - Appropriated	
DISA	$3.6B
DLA	$1.2B
Total	**$4.8B**
WCF - Revenue	
DLA Supply	$29.3B
DLA Energy	$12.1B
DISA	$7.9B
DECA	$5.9B
DFAS	$1.4B
DLA Doc Svcs	$0.4B
Other	$2.1B
Total	**$59.1B**



FY20 DW enactment of $119.8B = 16.8% of the total DoD budget

Note: organizations aligned according to the preponderance of their activities.

In comparing DAFA funding in the following slide to the top defense contractors, five Defense Agencies make up the top ten. Looked at another way, nine DoD organizations place in the top twenty of the largest defense oriented organizations in the Nation. The DLA and DHP's annual operating budgets are in the same company as Lockheed Martin and Boeing.

The top ten DAFA spend more than the ten largest Defense contractors combined. This does not include the large Intelligence agencies as their budgets and personnel numbers are classified data; however, from unclassified data available they would be included in the top twenty list, with some in the top ten. This underscores how they are large business activities and should be managed and operated as such, and how they should be the focus of many transformational efforts and where outputs should be fundamentally adjusted to be "better, faster, and cheaper" than China.

DAFA Are Big Business

In comparing DAFA funding to the **top defense contractors**, **5 Defense Agencies make up the top 10**

- **9 DoD organizations place in the top 20** of the largest defense oriented organizations in the nation
- DLA's and DHP's annual operating budgets are in the same company as Lockheed Martin and Boeing
- The top 10 DAFA spend more than the 10 largest Defense contractors combined

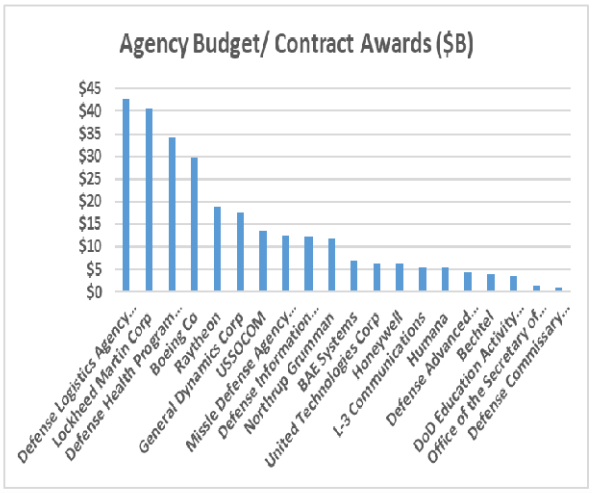
(This does not include the large Intelligence agencies as budgets/personnel #s are classified data; however from unclassified data available, they would be included in the top 20 list, with some in the top 10)

Defense Agencies are Big Business

Rank	Defense Agency/Defense Contractor	Agency Budget/ Contract Awards ($B)
1	**Defense Logistics Agency (DLA)**	$46.7
2	**Defense Health Program (DHP)**	$34.0
3	Lockheed Martin Corp	$33.6
4	Boeing Co	$29.7
5	Raytheon	$18.7
6	General Dynamics Corp	$17.5
7	**USSOCOM**	$13.6
8	**Missle Defense Agency (MDA)**	$12.4
9	**Defense Information Systems Agency (DISA)**	$12.2
10	Northrup Grumman	$11.9
11	BAE Systems	$6.8
12	United Technologies Corp	$6.3
13	Honeywell	$6.1
14	L-3 Communications	$5.5
15	Humana	$5.4
16	**Defense Advanced Research Project Agency (DARPA)**	$4.2
17	Bechtel	$3.8
18	**DoD Education Activity (DoDEA)**	$3.6
19	**Office of the Secretary of Defense**	$1.5
20	**Defense Commissary Agency (DeCA)**	$1.0

Source: FY20 Presidents Budget Request, Federal Procurement Data System (FPDS)

Note: Contractor revenues are based on prime contract values, excluding subcontracts to other primes
Source: FY20 Presidents Budget Request, Federal Procurement Data System (FPDS)



Defense-wide communities shown above includes Working Capital Fund

Note: Contractor revenues are based on prime contract values, excluding subcontracts to other primes

DAFA Challenges:

DoD lacks the integrated management structure, business systems, and financial controls to coherently manage and effectively oversee these twenty-eight DAFAs to meet the priorities of Secretary Esper in promoting effectiveness, efficiency, fiscal discipline, and adjusting to near peer benchmarks.

Current structures and authorities are insufficient and ambiguous, resulting in challenges:

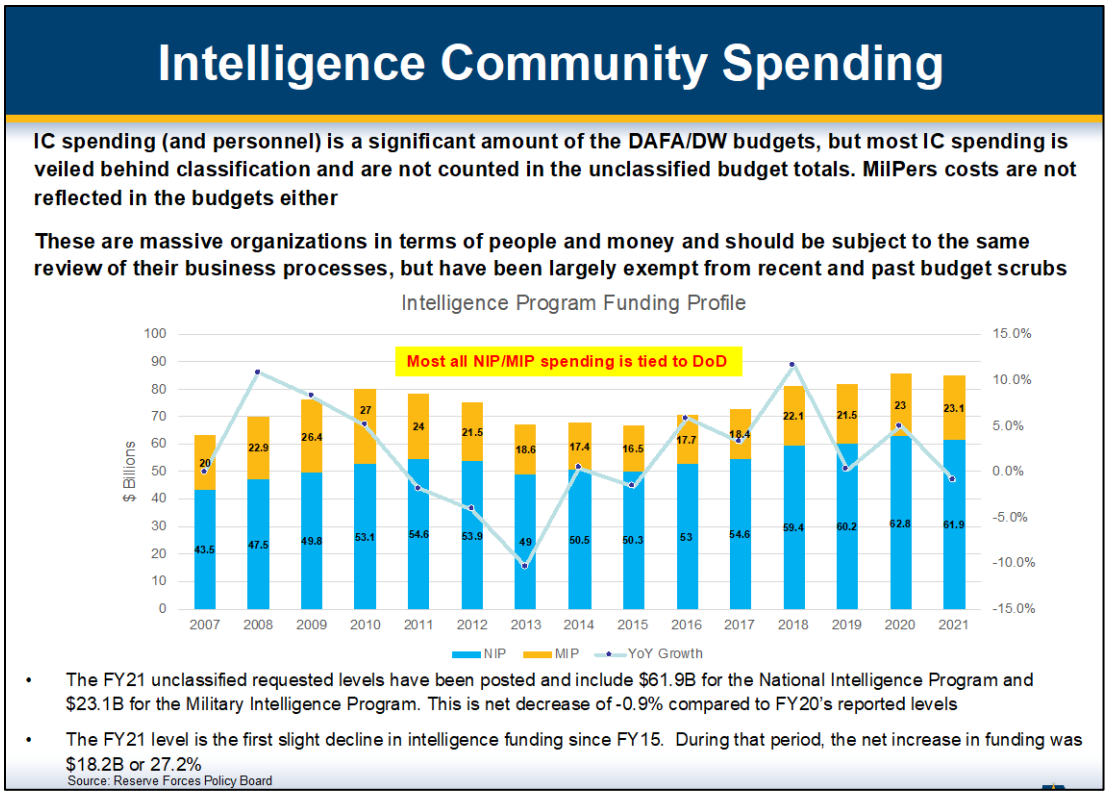
- OSD PSAs have specific ADC over their individual DAFA, but practically speaking, this ADC has not been fully used because OSD PSA's are traditionally more focused on policy responsibilities. Further, they do not have the authority to make unilateral cross-DAFA decisions.
- The CMO has statutory authority (132a) for the DAFA, which provides shared enterprise services that has not been operationalized nor rationalized with the PSA's authorities.

The CMO and PSAs lack capacity, and in some cases competencies, to substantively manage their responsibilities for the DAFA. A large issue is that DAFA are far from homogenous ranging from operating a secondary school system, running a grocery/retail store chain, managing health care, to providing acquisition of missile defense systems. This creates a situation where the DAFA have quite diverse programming, budgeting, and leadership requirements. In addition, DAFA have varied internal and

external stakeholders/communities that must be considered (e.g., DNI, CJCS, MilDeps, CCMDs, Service members, Congress).

There is no structured process for assessing DAFA performance. No official or organization actively/continually reviews individual DAFA performance, or recommends appropriate programs for transfer, reductions, or termination. The absence of widely publicized, written objective performance measures complicates comparisons/evaluations and cost reduction. Enterprise-wide DAFA performance metrics are not tied to associated resourcing. Competition for resourcing adjudication between DAFA must be decided by the DSD.

Intelligence Community (IC) spending (and personnel) is a significant amount of the DAFA/DW budgets, as most all of NIP/MIP spending is tied to DoD. However, most IC spending is veiled behind classification and is not counted in the unclassified budget totals. These are massive organizations in terms of people and money and should be subject to the same review of their business processes, but have been largely exempt from recent and past budget scrubs.



As the above chart indicates, the FY21 unclassified requested levels have been posted and include $61.9B for the National Intelligence Program and $23.1B for the Military Intelligence Program. Since FY15, the net increase in funding was $18.2B or 27.2%.

Some major considerations for DAFA management and DAFA wide spending:

- A significant problem is that DAFA and DW have grown considerably in costs, personnel, and scope.

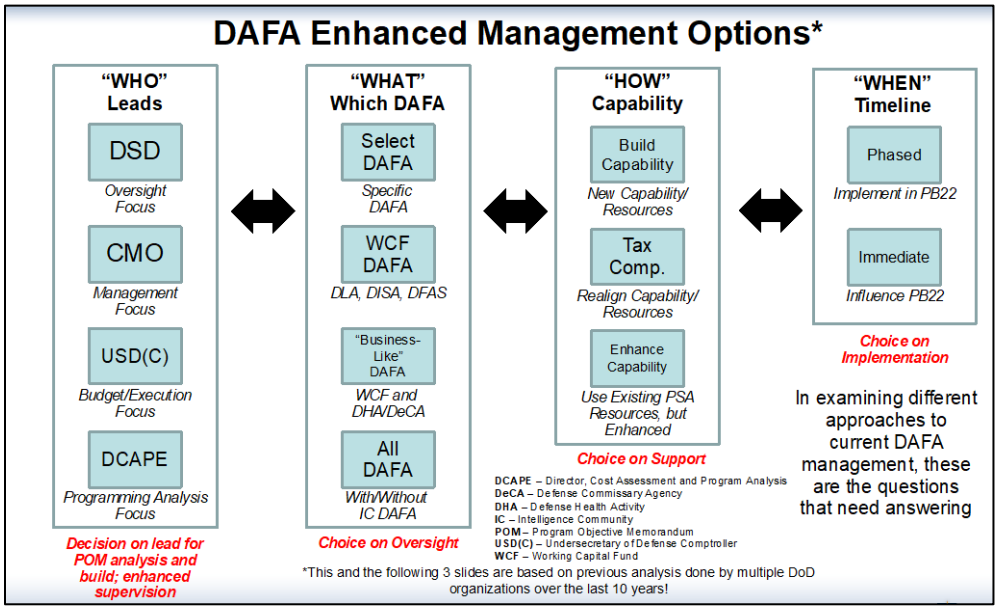
- DAFA in 2001 were budgeted at about 5% ($18B) of the DoD budget ($316B). By 2020 that had increased to nearly 30% of the DoD budget.
- There were two DAFA in 1958, by 2018 that number had grown to 28.

Other Challenges:

- Supervised by PSAs who are limited by tour time (24 months), time constraints, and sometimes experience.
- Layers of management impair visibility unto DAFA operations.
- The mainly business oriented DAFA are run by government personnel with limited experience in managing major business operations and have customer "Boards" without teeth, which are also lacking in similar business expertise.

Senior DoD leadership needs an effective and robust way to improve DAFA performance levels, create efficiencies, reduce costs, and develop benchmarks and outputs compared to China as the following chart indicates. There are a number of questions that need to be answered and a number of options considered for improvement. These run the range of who leads the review, which DAFA should be included, how do you accomplish it, and when do you implement. There should be a major review of the DAFA to answer these questions as outlined in the chart as well as determining the following:

- Centralized versus De-centralized DAFA management?
- Can centralized management address identified problems?
- What new challenges would centralized management create?
- What statutes would need to be changed?
- How could a better management structure promote improved performance?



In conducting the DAFA review and in answering the identified questions, options to improve management and performance could include:

1) Add performance contracts to existing structure by adding output metrics to judge agency performance:

- Metrics developed/monitored by existing oversight components (DSD, USD(C), CAPE).
- Metrics approved by DMAG, enforced by DSD, using "commander's intent" to PSAs from the SD and DSD.

2) Create a DAFA Oversight Committee (DOC):

- Retain existing senior fora structure but create DOC chaired by DSD.
- PASs who have DAFA oversight present status reports to DOC on a rotating basis; changes needed directed by DSD.

3) Create a DAFA Performance Office (DPO) in a newly established Performance Improvement Office reporting to the DSD:

- Oversees performance metric compliance, recommends revisions.
- Work with PSAs and provides management advice and internal consulting.
- Reports directly to DSD and provides support in his DAFA role.

4) Create a "Service Secretary" (EX II) for the DAFA:

- Reports directly to SD and has ADC similar to a Service Secretary.
- Reviews all major new structure and/or staffing.
- Makes recommendations for organizational consolidation, reorganization, elimination.
- Authorized to direct component use of shared services provided by DAFA.
- Remove ADC, and policy direction, from the PSAs.

5) Replace 3-Star military leaders in the business oriented DAFA (DLA, DHA, DeCA, DCAA, DCMA, and perhaps others) with private-sector executives with proven track records in successfully running similar organizations in the private sector:

- 3-Star would become the deputy.
- Agency head would be on a term performance contract.
- Create oversight fiduciary boards into a blend of private sector experts and DoD customer representatives with "lead director" from the private sector.
- "Independent" directors should have a majority of board seats.

The following slide provides a range of options for better management from least aggressive to most aggressive. It is worth noting that you cannot just change the management at the top. You have to consider a range of functions as illustrated in the blue, left-hand column of the slide.

DAFA: Enhanced Management Options

Least aggressive ⟷ Most aggressive

Red = Changes between Options	Options for a Central Management Official in OSD					Outside OSD
	Status Quo (0)	Increased Visibility (1)	OSD Process Owners (2) Split ADCON	DSD Process owner (3) Full ADCON	Enhanced CMO (4) OPCON/ADCON	Global Business Services (5)
Admin Mgmt ADCON	DAFA directors *All admin matters*	DAFA directors *All admin matters*	OSD Leads *Select admin matters*	DSD *All admin matters*	CMO *All admin matters*	GBS *All admin matters*
Mission Direction OPCON	PSAs	PSAs	PSAs *w/ Analysis Cells*	PSAs w/ Analysis Cells	CMO	GBS
POM Build	DAFA Directors *w/ PSA oversight; Individual POMs*	DAFA Directors *w/ CAPE assistance; Individual POMs*	DAFA Directors *w/ CAPE assistance; Individual POMs*	DAFA Directors *w/ DSD guidance; Synchronized individual DAFA POMs*	DAFA Directors *w/ CMO ownership; single integrated DAFA POM*	GBS Directors *Single integrated GBS/DAFA POM*
POM Adjustments	Intra-DAFA only	Intra-DAFA only	Across DAFA	Across DAFA	Across DAFA	Across GBS *composed of DAFA*
DAFA Resource Competition Process	DoD-wide *PBR competition DSD decides*	DoD-wide *PBR competition w/ CMO recommendations DSD decides*	DAFA-wide *CMO-level competition w/3C's PSAs advising CMO decides*	DAFA-wide *DSD-level competition w/3C's PSAs advising DSD decides*	DAFA-wide *CMO decides*	GBS *GBS Leader decides*
			After DAFA-wide competition, DAFA enter back into DOD-wide competition			*GBS enters DoD-wide competition directly*
Thematics		Enhanced POM development SES Performance Reviews (opt) CXO council (opt)	Cells in OCMO/OUSD(C) /ODCAPE Remaining admin handled by DAFA	DSD all admin Ramped up capability and centralization	OPCON to CMO CMO "owns" DAFA PSAs maintain policy oversight	New element: "Mil-Dep for Fourth Estate" - like
Additional choices	DAFA merged by category e.g., WCF, CSA, Intel - potential for organizational efficiencies by selected DAFA mergers DAFA included/excluded by category e.g., Intel, CSA, Business included vs Financial excluded					

All options presume that PSAs will continue to execute DoD-wide policy oversight

Approved by DBB - 6 May 2020

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DEFENSE BUSINESS BOARD

The Task Force does not believe an enhanced management option can be selected without the major review of the DAFA as recommended in concert with a major review of the DWCF as outlined in the following section.

Improve Management of Defense-Wide Working Capital Funds (DWCF)

Defense Working Capital Funds

Improving DWCF performance is integral to improving DAFA management. DWCFs create an internal DoD market where "customers" purchase the goods/services they need from the DWCF provider. A number of DAFA DWCFs provide consolidated services that are needed across DoD; the Military Departments also maintain DWCFs for specific needs

- Defense-wide WCF: $62.6B* / Service Specific WCFs: $71.4B*
  - DW WCF: DLA $43B, DISA $12.2B, DFAS $1.4B, DeCA $6B
  - MILDEPS WCF: $29.4B Navy, $26.5B Air Force, $15.5B Army

DWCFs are revolving funds that provide and charge for support/products

- Example: DLA purchases parts from a supplier. When forces require that part, DLA sells it to them and charges them to cover the cost of acquiring, storing, and delivering it
- While DWCFs handle large volumes of money, this amount is directly related to the volume of goods/services desired and purchased by customers
- On aggregate, an 85% /15% split between cost of goods and overhead (acquiring, storing, transporting)

Generally, DWCFs do not receive substantive appropriation, but instead recover the costs of goods/services/overhead by charging customers (DeCA being the exception)

- If the DWCF has a net positive or negative return in a given year, it lowers or adjusts prices the next year to compensate
- Goal: revenue neutral each year with relatively stable rates

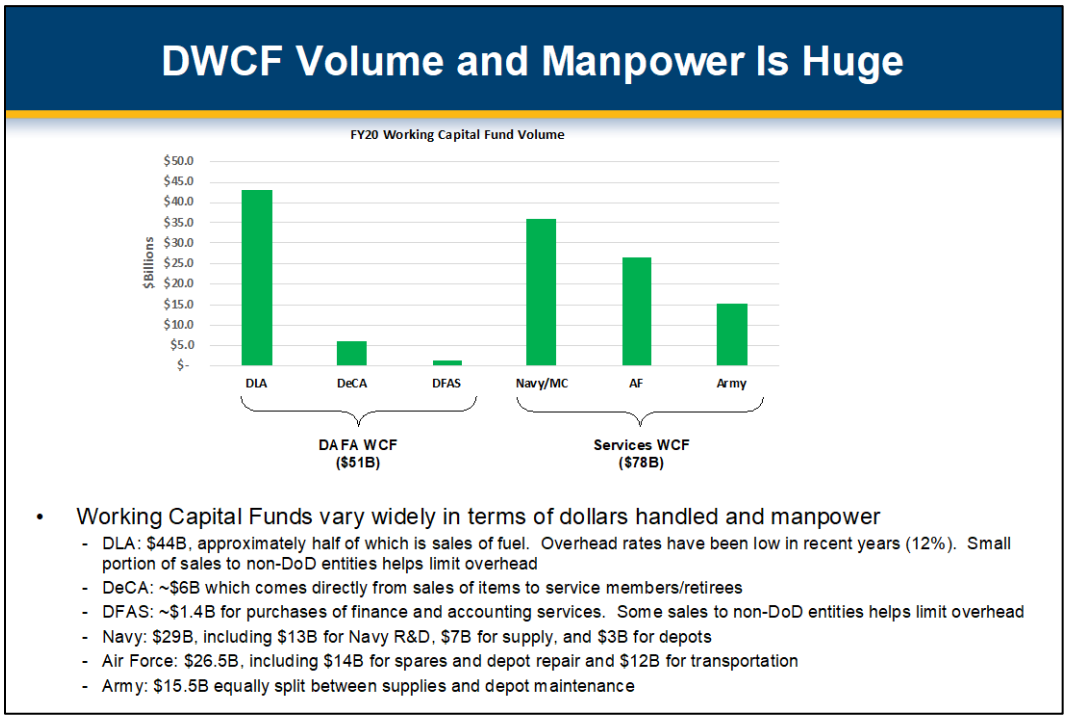
Why does the Department Run DWCF?

DWCF are revolving funds that provide and charge for support/products:

- Example: DLA purchases parts from a supplier; when Forces require that part, DLA sells it to them and charges them to cover the cost of acquiring, storing, and delivering it.
- While DWCF handle large volumes of money, this amount is directly related to the volume of goods/services desired and purchased by customers.
- On aggregate an 85% /15% split between cost of goods and overhead (acquiring, storing, transporting).

Generally, DWCF do not receive substantive appropriations, but instead recover the costs of goods/services/overhead by charging customers in the Department (DeCA being the exception):

- If the DWCF has a net positive or negative return in a given year, it lowers or adjusts prices the next year to compensate.
- The goal is for each DWCF entity to be revenue neutral each year with relatively stable rates.



Working Capital Funds vary widely in terms of dollars handled and manpower:

- DLA: $44B, approximately half of which is sales of fuel; overhead rates have been low in recent years (12%); small portion of sales to non-DoD entities helps lower overhead.
- DeCA: ~$6B which comes directly from sales of items to service members/retirees.
- DFAS: ~$1.4B for purchases of finance and accounting services; some sales to non-DoD entities help lower overhead.
- Navy: $29B, including $13B for Navy R&D, $7B for supply, and $3B for depots.

- Air Force: $26.5B, including $14B for spares and depot repair, and $12B for transportation.
- Army: $15.5B equally split between supplies and depot maintenance.

Manpower:

- DAFA Working Capital Funds employ 45.6K civilians (5% of DoD total) and 561 military (0 .1% of total).
- Service Working Capital Funds employ 149.3K (17% of DoD total) civilians and 13.7K (1% of total) military.

Summary of Potential Choices for Savings

Do nothing: Money handled in DWCF should decrease as customers' force structures and budgets decrease (and they buy fewer goods), but this does not transform those agencies with DWCF to compete with near-peer competitors, especially China.

- **Concern:** As total volume of sales decreases, overhead rates could rise since fixed costs will be spread over a smaller customer base.
- **Example:** DLA overhead costs were 20-25% pre-9/11.
    - Potential Mitigation: Some DWCF have initiated efforts that may minimize overhead as demand decreases.

Reconsider: Examine shrinking, expanding, or eliminating DWCF to determine the most appropriate ways to support the transformation of the DAFA.

- lf DWCF operations are more efficient, perhaps additional functions should use them.
    - Example: Run Testing and Evaluation (T&E) functions as DWCF, charging Services to test their platforms; broader use of DWCF for R&D (i.e., Navy model).
- If DWCF are bloated monopolies, split to create competition and drive performance.
    - Example: Allow multiple providers of financial accounting services to allow price competition.
- Re-establish the USD(C) office that focuses on DWCF. This capability was substantially reduced in OSD budget cuts as this section previously had nineteen personnel who specialized in DWCF oversight. This office was eliminated in the previous administration.

Five ways to achieve savings in DWCF:

- Transform to compete with near-peer competitors.
- Customers purchase directly, using DWCF.
- DWCF managers work directly with supplier to eliminate middle-man overhead cost (i.e., DLA) and can negotiate better prices.
- DWCF reduces overhead costs; decreasing overhead is preferred, however, customer demand is the highest variable.
- Allow DoD customers to direct purchase from outside vendors, bypassing DWCF and DAFA.

DWCF should help make DoD's operations more efficient, particularly the DAFA. The SD should launch an empirical study to determine how to drive the DWCF to operate more effectively and how they can be structured to support competing with near-peer threats.

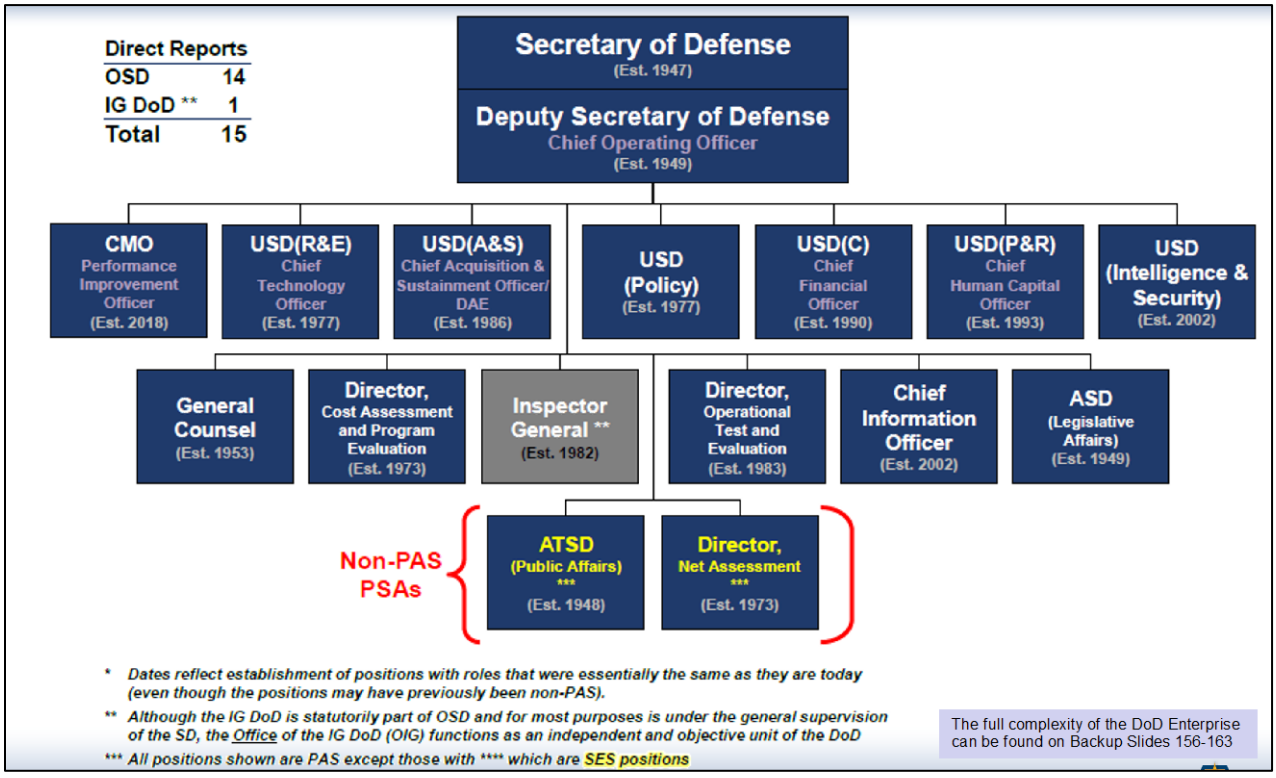
Organizational Alternatives to the Current CMO

The Task Force's overall assessment of CMO effectiveness from 2008 to present found that, compared with how it was statutorily designed and subsequently changed by the Congress, and how it has been implemented over time in its various forms, the office has been mostly ineffective in executing its mission to transform business operations in DoD, and in executing authorities specified in § 132a of title 10 USC. Therefore, **the Task Force recommends disestablishing the CMO organization**.

The organizational constructs presented in this section are all alternatives to the **UNACCEPTABLE** status quo of continuing the CMO in its current form. The Task Force found in part that the position itself, starting in 2008, was never truly set up for success. In large part the Task Force feels this failure is due to an inadequate organizational construct. Even the most recent legislative change, the FY18 NDAA, which elevated the CMO to a PAS EX II, has not resulted in similar empowerment within the hierarchy of the DoD or success in effecting enterprise business transformation.

Section 904(c) of the FY20 NDAA directed an assessment by the SD, and an identification of modifications to the responsibilities and authorities of the CMO, whether specified in statute or otherwise. The February 3, 2020 instructions to the DBB Task Force from the DSD required an identification of any needed modifications. The Task Force chose three organizational alternatives to assist the SD in developing recommendations to the Congress for such legislative action as he may consider appropriate for implementation. They are presented below in no particular order of preference. The following chart depicts the current OSD organization as a reference point for the alternatives.

The Current OSD Organization



The Suggested CMO Organizational Alternative Options

1. Re-designate the CMO as the Principal Undersecretary of Defense for Business Transformation (PUSD(BT))/Deputy Chief Operating Officer (DCOO) (PAS EX III):

- Adjust current § 132a, title 10 statutory responsibilities to focus the position strictly on business transformation.
- Rationalize CMO relationships/authorities with those of the DSD/COO, PSAs, MilDeps, and DAFA by re-designating the CMO as the PUSD(BT)/DCOO under the ADC of the DSD in his capacity as COO; SD should clarify focus and responsibilities through a charter outlining relationships and responsibilities.
- Remove non-transformative administrative and regulatory functions (WHS, PFPA, COG) by re-establishing a Director of Administration and Support (DA&S) responsible to the SD/DSD for executing those functions.
- Remove CMO authority to direct Service Secretaries.
- Shift Fourth Estate/DAFA responsibilities to DSD, CAPE, and PSAs; with added capabilities added to each to provide oversight and effect transformation.

2. Two Deputy Secretaries of Defense (both PAS EX II):

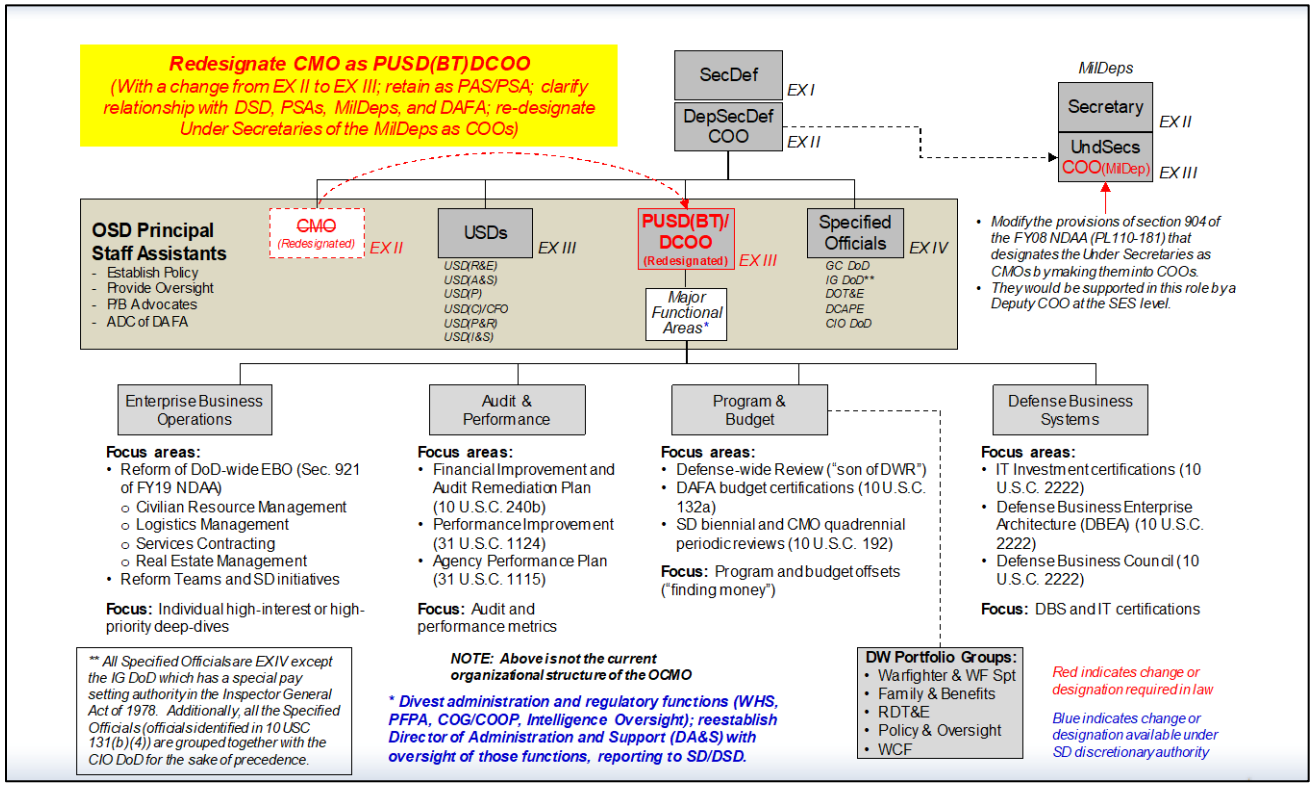
- Deputy Secretary for Strategy and Policy focused externally and internally on policy and strategy issues.
- Deputy Secretary for Resources and Support focused internally and externally on management and resource issues with separate officials responsible to this Deputy for the Fourth Estate and enterprise business transformation.
- Disestablish CMO with its responsibilities assumed by this Deputy and other PSA's, and move administrative and regulatory functions under this Deputy.

3. Deputy Secretary of Defense as an enhanced Chief Operating Officer (PAS EX II):

- The Deputy would be empowered as an enhanced COO.
- Disestablish CMO position and organization.
- Distribute the current CMO statutory responsibilities; divest the CMO administrative and regulatory functions as per the schematic for this alternative.
- Establish a Performance Improvement Office tasked with Strategic Management and Performance and Enterprise Business Operations.
- Establish a Director of Strategic Integration, Governance, and Analysis.
- Increase/enhance analytical capabilities in USD(C), CAPE, and J-8 to support the DSD's COO role.
- Increase/enhance IT capabilities in CIO to support digital transformation.

The Specifics of the Alternatives

Re-designate the CMO as Principal Undersecretary of Defense for Business Transformation / Deputy Chief Operating Officer



CMO as Principal Undersecretary of Defense for Business Transformation / Deputy Chief Operating Officer

<u>Concept</u>: Re-designate CMO as the Principal Undersecretary of Defense for Business Transformation (PUSD(BT)) and Deputy Chief Operating Officer (DCOO) to the DSD:

- Official remains a PAS, but as an EX III totally focused on business transformation.
- A charter with responsibilities and authorities determined and approved by the SD.
- Remove non-core administrative and regulatory functions (WHS, PFPA, COG/COOP, ATSD(IO)) to other officials; re-establishing a DA&S responsible to the DSD for executing those functions.
- Remove the statutory authority to direct the Service Secretaries, as that is vested with the SD/DSD.
- Shift Fourth Estate/DAFA responsibilities to DSD and PSA, with added capabilities to provide oversight and effect transformation (additional billets from disestablished OCMO).

<u>Actions Required</u>:

- Determine authority and relationships between the DSD as COO, the MilDeps, PSAs, and DAFA.
- Codify the DCOO in a chartering directive.

Pros:

- Would not require significant changes to Title 10.
- Focuses the office on business transformation and performance improvement.
- Provides additional time for DCOO functions and capabilities to develop and mature.
- Sets up an organizational structure more aligned with the norms of DoD decision making.

Cons:

- Similar to original CMO.
- Doesn't address CMO shortcomings over the 12 year period of its existence.
- CMO is under-resourced to accomplish current functions; and understaffed in terms of skill sets.
- Uncertainty as to the probability of success and unlikely to be accepted in DoD.

Create Two Deputy Secretaries of Defense

The demands of the 21st century national security environment have altered and complicated the traditional role of the Deputy Secretary as the Department's COO.

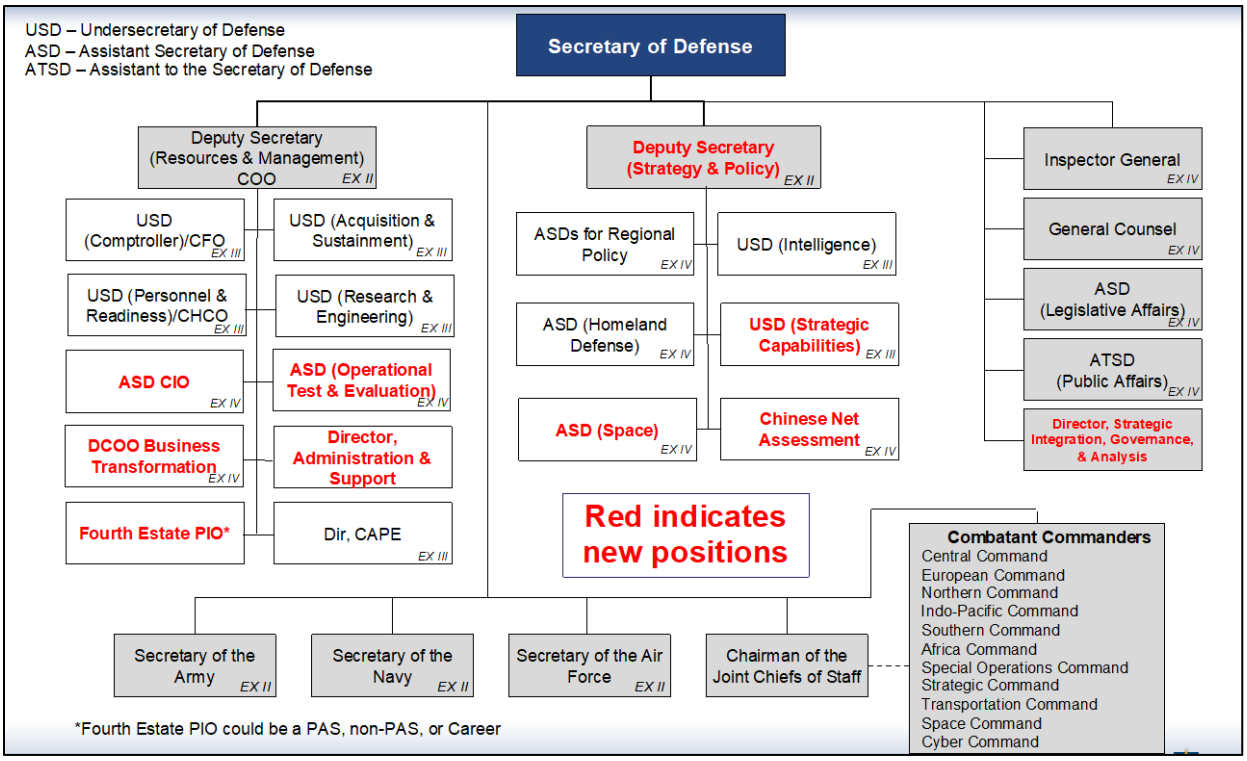
The OSD structure should be rationalized and aligned with the Secretary's two core responsibilities as CEO of the Department: managing and resourcing the Defense business enterprise, and the strategic planning for integrated global military operations

Decision-making could be improved by vesting the day-to-day leadership in two Executive Level II officials who will effect appropriate decisions at their level and, when necessary, will ensure that fully coordinated and integrated recommendations are presented to the Secretary for final decision.

The restructuring of executive authority in two Deputy Secretaries could strengthen civilian control over the Department; restore advocacy at the OSD level; enhance the Department's ability to provide for continuity of leadership under extraordinary circumstances; and provide a natural succession plan.

A Deputy Secretary for Strategy and Policy could more effectively speak on behalf of the Secretary and represent SD interests with both internal and external organizations including the Joint Chiefs of Staff, the State Department, the NSC staff, the Intelligence Community, and the Congress.

A Deputy Secretary for Resources and Management could more effectively represent the SD with both internal and external organizations including the MilDeps, DW, including the DAFA, OMB, OPM, GAO, the Congress, and industry.



Two Deputy Secretaries of Defense

<u>Concept</u>:

- Create a Deputy Secretary for Strategy and Policy (Level II) and,
- Create a Deputy Secretary (or Principal Under Secretary) for Resources and Business Transformation (Level II).
- Disestablish the CMO position and organization; provide a Performance Improvement Office and an office for business transformation within ODSD for Resources and Management tasked with Strategic Management and Performance and Enterprise Business Operations.

<u>Actions Required</u>:

- Requires significant changes to title 10.
- Establish a Director of Strategic Implementation, Governance, and Analysis.
- Establish a Performance Improvement Office within ODSD for Resources and Management.
- Establish a business transformation office under DSD for Resources and Management.

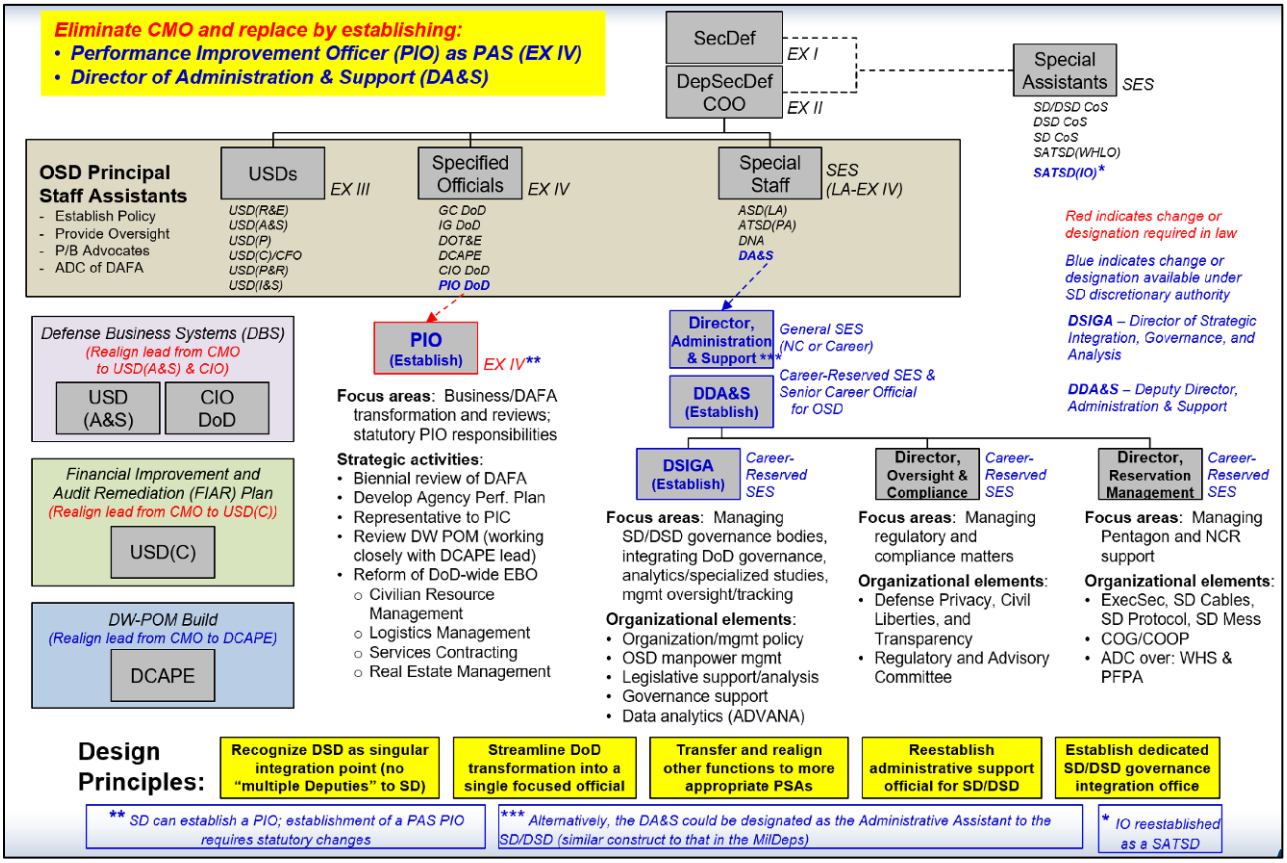
<u>Pros</u>:

- Equalizes the focus on internal business management and policy/strategy portfolios.
- Provides two empowered officials who can speak on behalf of the Secretary to internal and external organizations.
- Restores and strengthens advocacy at the OSD level.
- Aligns the organizational structure with the Secretary's CEO focus.
- Improves the Secretary's span of control.

Cons:

- Creates two "First Assistants" to the Secretary; who is really number two?
- Deprives the Secretary of a singularly focused Deputy who can share the managerial and leadership demands of the security environment (the "duality of leadership" concept).
- Lacks a senior coordinating Deputy, free from the demands and vested interests of a portfolio. Will still require "tie-breaking" and/or critical decisions by the Secretary.
- More difficulty integrating strategy and resources.
- Rejected in the past by previous SD's, DSD's, and Congress.
- Not within the historical norms of DoD decision-making.

The DSD as COO with Enhanced Capability (a)



DSD as an Enhanced COO(a)

Concept: The design principles that guided the development of this alternative are found at the bottom of the above graphic. Design principle one recognizes the Deputy Secretary as the singular integration point, which has proven to be an enduring strength of DoD. The "duality of leadership" of the Secretary and the Deputy Secretary is a battle-tested decision process that has been proven highly successful over time.

Design principle two streamlines DoD transformation into a single individual with enhancements to make the outcomes as successful as possible, including the establishment of a Performance Improvement Office.

Design principle three transfers and realigns other functions from the CMO to more appropriate PSA's who have had these responsibilities as part of their normal portfolios such as USD(C) and CAPE, and in many respects are performing them now. It re-establishes the Director of Administration and Support to manage regulatory and compliance matters and manages the Pentagon reservation.

Design principle four does not burden the person charged with doing business transformation with additional duties that would now be under the Director of Administration and Support such as the huge functions of the Washington Headquarters Service, the Pentagon Force Protection Agency, continuity of government, privacy and regulatory matters, and National Capital Region responsibilities.

Design principle five establishes a dedicated SD and DSD governance integration office to ensure the SD's priorities, including business transformation, are accomplished and driven through an updated, more focused, and streamlined governance structure in DoD. One cannot drive transformation through fifty governance structures and 2,000 documents as is the case today.

This approach requires insisting on the primacy of the DSD for enterprise-wide responsibilities by emphasizing his role as COO:

- The Deputy empowered as an enhanced COO (returning the "CMO" hat to DSD as COO).
- Disestablish CMO position and organization, establish a Performance Improvement Officer and office focused on Business Transformation and Performance Improvement with task to assist DSD in DW/DAFA management, particularly as the major DAFA review is underway.
- Distribute current CMO statutory responsibilities; divest CMO administrative and regulatory functions as per Alternative #1.
- Increase/enhance analytical capabilities as they relate to management in OUSD(C), ODCAPE, PSAs, and JS J-8 to support the DSD's COO role in business transformation and Fourth Estate/DAFA oversight.
- Increase/enhance IT capabilities in CIO to support digital transformation.
- Improve and update governance structures.

Actions Required:

- Establish Performance Improvement Officer with focus on Business Transformation, Strategic Management and Performance Improvement and DW/DAFA Enterprise Business Operations.
- Establish a Director of Administration and Support with a dedicated office to provide Strategic Integration, Governance, and Analysis support directly to the SD/DSD.
- Distribute current CMO statutory responsibilities as indicated above.
- Rely on the Under Secretary of Defense for policy (USD(P)) for most interagency policy matters.

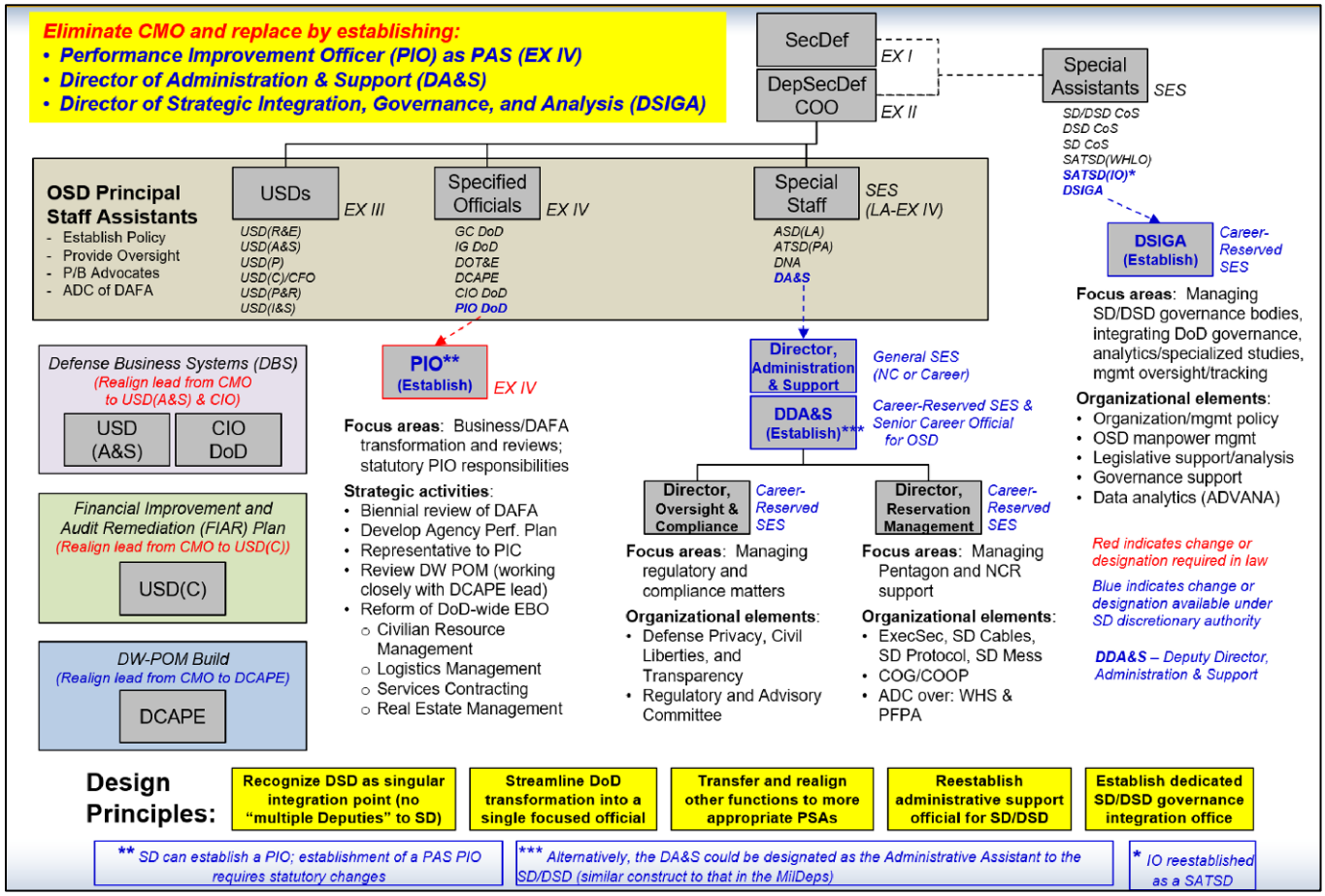
Pros:

- Takes advantage of the current and historical strength of the DoD decision process as this operates within accepted norms.
- Improves oversight, supervision, and direction of the DAFA.
- Recognizes only the SD and DSD make enterprise-wide decisions requiring trade-offs and prioritization.
- Provides a better chance of success in enterprise business transformation than the 12 previous years of the DCMO/CMO.

Cons:

- Will require DSD to focus more exclusively on managing the Department, its resources, and effecting enterprise business transformation, vice engaging in most interagency processes and meetings:
    - A DSD should be appointed who has a proven track record in managing large, complex private sector organizations together with scale together with proven experience in the DoD.
    - An USD(P) should be selected with the understanding they would have responsibility to represent DoD in the interagency process.

The DSD as COO with Enhanced Capability (b)



DSD as an Enhanced COO(b)

Concept: DSD as Chief Operating Officer. This option utilizes the same design principles as option (a) above:

- The DSD empowered as an enhanced COO (returning the "CMO" hat to DSD as COO).
- Disestablish CMO position and organization, establish a Performance Improvement Officer and office focused on Business Transformation and Performance Improvement with task to assist DSD in DW/DAFA management, particularly as the recommended major DAFA review is underway.
- Distribute current CMO statutory responsibilities; divest CMO administrative and regulatory functions as per Alternative #1.
- Increase/enhance analytical capabilities as they relate to management in OUSD(C)/CFO, ODCAPE, PSAs, and JS J-8 to support the DSD's COO role in business transformation and Fourth Estate/DAFA oversight.
- Empower USD(P) as the representative of the SD in the interagency processes.
- Increase/enhance IT capabilities in CIO to support digital transformation.
- Improve and update governance structures; create a direct report capability for the DSD.

Actions Required:

- Establish Performance Improvement Officer with focus on Business Transformation, Strategic Management and Performance Improvement and DW/DAFA Enterprise Business Operations.
- Establish a Director of Administration and Support; distribute current CMO statutory responsibilities as indicated.
- Establish a Director, Strategic Integration, Governance, and Analysis reporting directly to the DSD as opposed to being under the Director of Administration and Support. This is the principal difference between options "a" and "b."
- Rely on USD(P) for most interagency policy matters.
- Distribute current CMO statutory responsibilities as indicated in the schematic.

Pros:

- Takes advantage of the current and historical strength of the DoD decision process as this operates within accepted norms.
- Improves oversight, supervision, and direction of the DAFA.
- Recognizes only the SD and DSD make enterprise-wide decisions requiring trade-offs and prioritization.
- Provides a better chance of success in enterprise business transformation than the 12 previous years of the DCMO/CMO.

Cons:

- Will require DSD to focus more exclusively on managing the Department, its resources, and effecting enterprise business transformation, vice engaging in most interagency processes and meetings; increases the size of the DSD staff elements:
    - A DSD should be appointed who has a proven track record in managing large, complex private

sector organizations together with proven experience in the DoD.
- An USD(P) should be selected with the understanding they would share responsibility to represent DoD in the interagency processes.

DBB Recommendations

Based on the results of the required statutory assessment pursuant to § 904 of the FY2020 NDAA and after considerable review and analysis, the DBB recommends the disestablishment of the Office of the Chief Management Officer and that the Secretary of Defense consider and select one of the three alternatives as identified and outlined in considerable detail in this report.

The DBB also includes a series of additional recommendations that would accompany any of the alternatives selected that are also outlined in considerable detail in this report:

- The current OCMO disestablished and functions distributed in accordance with the alternative selected.
- The term Chief Management Officer eliminated; MilDep Under Secretaries title changed from CMO to COO.
- The DSD to be held accountable to the SD for the overall management of DoD with an emphasis on business transformation.
- A Performance Improvement Officer is created under the two Deputies option and a single Deputy as enhanced COO option (as required by the GPRA Modernization Act of 2010 (Pub. L. 111-352) and § 1124, title 31 USC) to focus on business transformation, including enterprise business operations and to improve operations and reduce costs in DW and DAFA.
- A Director of Strategic Integration, Governance, and Analysis is established to support SD/DSD in the integrating and tracking of priorities; includes NDS and maintaining coherence in DoD governance structures.
- The DSD transmits the SD's annual "commander's intent" in terms of the goals and performance objectives for business transformation and holds the Department accountable to the SD. The performance directives must be tied to near-peer competition, especially China.
- Increase staffing in OUSD(C)/CFO, ODCAPE, and the J-8 for analytical and review capability in terms of enterprise business transformation and improved management and transformation of the DAFA under all alternatives; re-establish the Defense Working Capital section in USD(C).
- Increase CIO staffing to fully develop, implement, and support a digital strategy for all of DoD in furtherance of SD/DSD priorities.
- Increase OASD(LA) personnel and skill sets in existing and new areas to better inform the Congress on SD priorities.
- Additional staffing requirements in OSD and the Joint Staff filled by using billets freed by disestablishing the OCMO.
- PSAs retain ADC of DAFA while the DAFA review is underway, with additional internal capacity and capability for both budget review and management advice of DAFA and functional enterprises combined with consultation and analytical support from the OUSD(C), ODCAPE, PIO, and J-8.

The greatest chance of success is if all these changes are made.

Other Organizational Reforms the DBB Recommends Be Implemented

- DAFAs that are major business entities or function as such (e.g., DLA, DHA, DeCA, DSCA) should be led by proven core competent civilian leaders with performance contracts at private sector comparable salaries with a military leader as deputy.
- Business-oriented DAFAs should have an independent board of directors who come from the appropriate business world (current government customers could also serve on the board, but the board majority should be independents).
- Re-establish the Director of Administration and Management as the Director of Administration and Support directly reporting to the SD/DSD.
- Could be led by a general position SES (non-career or career).
- Deputy could be a career reserved SES and is the most senior career civilian in OSD.
- WHS, PFPA, CG, compliance and oversight, NCR and Pentagon reservation management would be within this organization.
- Create the position of Director of Strategic Integration, Governance, and Analysis. This position facilitates departmental and integration of key priorities; tracks NDS implementation, integration and presentation of data; maintains and monitors coherence in execution of departmental governance; integration of primary and supporting tiers of governance; and high -level of "process" and information flow.
- Re-establish the Assistant to the Secretary of Defense for Intelligence Oversight as a Specified Official reporting directly to the SD/DSD.
- Remove this organizational function from the OCMO.
- Emphasis that any DSD nominee must possesses a proven track record in managing large, complex organizations and also significant previous experience in DoD.
- Preferably an individual promoted to ever-increasing positions in the private sector and government sector.
- The USD for Policy, when directed by the SD, should represent DoD in the interagency process when the DSD's presence is not required.
- This would free up the DSD to focus on his COO role of leading internal management and business transformation.
- MilDep Undersecretaries re-designated as COOs (§ 904, FY08 NDAA (Pub. L. 110-181)).

The DBB recommends the following process reforms:

- The SD should direct the conduct of a net assessment of the Chinese industrial base and the Communist Party of China's role and incorporate germane findings into the performance goals of DoD business operations:
  - Elements of the assessment should include comparisons of the Chinese military support enterprise to the U.S. and China's military aerospace industrial base state and non-state controlled industries to America's.
  - This should include relative cost, speed of product development, age and value of the installed capital base, leadership's technical competence and agility, nationally imposed inhibiting conditions, the availability of human and material resources, the burdens of government oversight, etc.
  - Particular focus should be on the emerging dual-use capabilities and technologies, already

highlighted by DoD R&E priorities, including AI/ML, cybersecurity, space, quantum computing, microelectronics, engineered biology, etc.

- The SD should **continue to robustly** implement his responsibilities in § 192 of title 10 to **review the DAFA**; the goal being to look at reducing, streamlining, consolidating, eliminating some, moving some to other supervisory arrangements, while conducting a major study of the future management options for DAFA as outlined on pages 85 and 87 above.
- The SD should **commission a major review of the Defense Working Capital Funds** and how they could be used to improve price-signaling effectiveness and efficiencies of the DAFA that use DWCF. Same for the services' use of DWCF. Both use DWCF in the $100B range.
- The SD should direct both an **internal and external review of the intelligence agencies** and subject them to the same rigorous approach as is being required for the rest of the Fourth Estate, CCMDS, OSD, Joint Staff, and MilDeps.
- The SD should **commission a management survey** done by an independent organization to assess management gaps and organization structural problems across OSD. This survey would use the NDS as the benchmark to determine if the organization is structured, manned, and budgeted to achieve the challenges of the NDS.

Governance reforms recommendations tied to the NDS:

The DBB found the overall existing DoD governance structure lacks a sufficient NDS focus and dates back to a different global strategic era. The structure needs to be updated to reflect the current and projected future global strategic situation:

- SD should direct development of concrete options (with timelines) to achieve NDS-aligned governance. Options should include zeroing out many governance bodies for maximum delayering and updating governance documents.
- SD should direct continued development of digital tools to capture, track, and share NDS implementation goals and tasks.
- SD should stress that with data analytics: (1) all data is DoD data, no silos; and (2) development of use cases relevant to NDS implementation for eventual inclusion into decision fora is approved.
- SD should direct that these directions be aligned within a newly established Director for Strategic Integration, Governance, and Analysis working directly for SD/DSD; provides decision support to cabinet officials (near/mid-term SD/DSD priorities).

All recommended organizational Alternatives would:

- Divest administrative matters from the CMO to a single non-PAS direct report to the SD/DSD (DA&M-like or equivalent). This official would:
  - Provide ADC over WHS, PFPA, and COG/COOP.
  - Supervise immediate office support including Protocol, Mess, Cables, and Executive Secretary.
  - Manage FOIA, FACA, and Privacy and Civil Liberties policy.
  - Manage organizational/management, governance, and issuance policy.
  - Provide support to SD/DSD.
  - Serve as the Senior Career Official for transition purposes.
- Re-establish Intelligence Oversight as a direct report to the SD/DSD:

- This function already requires direct engagement with the DSD on a regular basis to address sensitive intelligence matters.
- Recommend that this position **not** be designated as a PSA, but identified as a Special Assistant to the SD (SATSD) similar to the head of the White House Liaison Office (WHLO).

- Move remaining CIO related functions from CMO back to the CIO.
- Remove CMO authority to direct Service Secretaries.

Recommendations that fall within current SD authority:

- Enhancing the DSD's role as COO.
- Increasing staffing/capabilities for OUSD(C)/CFO, ODCAPE, OASD(LA), and JS/J-8.
- Retaining ADC of DAFA with PSAs, but with specific performance objectives.
- Assigning proven private-sector civilian leaders to lead DAFA which are major business entities; creating outside fiduciary boards.
- Establishing a separate Performance Improvement Officer (PIO).
- Re-establishing the DA&M as Director of Administration and Support to the SD/DSD.
- Establishing a Director for Strategic Integration, Governance, and Analysis.
- Re-establishing the ATSD(IO).
- Empowering USD(P) to represent DoD for many interagency roles (10 USC § 134(b)(2) covers the statutory responsibilities of the USD(P)).
- Conducting a net assessment of the Chinese industrial base and CPC involvement.
- Robustly implementing SD § 192 responsibility for DAFA through OSD enhanced organizations and capabilities under the DSD's direction.
- Conducting an assessment of the management options for the DAFA.
- Commissioning a major review of the DWCF for needed improvements.
- Commissioning a management survey to look for management and organizational gaps.
- Conducting a "Night Court" review of the intelligence DAFA.

Recommendations, if selected, requiring statutory changes:

- Changing titles from CMO to COO for Undersecretaries of the MilDeps (§ 904, FY08 NDAA (Pub. L. 110-181)).
- Disestablishing the CMO[37] and moving current statutory duties to other PSAs (10 USC §§ 131, 132, 132a)(the CMO duties which are discretionary can be moved immediately).
- Implementing two DSDs option (10 USC §§ 131, 132, and 132a).
- Creating a Principal Undersecretary of Defense, focused on business transformation, as the Deputy

[37] If CMO is disestablished, changes to or elimination of the following statutes will be required:
- 10 USC § 131 OSD
- 10 USC § 132 DSD
- 10 USC § 132a CMO
- 10 USC § 192 DAFA Oversight
- 10 USC § 240b FIAR Plan
- 10 USC § 2222 DBS
- 31 USC § 1124 PIO
- 40 USC § 11319 IT Review
- Additionally, there are 16 other minor mentions of CMO within U.S. statutes.

COO to the DSD in his COO role. Move from EX II to EX III (5 USC §§ 5313 and 5314; 10 USC §§ 131 and 132a).

Conclusion

As stated earlier, the DBB greatly appreciates the confidence shown by the Secretary of Defense in entrusting this important review to it. It is the unanimous view of the DBB membership that the United States is entering an era where the challenges it will face strategically, militarily, operationally, fiscally, and economically are considerably more serious than any faced during the Cold War. The challenges just ahead are unusually clear in their size and scope, and the changes the Department of Defense must embrace are equally apparent and no less difficult. The Department has always met the challenges presented by changing strategic circumstances, the DBB is fully confident that it will do so once again.

It has been a privilege to conduct this assessment for the Secretary of Defense and the Department's leadership.

Arnold L. Punaro
Major General, USMC, Ret.
Task Force Co-Chair

Atul Vashistha
DBB Vice Chairman
Task Force Co-Chair

David Walker
Former Comptroller General
of the United States

David K. Van Slyke
Dean, Maxwell School of
Citizenship and Public Affairs
Syracuse University

APPENDICIES:
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Defense Business Board

TAB A

BIOGRAPHIES OF TASK FORCE MEMBERS

Arnold L. Punaro
CEO, The Punaro Group, LLC

Arnold Punaro is chief executive officer of The Punaro Group, LLC, a Washington-based firm he founded in 2010 specializing in federal budget and market analysis, business strategy and capture, acquisition due diligence, government relations, communications, sensitive operations, business risk analysis and compliance, and crisis management. He consults for a broad array of Fortune 100 companies and has been recognized by Defense News as one of the 100 most influential individuals in U.S. Defense.

In November 2015, Mr. Punaro completed a four-year term, first as Vice-Chairman, then as Chairman of the National Defense Industrial Association, the country's largest defense industry association with over 1,700 corporate and 90,000 individual members. As NDIA Chairman Emeritus, he served as Chair of the Nominating and Governance Committee from 2015 to 2018. He began a new two-year term as Vice-Chairman in October 2018 and will serve again as Chairman beginning in October 2020.

He is Chairman of the Reserve Forces Policy Board, which serves as an independent advisor to the Secretary of Defense on Reserve and National Guard matters.

He served on the Defense Business Board (DBB) as a founding member at its inception in 2002 until 2013. He resumed serving on the DBB in 2015. From 2005 to 2008, he was the Chairman of the Independent Commission on the National Guard and Reserves. He also served as a task force member for the U.S. Special Envoy for Middle East Regional Security in 2008, a Commissioner on the Independent Commission on the Iraqi Security Force in 2007, Deputy Executive Director of the U.S. Commission on National Security/21st Century from 1998 to 2001, and chaired the Defense Reform Task Force for Secretary of Defense William Cohen in 1997.

As an executive vice president at Science Applications International Corporation (SAIC) from 1997 to 2010, at the time a $10 billion company, Mr. Punaro served as a sector manager, deputy president of the Federal Business Segment, and led SAIC's Corporate Business Development organization. He was the senior corporate official responsible for SAIC's government affairs, worldwide communications and support operations, to include crisis and risk management, as well as general manager of their Washington operations and supervisor of SAIC's corporate Small and Disadvantaged Business office.

From 1973 to 1997, Mr. Punaro worked for Senator Sam Nunn in national security matters. He served as his director of National Security Affairs and then as Staff Director of the Senate Armed Services Committee (eight years) and Staff Director for the Minority (five years). In his work with Senator Nunn and the Senate Armed Services Committee, he was involved in the

formulation of all major defense and intelligence legislation, the oversight and review of all policy and programs, and civilian and military nominations.

A retired U.S. Marine Corps Major General, he served as the Director of the Marine Corps Reserve, Deputy Commanding General, Marine Corps Combat Development Command (Mobilization), and for three years as the Commanding General of the 4th Marine Division. Other assignments were Commanding General, Marine Corps Mobilization Command, and Deputy Commander, Marine Forces Reserve. In December 1990, he was mobilized for Operation Desert Shield. In December 1993, he completed a tour of active duty as Commander of Joint Task Force Provide Promise (Forward) in the former Yugoslavia. He was mobilized for a third time in May 2003 in support of Operation Enduring Freedom and Operation Iraqi Freedom. He served on active duty as an Infantry Platoon Commander in Vietnam where he was awarded the Bronze Star for valor and the Purple Heart.

He is on the Board of Advisors for the Center for a New American Security, a Senior Associate at the Center for Strategic and International Studies, and on the Advisory Council of the Atlantic Council Scowcroft Center for Strategy & Security. He serves on the non-profit boards of the University of Georgia's School of Public and International Affairs, the Maxwell School of Citizenship and Public Affairs at Syracuse University, and the Georgia Institute of Technology Sam Nunn School of International Affairs. He has served on numerous other for-profit and non-profit boards.

Mr. Punaro is the recipient of numerous recognitions including the Secretary of Defense "Medal for Distinguished Public Service" and two awards of the Secretary of Defense "Medal for Exceptional Public Service." He received the Marine Corps League's "Iron Mike Award" in 1993 for "exceptionally outstanding service" and "unwavering commitment" for over 20 years "ensuring a strong national defense." He has received the Air Force Association's "Exceptional Service Award," the National Guard "Minuteman Award," the Army's "Meritorious Public Service Medal," the Secretary of the Army "Public Service Award", the Reserve Officers Association's "Minuteman of the Year Award", the Marine Corps Scholarship Foundation "Commandants' Award," CAUSE's Jack London Award, the NDIA Forrestal Award for industry leadership, and was the recipient of the SAIC's "Founders Award" and two special CEO awards. He has over 20 military awards and decorations to include the Distinguished Service Medal as well as numerous civic awards.

He has a Masters of Arts degree from the University of Georgia and a Masters of Arts degree from Georgetown University, the latter in national security studies. He was on the Adjunct Faculty of the Walsh School of Foreign Service at Georgetown University for ten years where he taught an annual graduate level course entitled "National Security Decision Making."

He is the author of the book, *On War and Politics: The Battlefield Inside Washington's Beltway* that was published by the Naval Institute Press in October 2016. He is completing his second book, *The Ever-Shrinking Fighting Force*, to be published in spring 2020.

Atul Vashistha

Founder & Chairman, Neo Group

Recognized globally as one of the leading experts on globalization, technology, sourcing and governance, Atul was named to Consulting Magazine's "Top 25 Most Influential Consultants" and "Top 6 IT Powerbrokers". Globalization Today recognized Atul as an "Industry Most Influential Powerhouse 25", and Near Shore Americas recognized him as one of the "Power 50." In 2018, Atul was inducted into the prestigious IAOP Hall of Fame. Atul was named one of the "Top 10 CEOs of the Year" by Industry Era Magazine for 2019. Shared Assessments recognized Atul in 2018 with its Evangelist Award. NeoGroup, a company founded by Atul in 1999, was recognized by IAOP in 2019 as a "Best of the World's Best Outsourcing Advisor". Additionally in 2019, Enterprise Security Magazine recognized Supply Wisdom, also founded by Atul, as a "Top 10 Risk Management Service Provider". Atul is the author of three books: Globalization Wisdom, Outsourcing Wisdom and The Offshore Nation.

Atul is the Founder and Chairman of NeoGroup & Supply Wisdom, founded in 1999 and 2012, respectively. Atul is also the visionary behind SourcingExecutives.org and AutomationBoard.org.

Media and Wall Street analysts at CNN, ABC, CNBC, Wells Fargo, Goldman Sachs, Fortune, Forbes, Business Week, Wall Street Journal, Investor's Business Daily, Economist, CIO, CFO and other global organizations seek Atul's expert opinion. Atul continues to be a vocal proponent of globalization and has taken on the critics, such as Lou Dobbs on his former "Exporting America" segment on CNN. He is also a frequent contributor to magazines such as Fortune, CFO, WSJ and Business Finance. Atul writes ongoing columns for Global Business Services.

Atul is honored to serve on the Boards of US Department of Defense's Defense Business Board (dbb.defense.gov), LatAm Council, Shared Assessments, and IAOP as a founding member. Atul is a Former Chair of YPO Norcal and is a current YPO Gold Suncoast member. He also supports numerous economic & youth development and corporate social responsiblity initiatives such as Echoing Green, World Education Foundation, One Girl and Jnana Mandira.

Neo celebrated its 20th year in business in May of 2019. Prior to that, Atul was Senior Vice President of International at Cardinal Health (NYSE: CAH) where he led the international operations of the Fortune 25 Company. Atul and his seasoned team at Cardinal expanded profitable operations to Australia, New Zealand, Spain, UK, Singapore, Brazil, Mexico, Japan and other global locations. More importantly, his in-depth international experience earned him the admiration and respect of global CEOs and investors.

Atul and his firms are redefining how nations, corporations and individuals can leverage the globalization of talent and automation mega-trends to build better futures for all.

David M. Van Slyke

Dean of the Maxwell School of Citizenship and Public Affairs
Syracuse University

David M. Van Slyke is Dean of the Maxwell School of Citizenship and Public Affairs at Syracuse University and the Louis A. Bantle Chair in Business-Government Policy. Prior to becoming Dean in July 2016, Mr. Van Slyke was Associate Dean and Chair of Maxwell's department of public administration and international affairs, home to the country's #1 ranked graduate degree in public affairs. He is a tenured, full professor of the Maxwell School and the College of Arts and Sciences and a two-time recipient of the Birkhead-Burkhead Award and Professorship for Teaching Excellence.

Mr. Van Slyke is a leading international expert on public-private partnerships, public sector contracting and contract management, and policy implementation. He is Director and Fellow of the National Academy of Public Administration, a co-editor of the *Journal of Public Administration Research and Theory* and the *Journal of Strategic Contracting and Negotiation.* He also sits on the editorial boards of several top-ranked public affairs journals. He has provided expert guidance to the Office of Management and Budget, the Government Accountability Office, the U.S. Coast Guard, and the World Bank. As part of his work and research he has worked extensively with senior leaders in government, nonprofit and business organizations in China, India, Peru, Singapore, Thailand and many other countries through the Maxwell School's Executive Education program.

Mr. Van Slyke's most recent book, *Complex Contracting: Government Purchasing in the Wake of the U.S. Coast Guard's Deepwater Program* (Cambridge University Press, 2013) is the recipient of the American Society for Public Administration Section on Research Best Book Award for 2014 and honorable mention for the Public and Nonprofit Section of the Academy of Management best book award for 2016. He is winner of the 2015 Distinguished Alumnus in Public Administration and Policy award from the Rockefeller College of Public Affairs and Policy and the 2007 Beryl Radin Award for Best Article published in the *Journal of Public Administration Research and Theory*.

Mr. Van Slyke earned a Ph.D. in public administration and policy from the Rockefeller College of Public Affairs and Policy at the University at Albany, State University of New York. Prior to becoming an academic, he worked in the private, public and nonprofit sectors.

The Honorable David M. Walker

Distinguished Visiting Professor (William J. Crowe Chair)
U.S. Naval Academy

Mr. Walker is a nationally and internationally recognized fiscal responsibility, government transformation/accountability, human capital, and retirement security expert. He has over 40 years of executive level experience in the public, private and non-profit sectors, including heading three federal agencies, two non-profits, and serving as Comptroller General of the United States and CEO of the U.S. Government Accountability Office (GAO) for almost 10 years. Mr. Walker is also a writer, speaker and media commentator. He has authored three books, the latest was entitled *Comeback America: Turning the Country Around and Restoring Fiscal Responsibility (2010)*, which achieved National Bestseller status, and he plans to publish a fourth book in 2021. He has appeared in several major programs and documentaries, including being the primary subject in a 60 Minutes segment and the critically acclaimed documentary I.O.U.S.A.

Mr. Walker is currently the Distinguished Visiting Professor (William J. Crowe Chair) at the U.S. Naval Academy where he teaches the Economics of National Security. Previously, he served as a Senior Strategic Advisor for PwC's Public Sector Practice (now Guidehouse). Mr. Walker was the Founder, President and CEO of the Comeback America Initiative (CAI). In this capacity he led CAI's efforts to promote fiscal responsibility and sustainability by engaging the public and assisting key policymakers on a non-partisan basis to help achieve solutions to America's federal, state and local fiscal imbalances. During this period, he conducted a nationally recognized Fiscal Responsibility Solutions Tour that covered 10,000 miles and included 27 states plus D.C.

Prior to founding CAI, Mr. Walker served as the first President and CEO of the Peter G. Peterson Foundation that promotes fiscal responsibility. Previously, he served as the seventh Comptroller General of the United States and head of the U.S. Government Accountability Office (GAO) for almost ten years (1998-2008). GAO conducts financial, performance and compliance audits, a range of policy and operational research and analyses, promulgates Generally Accepted Governmental Auditing Standards, and renders decisions on bid protests on federal contracts. Under Mr. Walker's leadership, GAO underwent a dramatic and highly successful transformation which, among other things, resulted rightsizing the agency, significantly increasing it visibility, credibility and productivity, and achieving over $380 billion in financial benefits and many other non-financial benefits over a 10-year period.

Mr. Walker's appointment as Comptroller General was one of his three presidential appointments each by different Presidents (i.e., Reagan, Bush 41, and Clinton) during his 16 years of total federal service. He was confirmed unanimously by the U.S. Senate for all three of his Presidential appointments. His previous Presidential appointments were Assistant Secretary of Labor for the current Employee Benefit Security Administration, and as one of two Public Trustees for Social Security and Medicare. Mr. Walker also served as Acting Executive Director, Deputy Executive Director and Chief Negotiator for the Pension Benefit Guaranty

Corporation. He also has over 20 years of private sector experience, including approximately 10 years as a Partner and Global Managing Director of the Human Capital Services Practice for Arthur Andersen LLP. His initial private sector experience was with Price Waterhouse & Co., Coopers & Lybrand and Source Services Corporation.

Mr. Walker currently serves on various boards and advisory groups, including as Chairman of the Government Transformation Initiative Board, as a member of Advisory Committees for Institute for Truth in Accounting, the Center for the Study of the Presidency the Congress, the Center for State-led National Debt Solutions, and the Peter G. Peterson Foundation. He previously served as Chairman of the Independent Audit Advisory Committee (IAAC) for the United Nations, Chairman of the U.S. Intergovernmental Audit Forum, and as a member of the Board of Directors for the International Organization of Supreme Audit Institutions, AARP, the Committee for a Responsible Federal Budget, the Partnership for Public Service, and the Connecticut Municipal Accountability Review Board. He is also a past member of the Trilateral Commission.

Mr. Walker is an inductee in the Accounting Hall of Fame, the Internal Audit Hall of Fame, the National Academy of Public Administration, and the National Academy of Social Insurance. In addition, he is a member of and has held various leadership positions in Rotary International and the Sons of the American Revolution (SAR).

Mr. Walker is a non-practicing CPA who has a B.S. in Accounting from Jacksonville University, an SMG Certificate from the JFK School of Government at Harvard University, a Capstone Certificate from the National War College, and four honorary doctorate degrees from American University, Bryant University, Jacksonville University and Lincoln Memorial University. He has won numerous national and international leadership, professional, and public service awards, including top awards from two heads of state (i.e., Austria and Indonesia) and two U.S. Cabinet Secretaries (i.e., Defense and Labor), the top award for his CPA profession (i.e., AICPA Gold Medal), and the first and only Alexander Hamilton Award for economic and fiscal policy leadership from the Center for the Study of the Presidency and the Congress.

Distinguished Visiting Professor (Crowe Chair) - USNA
Former U.S. Comptroller General

Defense Business Board

TAB B

SUPPORT STAFF

TAB B: Support Staff

DBB Staff

Ms. Jennifer Hill, Executive Director
Col Charles Brewer, USMC, Marine Corps Military Representative
Mr. Web Bridges, Deputy Director
Ms. Mary Bush, Administrative Support
Mr. Steve Cruddas, Office Manager
CAPT Jeffrey Plaisance, USN, Navy Military Representative
COL Julie Thomas, USA, Army Military Representative

Detailed Support For This Project

COL Kevin Boates, USA, Deputy, Reserve Forces Policy Board
Ms. Jennifer Bowles, Office of CAPE
Mr. John Eberhardt, OUSD Comptroller
Col Darren Paladino, USAF, Reserve Forces Policy Board
Mr. Graham Robinson, Office of the CMO
Ms. Lynne Schneider, Office of the CMO

Defense Business Board

TAB C

SECTION 904 OF THE FY20 NDAA,

CONFERENCE REPORT 116-333,

&

DSD TASKING MEMORANDUM

National Defense Authorization Act for Fiscal Year 2020

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SEC. 904. ASSESSMENTS OF RESPONSIBILITIES AND AUTHORITIES OF THE CHIEF MANAGEMENT OFFICER OF THE DEPARTMENT OF DEFENSE.

(a) IN GENERAL.—The Secretary of Defense shall provide for the conduct of two assessments of the implementation of the position of Chief Management Officer of the Department of Defense pursuant to section 132a of title 10, United States Code, as follows:

(1) DEPARTMENT OF DEFENSE ASSESSMENT.—An assessment conducted by the Secretary or a designee of the Secretary.

(2) INDEPENDENT ASSESSMENT.—An assessment conducted by the Defense Business Board or an appropriate number of individuals selected by the Secretary from among individuals in academia or academic institutions with expertise in public administration and management.

(b) ASSESSMENT ELEMENTS.—Each assessment conducted pursuant to subsection (a) shall include an assessment of the implementation of the position of Chief Management Officer of the Department of Defense, including and taking into account the following:

(1) The extent to which the position has been effective in achieving the service, and exercising the powers and authorities, specified in section 132a of title 10, United States Code

(2) The perspectives of the Under Secretaries of the military departments on the matters described in paragraph (1) based on the experiences of such Under Secretaries as the Chief Management Officer of a military department

(3) The extent to which the ingrained organizational culture of the Department of Defense poses fundamental structural challenges for the position of Chief Management Officer of the Department, irrespective of the individual appointed to the position.

(4) The observations of the Comptroller General of the United States on progress and challenges during the prior 10 years in the establishment of positions of Chief Management Officer in agencies throughout the Executive Branch, including in the Department of Defense and in other Federal agencies.

(5) An identification and comparison of best practices in the public sector for the responsibilities of Chief Management Officers

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(6) An identification and assessment of differences in responsibilities and authorities of the Chief Management Office of the Department, the Chief Operating Officer of the Department of Defense, and the Deputy Secretary of Defense.

(c) MODIFICATION OF RESPONSIBILITIES AND AUTHORITIES.—The Secretary shall identify such modifications, if any, to the responsibilities and authorities of the Chief Management Officer of the Department (whether specified in statute or otherwise) as the Secretary considers appropriate in light of the assessments conducted pursuant to subsection (a). In identifying any such modification, the Secretary shall develop recommendations for such legislative action as the Secretary considers appropriate to implement such modification,

(d) REPORT.—Not later than March 15, 2020, the Secretary shall submit to the congressional defense committees a report on the assessments conducted pursuant to subsection (a) and on any modifications to the responsibilities and authorities of the Chief Management Officer of the Department identified pursuant to sub- section (c). The report shall include the following:

(1) A description and the results of the assessment con- ducted pursuant to subsection (a).

(2) Any modifications of the responsibilities and authorities of the Chief Management Officer identified pursuant to sub- section (c), including recommendations developed for legislative action to implement such recommendations and a proposed timeline for the implementation of such recommendations.

116TH CONGRESS
1st Session

HOUSE OF REPRESENTATIVES

REPORT
116–333

NATIONAL DEFENSE AUTHORIZATION ACT FOR FISCAL YEAR 2020

CONFERENCE REPORT

TO ACCOMPANY

S. 1790

DECEMBER 9, 2019.—Ordered to be printed

departments. The conferees therefore direct the Secretary of Defense to issue the required ITRA guidance and framework no later than March 1, 2020, and to provide a briefing to congressional defense committees at that time.

The conferees also direct the Secretary of Defense to further refine and elaborate the definitions of prototyping to ensure that the Under Secretary of Defense for Research and Engineering and the Under Secretary of Defense for Acquisition and Sustainment have clearly defined roles and responsibilities, paying particular attention to the activities executed under budget activity 4, and software activities, which are likely to be difficult to determine.

Return to Chief Information Officer of the Department of Defense of responsibility for business systems and related matters (sec. 903)

The Senate bill contained a provision (sec. 903) that would return the responsibilities for business systems from the Chief Management Officer back to the Chief Information Officer and would realign the Chief Data Officer to report to the Chief Information Officer instead of the Chief Management Officer.

The House amendment contained no similar provision.

The House recedes.

Assessments of responsibilities and authorities of the Chief Management Officer of the Department of Defense (sec. 904)

The Senate bill contained a provision (sec. 5901) that would direct the Secretary of Defense to determine the manner in which the Chief Management Officer directs the business-related activities of the military departments and determine the responsibilities and authorities, if any, of the Chief Management Officer for the Defense Agencies and Department of Defense Field Activities. The provision would further direct the Secretary of Defense, in light of these determinations, to assign the responsibilities and authorities of the Chief Management Officer and submit a plan to Congress for carrying out these requirements.

The House amendment contained no similar provision.

The House recedes with amendments that would require a Secretary of Defense and an independent assessment of the Chief Management Officer position, and associated reports on those assessments with recommendations regarding the roles and responsibilities of the Chief Management Officer.

The conferees note the Department has faced significant structural challenges in implementing the Chief Management

Officer position since its inception. Accordingly, it is the conferees' intention to change the position from senior executive schedule II to III and, pending the assessment directed by this section, to disestablish the Chief Management Officer position altogether. The conferees therefore direct the Secretary to ensure the assessment provided for in this section is sufficiently comprehensive to allow for the reassignment of roles and responsibilities, as well as the authorities that would be necessary for orderly transition of such activities should the conferees decide to do so.

Senior Military Advisor for Cyber Policy and Deputy Principal Cyber Advisor (sec. 905)

The Senate bill contained a provision (sec. 904) that would require the designation of a general or flag officer of the Armed Forces to serve within the Office of the Under Secretary of Defense for Policy as the Senior Military Advisor for Cyber Policy and, concurrently, as the Deputy Principal Cyber Advisor.

The House amendment contained no similar provision.

The House recedes.

Exclusion from limitations on personnel in the Office of the Secretary of Defense and Department of Defense headquarters of fellows appointed under the John S. McCain Defense Fellows Program (sec. 906)

The Senate bill contained a provision (sec. 921) that would amend section 932(f)(3) of the John S. McCain National Defense Authorization Act for Fiscal Year 2019 (Public Law 115-232) to stipulate that an individual appointed to a fellowship under this section shall not count against the limitation on the number of Office of the Secretary of Defense personnel in section 143 of title 10, United States Code, or any similar limitation in law on the number of personnel in headquarters of the Department of Defense.

The House amendment contained no similar provision.

The House recedes with a technical amendment.

SUBTITLE B—ORGANIZATION AND MANAGEMENT OF OTHER DEPARTMENT OF DEFENSE OFFICES AND ELEMENTS

DEPUTY SECRETARY OF DEFENSE
1010 DEFENSE PENTAGON
WASHINGTON, DC 20301-1010

FEB 03 2020

MEMORANDUM FOR CHIEF MANAGEMENT OFFICER OF THE DEPARTMENT OF DEFENSE
SECRETARIES OF THE MILITARY DEPARTMENTS
CHAIRMAN OF THE JOINT CHIEFS OF STAFF
UNDER SECRETARIES OF DEFENSE
CHIEFS OF THE MILITARY SERVICES
CHIEF OF THE NATIONAL GUARD BUREAU
COMMANDANT OF THE COAST GUARD
DIRECTOR OF COST ASSESSMENT AND PROGRAM EVALUATION
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 ACTIVITES

SUBJECT: Support to the Defense Business Board

In § 904 of the National Defense Authorization Act (NDAA) for Fiscal Year 2020, Public Law 116-92, Congress requested assessments of responsibilities and authorities of the Chief Management Officer (CMO) of the Department of Defense (DoD).

Pursuant to § 904(a)(2), I direct the Defense Business Board (DBB), an advisory committee subject to the Federal Advisory Committee Act (FACA) (5 U.S.C., App.) to submit to me, not later than March 1, 2020, its independent assessment for each of the elements set forth in the NDAA along with any recommendations on modifications to the responsibilities and authorities of the CMO. I have designated Major General Arnold Punaro, USMCR (Ret) and Vice Chairman Atul Vashista of the DBB to co-lead the effort.

The DBB must receive the full and timely cooperation of the Office of the Secretary of Defense (OSD) and DoD Components in providing analysis, briefings, and other information necessary for the fulfillment of this task. OSD and DoD Components should respond to requests for data/information from the DBB within five business days. Once material is submitted to the DBB, it becomes a permanent part of the DBB's public record, subject to the Freedom of Information Act (5 U.S.C. § 552(b)); it may be subsequently modified through an addendum, but not retracted.

Additionally, the below listed OSD Components will designate a full-time senior individual for the duration of this effort who is highly knowledgeable, has access to the data, and has experience in analytical work in order to respond to this quick turn requirement:

Chief Management Officer of the Department of Defense;
Under Secretary of Defense (Comptroller)/Chief Financial Officer of the Department of Defense;
Director of Cost Assessment and Program Evaluation.

Please forward the name and contact information for each assigned individual by February 5, 2020, to COL Julie Thomas, USA (Julie.a.thomas.mil@mail.mil), the DBB's staff point of contact.

All OSD and DoD Components are reminded that all DoD data/information provided is subject to public inspection unless the originating Component office properly marks the data/information with the appropriate classification and Freedom of Information Act exemption categories before the data/information is released to the DBB. The DBB has physical storage capability and electronic storage and communications capability on both the non-classified and the classified networks, to support receipt of material at the secret level. Each OSD and DoD Component should remember that DBB members, as special government employee members, will not be given any access to the DoD Network, to include DoD email systems.

Thank you for your responsiveness to this important undertaking that will inform subsequent decisions on how the Department addresses national security challenges in the coming decades.

cc:
Executive Director, Defense Business Board
Designated Federal Officer, Defense Business Board

Defense Business Board

TAB D

REFERENCE MATERIAL

TAB D: Reference Material

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CSIS China's 2019 White Paper Response (2019)
DIA - China Military Power: Modernizing a Force to Fight and Win (2019)
Heritage Foundation - Preparing the U.S. National Security Strategy for 2020 and Beyond (2019)
Institute for the Study of War - The Gray Zone in Conflict (2019)
Mercator Institute for China Studies (MERICS) - China Global Security Tracker No 6 (2019)
RAND - Gaining Competitive Advantage in the Gray Zone (2019)
USAF OEA - PRC Pursuing Rapid Economic Mobilization System for Defense (2019)
USAF OEA – "China Standards" Promotion Foundational Campaign in Beijing's Global Expansion Strategy (2019)
USAF OEA – Beijing's Industrial Internet Policy Promotes PRC Manufacturing, ICT "Global Power Status" (2019)
USAWC SSI - Deterring Russia in the Gray Zone (2019)
USAWC SSI - Senior Conference 55—The Emerging Environment In The Indo-Pacific Region: Drivers, Directions, And Decisions (2019)
CNAS - Total Competition China's Challenge in the South China Sea (2020)
CSIS -Great Power Competition (2020)
CSIS - China's Uneven High-Tech Drive Implications for the United States (2020)
CSIS -Military Implications of Great Power Competition (2020)
CRS - Renewed Great Power Competition (2020)
Heritage Foundation - China Threat (2020)
Heritage Foundation - Russia Threat (2020)

White House

President's Blue Ribbon Commission on Defense Management ("The Packard Commission"), White House (1986)
Overview of National Security Strategy (2009)
2017 National Security Strategy of the United States of America (December 2017)

Defense Business Board

TAB E

SENIOR LEADERS INTERVIEWED

TAB E: Senior Leaders Interviewed

Mr. Randolph Alles, Acting Under Secretary for Management, Department of Homeland Security

Mr. Norman Augustine, Former Chairman and CEO of Lockheed Martin; former Under Secretary of the Army and Acting Secretary of the Army

Mr. Chris Barnhurst, Chief Financial Officer/Comptroller, Defense Information Systems Agency

HON Barabara Barrett, Secretary of the Air Force

HON David Berteau, CEO of Professional Service Council; former Assistant Secretary of Defense for Logistics & Material Readiness

Ms. Anita Blair, Director, Fourth Estate Management Division, Office of the Chief Management Officer

Mr. Charles Bowsher, Former Comptroller General of the United States, Government Accounting Office

VADM Ronald Boxall, J-8, Joint Chiefs of Staff

Mr. Brian Bulatao, Under Secretary for Management, Department of State

Mr. Christopher Burnham, Former Under Secretary General for Management of the United Nations; former Assistant Secretary of State & Chief Financial Officer, Department of State

Gen Ret. Hawk Carlisle, President & CEO, National Security Industrial Association; former Commander, Pacific Air Forces; former Commander, Air Combat Command

HON Eric Chewning, Former Chief of Staff to the Secretary of Defense; former Deputy Assistant Secretary of Defense for Industrial Policy

Ms. Christine Condon, Principal Director, Resources and Budget, Office of the Chief Information Officer

Ms. Amy Culbertson, Deputy Performance Improvement Officer, Department of Homeland Security

HON Gene Dodaro, Comptroller General of the United States, Government Accounting Office

HON Dana Deasy, DoD Chief Information Officer

HON Rudy DeLeon, Former Deputy Secretary of Defense, former Under Secretary of the Air Force, former Under Secretary of Personnel & Readiness

HON Lisa Disbrow, Former Undersecretary of the Air Force; former Deputy J-8 Joint Chiefs of Staff

HON Michael Donley, Former Secretary of the Air Force, former Director of Administration & Management

HON Mathew Donovan, Under Secretary of Defense for Personnel and Readiness; former Under Secretary of the Air Force

Ms. Camille Drummond, Vice President of Global Business Services, British Petroleum

LTG Ret. Bob Durbin, Chief Operating Officer, Aerospace Industries Association; former Director, Army Office of Business Transformation

Mr. Raymond DuBois, Former Director of Administration & Management

Mr. Jeffrey Eanes, OSD/DoD legislative/organization expert; DoD Organization Briefing Lead, Organizational Policy & Decision Support, Office of the Chief Management Officer

Mr. Mark Easton, Deputy Chief Financial Officer, Office of the Under Secretary of Defense Comptroller

HON Gordon England, Former Deputy Secretary of Defense

Ms. Elizabeth Field, Principal author, GAO reports on the DoD Chief Management Officer

Mr. Glenn Fine, Inspector General of the DoD

HON Michele Flournoy, Former Under Secretary of Defense for Policy

Mr. Daniel Folliard, Special Assistant to the Secretary of Defense

HON Christine Fox, Former Acting Deputy Secretary of Defense; former Director of Cost Assessment & Program Evaluation

Mr. Peter Giambastiani, Former Principal Deputy Assistant Secretary of Defense for Legislative Affairs

HON John Gibson, Former DoD Chief Management Officer

Mr. David Goldstone, Chief Operating Officer, UK Ministry of Defence

HON Mike Griffin, Under Secretary of Defense for Research and Engineering

HON Chuck Hagel, Former Secretary of Defense

HON Bob Hale, Former Under Secretary of Defense Comptroller/Chief Financial Officer

HON John Hamre, Former Deputy Secretary of Defense, former Under Secretary of Defense Comptroller

Mr. Robert Henke, Chief of Staff to the Deputy Secretary of Defense

HON Lisa Hershman, DoD Chief Management Officer

HON Robert Hood, Assistant Secretary of Defense for Legislative Affairs

GEN John Hyten, Vice Chairman of the Joint Chiefs of Staff

Mr. Justin Johnson, Special Assistant to the Secretary of Defense, former Special Assistant to the Deputy Secretary of Defense

HON Frank Kendal, Former Under Secretary of Defense for Acquisition, Technology & Logistics

Mr. Paul Koffsky, Senior Deputy General Counsel/Deputy General Counsel for Personnel & Health Policy

HON Ken Krieg, Former Under Secretary of Defense for Acquisition, Technology & Logistics

Ms. Susan Leopoldi-Nichols, President of Global Business Services, United Parcel Service (UPS)

HON Peter Levine, Senior Fellow, Institute for Defense Analyses (IDA); former Deputy Chief Management Officer; former Acting Under Secretary of Defense for Personnel & Readiness

VADM David Lewis, Director of Defense Contracting Management Agency

HON Ellen Lord, Under Secretary of Defense for Acquisition and Sustainment

HON Shon Manasco, Performing the Duties of Under Secretary of the Air Force; Assistant Secretary of the Air Force for Manpower and Reserve Affairs

Mr. Andy Mapes, Chief of Staff, Office of the Chief Management Officer

Dr. Roger Mason, President Space, Intl & Cyber, Peraton, Inc.

Ms. Anne McAndrew, Deputy Comptroller (Program/Budget), Office of the Under Secretary of Defense Comptroller

HON Ryan McCarthy, Secretary of the Army, former Under Secretary of the Army

Mr. Dick McConn, Chairman, National Security Industrial Association

HON Mike McCord, Former Under Secretary of Defense (Comptroller) and Chief Financial Officer

HON Elaine McCusker, Acting Under Secretary of Defense Comptroller/Chief Financial Officer

HON Beth McGrath, Former Deputy Chief Management Officer

HON James McPherson, Under Secretary for the Army, former General Counsel of the Army

Ms. Regina Meiners, Director, Organizational Policy & Decision Support, Office of the Chief Management Officer

Ms. Jamie Miller, Former Principal Deputy Assistant Secretary of Defense for Legislative Affairs

HON Jim Miller, Former Under Secretary of Defense for Policy

HON Thomas Modly, Acting Secretary of the Navy; Under Secretary of the Navy

Mr. Mark Munson, Sr., Office of the Chief Management Officer Organization Lead

HON Paul Ney, General Counsel of the Department of Defense

HON David Norquist, Deputy Secretary of Defense

VADM Nancy Norton, Director, Defense Information Systems Agency

HON Dave Patterson, Former Special Assistant to the Deputy Secretary of Defense; former Principal Deputy Under Secretary of Defense Comptroller/Chief Financial Officer

Mr. Greg Pejic, Special Assistant to Deputy Secretary of Defense

LTG Ronald Place, Director of the Defense Health Agency

Mr. Robert Rangel, Former Chief of Staff to the Secretary of Defense

Mr. Michael Rhodes, Former Director of Administration & Management

Mr. Steve Rudderham, Head of Global Business Services, Akzo Nobel

HON Alan Shaffer, Deputy Under Secretary of Defense for Acquisition and Sustainment

HON Pat Shanahan, Former Deputy Secretary of Defense

Ms. Rebecca Skinner, Associate Secretary of Defence, Australia Department of Defence

Mr. Michael Stough, Performance Improvement Officer, Department of Homeland Security

Mr. Alex Thompson, Global Head of Global Business Service (GBS) Procurement, British Petroleum

HON Mac Thornberry, Ranking Member, House Armed Services Committee; former Chairman, House Armed Services Committee

Ms. Cynthia Trudell, Former Executive Vice President, Human Resources and Chief Human Resources Officer, PepsiCo; former Defense Business Board Vice Chair

Mr. Peter Verga, Deputy Chief of Staff to the Secretary of Defense and Special Assistant to the Secretary and Deputy Secretary of Defense for Compartmented Activities

HON Margaret Weichert, Deputy Director of Management, Office of Management & Budget

HON John Whitley, Acting Director, Cost Assessment & Program Evaluation

LTG Darrell Williams, Director of Defense Logistics Agency

ADM Sandy Winnefeld, Former Vice Chairman, Joint Chiefs of Staff

HON Robert Work, Former Deputy Secretary of Defense

HON Roger Zakheim, Former General Counsel and Deputy Staff Director, House Armed Services Committee

Defense Business Board

TAB F

DCMO / CMO HISTORY AND BACKGROUND

INFO PAPER April 14, 2020

STATUTORY ESTABLISHMENT AND EVOLUTION OF THE DEPUTY CHIEF MANAGEMENT OFFICER (DCMO) AND CHIEF MANAGEMENT OFFICER (CMO) OF THE DEPARTMENT OF DEFENSE (DoD)

By Jeffery Eanes, DoD Organization Briefing Lead, Organizational Policy & Decision Support, Office of the Chief Management Officer

(Legend: Congressional Proposal / Enacted Law / Organizational)

ESTABLISHMENT AND EVOLUTION: Several actions through the 1990s served as precursors to functional management structures across the Department in recent years. These actions included: enactment of the **Chief Financial Officers Act of 1990** (Public Law (PL.) 101-576); addition of DoD Supply Chain Management in 1990 to the Government Accountability Office's High Risk Report; enactment of the **Government Performance and Results Act of 1993 (GPRA)** (PL.103-62); and enactment of the **Clinger Cohen Act of 1996** (Division D of the National Defense Authorization Act (NDAA) for Fiscal Year (FY) 1996, PL.104-106) which established Chief Information Officers (CIOs) across the Federal government.

More specifically, the statutory effort to establish a senior management official began in 2005 with a bill attempting to reinstate a second Deputy Secretary of Defense (DSD)[1] with a focus on management. This action was followed by subsequent activities and enactments (shown below).

- **April 2005** – **A bill was introduced in the Senate** (S.780, 109th Congress) that would establish a ***DSD for Management (DSD(M)) at Executive Schedule Level (EX) II***[2] that would serve for a term of 7 years and act for, and exercise the power of, the SD when the SD and DSD are disabled or the positions are vacant. The DSD(M) would be responsible for matters relating to the following functions: planning and budgeting; acquisition; logistics; facilities, installations, and environment; financial management, human resources and personnel; and information resources management. And, the DSD(M) would statutorily exercise authority, direction, and control (ADC) over the Secretaries of the Military Departments and the heads of the DoD Components for matters within the authority of the DSD(M).

  The bill did not make it into law, but was addressed in the FY 2006 NDAA.

FY06 NDAA

- **January 2006** – The **NDAA for FY 2006** (PL.109-163, section 907) ***directed a report on the feasibility and advisability of the establishment of a DSD(M)*** through a Federally Funded Research and Development Center to be provided to the Armed Services Committees no later than December 1, 2006. The Department tasked the report to the Institute for Defense Analyses (IDA). IDA considered four alternatives:
  1. Strengthening role of the current DSD as Chief Operating Officer (COO) and CMO;
  2. Create a CMO at EX II, as the head of business support areas;

[1] The Department of Defense had two DSD positions from 1972 until 1977 when the second DSD (which focused on Intelligence) was eliminated and the first Under Secretaries of Defense (USDs) were created.

[2] The DSD and Secretaries of the Military Departments (MilDeps) are EX II officials. Currently, the USD for Research and Engineering (R&E) and CMO are the only other EX II officials besides the DSD and Secretaries of the MilDeps. The Secretary of Defense (SD) is the only DoD EX I official. Most USDs are EX III (the "USD-level").

3. Create a CMO at EX II, designated as a DSD or Principal USD (PUSD)[3] appointed for a term of 7 years, and a DCMO at EX III, also appointed for a term of 7 years who would serve as the Director of the Business Transformation Agency (BTA); and
4. Create two co-equal DSDs, one for Operations and one for Management.

The IDA report, transmitted in December 2006, recommended strengthening the role of the DSD (alternative 1).

- **March 2006** – ***Concurrently, DSD England asked the Defense Business Board (DBB) to form a Task Group to revisit a prior DBB proposal to create a CMO***. The DBB explored two options:
  1. USD for Management (USD(M)) at EX III; and
  2. PUSD for Management (PUSD(M)) at EX II.

  The DBB also explored the idea of adding the CMO duties to the USD for Acquisition, Technology, and Logistics (AT&L); however, this option was not pursued because the members believed the USD(AT&L) already had a full portfolio of duties. The DBB recommended that a PUSD(M)/CMO at EX II be established. The DBB envisioned a PUSD(M)/CMO at such a level that the position would be "able to do the work, not just assist" the current DSD (DBB Report FY06-4, May 2006).

- **Summer/Fall 2007** – For the FY 2008 NDAA cycle, the **House Armed Service Committee (HASC) introduced a provision** (HR.1585, section 906) which would "assign duties for significant management issues to a senior official of a rank not lower than Under Secretary of Defense". The **Senate Armed Services Committee (SASC) introduced a provision** (S.1547, section 902) which would designate the DSD as the CMO, ***create a new USD(M)(DCMO) at EX III***, and designate the Under Secretaries of the Military Departments as the CMOs of those Departments.

  The White House opposed the establishment of a new management official in the Statement of Administration Policy (SAP) for S.1547.

  The House receded with an amendment that established a DCMO instead of a USD(M)(DCMO). House section 906 became section 904, see next.

FY08 NDAA

- **January 2008** – The **NDAA for FY 2008** (PL.110-181, section 904) included a provision that ***designated the DSD as the CMO***; established a ***DCMO of DoD at EX III*** ("USD-level")[4]; ***designated the Under Secretaries of the Military Departments as the CMOs of those Departments***; and required the SD and the Secretaries of the Military Departments to assign duties and authorities relating to the management of their business operations to their respective CMOs. The Conference Report (H.Rep.110-477) noted, "the conferees do not intend for the [DCMO of DoD] to have a staff or office structure of a size equivalent to that

[3] A PUSD construct would establish a "first among the USDs" implying that the PUSD would have some sort of authority to direct other USDs (almost a DSD(M) in all but name).
[4] The statutory requirement for the DCMO was placed as a subsection in the existing statutory provision for the DSD (section 132 of title 10, United States Code (U.S.C.)) rather than as a stand-alone section in code. This was changed in the FY11 NDAA which established a stand-alone section for the DCMO (section 132a).

of an Under Secretary. Rather, the [DCMO's] primary role should be to assist the CMO in planning and oversight of activities carried out by other offices. *The conferees believe strongly that the Deputy CMO's office should not be of a size that could distract from that role*." (House Report (H.Rep.) 110-477).

FY09 NDAA

- **October 2008** – The **Duncan Hunter NDAA for FY 2009** (PL.110-417, section 904) ***added the DCMO to the membership of the Defense Business System Management Committee*** (DBSMC) and made the ***DCMO the DBSMC Vice Chairman***.[5]

  The Office of the DCMO is established. The *initial assignment of functions* was made by DSD England based upon his four management pillars: Business and Systems Transformation, Performance Improvement/Assessment, Corporate Support (fiscal oversight), and Institutional. The DCMO was assigned responsibility for: Business Transformation, High Risk Liaison, Strategic Management Plans, Performance Improvement, and Corporate Management and Support Portfolio. Additional development of the position was deferred to the next Administration. ***The inaugural Office of the DCMO (ODCMO) was given 12 manpower positions and a budget of $2.6 million***.[6] ***Ms. Elizabeth McGrath, the former Assistant Deputy USD (ADUSD) for Business Transformation, is made the Assistant DCMO***.

- **January 2009** – Upon assuming office, President Obama signed the Memorandum on Transparency and Open Government. Relatedly, DSD Lynn *transferred GPRA functional lead from the USD (Comptroller)(USD(C)) to the DCMO*. Milestone Decision Authority for Major Automated Information Systems was also delegated to DCMO (rescinded in 2013).

FY10 NDAA

- **October 2009** – The **NDAA for FY 2010** (PL.111-84, section 932) ***created the Defense Integrated Military Human Resources System (DIMHRS) Development and Transition Council***.[7] Section 1003 ***directed the DCMO, in consultation with the USD(C), to develop and maintain the Financial Improvement and Audit Readiness (FIAR) Plan***[8] that would ensure the Department's financial statements were ready for audit by no later than September 30, 2017. Section 906 created five Principal Deputy USDs (PDUSDs), increased the number

[5] Section 332 of the Ronald W. Reagan NDAA for FY 2005 (PL.108-375) created section 10 U.S.C. 2222, "Defense business systems: architecture, accountability, and modernization," and established the DBSMC (10 U.S.C. 186). The DBSMC was composed of the DSD, USD(AT&L), USD for Personnel and Readiness (P&R), USD(C), ASD(NII), Secretaries of the Military Departments, Defense Agency heads, and any other personnel designated by the SD. The DSD was the DBSMC chairman and would designate a vice chairman from the USD(AT&L), USD(P&R), USD(C), or ASD(NII). The USD(AT&L) was designated as the vice chairman until mandated by statute to be the DCMO.

[6] In alignment with DSD England's preferences and the intent expressed in the FY 2008 NDAA, DSD England provided minimal resources for the ODCMO standup with the intent that the office would remain small.

[7] The conferees noted in their report, H.Rep.111-288, that "the Department of Defense (DOD) has invested nearly $1.0 billion in the development of DIMHRS, which was intended to be a single integrated pay and personnel information system for the Department. To this point, the DIMHRS program has not yet been successfully developed or deployed due to a number of technical and organizational difficulties." DIMHRS was a BTA program that, after delays and technical problems, was cancelled in February 2010.

[8] Section 1003 was amended and codified into 10 U.S.C. 252 and repealed by the NDAA for FY 2018 (PL.115-91). It was redesignated as 10 U.S.C. 240b by the John S. McCain NDAA for FY 2019 (PL.115-232)

of ASDs from 12 to 16[9], and deferred a prohibition on the use of the Deputy USD (DUSD) title for any officials other than the PDUSDs until January 1, 2011.[10]

- **May 2010** – Confronted by the realities of fighting two wars, the ongoing terrorist threats around the globe, heavy military investments by other major powers, and the difficult economic and fiscal situation facing the nation, Secretary Gates introduced a series of initiatives focused on redirecting overhead budget dollars toward modernization and force structure. Specifically, he directed a four track effort to begin a "hard, unsparing look at how DoD is staffed, organized, and operated." *Secretary Gates' fourth track of efficiencies was collectively referred to as the Efficiency Task Force (ETF)*. ***Part of the ETF's fourth track efficiencies was the elimination of one Combatant Command (U.S. Joint Forces Command), one Office of the Secretary of Defense (OSD) Principal Staff Assistant (Assistant Secretary of Defense (ASD) for Networks and Information Integration (NII)***[11]***), and one Defense Agency (BTA)***.

- **July 2010** – **Ms. McGrath was appointed by the President as the first DCMO**.[12]

- **January 2011** – **GPRA Modernization Act of 2010 (GPRAMA)** (PL.111-352, sections 8 and 9) enacted new sections of title 31, U.S.C., ***designating the "deputy head of agency" as the COO*** and ***requiring the designation of a Performance Improvement Officer (PIO) who shall report directly to the COO*** (sections 1123 and 1124, respectively) . In compliance with the GPRAMA, the *DSD was assigned as the COO (in addition to the statutory CMO role)* and the *DCMO was assigned as the PIO*. *As the PIO, the DCMO was assigned the oversight and management of the Agency Strategic Plan*.

FY11 NDAA

The **Ike Skelton NDAA for FY 2011** (PL.111-383, section 901) advanced multiple provisions on the OSD including: ***the statutory elimination of the use of the title DUSD for non-Presidentially Appointed, Senate-confirmed (non-PAS) officials and codification of a PAS PDUSD for each USD***; redesignation of several PAS officials as ASDs; and the removal of the DCMO establishment provision from the DSD's provision (section 132 of title 10, U.S.C. (10 U.S.C. 132)) with the ***creation of a stand-alone DCMO establishment provision (10 U.S.C. 132a)***.

[9] The increase in the number of PAS officials while reflecting an increase in the number of ASDs, did not result in a net increase to PAS officials since the new ASDs already existed as PAS officials (i.e., title redesignations).
[10] The SASC was concerned about the proliferation of officials with the DUSD title (or variations) that appeared to compete in status and stature with the confirmed ASDs. The SASC has expressed at various times that non-confirmed officials should not be considered the equivalent or higher to confirmed officials (e.g., non-PAS DUSDs to PAS ASDs, non-PAS DCMO to ASDs).
[11] The ASD(NII) was dual-hatted with the CIO. At the time of its elimination, the position of ASD(NII) was vacant with shared responsibilities in the Principal Deputy ASD (PDASD), Cheryl Roby, and the Deputy CIO, Dave Wennergren. After the decision to eliminate the ASD(NII)/CIO was made, it was recognized that the law requires a CIO, and the plan to outright eliminate the organization was modified.
[12] Faced with the challenge of multiple vacancies in senior positions, Secretary Gates approached Ms. McGrath about her interest in being nominated for the DCMO. She was nominated in March 2010.

The BTA was disestablished and its functions and resources were transferred to the DCMO bringing the ODCMO manpower positions from 12 to 139 and budget from $6.2 million to $62.7 million.[13]

FY12 NDAA

- **December 2011** – The **NDAA for FY 2012** (PL.112-81, section 901) broadly revised 10 U.S.C. 2222, the provision on Defense Business Systems, *significantly enlarging the DCMO's role in the acquisition and investment planning process for Defense Business Systems*.

- **January 2012** – ***The ASD(NII) was eliminated, removing the PAS status from the CIO conveyed by the dual-hat arrangement***. *Since the removal of PAS status from the CIO, there has been ongoing concern that the CIO needs the status and stature conveyed by the PAS status returned to the position*.[14]

FY13 NDAA

- **January 2013** – The **NDAA for FY 2013** (PL.112-239, section 903) ***required the Secretary to designate a senior official with principal responsibility for coordination and management oversight of data conversion for all enterprise resource planning systems***. Section 906 ***amended 10 U.S.C. 2222 to require components to make information on business system investments available to the DCMO***. Section 1005 ***required in law the Secretary's stated goal of validating the statement of budgetary resources as ready for audit by the end of FY 2014 and modifies the FIAR plan*** (assigning the role to the DSD, as the CMO of DoD, and the Military Department CMOs).

- **June 2013** – The **SASC introduced a provision** for the FY 2014 NDAA (S.1197, section 901) to strengthen the DCMO by converting it into the ***USD(M) at EX III*** and ***designating the position as the Chief Information Officer (CIO) of DoD*** (i.e., "dual-hat" DCMO/CIO into new USD(M) position). The new USD(M)/CIO would:
  - Serve as the PIO of DoD;
  - Exercise, in the role of the CIO, ADC over the Information Assurance Directorate (IAD) of the National Security Agency (NSA); and
  - Take precedence after the USD for Intelligence.

  The **SASC also introduced a provision** (S.1197, section 905) that would direct the Secretary to develop a plan for *streamlining DoD headquarters by reducing the size of staffs, eliminating tiers of management, cutting functions that provide little or no added value, and*

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[13] One of the influencing factors for the move of BTA functions and resources to ODCMO was the history that Ms. McGrath had with the organization as the former ADUSD for Business Transformation. Also, with the disestablishment of the ASD(NII), the former PDASD(NII), Cheryl Roby, became the Principal Deputy CIO, and the former Deputy CIO, Dave Wennergren, became the ADCMO, and for a short time the Director of BTA, under Ms. McGrath. The priorities and preferences of Ms. McGrath and Mr. Wennergren shifted the mission set of the DCMO to business transformation and information technology.

[14] *The ASD(NII) was created in 2002 when the ASD for Command, Control, Communications, and Intelligence (C3I) was split into the USD for Intelligence and the ASD(NII).* The ASD for Communications, Command, Control, and Intelligence (also C3I) was created from the merger of the ASD for Intelligence and ASD for Telecommunications in 1977. The ASD(C3I) served as the Principal Deputy to the USD for Research and Engineering (R&E) from 1977 to 1981. In 1981, it became a Deputy USD (removing PAS status).. In 1984, the position was made an ASD again and became a direct report to the SD.

consolidating overlapping and duplicative program offices. ***The provision would direct a savings objective of $100 billion over ten years***.

The White House opposed the establishment of budgetary targets for headquarters reductions in the SAP for S.1197.

Senate section 901 was addressed in the Joint Explanatory Statement for the FY 2014 NDAA (see below). Senate section 905 became section 904, see below.

- **July 2013** – In order to implement the FY 2013 sequester cuts and operate within the limits imposed by the continuing resolution, Secretary Hagel directed furloughs of government civilians, froze hiring, cut training and reduced readiness across the Department. The Secretary also established the ***Strategic Choices and Management Review (SCMR)***. The SCMR recommendations included: (1) *consolidating the DCMO and Director of Administration and Management (DA&M) into a strengthened DoD-wide management official* and (2) ***transferring the CIO function to the USD for Acquisition, Technology, and Logistics (AT&L)***. The CIO would continue to have direct access to the Agency Head, pursuant to the requirements of the Clinger-Cohen Act of 1996 (per 44 U.S.C. 3506).

- **August 2013** – Secretary Hagel asked former Secretary of the Air Force Michael Donley[15] to lead an ***OSD Organizational Review (OOR)***, which included a specific review of the SCMR recommendations. Concurrently, Secretary Donley and ASD for Legislative Affairs (LA) Elizabeth King engaged with the SASC staff and requested deferral of the USD(M)/CIO provision in order to complete the OSD Review.

- **November 2013** – **Ms. McGrath departs DCMO position**.

FY14 NDAA

- **December 2013** – The **Joint Explanatory Statement** (Committee Print of the HASC, 113th Congress, No. 2) for the **NDAA for FY 2014** (PL.113-66) addressed sections 901 and 905 of the Senate bill (S.1197):
  - **Comments on Senate section 901 (creation of a USD(M))**: The conferees recognized the Department's ongoing efforts and stated "*We note that the Department has recently made the congressional defense committees aware of a proposal that addresses the concerns raised by the Senate committee-reported bill. We will evaluate this proposal before making a decision on elevating the DCMO and designating that new position as responsible for the CIO roles*." ***Section 901 was not included in the final bill***.
  - **Senate section 905 (reduction of $100 billion over 10 years) became section 904**: The conferees agreed to an amendment removing the specific reduction requirements and noted "t*he Secretary of Defense's recent announcement that he is seeking $40.0 billion in savings in these areas. We expect that the Secretary's goal will be met*." Section 904 ***directed that a plan be submitted ("Section 904 Report") by June 2014 for DoD streamlining over a 10 year period, with status reports required each fiscal year from 2016 through 2024***.

[15] Mr. Donley served as the DA&M from May 2005 to June 2008 just prior to becoming the Secretary of the Air Force.

Secretary Hagel approved the Secretary Donley August 2013 recommendations and directed the ***merger of the DCMO, DA&M, and the Assistant to the Secretary of Defense for Intelligence Oversight (ATSD(IO))***; ***retention of a strengthened, stand-alone CIO***, including ***proposing to realign the statutory business systems oversight in 10 U.S.C. 2222 (Defense Business Systems) from the DCMO to the CIO***[16]; and a plan to request repeal of 10 U.S.C. 186 (the requirement for a DBSMC), with responsibilities to be fulfilled by the Investment Review Board (IRB) required in section 10 U.S.C. 2222 (i.e., the Defense Business Council (DBC)).

- **May 2014** – ***The Department's legislative proposal (#006 for the FY 2015 cycle) advancing the corresponding statutory changes from the Secretary Hagel decisions was approved, cleared by the Office of Management and Budget (OMB) and the White House, and transmitted to Congress to be included in the FY 2015 NDAA***.[17]

  The **HASC introduced the Department's legislative proposal** in the by-request bill for the FY 2015 NDAA (HR.4435, section 908).[17]

  A **floor amendment in the House** for the FY 2015 NDAA (HR.4435, sections 5101 through 5508) adds the ***"Federal Information Technology Acquisition Reform Act" (FITARA)*** (Division E) to strengthen Agency CIOs. The provisions prescribe that ***all Agency CIOs be appointed by the President and report directly to the Agency head***, ***adds budget authorities for Agency CIOs to 40 U.S.C. 11315***, data center optimization requirements, elimination of duplication and waste in information technology (IT) acquisition ***including an inventory of IT software assets*** (section 5301), strengthening of the IT acquisition workforce, and other IT reforms.

- **June 2014** – The **SASC introduced a provision** for the FY 2015 NDAA (S.2410, section 901) to strengthen the DCMO by: designating the DSD as the Chief Operating Officer (COO), removing the CMO role; and converting the DCMO into the ***Chief Management Officer of the DoD (CMO) at EX III***. The CMO would: (1) ***serve as the CIO*** and PIO; (2) exercise ADC over IAD/NSA; and (3) take precedence after the USD(AT&L). Additionally,

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[16] Direction from the December 4, 2013, Secretary of Defense Memo "Results of the Office of the Secretary of Defense Organizational Review": "I am directing the following organizational changes and realignments:

- Strengthening the Office of the Deputy Chief Management Officer (DCMO) to meet Office of Management and Budget (OMB) and Congressional expectations for better coordination and integration of DoD's business affairs by realigning the Office of the Director of Administration and Management (DA&M) and its subordinate elements and resources within the DCMO structure, better enabling DCMO to fulfill its responsibilities.
- Strengthening the ability of the Office of the DoD Chief Information Officer's (CIO) to address the growing information technology (IT) and cyber challenges, improve oversight of IT resources, and further enable successful implementation of the Joint Information Environment through the realignment of the oversight of business systems from the DCMO to the DoD CIO, allowing each organization to focus on its core responsibilities." *[emphasis added]*

[17] Proposal #006 included: (1) conforming amendments related to the redesignation of the PAS officials in Office of the USD(OUSD)(AT&L) to ASDs; (2) a general revision of the statutory DCMO responsibilities in 10 U.S.C. 132a; (3) creation of a title 10 statutory provision for the CIO in 10 U.S.C. 142 (***without PAS status***); (4) repeal of 10 U.S.C. 186, disestablishing the DBSMC; and (5) a revision of section 10 U.S.C. 2222, replacing the DBSMC with an "investment review board".

the provision would ***create two PAS PDUSDs for the new CMO/CIO***; one PDUSD for Information and one PDUSD for Management.

The House provision (the Department's Secretary Hagel proposal) was included with an amendment to establish the USD for Business Management and Information (BM&I) with a delayed implementation. House section 908 and Senate section 901 became section 901. Many House provisions of FITARA were included in the final bill. House sections 5101 and 5301 were amended and became sections 831 and 833, respectively. The provision directing that Agency CIOs be appointed by the President was not included in the final bill. See below.

The initial Section 904 Report on DoD streamlining required by the FY 2014 NDAA to be delivered by the DCMO in June 2014 *was not provided to Congress*.[18]

- **July 2014** – **DSD Work directs the consolidation of the Offices of the ATSD(IO)**[19] **and DA&M into the ODCMO**. ***All authorities of the ATSD(IO) and DA&M accrued to the merged DCMO***. ***Mr. David Tillotson becomes the Assistant DCMO (ADCMO) and begins performing the duties of the DCMO***.

- **August 2014** – As a placeholder for the FY 2016 cycle, the ADCMO Tillotson advances a legislative proposal (DCMO-005) *increasing the pay level for the DCMO from EX III to EX II and making statutory changes to the responsibilities of the DCMO and CIO in their establishment provisions*.

- **September 2014** – DSD Robert Work directed ADCMO Tillotson and Acting CIO Terry Halvorsen to engage with the SASC staff on the CMO provision. *They requested that no changes be made to the current DCMO statutory provision* (i.e., no re-designation and no change in the statutory assignment of responsibilities, pursuant to 10 U.S.C. 2222) and the retention of a stand-alone CIO. The Administration did not weigh in on the CMO provision in the Statement of Administration Policy.

FY15 NDAA

- **December 2014** – The **Carl Levin and Howard P. "Buck" McKeon NDAA for FY 2015** (PL.113-291, section 901) established a ***USD for Business Management and Information (USD(BM&I)) at EX II*** to become effective on ***February 1, 2017 (2-year delay)***[20]. The USD(BM&I) would: (1) ***serve as the CIO*** (established as a statutory, but non-PAS, official by section 901(b) in 10 U.S.C. 142) and PIO; (2) exercise, through the CIO role, ADC over

[18] The initial report was delivered on May 14, 2015; an interim on March 14, 2016; a retroactive report for 2016, 2017, and 2018 on June 8, 2018; and references to the MHA exhibit in the budget materials for 2019 and 2020.
[19] The ATSD(IO) was established in 1977 as the Inspector General (Intelligence Affairs) and redesignated as the ATSD(IO) in 1982. DSD Work directed on July 11, 2014, that the ATSD(IO), a former direct report to the SD, "will be retitled in an appropriate Career Reserved Senior Executive Service (SES) position and affirmed as the Senior Intelligence Oversight Official for the Department. This official will continue to have direct access to the Secretary and me for reporting sensitive and urgent Intelligence Oversight matters, immediately and directly, as circumstances require, and subsequent to coordination with the Office of General Counsel of the Department of Defense."
[20] Delays in the implementation of new statured officials was unprecedented. The implication in this case being that Congress was giving the Department an opportunity to provide a counterproposal before the provisions became effective.

IAD/NSA; and (3) take *precedence before the USD(AT&L)* (even on matters for which the USD(AT&L) is assigned responsibility in law or by direction of the Secretary). And, ***section 186 (requirement for a DBSMC) was repealed***[21], and the responsibilities previously assigned to the DCMO in 10 U.S.C. 2222 were transferred to the USD(BM&I)/CIO.

Section 831 creates 40 U.S.C. 11319 ***establishing planning, programming, budgeting, and execution and personnel-related authorities and responsibilities for Agency CIOs***. Section 833 ***establishes the requirement for IT portfolio, program, and resource reviews by Agency CIOs and singles out the DCMO to provide such reviews for the DoD (excluding National Security Systems)***.[22]

The ADCMO proposal for the FY 2016 NDAA, to elevate the pay level of the DCMO from EX III to EX II and make other statutory changes to the responsibilities of the DCMO and CIO, was withdrawn (in light of the enactment).

- **May 2015** – **Mr. Peter Levine appointed by the President as the second DCMO**.

  The **HASC introduced several provision** for the FY 2016 NDAA (HR.1735):

  - **Section 858**: (1) generally amends 10 U.S.C. 2222; (2) *requires a DBC, co-chaired by the DCMO and CIO, to be the IRB for required approvals before a defense business system can proceed into development*; and (3) *requires the DCMO to establish a Defense Business Enterprise Architecture (DBEA) integrated into the Information Technology (IT) Enterprise Architecture (ITEA) established by the CIO*.
  - **Section 905**: *Requires the 20 percent headquarters reduction directed by Secretary Hagel in July 2103 to be fully implemented against budget and personnel by September 2019 and for the department to achieve $10 billion in cost savings over 5 years*.

  The **SASC introduced several provisions** for the FY 2016 NDAA (S.1376) with responsibilities accruing to the DCMO:

  - **Section 215**: Requires the SD, acting through the USD(AT&L), DCMO, and CIO, to *establish a set of science, technology, and innovation activities to improve the outcomes of business system IT acquisition programs*.
  - **Section 351**: Requires: (1) *a comprehensive review of headquarters and options for consolidating and/or eliminating headquarters elements*; and (2) the ***reduction of 30 percent to Operations and Maintenance, Defense-wide accounts (O&M DW)*** *with a commensurate reduction in the military and civilian manpower and contract personnel support of all Major DoD Headquarters Activities (MHA)*[23] including OSD, Joint Staff, Military Department and Service Headquarters, Combatant Commands, Defense Agencies and DoD Field Activities (DAFA), and their subordinate components.

[21] The requirement for the DBSMC, chaired by the DSD, to be the investment review board for the sake of 10 U.S.C. 2222 certifications was replaced with a non-specific investment review board (IRB). The Defense Business Council (DBC) assumed the role of the IRB for certifications until the requirement for certifications was removed in November 2015.

[22] Section 5001 of the House Engrossed version of the NDAA for FY 2015 (HR.4435) established that the IT reform provisions may be cited as FITARA. However, the enacted version of the bill excluded the citation provison, but the provisions are still commonly referred to as FITARA.

[23] With the merger in 2014 with the DA&M, the policy oversight for MHA transferred to DCMO.

- **Section 843**: ***Shifts Milestone Decision Authority (MDA) to the Service Acquisition Executives (SAEs)*** and prohibited the requirement for documentation to be provided to any official outside of the SAEs unless determined by the DCMO.
- **Section 871**: *Generally amends 10 U.S.C. 2222 and requires a DBC, chaired by the DCMO only* (did not include the provisions on the DBEA and ITEA).
- **Section 873**: Requires the DCMO, CIO, and USD(AT&L) to *complete a business case analysis* to determine the most effective and efficient way to procure and deploy IT services, and requires the DCMO and CIO to *establish a governance mechanism and process* to ensure essential interoperability across DoD networks.

The White House opposed the shift of MDA to the SAEs (section 843) and the 30 percent reduction to O&M DW (section 351) in the SAP for S.1376.

Senate sections 215, 843, and 873 became sections 217, 825, and 889, respectively. House section 858 and Senate section 871 became section 883. House section 905 and Senate section 351 became section 346. See below.

FY16 NDAA

- **November 2015** – The **NDAA for FY 2016** (PL.114-92):
  - **Section 217**: Requires the SD, acting through the USD(AT&L), DCMO, and CIO, to ***establish a set of science, technology, and innovation activities to improve the acquisition outcomes of major automated information systems (MAIS) through improved performance and reduced developmental and life cycle costs***. Requires a gap analysis to be done NLT 270 days after enactment.
  - **Section 346**: Requires the SD to ***achieve $10 billion in cost savings to headquarters, administrative, and support activities over 5 years*** (FY 2015 to 2019); ***direct reductions to headquarters of 25 percent from FY 2016 rebaselined levels***[24] by FY 2020; and ***conduct a comprehensive review of headquarters and administrative and support activities*** (including the requirement to address consolidation and streamlining of headquarters of and between OSD, the Joint Staff, CCMDs, Military Department Secretariat and Military Headquarters, and Service Component Headquarters; informally referred to as the "Goldwater-Nichols review," challenging the organizing principles of the 1986 foundational provision of law).
  - **Section 825**: ***Shifts MDA for Major Defense Acquisition Programs (MDAPs) reaching Milestone A after October 1, 2016, to the SAEs***; ***allows the SD to designate an alternative MDA under specific circumstances*** (including a "Nunn-McCurdy Act" threshold breach, i.e., incurring a unit cost increase greater than the significant or critical cost threshold); ***emphasizes that the USD(AT&L) should exercise "advisory authority" vice MDA over MDAPs*** and ***requires the DCMO, in consultation with the USD(AT&L) and SAEs, to issue guidance on implementation of this provision to "ensure a streamlined decisionmaking and approval process and to minimize any information requests"***.

[24] The intent was to build on the SD Hagel 20 percent reduction (i.e., essentially a 5 percent reduction on top of the prior reductions). Section 346 created a new statutory definition of Major DoD Headquarters Activities (MHA) to measure the FY 2016 baseline. While not explicitly provided for in section 346, the Department presumed that the 25 percent reduction would allow for inflation (about 8 percent over the 5 year period) and exclude National Intelligence Program (NIP) funding.

- **Section 883**: Generally amends 10 U.S.C. 2222 as follows:
  1. ***Requires SD to direct that the DCMO, USD(AT&L), CIO, and the CMOs of each Military Department issue and maintain supporting guidance for investments in Defense Business Systems (DBS)***.
  2. ***Establishes the DBEA and ITEA and requires management by the CMO and CIO, respectively***.
  3. ***Requires the establishment of a Defense Business Council, co-chaired by the CMO and CIO, with membership to include the CMOs of the Military Departments, USD(AT&L), USD(C), and USD(P&R)***. The DBC will advise the SD on the DBEA, developing and deploying DBS, and developing requirements for DBS.
  4. ***Establishes certification and approval for a DBS to go into development (vice an "investment review"). Establishes the DCMO as the approval initial approval official for any covered DBS supporting more than one Military Department or a DAFA***.
- **Section 889**: ***Requires the DCMO, CIO, and USD(AT&L) to complete a business case analysis to determine the most effective and efficient way to procure and deploy IT services***.

- **April 2016** – **Mr. Levine becomes the Acting USD(P&R) while continuing to encumber the positon of DCMO**. ***The ADCMO, Mr. Tillotson, begins performing the duties of the DCMO***.

- **June 2016** – The **SASC introduced a provision** for the FY 2017 NDAA (S.2943, section 901) that would ***eliminate the USD(AT&L)***; ***create a USD for Research and Engineering (R&E) at EX II*** and a ***USD for Management and Support (M&S) at EX II***; create an ASD for Acquisition Policy and Oversight and a Deputy ASD for Logistics and Sustainment; ***merge the USD(BM&I)/CIO (the redesignated DCMO dual-hatted with the CIO) into the USD(M&S)***; and assign roles and oversight of the Defense Agencies and DoD Field Activities (DAFA), to the new USDs as follows:
  - ***USD(R&E)***: Serves as the Chief Technology Officer (CTO), chair the Nuclear Weapons Council (NWC), serve as the Defense Acquisition Executive (DAE), exercises advisory authority over national security acquisition programs of the armed forces for which the Service Acquisition Executive is the Milestone Decision Authority; and provides ADC over the Defense Advanced Research Projects Agency (DARPA), Missile Defense Agency (MDA), Strategic Capabilities Office (SCO), Defense Threat Reduction Agency (DTRA), Defense Acquisition University (DAU), and any DoD office or agency with the primary mission of defense technology innovation.
  - ***USD(M&S)***: Provides oversight, supervision, and direction of Defense Agencies responsible for consumable goods, space parts, services, utilities, audits, contract administration, real property and installation support, procurement on behalf of other nations, logistics, maintenance, and sustainment; ensure oversight of contractor activities and prevent duplication; provides ADC over the Defense Logistics Agency

(DLA), Defense Contract Management Agency (DCMA), Defense Contract Audit Agency (DCAA), Defense Technical Information Center (DTIC), Office of Economic Adjustment (OEA), Defense Commissary Agency (DeCA), Defense Finance and Accounting Service (DFAS), Washington Headquarters Services (WHS), Pentagon Force Protection Agency (PFPA), or any DoD agency with a business management mission and the Defense Information Systems Agency (DISA) through the CIO hat.

The **SASC also introduced a provision** (S.2943, section 903) that would ***establish an ASD for Information (CIO) (ASD(I)/CIO)*** and ***remove the CIO role from the USD(BM&I)/CIO***.

The **House of Representatives passes a floor amendment** for the FY 2017 NDAA (HR.4909, section 846) that would delay the establishment of the USD(BM&I)/CIO for one year (from February 1, 2017, until February 1, 2018).

The White House strongly opposed the elimination of the USD(AT&L) in the Statement of Administration Policy for S.2943 and included a recommendation to veto the bill. Secretary Carter was particularly outspoken on the "Micromanagement of Department Personnel and Infrastructure" in the Heartburn Letter to the HASC and SASC on the FY 2017 NDAA. Secretary Carter expressed a strong objection to the provisions that would "make sweeping changes to the organization and management of the Department through additional management layers, inefficient and ineffective management arrangements, duplication of management processes and proponency, wasteful and ineffective bureaucracy, and convoluted reporting requirements."

The House receded with an amendment that would: (1) establish a USD(R&E) and a USD for Acquisition and Sustainment (A&S), (2) the USD(A&S) would not have the DCMO or CIO portfolio, (3) no additional ASDs would be designated, and (4) a stand-alone CMO would be established and the USD(BM&I) would be repealed (House section 846 and Senate section 901 became section 901, see below). The House also receded with an amendment that would clarify the responsibilities of the CIO and direct the Secretary to develop a plan on the CIO (House section 903 became section 902, see below).

FY17 NDAA

- **December 2016** – The **NDAA for FY 2017** (PL.114-328, section 901) ***eliminated the USD(AT&L)*** and ***established a USD(R&E) at EX II***, a ***USD(A&S) at EX II***, and a ***CMO without EX level***[25] to become ***effective on February 1, 2018 (1-year delay)***.

  The Conference Report for the FY 2017 NDAA (H.Rep.114-840) identified three broad priorities on the reorganization: "(1) elevate the mission of advancing technology and innovation within the Department; (2) foster distinct technology and acquisition cultures to better deliver superior capabilities for the armed forces; and (3) provide greater oversight and management of the Department's Fourth Estate […] *the conferees believe an in-depth*

[25] It was potentially an oversight that an EX level was not established for the CMO. The provision also repealed the USD(BM&I) provision but did NOT eliminate the DCMO, essentially reinstating the DCMO (i.e., effective February 1, 2018, there would be a PAS CMO and a PAS DCMO). Likewise, the provision did not establish a PAS PDUSD for each of the two new USDs (i.e., there would continue to be a PDUSD(AT&L) but no USD(AT&L), and USD(R&E) and USD(A&S) would have no PDUSDs).

examination of the placement within the Department and the responsibilities of the chief management officer is also warranted."[26]

The Conference Report stated: "***a date of February 1, 2018, [was set] for the implementation of the three senior leadership positions, to provide the Department with time to conduct the required review, to engage the congressional defense committees, and to provide its recommendations on an organization and management structure for the Department***." *The Department did not follow up with a FY 2018 NDAA counterproposal*.

The Conference Report required the Secretary of Defense to ***develop a plan by June 2017 ("Section 902 Report") "to implement a more optimized organizational structure and processes to support information management and cyber operations to include the policy, direction, oversight and acquisition functions*** performed by the [DCMO, CIO, USD(AT&L), USD for Policy, USD for Intelligence (USD(I)] and any other relevant entity in the Department of Defense. This plan should include both business systems and national security systems and explore the responsibilities for cyber and space policy, information network defense, and the development of policies and standards governing information technology systems and related information security activities of the Department."

- **January 2017** – **Mr. Levine departs DCMO position and Acting USD(P&R) role with change of Administration**.

- **March 2017** – Interim "Section 902 Report" provided to Congress. The final plan, assigned to the DCMO to develop by June 2017, on the implementation of an "information management and cyber operations" organizational structure *was not provided to Congress* (although, not technically required to be delivered to Congress, in spite of an interim report being submitted on the "plan").

- **April 2017** – ***Secretary Mattis approves a request by Acting DCMO Tillotson to retitle CMO to USD(M)/CMO***[27] ***and "let stand" the statutory provision which gave the CMO "authority to direct the Secretaries of the military departments and all other organizational elements of the Department with regard to matters for which the CMO has responsibility subject to the delegation of the Secretary vice seeking legislation to [clarify] such authority."***[28]

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[26] The conferees believed "that separating the 'chief technology officer' and 'chief acquisition officer' responsibilities currently residing with the [USD(AT&L)], as well as establishing a 'chief management officer' within the Department, addresses [their] priorities and better postures the [OSD] organizationally to meet future national security challenges." The conferees envisioned: (1) the USD(R&E) as an official "third in precedence" with the stature and resources to drive innovation throughout the Department, (2) the USD(A&S) as an official that would "challenge any advanced technology ideas … that cannot confidently deliver on within cost, schedule, and performance objectives, and (3) that a review of the three positions going forward was "particularly important".

[27] While Secretary Mattis approved the retitling, the recommendation was caveated with "the staff will work with Congress to explore support for such a proposal" since the SD does not have the authority to create a statutory USD. Moreover, a retitling of the CMO before the position would be established on February 1, 2018, would require inserting a provision into the FY18 NDAA being marked up by HASC and SASC at the time the SD approved the redesignation. A formal proposal was not drafted or approved, and the informal engagement with HASC/SASC was done by Mr. Tillotson directly.

[28] As part of the recommendation of the President's Blue Ribbon Commission on Defense Management ("the Packard Commission") in 1985 and codified in the amendments to the Goldwater-Nichols Department of Defense

- **June 2017** – The **HASC introduced several provisions** for the FY 2018 NDAA (HR.2810):
  - **Section 921**: (1) *deems any reference to the CMO before its establishment in February 1, 2018, to be a reference to the DSD* and (2) *allows a confirmed DCMO, as of February 1, 2018, to continue to serve as the CMO without further appointment ("grandfathering").*
  - **Section 831**: Modifies 10 U.S.C. 2222 by: (1) *requiring the establishment of common enterprise data structures to be used to code data into relevant DBS*; (2) requires the DCMO, in consultation with the DBC, *to develop common enterprise data structures and have "primary decision-making authority with respect to the development of any such common enterprise data structures"*; and (3) requires the DCAPE, in consultation with the DBC, *to document and maintain any common enterprise data structures and have "primary decision-making authority with respect to the maintenance of any such common enterprise data structure"* (the HASC recommended $25 million for the implementation of data transparency requirements).

  The **SASC introduced several provisions** for the FY 2018 NDAA (S.1519):
  - **Section 901**: *Generally revises the statutory responsibilities for the CMO (including a "grandfathering" provision, identical to similar provision in House section 921)* and makes the ***CMO an EX II official***, effective February 1, 2018. The new CMO responsibilities included broader authorities for business management and information including and, *effective January 1, 2019, broad CIO responsibilities in titles 10, 40, and 44 of U.S.C.*
  - **Section 902**: *Eliminates the CIO* and ***establishes the Chief Information Warfare Officer (CIWO) at EX II***. The ***CIWO shall serve as the CIO of DoD (for select purposes)***[29], ***Principal Cyber Advisor***, and ***Principal DoD Space Advisor***, and be responsible for space and space launch systems; communications networks and IT (other than business systems); National Security Systems; information assurance and cybersecurity; electronic warfare and cyber warfare; nuclear command and control and senior leader communication systems, command and control systems and networks; electromagnetic spectrum; positioning, navigation, and timing; and any other matter assigned to the CIO, and shall exercise ADC over DISA.
  - **Section 904**: ***Devolves the USD(A&S) from EX II to EX III***.
  - **Section 909**: ***Redesignates the PDUSDs as DUSDs and establishes DUSD(R&E) and DUSD(A&S)***.

Reorganization Act of 1986 (PL.99-433), the USD for Acquisition (forerunner of the USD(AT&L)) was given "the authority to direct the Secretaries of the military departments and the heads of all other elements of the Department of Defense with regard to matters for which the Under Secretary has responsibility." This was a unique authority only given to the USD(AT&L). When section 901 of the FY17 NDAA eliminated the USD(AT&L), the authority was drafted to transfer to the USD(M&S). When the merger of the USD(BM&I) and portions of USD(AT&L) into the USD(M&S) was abandoned, the USD(A&S) inherited the authority (related to the Acquisition origins). However, the "split" of the USD(M&S) provision resulted in both the USD(A&S) and CMO both having the provision. Mr. Tillotson was requesting, through Secretary Mattis, that the oversight be "embraced".

[29] The implied intent was for the CIWO to share CIO responsibilities with the CMO.

- **Section 910**: ***Reduces the number of ASDs from 14 to 13***, to help "pay" for the increase in PAS officials with establishment of the CIWO, and removes the requirement for ASDs for Manpower and Reserve Affairs (M&RA) and Homeland Defense (HD) (did not specifically direct that those position be eliminated).
- **Section 935**: ***Requires the CMO to establish a data analytics capability for supporting enhanced oversight and management of the DAFA***.
- **Section 937**: ***Requires the SD, through the CMO, to carry out pilot programs on data integration strategies to address high-priority challenges of the Department*** (including with respect to the budget of the Department, logistics, personnel security and insider threats, and at least two other high-priority challenges).

The White House expresses concern in the Statement of Administration Policy for S.1519 that the provisions on the organization and structure of OSD would hinder the "ability to stabilize its senior leadership team and manage the functions and capabilities need to plan, execute, and oversee national security policies, capability development, and operations [, …] require adjustments before DoD is able to implement changes enacted last year [, and] is also concerned with the creation of additional Executive Schedule Level II positions in OSD [i.e., adding CMO and CIWO to existing DSD and USD(R&E)]. This reporting structure could complicate the relationship between the Deputy Secretary of Defense and the Secretary of Defense. In addition, the Administration is concerned about section 902 relative to the roles and functions of the [CIO] being divided and distributed between two officials [CMO and CIO], which could lead to increased operational risk and the development of inefficient organizational seams as the result of the realignment of responsibilities."

Senate sections 901, 902, 904, 909, and 910 became sections 910, 909, 903, 906, and 907, respectively. House section 831 and Senate section 935 and 937 became section 912. See below.

- **November 2017** – **Mr. John "Jay" Gibson appointed by President as third DCMO**.

FY18 NDAA

- **December 2017** – The **NDAA for FY 2018** (PL.115-91):
  - **Section 903**: ***Devolved the USD(A&S) from EX II to EX III***.
  - **Section 906**: Changed the PDUSD title to DUSD and established a PAS DUSD for each USD (i.e., goes from 5 PDUSDs to 6 DUSDs).
  - **Section 907**: Reduced the number of ASDs from 14 to 13 and removed the requirement for ASD(M&RA) and ASD(HD).
  - **Section 909**: Established the ***CIO as a PAS official*** (EX level defaults to EX IV), generally revises the responsibilities of the CIO, and ***directed the SD to provide an alternative proposal ("Section 909 Report")*** no later than March 1, 2018 on the statutory construct of the CIO.
  - **Section 910**: *Revised the statutory responsibilities for the CMO*, *codified the CMO position in 10 U.S.C. 132a (thereby eliminating the PAS DCMO)*, and made the ***CMO an EX II official***, all effective February 1, 2018. The new CMO responsibilities included broader authorities for business management and information including, ***effective January 1, 2019, assigning to the CMO broad CIO responsibilities***

("bifurcation of CIO roles") in titles 10, 40, and 44 of U.S.C. (identical to SASC Provision).

- **Section 912**: Amends 10 U.S.C. 2222 by: (1) *requiring DBS to automatically extract data from relevant enterprise data systems*; (2) ***assigning the CMO as the official with "primary decision-making authority with respect to the development of common enterprise data"***; (3) *assigns responsibilities to the USD(C) and DCAPE*; and (4) ***requires the CMO to establish a data analytics capability for the purposes of enhanced oversight and management of the DAFA***. The conferees' expressed intent was that the CMO executes these responsibilities with the assistance and collaboration of the DoD Components (including the USD(C) and DCAPE).

- **January 2018** – Mr. Gibson nominated for CMO.[30]

- **February 2018** – **Mr. Gibson appointed by President as first CMO**.

- **March 2018** – The Section 909 Report on an analysis and options for responsibilities of the CIO, assigned to the CMO, *was not provided to Congress*.

  The CMO recommends a legislative proposal (#316) for the FY 2019 NDAA (very late[31]) that proposes the establishment of a combined Commissary and Exchange System. The proposal received concerns from the Military Departments during coordination on whether an adequate business case justification has been conducted. The proposal is cleared by DoD and submitted to OMB in April, but is not cleared by OMB to provide to Congress.

- **May 2018** – The **HASC introduced several provisions** for the FY 2019 NDAA (HR.5515):
  - **Section 911**: Generally revises the responsibilities of the CMO by: ***requiring the CMO to exercise ADC over all activities of the Department related to civilian resources management, logistics management, services contracting, or real estate management***; authorizing the *CMO to carry out elimination of DAFA* (other than the DoD Education Activity (DoDEA) or those established by statute); requiring the DAFA to provide their budgets to the CMO for certification of cost savings; require the CMO to provide a plan to Congress, no later than March 1, 2020, to reduce or eliminate duplicative cross-enterprise functions; and ***requiring the CMO to certify 25 percent savings within the DAFA*** by January 1, 2021.

[30] The Department of Justice weighed in on the FY 2018 NDAA "grandfathering" provision on the DCMO incumbent to CMO and determined that: "permitting the current Deputy CMO to serve as the CMO without further appointment would violate the Appointments Clause [of the U.S. Constitution]" because "the transfer would do more than assign additional germane duties to the office of the Deputy CMO — it would move the Deputy up a supervisory level, increasing both responsibility and pay." Therefore, in discussions with the SASC, Mr. Gibson was nominated for the CMO with a "streamlined" confirmation process.

[31] Legislative proposals are submitted by OSD officials six months before the President submits his budget to Congress (generally submitted around August of the preceding year, e.g., August 2017 suspense prior to President's Budget submission in February 2018 for the FY 2019 NDAA). Proposals submitted late in the cycle have a very low chance of being enacted.

- **Section 913**: ***Transfers all IT and acquisition services of DISA*** to other elements of the Department, ***eliminates WHS***, and requires the CMO to provide a report to Congress, no later than March 1, 2020, on the effectiveness and efficiency of the DAFA, a list identifying each DAFA that operates efficiently and effectively and doesn't provide duplicative functions, and a plan to eliminate those DAFA that are not on the list.
- **Section 914**: Requires the CMO and DLA Director to develop a plan, and provide a report to Congress, no later than March 1, 2020, to implement a system that ***enables customers to view DLA's inventory and reduce DLA rates by not less than 10 percent***.
- **Section 915**: Requires the CMO, USD(A&S), and USD(Comptroller)(USD(C)) to review and provide to Congress, no later than March 1, 2020, ***a report on the missions of DCAA and DCMA and the continued need for two separate agencies***.
- **Section 916**: Requires the CMO and USD(C) to ***streamline, reduce duplication, and make more effective the operations of DFAS*** and provide a report to Congress, no later than March 1, 2020, on the plan for carrying out these efficiencies.

The White House objected to the expansion of the CMO's responsibilities related to DAFA, the transfer of DISA functions, and the elimination of WHS in the Statement of Administration Policy for HR.5515.

- **June 2018** – The **SASC introduced several provisions** for the FY 2019 NDAA (S.2987):
  - **Section 906**: ***Codifies the bifurcation of Federal CIO responsibilities*** by amending the statutory provision for CIO so that the CIO will be responsible for activities *"other than with respect to business systems and management"*.
  - **Section 941**: ***Requires the CMO to develop a policy on analysis of "datasets on business management and business operations by the public*** for purposes of accessing data analysis capabilities that would promote savings and efficiencies" including the identification of matters that could benefit from external engagement.

The Administration did not weigh in on the CMO provisions in either the Senate bill's Statement of Administration Policy or the Secretary of Defense's Heartburn Letter.

Senate sections 906 and 941 became section 903 and 922, respectively. House sections 911, 913, 914, 915, and 916 became section 921, 923, 924, 925, and 926, respectively. See below.

FY19 NDAA

- **August 2018** – The **John S. McCain NDAA for FY 2019** (PL.115-232):
  - **Section 903**: ***Codified the bifurcation of Federal CIO responsibilities*** (identical to Senate section 906).
  - **Section 921**: Generally revised the responsibilities of the CMO by: (a) requiring DAFA to provide their budgets to the CMO for certification of whether the proposed budget achieves the required level of efficiency and effectiveness for enterprise business operations; and (b) ***requiring the CMO to "reform enterprise business operations*** of the [DoD], through reductions, eliminations, or improvements, across all organizational elements with respect to [civilian resource management, logistics management, services contracting, or real estate management]"; establish a consistent reporting framework for the costs of the functions above; and ***certify 25 percent***

savings against the cost framework above by January 1, 2020 (modification of House section 911). The section also required: (1) an assessment of CMO budget certification cost and expertise requirements by April 1, 2019, and budget guidance to the DAFA by September 1, 2019; and (2) provision of a plan, schedule, and cost estimate for the DAFA reform of enterprise business operations to Congress, no later than February 1, 2019.

- **Section 922**: ***Required the CMO to develop a policy on analysis of datasets on business management and business operations by the public*** (identical to Senate section 941).
- **Section 923**: Revised 10 U.S.C. 192 (DAFA oversight provision) to ***require the CMO to conduct, no later than January 1, 2020 (and not less frequently than every four years thereafter) a review of the efficiency and effectiveness of each DAFA***; provide a list identifying each DAFA that operates efficiently and effectively and doesn't provide duplicative functions; and a plan to rationalize functions or transfer then for the DAFA not on the list (some aspects of House section 913, without the DISA transfers nor the WHS elimination).
- **Section 924**: Required the CMO and DLA Director to develop an inventory system and capability and actions to increase efficiency, no later than January 1, 2020, and provide a plan to Congress, no later than February 1, 2019, to implement a system that ***enables customers to view DLA's inventory and reduce DLA rates by not less than 10 percent (or an amount CMO considers appropriate)*** (mostly identical to House section 914, except plan, report, and actions are all moved up one year).
- **Section 925**: Required the CMO, USD(A&S), and USD(C) to review and provide to Congress, no later than March 1, 2020, ***a report on the missions of DCAA and DCMA and the continued need for two separate agencies*** (mostly identical to House section 915).
- **Section 926**: Required the CMO and USD(C) to ***conduct a review of DFAS***, and provide a report to Congress, no later than March 1, 2020, on the validation of missions and an identification of any appropriate efficiencies or transfers (modification of House section 916).
- **Section 927**: Required the CIO and CMO to ***conduct an assessment of the CIO functions with a view toward the rationalization of such functions across the DAFA*** and consistent with a transition to enterprise-wide management of IT networks and computing. The CIO and CMO will provide to Congress a report on the assessment with proposed actions, no later than February 1, 2019, and a plan for implementation of those actions, no later than January 1, 2020.
- **Section 1624**: Required the CMO, in coordination with USD(C) and USD(I), to ***develop standardized business process rules for the planning, programming, budgeting, and execution process for the Military Intelligence Program (MIP)***, no later than October 1, 2020,and provide to Congress a plan for the development of the rules, no later than March 1, 2019.

The CIO submits a legislative proposal (#247) for the FY 2020 NDAA that removes the bifurcation of the CIO-CMO responsibilities. *The CMO nonconcurs with the jurisdictional authority of the CIO to advance organizational proposals*. The proposal receives

concurrence from the Department of the Army, Office of the Director of Cost Assessment and Program Evaluation (DCAPE), Department of the Navy, and Department of the Air Force. In the Legislative Review Panel (LRP), the ASD(LA) and Deputy General Counsel for Legislation defer the proposal until CMO and CIO resolve the nonconcur.

The CMO submits a legislative proposal (#007) for the FY 2020 NDAA that would remove the statutory prohibition on maintaining two separate systems for the Commissary and Exchange System. *The proposal clears the Department and OMB and is delivered to Congress in April 2019. The proposal was not included by Congress in the FY 2020 NDAA*.

- **November 2018** – **Mr. Gibson departs CMO position**.

- **January 2019** – ***Last LRP for FY 2020 NDAA proposals completed. The Department does not follow up with a FY 2020 NDAA counterproposal to address the CIO-CMO bifurcation***.

  The **Foundations for Evidence-Based Policymaking Act of 2018** (PL.115-435) required: (1) *the SD to develop a "systematic plan for identifying and addressing [DoD] policy questions"* ("evidence base plan") to be included with the annual DoD performance plan; (2) the SD to ***designate a senior DoD employee as the Evaluation Officer of the DoD***; (3) the SD to ***designate a statistical official*** *to advise on statistical policy, techniques, and procedures and serve on the Interagency Council on Statistical Policy*; and (4) the SD to ***designate a nonpolitical appointee as the Chief Data Officer of the DoD*** and to serve on the Chief Data Officer Council.

- **February-April 2019** – The reports required by the John S. McCain NDAA for FY 2019, sections 921, 924, and 927, due on February 1, and section 1624, due on March 1, *were delivered to Congress late* (April 24, April 23, March 25, and March 22, respectively).

- **June 2019** – The **SASC introduced several provisions** for the FY 2020 NDAA (S.1790):
  - **Section 901**: (1) ***removes the cost savings requirement***[32] in Section 921(b) of the NDAA for FY 2020; (2) ***provides for "modest increases" in the statutory manpower caps for headquarters*** in 10 U.S.C. 143, 155, 7014, 8014, and 9014; and (3) ***clarifies that the reductions required by Section 346(b) of the NDAA for FY 2016 sunset at the end of FY 2019***.[33]

[32] Section 901(a) provided for the following changes to Section 921(b) of the John S. McCain NDAA for FY 2019 by: (1) *changing requirement for "periodic reforms" to "periodic assessments"*; (2) *removes the requirement to focus on "covered activities" (defined as civilian resources management, logistics management, services contracting, or real estate management)*; and (3) *removes the requirement for the CMO to find and certify cost savings of 25 percent to the DAFA*.

[33] Section 346(b) of the NDAA for FY 2016 required that MHA be reduced by no less than 25 percent by FY 2020. Section 901(e) added that "no action is required under this section with respect to any [FY] after [FY] 2019", essentially stopping the reductions. Not all DoD Component had arrived at their final 25 percent reduction by FY 2019 (i.e., some reductions were planned in FY 2020 to complete the overall target). Although already programmed, these actions would hypothetically not need to be taken to be in compliance with Section 346(b).

- **Section 903**: (1) ***returns CIO responsibilities related to business system back to the CIO*** and (2) ***realigns the Chief Data Officer required by the Foundations for Evidence-Based Policymaking Act of 2018 from the CMO to the CIO***.
- **Section 5901 (floor amendment)**: ***Requires the SD to institutionalize the responsibilities and authorities of the CMO***: (1) *to direct the business-related activities of the Military Departments*; (2) *over the DAFA*, including which DAFA should be required to submit proposed budgets for EBO review; and (3) *relative to the Department overall*, and the manner of the discharge of such responsibilities and authorities.

The **HASC introduced a provision** for the FY 2020 NDAA (HR.2500, section 861(a)(2)(C)) that would require the ***CMO and CIO to provide a plan and schedule to Congress for integrating the DBEA and ITEA*** pursuant to the requirements in 10 U.S.C. 2222 and would *prohibit obligation of more than 75 percent of OSD, ODCMO, OUSD(A&S), OCIO, and OCMO funds until the plan is submitted*.

Senate sections 901, 903, and 5901 became sections 901, 903, and 904, respectively. House section 861(a)(2)(C) became section 839. See below.

The White House expressed concerns about the realignment of the Defense Business Systems CIO and Chief Data Officer responsibilities to the CIO in the Statement of Administration Policy for S.1790.

FY20 NDAA

- **December 2019** – The **NDAA for FY 2020** (PL.116-92):
  - **Section 839**: ***Requires the CIO to submit a notification that the ITEA has been established (or not) and a plan and schedule for integrating the DBEA into the ITEA*** (significantly different that House section 861(a)(2)(C); excludes prohibition on obligation of funds and removes CMO from requirement).
  - **Section 901**: (1) ***removed the cost savings requirements*** in Section 921(b) of the NDAA for FY 2020; (2) ***provided for increases in the statutory manpower caps for headquarters***; and (3) ***clarified that the reductions required by Section 346(b) of the NDAA for FY 2016 sunset at the end of FY 2019*** (mostly identical to Senate section 901 with slight additional increase to MHA limits).
  - **Section 902**: In addition to conforming amendments to allocate the responsibilities of the former USD(AT&L) to the USD(R&E) and USD(A&S), ***devolved the EX level of the USD(R&E) from EX II to EX III*** (i.e., "USD level," equivalent to all other USDs).
  - **Section 903**: (1) ***returns CIO responsibilities related to business system back to the CIO*** and (2) ***realigns the Chief Data Officer required by the Foundations for Evidence-Based Policymaking Act of 2018 from the CMO to the CIO*** (identical to Senate section 903).
  - **Section 904**: ***Directed two studies on the implementation of the CMO no later than March 15, 2020*** (one by the SD and one by the DBB or equivalent body). The conferees noted that the Department has ***"faced significant structural challenges in implementing the [CMO] since its inception. Accordingly, it is the conferees' intention to change the position from [EX] II to III and, pending the assessment directed by this section, to disestablish the [CMO] position altogether." The report***

shall include an assessment of the extent to which the CMO has been effective and be "sufficiently comprehensive to allow for the reassignment of roles and responsibilities, as well as the authorities that would be necessary for orderly transition of such activities should the conferees decide [to eliminate the position]" (significantly different than Senate section 5901, which directed the SD to explicitly codify the roles and responsibilities of the CMO).

Ms. Hershman confirmed as second CMO.

- **January 2020** – ***The SD establishes three DoD Reform Focus areas for 2020: Defense-Wide (DW) organizations transition to CMO governance, Combatant Commands reviews and refocus, and Military Department "clean-sheet" budget reviews***. With respect to the DW effort, "the CMO, operating under the Deputy Secretary's guidance, will be responsible for the business functions of DW organizations. *The CMO will focus on reforming business processes, overseeing resource planning and allocation, and evaluating each DW organization's performance against business goals*. The CMO will establish methods to strengthen oversight, continue reform momentum, and instill fiscal discipline across DW organizations and accounts. *The CMO's immediate focus, in coordination with [DCAPE and USD(C)], will be to develop a consolidated FY 2022-2026 program and budget for the DW accounts*."

  The DSD supplemented the SD directions with guidance to the CMO to *strengthen resource oversight of DW accounts and organizations, drive business reform across the DAFA, and participate in the hiring process and performance evaluation cycles for the civilian DAFA Directors and Deputy Directors*.[34]

- **March 2020** – The report required by section 904 of the NDAA for FY 2020 on the implementation of the CMO was not delivered to Congress. The Department communicated to Congress that the DBB assessment and SD report will be provided by the end of April 2020.

[34] The DSD directed: "Going forward, the CMO, USD(C), and DoD CIO will participate in the hiring process and in each phase of the performance evaluation cycle for Senior Executive Service (SES) DAFA Directors (or SES Deputy Directors where the DAFA Director is military), chief financial executives, and chief information executives, respectively. This will include providing input to the rating official for performance plan development and the initial summary rating. Further, the CMO, USD(C), and DoD CIO will each serve as pay pool managers for the DAFA SES directors (and Deputy Directors as stated above), the chief financial executives, and the chief information executives, respectively. For DAFAs led by military directors, CMO will provide an annual assessment of director performance regarding the business objectives of the DAFA to the appropriate Service Chief and PSA. DAFA directors will continue to report to their designated Office of the Secretary of Defense PSAs, who remain responsible for establishing policies and providing mission direction."

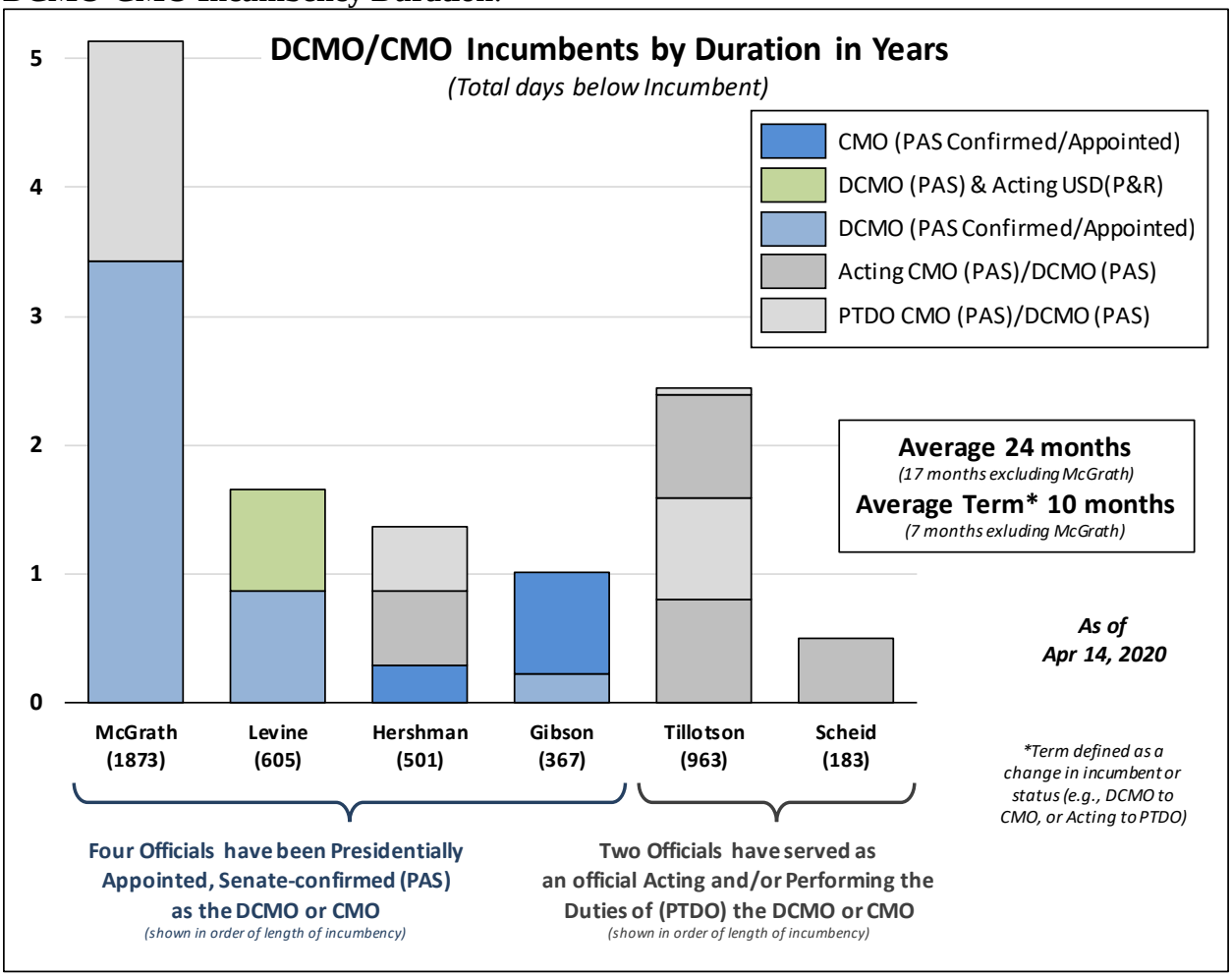
Appendix A: Resources and Incumbency

ODCMO/OCMO Manpower and Budgetary Resources, FY 2009-FY 2020:

	DSD Lynn		DSD Carter			A/DSD Fox	DSD Work			DSD Shanahan	DSD Norquist	
Resources	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20
Manpower[1]	12	12	139	99	99	147	119	105	105	111	111	111
Funding ($M)[2]	$2.6	$6.2	$4.9	$62.7	$49.5	$48.2	$51.3	$40.9	$55.5	$112.6	$78.7	$71.6
O&M	$2.6	$6.2	$3.9	$35.1	$27.0	$28.9	$31.9	$38.6	$51.8	$63.6	$37.6	$58.0
O&M/Reform									$2.0	$46.2	$39.0	$12.0
RDT&E			$1.0	$27.6	$22.4	$19.3	$19.3	$2.2	$1.8	$2.8	$2.1	$1.6
Major Changes	ODCMO stand-up		Absorbed BTA	DSD directed reduction		Merged w/DA&M & ATSD(IO)	P&R CivPers Redux. & 20% HQ Cut			Reform Teams		DWR & Data Insights

[1] Authorized Civilian and Active Duty Military
[2] FY20 reflects PB-20 Request; numbers may not add due to rounding

DCMO-CMO Incumbency Duration:

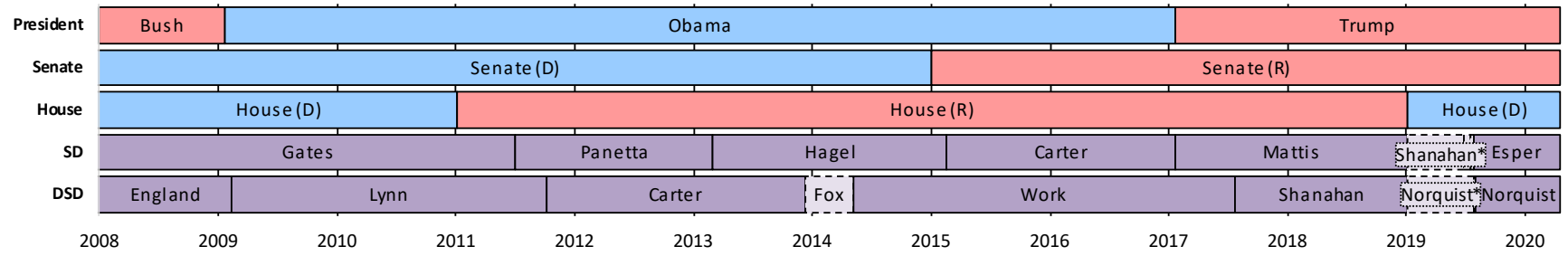


DCMO-CMO Incumbency Dates:

Incumbent	Position	Nominated	Hearing	Reported	Confirmed	Appointed	Departed	Length (Total)
Ms. Elizabeth McGrath	ADCMO	PTDO DCMO (new position)[1]				Oct 9, 2008	Jun 24, 2010	623
HON Elizabeth McGrath	DCMO (PAS)	Mar 10, 2010	Mar 23, 2010	May 5, 2010	Jun 22, 2010	Jun 24, 2010	Nov 25, 2013	1250 (1873)
Mr. Kevin Scheid	ADCMO	Acting DCMO				Nov 25, 2013	May 27, 2014	183
Mr. David Tillotson	ADCMO	Acting DCMO				May 27, 2014	Jun 23, 2014	27
Mr. David Tillotson	ADCMO	PTDO DCMO				Jun 23, 2014	May 26, 2015	337
HON Peter Levine	DCMO (PAS)	Mar 4, 2015	Apr 21, 2015	Apr 30, 2015	May 23, 2015	May 26, 2015	Jan 20, 2017	605 (318)[2]
Mr. David Tillotson	ADCMO	PTDO DCMO (encumbered)[2]				Apr 8, 2016	Jan 20, 2017	287
Mr. David Tillotson	ADCMO	Acting DCMO				Jan 20, 2017	Nov 8, 2017	292
HON John "Jay" Gibson	DCMO (PAS)	Jun 19, 2017	Jul 18, 2017	Jul 27, 2017	Nov 7, 2017	Nov 8, 2017	Jan 31, 2018	84
Mr. David Tillotson	ADCMO	PTDO CMO (new position)[1]				Feb 1, 2018	Feb 20, 2018	20 (963)
HON John "Jay" Gibson	CMO (PAS)	Jan 22, 2018	No hearing	Jan 30, 2018	Feb 15, 2018	Feb 20, 2018	Nov 30, 2018	283 (367)
Ms. Lisa Hershman	DCMO (non-PAS)	Acting CMO[4]				Nov 30, 2018	Jun 28, 2019	210
Ms. Lisa Hershman	DCMO (non-PAS)	As the DCMO, discharges the duties of the CMO (FVRA time limit and presumption of confirmation)[3]				Jun 28, 2019	Dec 31, 2019	186
HON Lisa Hershman	CMO (PAS)	Jul 22, 2019	Oct 29, 2019	Nov 19, 2019	Dec 19, 2019	Dec 31, 2019	Present (April 14, 2020)	105 (501)

[1] An official cannot be designated as Acting for a new PAS position until the PAS position has been filled at least once.
[2] Mr. Tillotson was PTDO DCMO while Mr. Levine, still encumbering the DCMO, was the Acting USD(P&R). Mr. Levine's total days (in parenthesis) represents his DCMO time, less the time as Acting USD(P&R).
[3] Ms. Hershman was fulfilling the duties of the CMO without the designation of Acting or PTDO.
[4] Ms. Hershman was designated as the Acting CMO on December 1, 2018 (shown as Nov 30, 2018, for the sake of this chart).

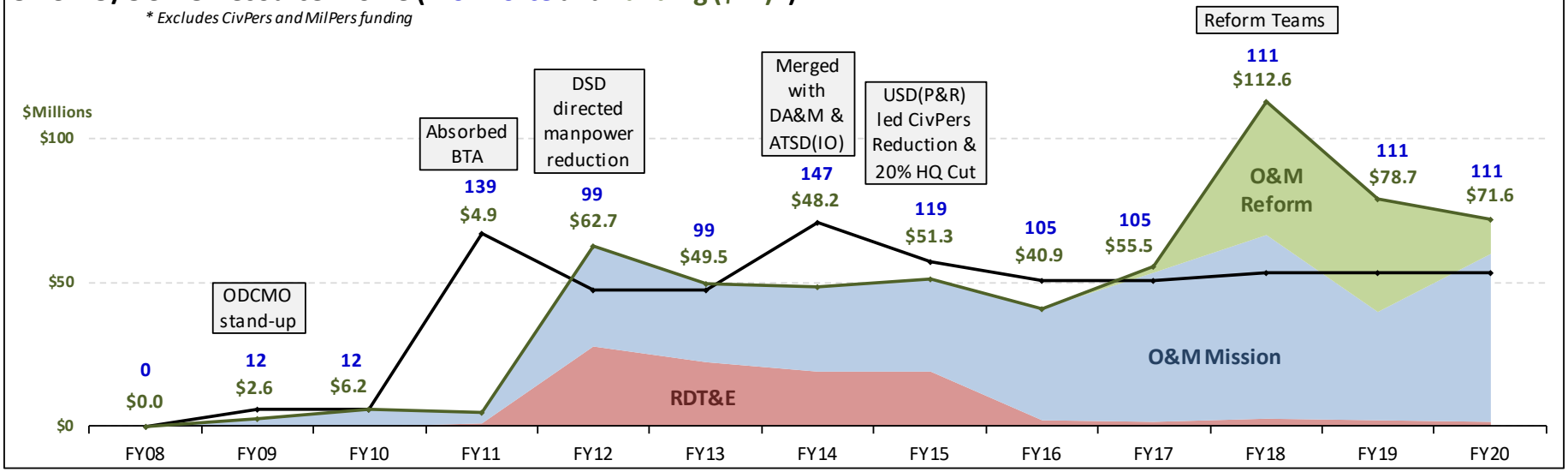
President, Congress, SD/DSD



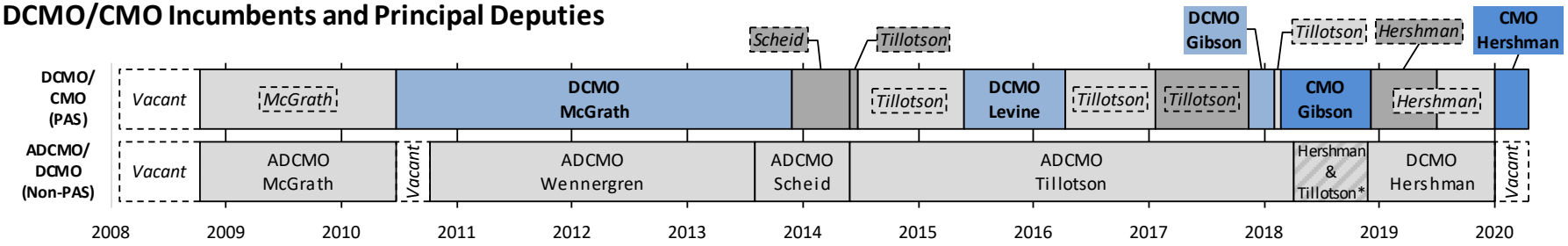
** After Acting SD Shanahan, Esper (22 days) and Spencer (7 days); After PTDO DSD Norquist, Spencer (7 days)*

ODCMO/OCMO Resource Profile (Workforce and Funding ($M)*)

** Excludes CivPers and MilPers funding*



DCMO/CMO Incumbents and Principal Deputies



** ADCMO (Tillotson) was not eliminated when non-PAS DCMO (Hershman) was established*

Defense Business Board

TAB G

ACRONYMS

TAB G: Acronyms List

ADC	Authority, Direction, and Control
ADCMO	Assistant Deputy Chief Management Officer
ADCON	Administrative Control (Authority)
AO	Action Officer
ASD(LA)	Assistant Secretary of Defense for Legislative Affairs
ASD(RA)	Assistant Secretary of Defense for Reserve Affairs
CAAF	Court of Appeals of the Armed Forces
CAPE	Cost Assessment and Program Evaluation
CBDP	Chemical Biological Defense Program
CBO	Congressional Budget Office
CCMD	Combatant Command (Organization)
CIMB	Cyber Investment and Management Board
CIO	Chief Information Officer
CJCS	Chairman of the Joint Chiefs of Staff
CLC	Continuous Learning Center
CMO	Chief Management Officer
CMP	Civil Military Programs
CN	Counter narcotics
COCOM	Combatant Command (Authority)
COO	Chief Operating Officer
CSMG	Computer Software Management Group
CSS	Central Security Service
CXO	Chief Experience Officer
DAFA	Defense Agencies and DoD Field Activities
DARPA	Defense Advanced Research Projects Agency
DASD (RUE)	Deputy Assistant Secretary of Defense for Russia, Ukraine, and Eurasia
DASD	Deputy Assistant Secretary of Defense
DAU	Defense Acquisition University
DAWDF	Defense Acquisition Workforce Development Fund
DBB	Defense Business Board
DBC	Defense Business Council
DCAA	Defense Contract Audit Agency
DCAPE	Director of Cost Assessment and Program Evaluation
DCMA	Defense Contract Management Agency
DCMO	Deputy Chief Management Officer
DCSA	Defense Counterintelligence and Security Agency
DeCA	Defense Commissary Agency
DFAS	Defense Finance and Accounting Service
DHA	Defense Health Agency
DHB	Defense Health Board
DHP	Defense Health Program
DIA	Defense Intelligence Agency
DISA	Defense Information Systems Agency

DISIC	Defense Intelligence and Security Integration Council
DJ-8	Director, Force Structure, Resources and Assessment, J8, Joint Staff
DJS	Director, Joint Staff
DLA	Defense Logistics Agency
DLSA	Defense Legal Services Agency
DMA	Defense Media Activity
DMAG	Deputy's Management Action Group
DNI	Director of National Intelligence
DoC	Department of Commerce
DoD	Department of Defense
DoDD	Department of Defense Directive
DoDEA	DoD Education Activity
DoDHRA	DoD Human Resources Activity
DPAA	Defense POW/MIA Accounting Agency
DPO	Defense Program Office
DSCA	Defense Security Cooperation Agency
DSCO	Defensive Space Control Operations
DSD	Deputy Secretary of Defense
DTIC	Defense Technical Information Center
DTRA	Defense Threat Reduction Agency
DTSA	Defense Technology Security Administration
DW	Defense Wide
ERMG	Executive Readiness Management Group
EW EXCOM	Electronic Warfare Executive Committee
FFRDC	Federally Funded Research Development Center
FIAR	Financial Improvement and Audit Remediation
FTE	Full Time Equivalent
GAO	Government Accountability Office
GBS	Global Business Services
GC	General Counsel
GDP	Gross Domestic Product
GFMB	Global Force Management Board
HQ	Head Quarters
IC	Intelligence Community
IG	Inspector General
IIE	Institute of International Education
JCS	Joint Chiefs of Staff
JIE EXCOM	Joint Information Environment Executive Committee
JROC	Joint Requirements Oversight Committee
JS	Joint Staff
LRP	Long Range Plan
MDA	Missile Defense Agency
MHSER	Military Health System Executive Review
MIA	Missing in Action
MilDep	Military Department

MILPERS	Military Personnel
NDAA	National Defense Authorization Act
NDERG	Nuclear Deterrent Enterprise Review Group
NGA	National Geospatial-Intelligence Agency
NRO	National Reconnaissance Office
NSA/CSS	National Security Agency/Central Security Service
O&M	Operations and Maintenance
OCMO	Office of the Chief Management Officer
OCO	Overseas Contingency Operations
ODCMO	Office of the Deputy Chief Management Officer
OEA	Office of Economic Adjustment
OPCON	Operational Control
OPSDEPS	Operations Deputies Meeting
OSD	Office of the Secretary of Defense
OT&E	Operational Test and Evaluation
OT&E	Organize, Train, and Equip
PAS	Presidentially Appointed, Senate-Confirmed
PBR	Program and Budget Review
PFPA	Pentagon Force Protection Agency
PIO	Performance Improvement Officer
PNT	Pentagon
POM	Program Objective Memorandum
POW	Prisoner of War
PPP	Purchasing Power Parity
PSA	Principal Staff Assistant
PTDO	Performing the Duties 0f
RDT&E	Research, Development, Test, & Evaluation
RMG	Reform Management Group
SD	Secretary of Defense
SDA	Space Development Agency
SDA	Space Development Agency
SES	Senior Executive Service
SLC	Senior Leadership Communications
SLC	Senior Leadership Council
SOCOM	U.S. Special Operations Command
SSA	Software Support Activity
STLT	Senior Transition Leadership Team
SWPR	SD Weekly Priorities Review
TJS OPS	The Joint Chiefs of Staff, Operations
TRMC	DoD Test Resource Management Center
USD(A&S)	Under Secretary of Defense for Acquisition and Sustainment
USD(C)	Under Secretary of Defense (Comptroller)
USD(I)	Under Secretary of Defense for Intelligence
USD(P&R)	Under Secretary of Defense for Personnel and Readiness
USD(P)	Under Secretary of Defense for Policy

USD(R&E)	Under Secretary of Defense for Research and Engineering
VCJCS	Vice Chairman of the Joint Chiefs of Staff
WCF	Working Capital Fund
WHS	Washington Headquarters Services

Defense Business Board

TAB H

DBB MAY 6, 2020 PUBLIC MEETING PRESENTATION SLIDE DECK

DEFENSE BUSINESS BOARD

FY2020 NDAA § 904 Assessment of Responsibilities and Authorities of the Chief Management Officer of the Department of Defense

6 May 2020

SLIDES ONLY

NO SCRIPT PROVIDED

Table Of Contents

DEFENSE BUSINESS BOARD

DBB Task Force

Tasking Timeline

December 20, 2019

In § 904 of the Fiscal Year (FY) 2020 National Defense Authorization Act (NDAA), Congress required the Secretary of Defense (SD) to have two assessments of the implementation of the position of Chief Management Officer (CMO) of the Department of Defense (DoD) conducted, of which one would be from an independent body.

February 3, 2020

The Deputy Secretary of Defense (DSD) signed a memo to the Defense Business Board (DBB) to conduct the independent assessment, assigning Arnold Punaro and Atul Vashistha to co-lead the effort. In that memo, the DSD additionally directed the Office of the Secretary of Defense (OSD) and DoD components to provide any support requested by the DBB.

6 Tasks Enumerated in § 904

904(b) ASSESSMENT ELEMENTS.—Each assessment conducted pursuant to subsection (a) shall include an assessment of the implementation of the position of Chief Management Officer of the Department of Defense, including and taking into account the following:

- Task 1: The extent to which the **position has been effective** in achieving the service, and exercising the powers and authorities, specified in § 132a of title 10, United States Code.
- Task 2: The **perspectives of the Under Secretaries of the military departments** on the matters described in paragraph (1) based on the experiences of such Under Secretaries as the Chief Management Officer of a military department.
- Task 3: The extent to which the **ingrained organizational culture** of the Department of Defense poses fundamental structural challenges for the position of Chief Management Officer of the Department, irrespective of the individual appointed to the position.
- Task 4: The **observations of the Comptroller General** of the United States on progress and challenges during the prior 10 years in the establishment of positions of Chief Management Officer in agencies throughout the Executive Branch, including in the Department of Defense and in other Federal agencies.
- Task 5: An identification and comparison of **best practices in the private sector and the public sector** for the responsibilities and authorities of Chief Management Officers.
- Task 6: An identification and assessment of **differences in responsibilities and authorities** of the Chief Management Officer of the Department, the Chief Operating Officer of the Department of Defense, and the Deputy Secretary of Defense.

*****Section 904 FY20 NDAA

Committee Report Language

In addition to the assessment enumerated in § 904, the DBB also considered report language that accompanied the conference report which further noted:

> "The conferees note the Department has faced significant structural challenges in implementing the Chief Management Officer position since its inception.
>
> Accordingly, it is the conferees' intention to **change the position from senior executive schedule II to III** and, pending the assessment directed by this section, to **disestablish the Chief Management Officer** position altogether.
>
> The conferees therefore direct the Secretary to ensure the assessment provided for in this section is **sufficiently comprehensive to allow for the reassignment of roles and responsibilities, as well as the authorities** that would be necessary for orderly transition of such activities should the conferees decide to do so."*

***Joint Explanatory Statement of the Committee of Conference - House Report 333, 2018

DBB Task Force

Maj Gen Arnold Punaro, USMC, Ret.
Co-Chair
Former Staff Director, Senate Armed Service Committee; Chair of numerous previous studies on DoD organization; Chief Executive Officer (CEO), The Punaro Group

Mr. Atul Vashistha
Co-Chair
DBB Co-Chair; Founder and Chairman, Neo Group; global business leader

Dean David Van Slyke
Dean of the Maxwell School of Citizenship and Public Affairs, Syracuse University, the #1 public policy school in the United States

HON David Walker
Professor (William J. Crowe Chair), U.S. Naval Academy; former Comptroller General of the United States and CEO of the GAO; former President and CEO of the Peter G. Peterson Foundation

DEFENSE BUSINESS BOARD

A Strategic Imperative to Reform the Department's Approach to Business Transformation

DoD's Burning Platform

Changing Security Threats

- China is a new peer threat economically (#1 gross domestic product (GDP) in purchasing power parity (PPP)), diplomatically (#1 in embassies), militarily (#2-3 and rising), and culturally
- Russia's development of new weapons (e.g., hypersonic missiles)
- Emerging alliances to counter the U.S. on a global basis (e.g., China, Russia, Iran, North Korea, etc.)
- Eroding of traditional U.S. Alliances (e.g., Philippines, Thailand)
- Emerging threats and competitive spaces (e.g., Biological, Cyber, Space)

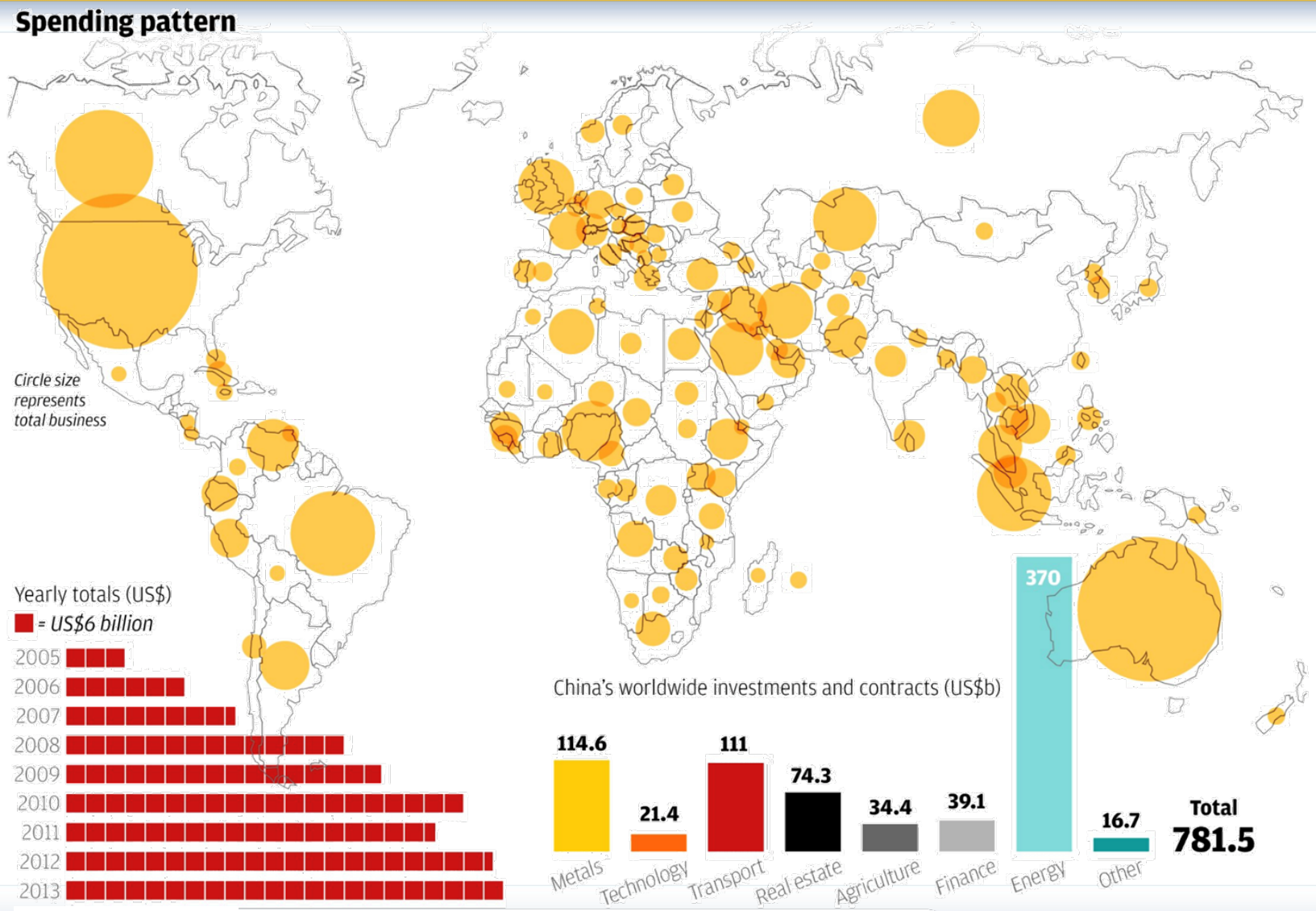
Growing Fiscal Pressures

- Increasing Debt/GDP that has been exacerbated by the added costs incurred responding to the novel Coronavirus Disease 2019 (Covid-19)
- Increased pressure on discretionary spending, including DoD, due to the above, and the continued growth of mandatory spending (e.g., Social Security, Medicare/Medicaid, interest on the debt)

Defense Business Operations are Big Business

- DoD has six direct Government Accounting Office (GAO) High Risk areas and shares seven government-wide High Risk areas. Biological will be soon added
- Continued growth in "tail-to-tooth" ratios, and the Defense Agencies and Field Activities (DAFA) and Fourth Estate

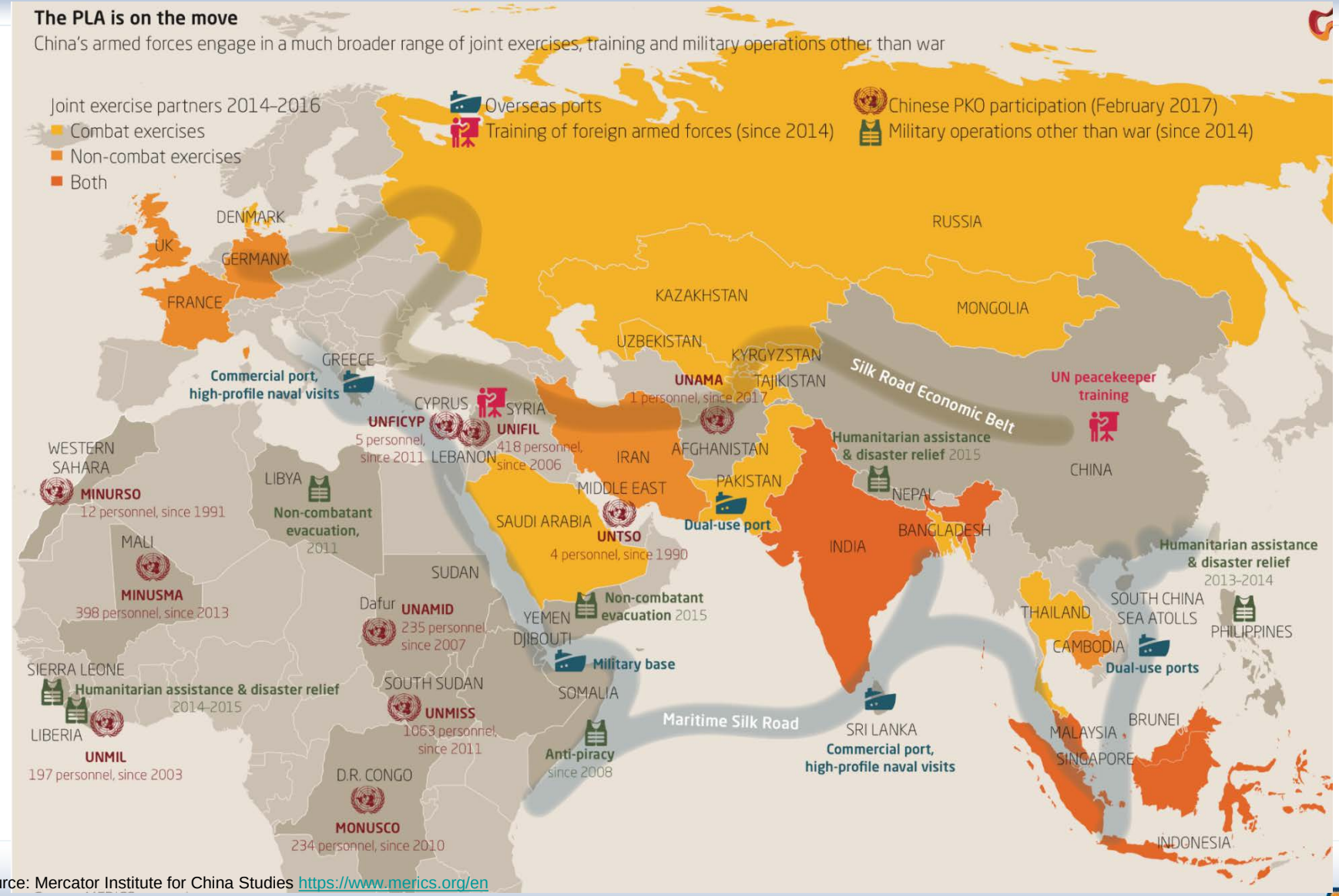
Global Challenges: Chinese Global Investment



Source: The Heritage Foundation

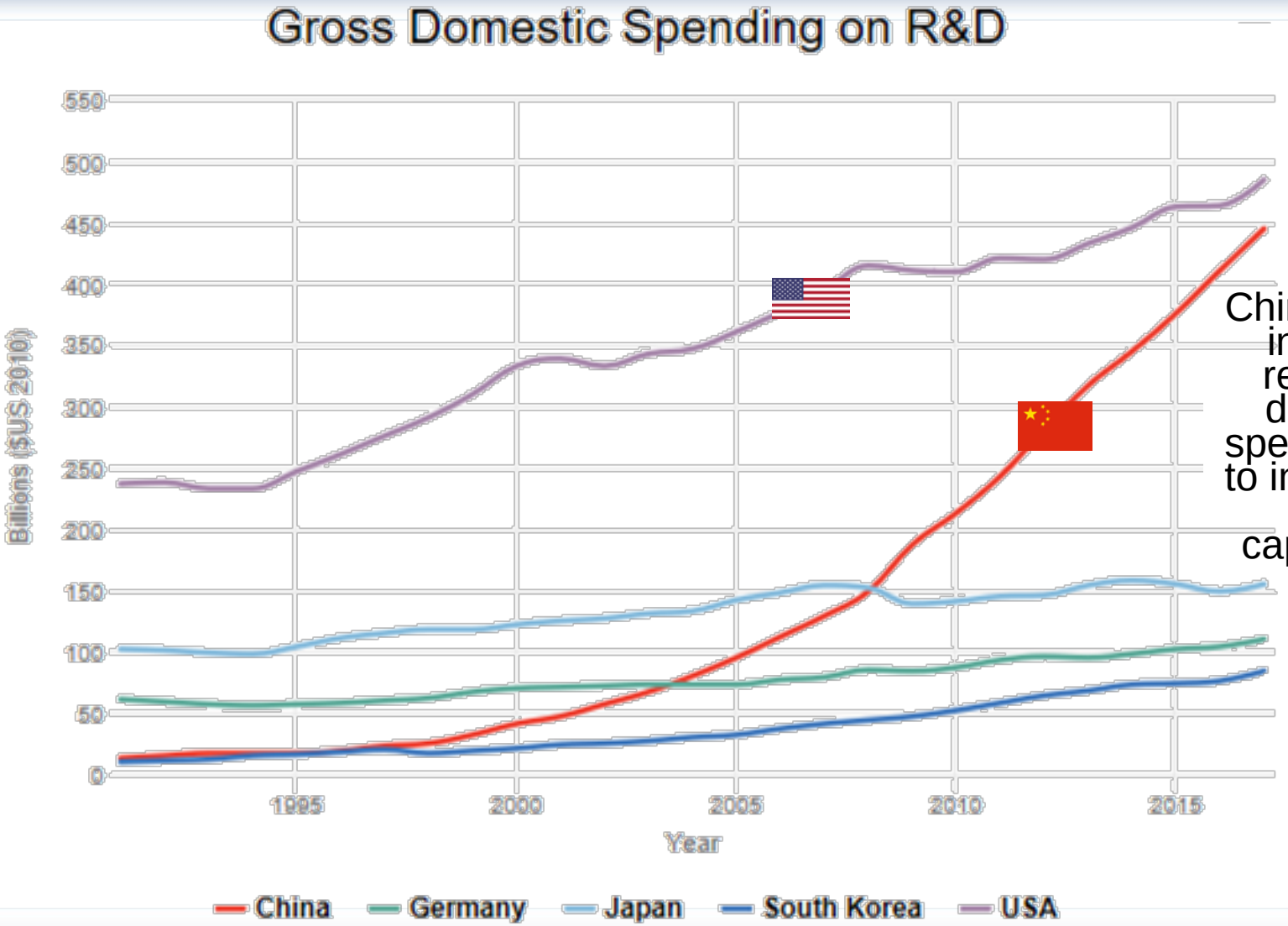
SCMP

Global Challenges: Chinese Global Presence



Source: Mercator Institute for China Studies https://www.merics.org/en

Global Challenges: Technical Dominance

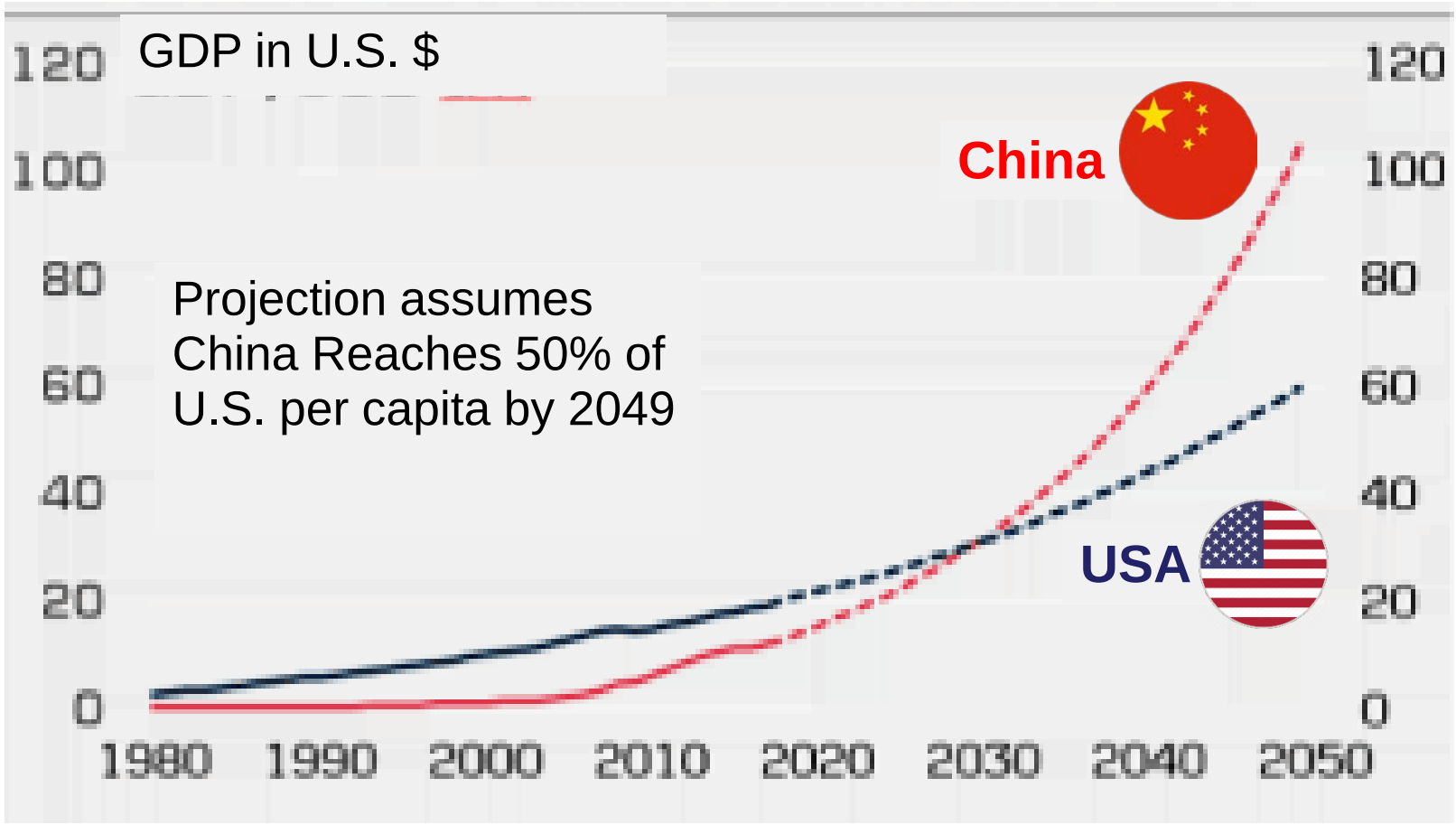


China has rapidly increased its research and development spending in order to increase future military capabilities and strength

Source: CSIS China Power Project https://chinapower.csis.org/chinese-companies-global-500/

Global Challenges: Economic Dominance

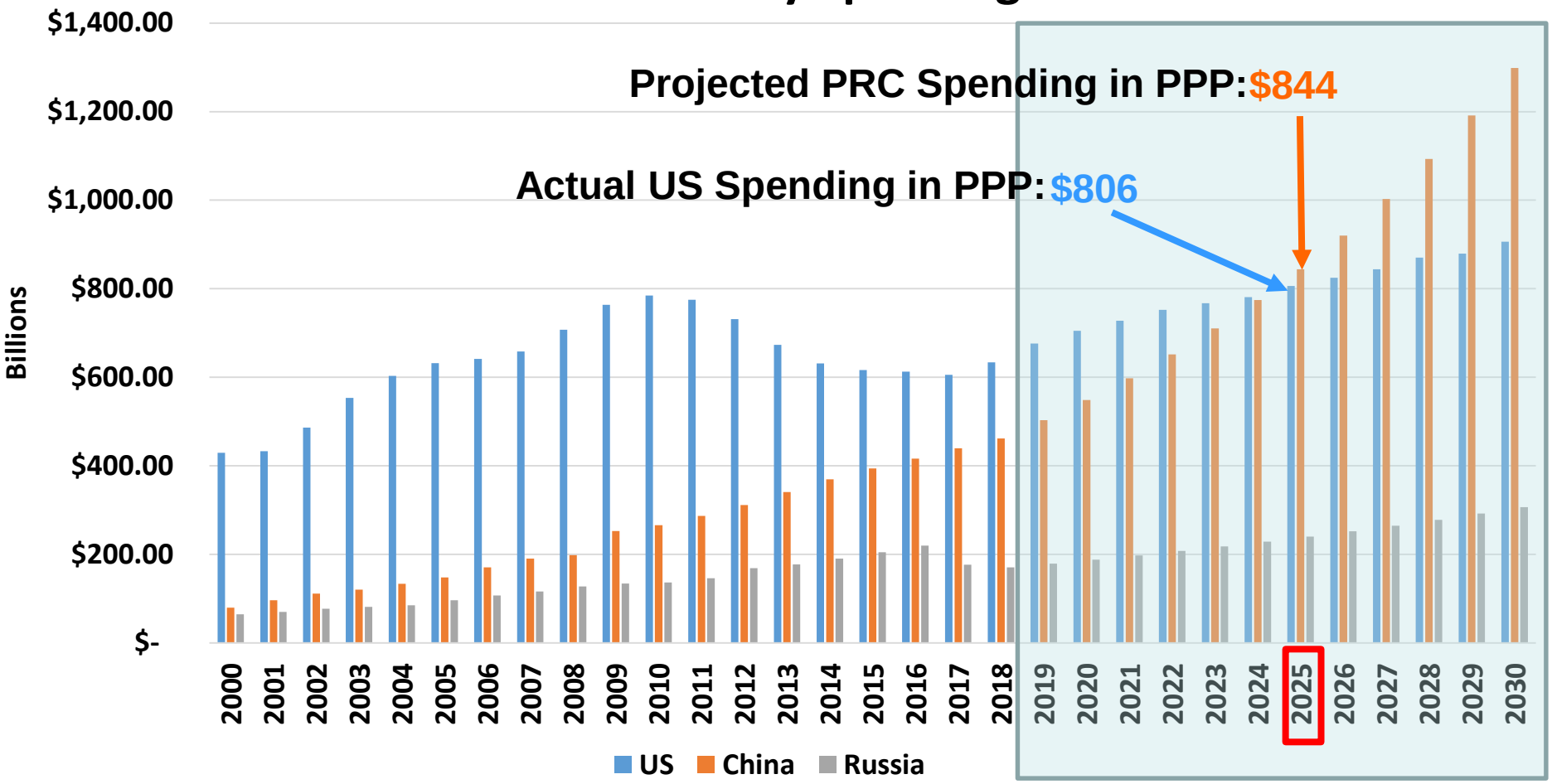
China is set to pass the U.S. in GDP growth within the next decade



Source: IMF, Danske Bank https://www.isabelnet.com/u-s-gdp-vs-china-gdp/

Global Challenges: Military Dominance

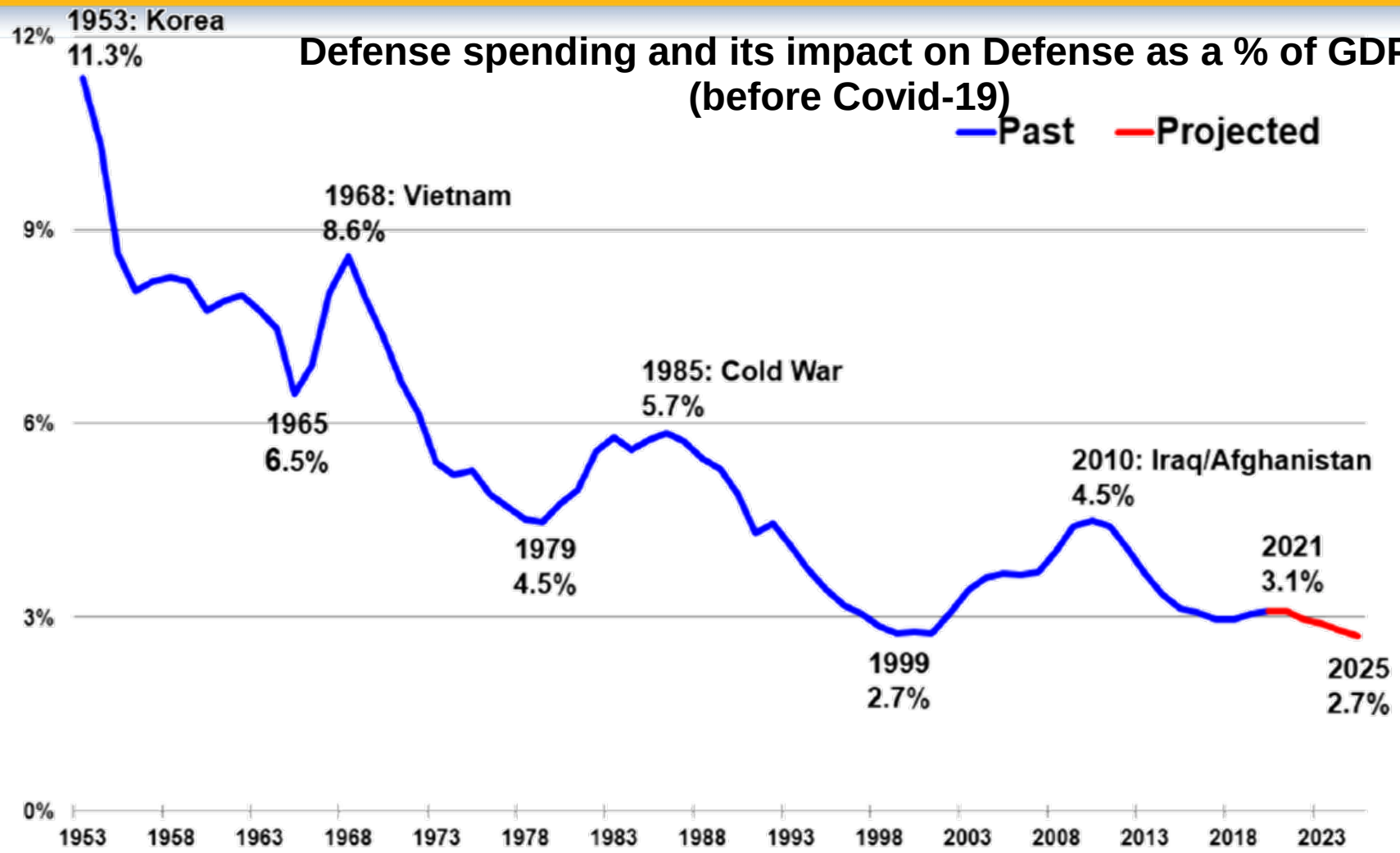
Great Power Military Spending in PPP



If China continues to increase military spending at the same rate, China will pass the US in military spending PPP by 2025

Sources: DBB graphic https://www.statista.com/statistics/217577/outlays-for-defense-and-forecast-in-the-us/ used to get US defense spending
https://chinapower.csis.org/military-spending/ used to get an estimate of China and Russia defense spending SIPRI estimate in Nominal GDP
http://statisticstimes.com/economy/gdp-nominal-vs-gdp-ppp.php used to get the multipliers to convert Nominal GDP to PPP for each country

Domestic Challenges: DoD's % of GDP

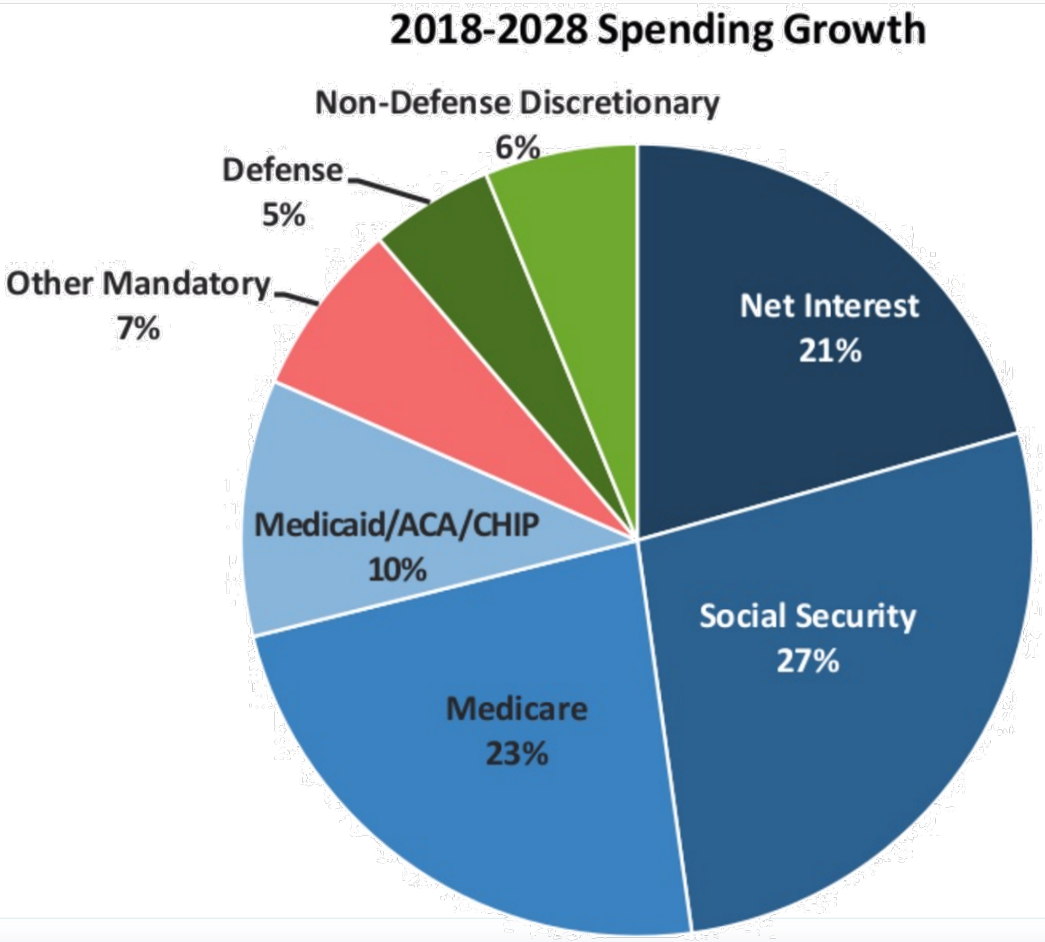


Source: DoD spending as a percent of GDP compares DoD outlays, both discretionary and mandatory, from the National Defense Budget Estimates for FY 2020 (Table 7-7) and projected GDP from OMB's Economic Assumptions for the FY 2021 Budget.

https://comptroller.defense.gov/Portals/45/Documents/defbudget/fy2021/fy2021_Budget_Request_Overview_Book.pdf

Domestic Challenges: Mandatory Spending

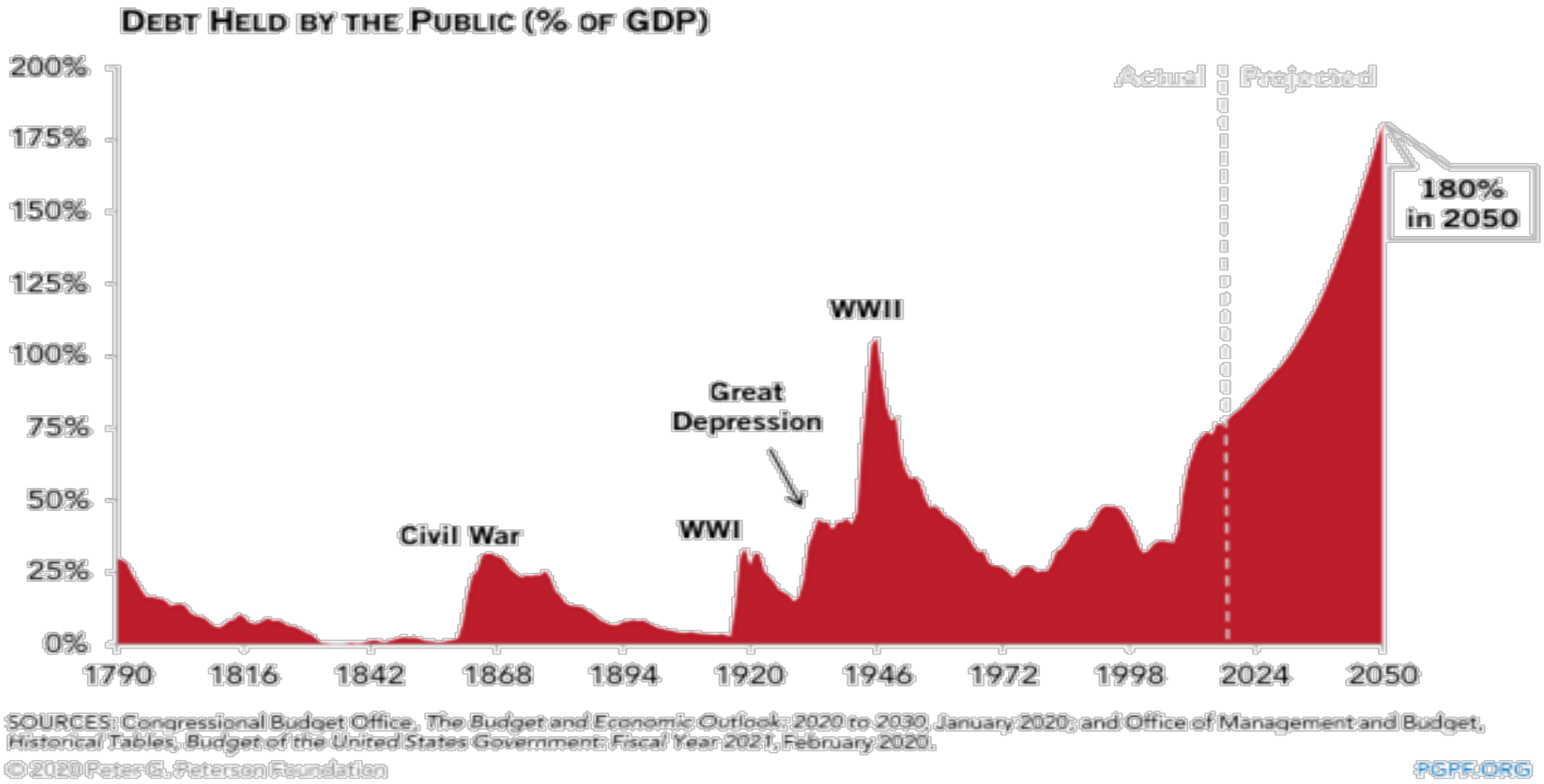
Social Security, Health Care, And Interest Explain 82% of Spending Growth



Source: Committee for a Responsible Federal Budget, http://www.crfb.org/papers/chartbook-americas-budget-outlook/

Domestic Challenges: Growing Fiscal Pressure

Congressional Budget Office (CBO) Projected Debt/GDP before Covid-19



"Gentlemen, we are out of money; now we have to think."

~ Sir Winston Churchill

Department Challenges: GAO High Risk List

2019 Open Issues

- DoD Weapon Systems Acquisition (1990)
- DoD Contract Management (1992)
- DoD Business Systems Modernization (1995)
- DoD Financial Management (1995)
- DoD Support Infrastructure Management (1997)
- DoD Approach to Business Transformation (2005)

2019 Government Wide

- Government-wide Personnel Security Clearance Process
- Ensuring the Cybersecurity of the Nation
- Ensuring the Effective Protection of Technologies Critical to U.S. National Security Interests
- Strategic Human Capital Management
- Improving the Management of IT Acquisitions and Operations
- U.S. Government Environmental Liability
- Improving and Modernizing Federal Disability Programs

2009 Open Issues

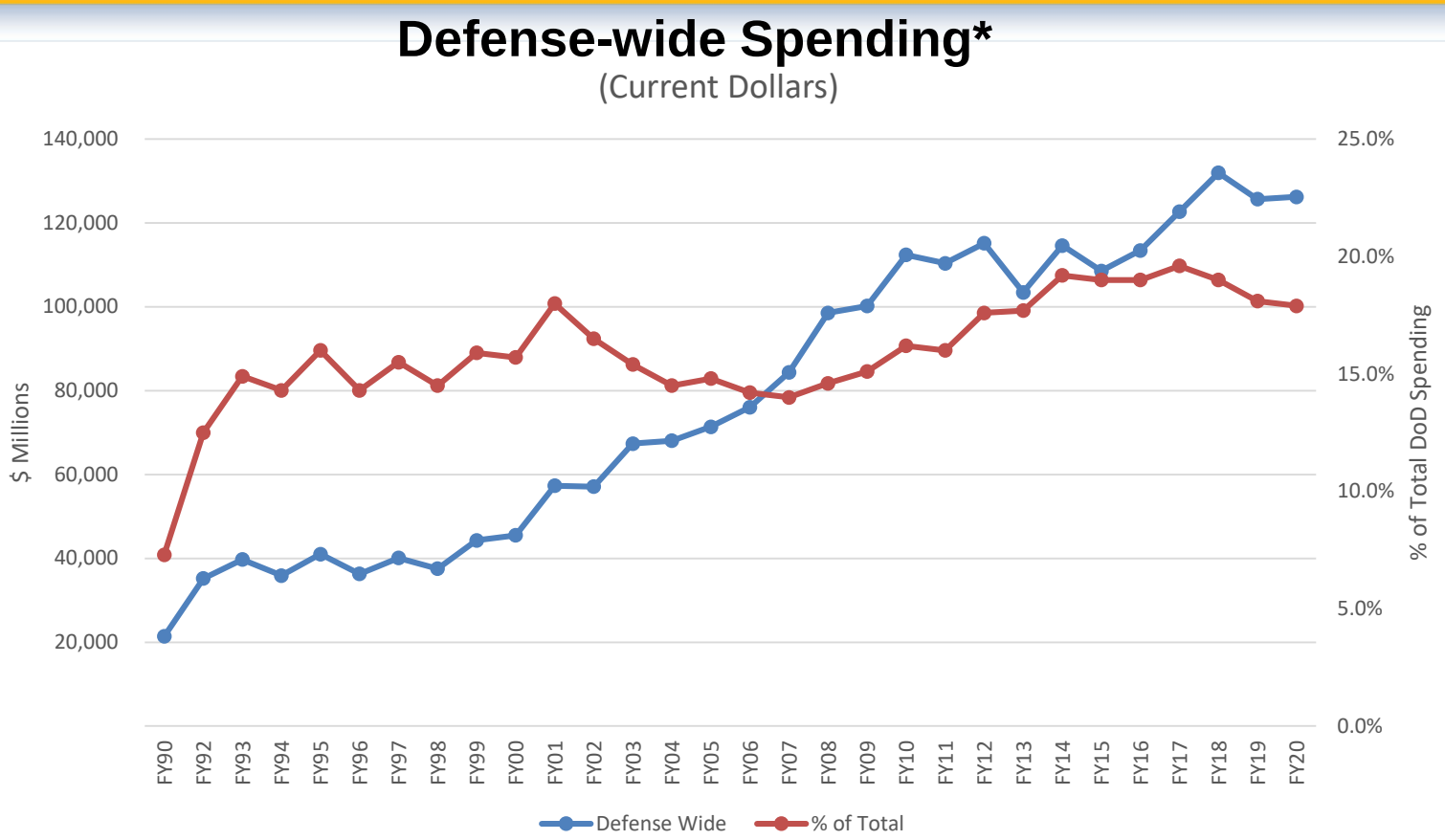
- DoD Weapon Systems Acquisition (1990)
- DoD Contract Management (1992)
- DoD Business Systems Modernization (1995)
- DoD Financial Management (1995)
- DoD Support Infrastructure Management (1997)
- DoD Approach to Business Transformation (2005)

- DoD Personnel Security Clearance Program (2005) – *Closed*
- DoD Supply Chain Management (1990) – *Closed 2019*

https://www.gao.gov/highrisk/overview

https://www.gao.gov/products/GAO-09-271

Department Challenges: DW Spending



- Defense-wide spending has steadily increased over time
- Defense-wide spending as % of the total has increased from 7% to almost 20%
- There are good reasons for some increases, but this needs to be carefully reviewed as Secretary Esper has indicated

*Source: DBB graphic derived from data provided by OSD Comptroller to represent the "actuals" through 2019, and enacted in 2020. Data is authoritative from the Comptroller budget database (Green Book data) – PRCP, CIS, & EFD

Approved by DBB - 6 May 2020

Department Challenges: Infrastructure

- The Department has indicated total force infrastructure costs constitute 43.7% of the budget
- 43.7% applied to the total appropriated DoD discretionary funding of $718B* for FY20 equals $313.8B
- If $313.8B was a GDP, it would be 56 on a list of rankings by country

Country Rankings by GDP (PPP)*		
Rank	Country	GDP ($B)
54	Israel	317.1
55	Portugal	314.1
56	***DoD Infrastructure***	***313.8***
56	Greece	299.3
57	Morocco	298.6
58	Kuwait	289.7
59	Hungary	289.6
60	Denmark	287.8
61	Sri Lanka	275.8
62	Finland	244.9
63	Uzbekistan	223
64	Ethiopia	200.6

*Source: GDP from CIA World Fact Book estimates as of 2017
DoD infrastructure 43.7% of $708B FY20 Discretionary Total

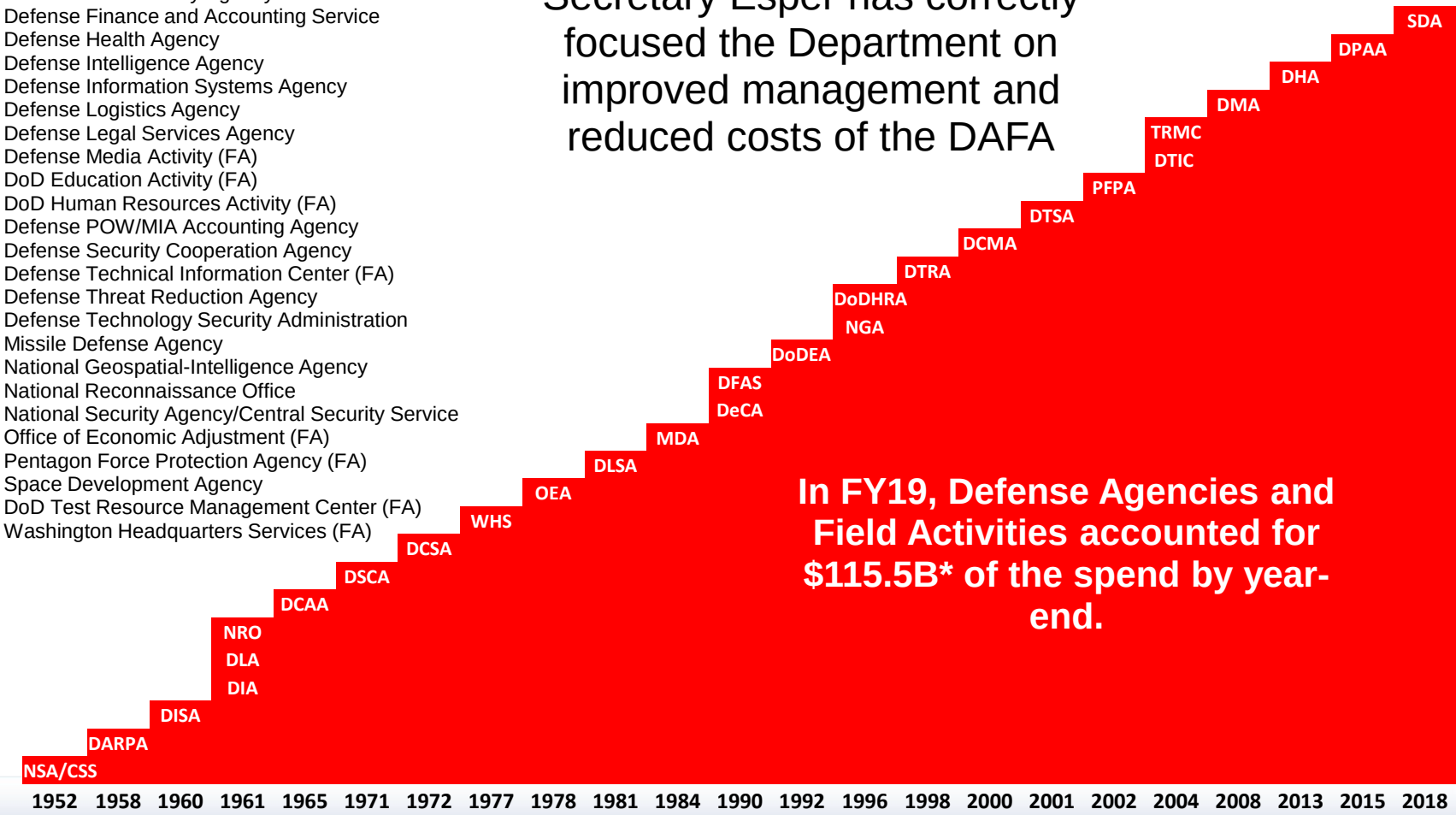
*Source: National Defense Budget Estimates for FY 2020 (Green Book), OUSD(C), May 2019, pg. 6

Defense Agencies and Field Activities

From 1958 to 2018 the number of DAFA grew from 2 to 28

DARPA	Defense Advanced Research Projects Agency
DCAA	Defense Contract Audit Agency
DCMA	Defense Contract Management Agency
DCSA	Defense Counterintelligence and Security Agency
DeCA	Defense Commissary Agency
DFAS	Defense Finance and Accounting Service
DHA	Defense Health Agency
DIA	Defense Intelligence Agency
DISA	Defense Information Systems Agency
DLA	Defense Logistics Agency
DLSA	Defense Legal Services Agency
DMA	Defense Media Activity (FA)
DoDEA	DoD Education Activity (FA)
DoDHRA	DoD Human Resources Activity (FA)
DPAA	Defense POW/MIA Accounting Agency
DSCA	Defense Security Cooperation Agency
DTIC	Defense Technical Information Center (FA)
DTRA	Defense Threat Reduction Agency
DTSA	Defense Technology Security Administration
MDA	Missile Defense Agency
NGA	National Geospatial-Intelligence Agency
NRO	National Reconnaissance Office
NSA/CSS	National Security Agency/Central Security Service
OEA	Office of Economic Adjustment (FA)
PFPA	Pentagon Force Protection Agency (FA)
SDA	Space Development Agency
TRMC	DoD Test Resource Management Center (FA)
WHS	Washington Headquarters Services (FA)

Secretary Esper has correctly focused the Department on improved management and reduced costs of the DAFA



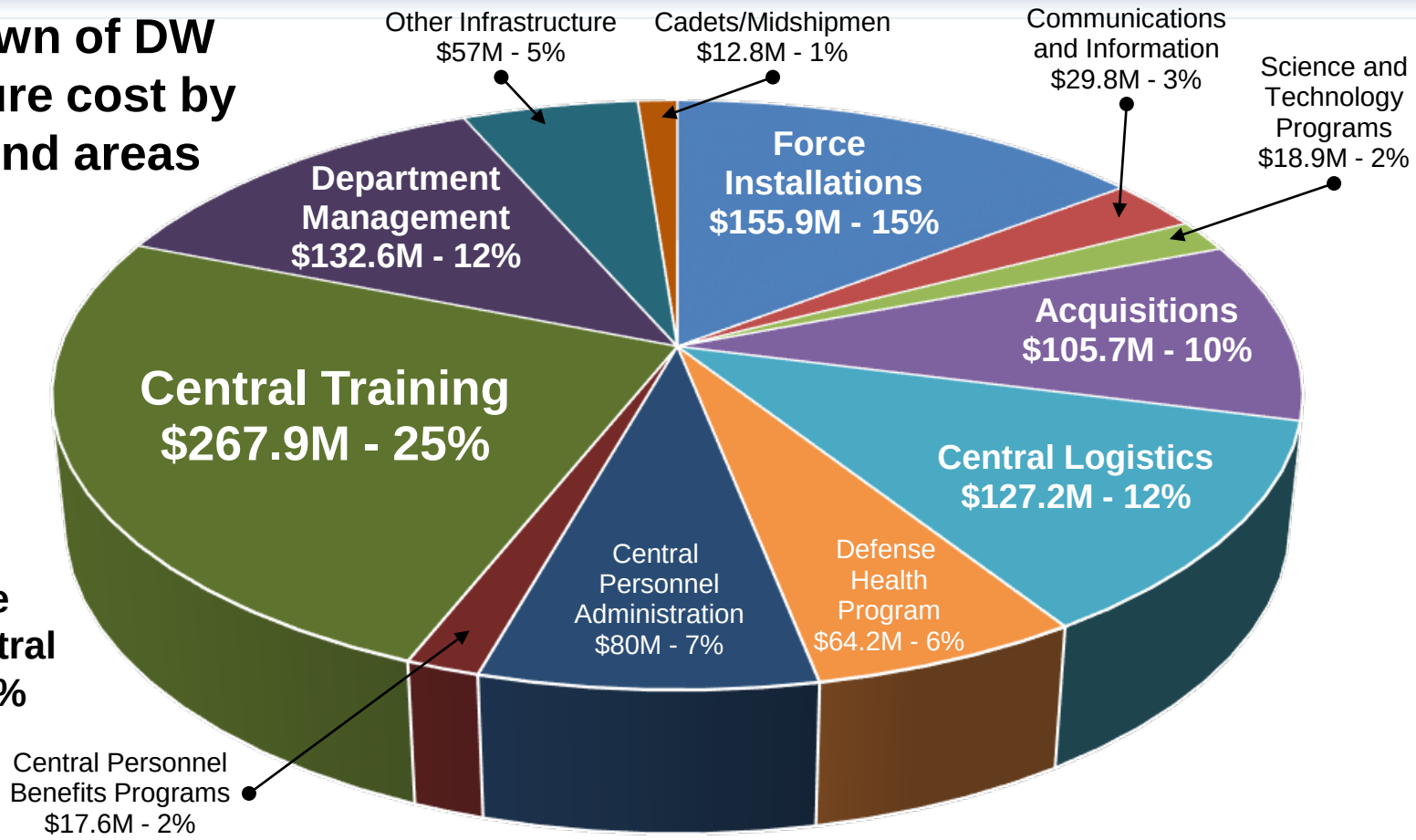
In FY19, Defense Agencies and Field Activities accounted for $115.5B* of the spend by year-end.

*DoD ADVANA data analytics FY19 WCF data – OSD Comptroller DW budget analysts, FY19 Budget OP-5

Approved by DBB - 6 May 2020

Department Challenges: DW Infrastructure

A breakdown of DW infrastructure cost by major spend areas



The largest category of infrastructure aligns with Central Training at 25%

Force Installations at 15%, Departmental Management and Central Logistics at 12%, and Acquisition at 10% total another 49%

A variety of smaller categories range in size from 1% to 7% of the total

Source: Derived using the FY2020 DMRR and several DW budget exhibits using O&M, RDT&E, and Procurement data.
Note: There is not a one-to-one relationship between each entity's budget category

Approved by DBB - 6 May 2020

Governance: The Problem

Since 2018, SD-level time and focus on strategy implementation has increased and evolved into a stable battle rhythm through the SD Weekly Priorities Review (SWPR) and NDS-I:

- At DSD-level, Deputy's Management Action Group (DMAG) remains primary management and resource allocation integration body
- At Chairman of the Joint Chiefs of Staff (CJCS) level, the Tank remains primary forum to integrate "best military advice" on matters related to the Joint Force

Below SD, DSD, and CJCS-levels, however, there are a large number of governance bodies and supporting tiers:

- Significant time and effort is required by these bodies
- Most pre-date the NDS - optimized to GWOT and pre-BCA ... not China
- DoDD 5105.79 "Senior Governance Councils" last updated 2008

Multiple guidance documents complicate governance:

- Relationship between governance bodies, major processes, and guidance documents is unclear, often in competition, and always evolving
- Staffing time associated with guidance documents is significant

Should the existing governance system be updated to maximize implementation of the NDS?

Particularly in regards to near peer competition with China?

Governance: Quick Facts
Total Number of Governance Bodies: 50+
• SD, DSD, or CJCS-level: 5+
• PSA or 4-star: 26+
• CFT or TF: 17+
Total Hours/Year (est.): >1K+
Average Date of Establishment: -2009

Guidance Docs: Quick Facts	
NSS + NOS + NMS + UCP + CPG +	
DPG + JSCP = 1K+ pgs	
• DoDDs: 309	• DTMs: 31
• DoDIs: 872	• CJCSIs: 180
• Specified tasks to CCMDs: 10K+	
• Totals: -2K docs. 50 million+ words	

DEFENSE BUSINESS BOARD

DBB Assessment per FY2020 NDAA § 904

DBB Assessment Principles

The DBB assessment of the 6 statutory requirements was undertaken with the following filters and principles:

The assessments in regards to effectiveness since 2008 only focuses on the performance of the DCMO and CMO as an organizational entity, not as a critique or appraisal of any administration or appointee.

- Use of the term CMO/DCMO throughout refers only to the PSA position, not to any specific individual

The office and organization would be reviewed since its inception in 2008 as the DCMO, taking into account that over time, the Congress and the DoD have both made major changes to the position, its authorities, and its responsibilities.

The statutorily required perspectives of the Under Secretaries of the military departments and observations of the Comptroller General would not be filtered and are presented as provided to the DBB Task Force.

The appraisal of how the organizational culture of the DoD impacts the decision-making process and enterprise-wide transformation efforts would reflect the views of those interviewed.

The best practices in the private sector and the public sector applicable to DoD would be identified and used as a comparison guide.

For purposes of assessing CMO transformation efforts the following definition was used: Making major enduring changes in the size, structure, policies, processes, practices, and technologies to improve the economy, efficiency, and effectiveness of an organization. Transformation goes far beyond traditional cost cutting exercises. While it is much more difficult to achieve, it can result in much larger reductions in costs and improvements in effectiveness over time that can be used to enhance readiness.

Transformation within DoD includes many actions, including addressing the many High Risk areas on GAO's list, reducing the tail (overhead) in order to sharpen the tooth (readiness), rationalizing the workforce mix (e.g., active duty military and reserve components, civilian, and contractor use), and restructuring/rightsizing the Fourth Estate.

The Task Force would also address any other matters it deemed necessary for the Secretary's determination.

6 Tasks Enumerated in § 904

The DBB broke each assessment conducted, pursuant to the subsection, into the six specific statutory tasks:

- **Task 1:** The extent to which the **position has been effective** in achieving the service, and exercising the powers and authorities, specified in § 132a of title 10, United States Code.
- **Task 2:** The **perspectives of the Under Secretaries of the military departments** on the matters described in paragraph (1) based on the experiences of such Under Secretaries as the Chief Management Officer of a military department.
- **Task 3:** The extent to which the **ingrained organizational culture** of the Department of Defense poses fundamental structural challenges for the position of Chief Management Officer of the Department, irrespective of the individual appointed to the position.
- **Task 4:** The **observations of the Comptroller General** of the United States on progress and challenges during the prior 10 years in the establishment of positions of Chief Management Officer in agencies throughout the Executive Branch, including in the Department of Defense and in other Federal agencies.
- **Task 5:** An identification and comparison of **best practices in the private sector and the public sector** for the responsibilities and authorities of a Chief Management Officer.
- **Task 6:** An identification and assessment of **differences in responsibilities and authorities** of the Chief Management Office of the Department, the Chief Operating Officer of the Department of Defense, and the Deputy Secretary of Defense.

DBB Assessment Methodology

Conducted nearly 90 semi-structured interviews* of individuals with senior government and executive managerial experience (reflecting a collective experience of over 3,000 years) using pre-determined questions based on the § 904 task

- More than 40 current and former Presidentially appointed, Senate confirmed (PAS) leaders to include former SDs, DSDs, and other senior officials in DoD and Federal agencies
- Current general and flag officers serving in key DoD positions
- Over 20 current and former senior DoD officials, career SES, and mid-career leaders
- Key leaders in the defense industry and operations
- Subject Matter Experts in organizational management constructs
- Leaders in federal cabinet agencies
- Leaders of foreign national defense organizations
- Congressional leaders and key staff
- Senior leaders from non-federal public and private sector organizations

Conducted analysis focused on:

- Analysis of the statutory responsibilities and authorities of the CMO
- Reviews of DCMO/CMO led transformation efforts since 2008
- Evaluations of prior studies and reports regarding the CMO, DoD organizational structure and industry best practices
- The 6 assessments required by § 904
- Transformation efforts and successes/failures since 2008
  - Current state of OCMO performance metrics
  - Past ODCMO and OCMO performance evaluations
- Evaluations of prior studies and reports regarding the CMO, DoD organizational structure and industry best practices (from 1985 to the present)

*As per longstanding DBB practice, all interviews were conducted under the Chatham House Rule (CHR) - "When a meeting, or part thereof, is held under the CHR, participants are free to use the information received, but neither the identity nor the affiliation of the speaker(s), nor the participant, may be revealed."

DBB Assessment Methodology

To perform the assessment, the DBB:

- Utilized a questionnaire, designed by the DBB, for the conduct of the interviews internal and external to DoD
- Studied statutes and conference reports which directly impact the DSD, CMO/DCMO and other PSAs within the Department (Titles 5, 10, 31, 40, etc.)
- Utilized the assessments in relevant GAO reports regarding the management of the Department with highlights and major themes identified
- Conducted research in the germane literature from think-tanks, CBO, Office of Management and Budget (OMB), Federally Funded Research and Development Centers (FFRDC), and DBB studies
- Examined the history/evolution of CMO/DCMO (including personnel size and cost)
- Researched and analyzed data for Defense-wide activities: budgets and cost, growth trends, organization and personnel of subordinate organizations (i.e. WHS, PFPA, etc.) over the past 12 years
- Considered how other organizations in government perform this management function and developed lessons learned
- Examined the division of responsibility between SD, DSD, and CMO over past 12 years
- Examined the OCMO internal self-assessments of performance, as well as other assessments of the organization's performance
- Examined previous studies published that examine the management and the business transformation of the Department
- Considered how OCMO is approaching the recent SD's 6 Jan memo on the Defense-wide review, together with the DSD's 24 January implementation memo, and the impacts to the CMO

Statutory Task 1: CMO Effectiveness

"'The extent to which the position has been effective in achieving the service, and exercising the powers and authorities, specified in § 132a of Title 10, United States Code."

Per the collective judgement of the individuals interviewed, the GAO and the Comptroller General, PSAs, members of the Joint Staff and MilDeps, and assessments drawn from examining literature and data research conducted, the overall conclusion is the CMO position and the organization has been mostly ineffective in exercising its various statutory authorities and responsibilities

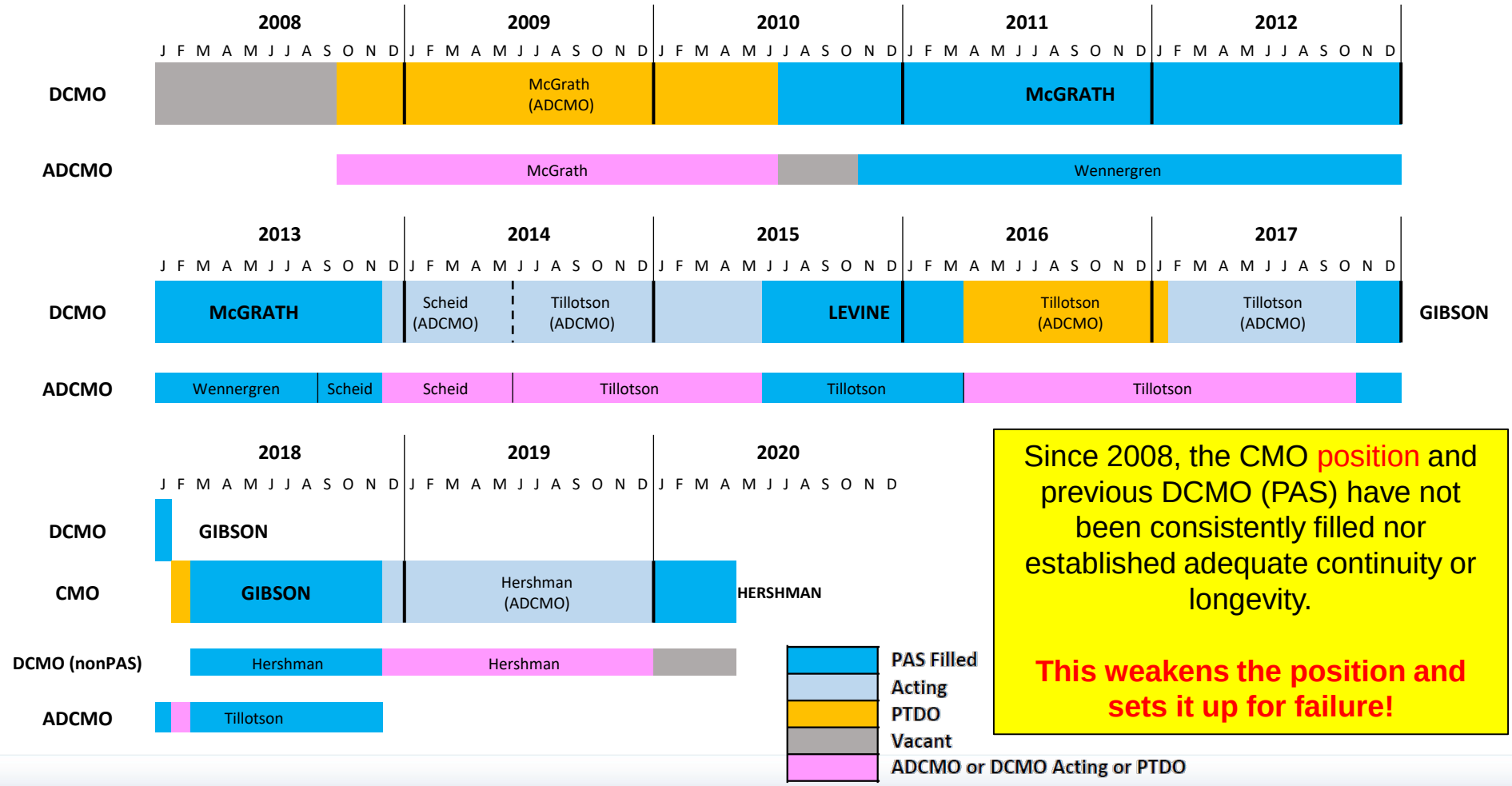
Title 10 § 132a(b) Requirements	Results
Manage DoDs Enterprise Business Operations/Shared Services	Yellow
Establish policies for and direct all Enterprise Business Operations for DoD	Red
Exercise authority, direction, control for DAFA for shared business services and budget review	Red
Direct MilDeps for Enterprise Business Operations	Red
Minimize the duplication of efforts and maximize efficiency and effectiveness	Red
Establish metrics for performance among/for all organizations/elements of the Department	Red
Review, assess, certify, and report on DAFA budgets	Red
Overall Effectiveness	Red

Green	Mostly Effective
Yellow	Somewhat Effective
Red	Mostly Ineffective

Statutory Task 1: CMO Effectiveness

Since it's creation in 2008, the position has been filled only 45% of the time by a PAS

This directly reduces its authority, effectiveness, and influence within the Pentagon



Since 2008, the CMO position and previous DCMO (PAS) have not been consistently filled nor established adequate continuity or longevity.

This weakens the position and sets it up for failure!

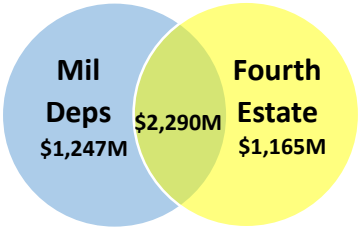
Statutory Task 1: CMO Effectiveness

DoD has not had true transformation of major business processes in decades. While the OCMO has identified savings, they have not been transformational

The following is an assessment of the recent effectiveness of OCMO:

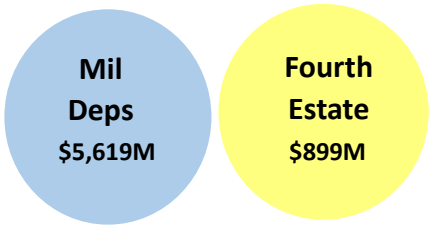
- The OCMO is collecting data and budget trimming; **this is not performing business transformation**
- There has been **no transformational change** in regards to business transformation
- The **savings are more opportunistic** rather than conforming to an ongoing transformation strategy
- Since 2017 "savings" identified by OCMO in various Department documents **derive mostly from MilDep reduction efforts**, and other activities, not from those related to the responsibilities of the OCMO
- The FY17, 18, 19, and 20 Fourth Estate savings occurred prior to the CMO's Fourth Estate oversight charge in the SD's January 6, 2020 memo

Budgeted/Programmed Reforms FY2017 and FY2018



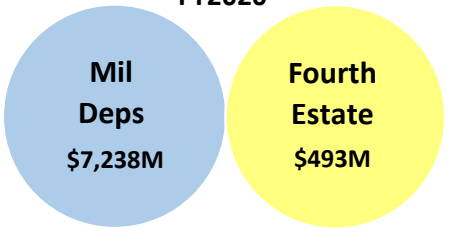
Total: $4,702M

Budgeted/Programmed Reforms FY2019



Total: $6,518M

Budgeted/Programmed Reforms FY2020



Total: $7,731M

Statutory Task 2: MilDep CMO Perspectives

"The perspectives of the Under Secretaries of the military departments…"

The MilDep CMOs have a low opinion of the DoD CMO position, believing it "hinders their mission" and offers "no added value"

MilDep CMOs **believe the DoD CMO is mostly ineffective** due to:

- It does not control people, budgets, and data (as the MilDep CMOs do)
- It is not well integrated in the chain of command's decision-making processes or fora (unlike MilDep CMOs)
- There is overlap and confusion between DoD CMO and DSD/COO authorities and responsibilities (MilDep CMOs authority derives directly from the Service Secretary)
- OCMO is given no clear ownership and accountability (as MilDep CMOs are), and lacks a chartering document
- The CMO is the only PSA who has by statute a bifurcated reporting chain in that the office reports to both SD and DSD (MilDep CMOs report directly to the Service Secretary)
- It lacks the necessary OCMO personnel with the required skillsets and resources assigned to implement and effect transformational change
- Past appointments did not have both adequate Pentagon related understanding and large corporation management experience **<u>focused explicitly on enterprise-wide business transformation</u>**

Statutory Task 3: Organizational Culture

"The extent to which the ingrained organizational culture of the Department of Defense poses fundamental structural challenges…"

DoD's organizational culture poses significant obstacles to effecting serious enterprise-wide transformational change in DoD

Interviews conducted by the Task Force revealed that a majority of senior individuals believe that DoD's culture is a significant obstacle to change of any sort, more so for effecting transformational change. Some specific observations noted were:

- The DoD enterprise today **overwhelmingly recognizes the DSD as the arbiter in this area** – not the CMO – due to the DSD's control of budget and people and adjudicating enterprise-wide trade-offs
    - Because the CMO does not have this deal-making ability, its authorities are diminished and the role's effectiveness is hindered
    - Several of those interviewed referred to this as a culturally accepted practice of horse trading
- **DoD consists of numerous sub-cultural groups each** possessing strong individual cultures. Employees of these organizations identify more with the sub-group than the overall DoD organization, often making decisions based on the interests or outcomes that favor their organizations rather than the good of DoD as a whole
    - DoD culture "ignores" or "waits out" transformational or budgetary changes that may negatively affect one's position or organization
- MilDep/DAFA leaders often choose to **not fully comply with transformative efforts***, as the CMO has no leverage to compel their compliance or sometimes even their participation. Only the DSD can create compliance in reform for considerations elsewhere

* DoD leaders cannot recall significant repercussions upon Services/Agencies who choose not to recognize the authorities of the CMO

Statutory Task 3: Organizational Culture

In assessing the interviews, literature review, and Congressional documents, common themes were noted:

- Not all DoD leaders **since 2008 have set clear transformation goals** for the enterprise
  - Recent exceptions being Secretary Mattis and Secretary Esper who both prioritize reform
- There are **two overarching and distinct high-level "cultures" within DoD**: Mission and Mission Support
  - **Mission** focused cultures are focused on results, and Department-wide do a very good job of it while stopping short of any changes that threaten the organization
  - **Mission Support** cultures are too focused on process adherence and values consensus, not results; which in turn delivers suboptimal outcomes
- DoD **does not adequately develop or reward its work force** for Enterprise Business Operations or develop and promote its civilian force in a way that supports those operations
- DoD employees are "protected" and **very difficult to remove**. In the Private Sector, poor performance and/or non-compliance with corporate objectives most often results in termination
- Within government writ large, **political appointees are looked upon as "temporary help"** (median service for a PAS in DoD is 18-24 months)
- **Organization performance standards are not consistent**; too broad or vague; there is a lack of meaningful, outcome-based quantifiable metrics **<u>that are tracked and enforced</u>**

Statutory Task 4: Observations of the Comptroller General

"The observations of the Comptroller General of the United States on progress and challenges…"

The Comptroller General considers the CMO position to be mostly ineffective – even as the #3 official in DoD

- The Comptroller General noted that the GAO high risk areas for DoD identified in 2008 have increased, not decreased
  - DoD itself has 6 High Risk areas and shares 7 others with other federal agencies (**13 out of 35**)
  - DoD has not effectively implemented the necessary steps to mitigate or resolve high risk deficiencies
- Assumed that the CMO was intended to drive strategy and partnership and enable plans to address 13 of the 34 high risk areas
- Observed that the CMO still not codified through a charter (DoD issuance). DoDD 5105.82, "Deputy Chief Management Officer (DCMO) of the Department of Defense", was signed October 17, 2008; yet not updated since, despite legislative changes
- Believed using the title "CMO" does not overcome the DoD's cultural title authority barrier; titles have meaning in the Department's cultural milieu **and "CMO" lacks a generally accepted meaning**
- Recommend DoD establish integration and transformation structures

Statutory Task 4: Observations of the Comptroller General

GAO Standard for CMO Implementation	DoD Status	GAO Observations / *GAO Recommendations*
Define the specific roles and responsibilities of the COO/CMO position*	**Red**	CMO not codified in DoD issuance ***Create full-time, EX II position Deputy Secretary of Defense for Management.***
Ensure that the COO/CMO has a high level of authority and clearly delineated reporting relationships	**Red**	As the #3 official in DoD, title "CMO" does not overcome the cultural title authority barrier ***EX II provides necessary institutional authority to overcome service parochialism***
Foster good executive-level working relationships for maximum effectiveness between GAO and CMO	**Yellow**	CMO / GAO coordination is poor at the senior executive leadership level, remains robust at AO level ***Nominee must meet statutory qualifications and have a pre-existing knowledge of the DoD. CMO should be in close/constant coordination with the GAO***
Establish integration and transformation structures and processes in addition to the COO/CMO position	**Yellow**	DSD has authority to transform business operations, everyday demands make it difficult to provide the necessary focus required for business transformation ***Divide current functions of DSD into Enterprise Transformation, and a DSD for Management. Focus CMO responsibility on business transformation effort, serving full-time as the strategic integrator of DOD's business transformation efforts. CMO should have direct authorization to direct Fourth Estate***
Promote individual accountability and performance through specific job qualifications and effective performance management	**Yellow**	Nominee must meet statutory qualifications for the position, must have existing knowledge of DoD and culture ***Establish consistent performance measures. Develop an integrated plan to elevate, integrate, and institutionalize the high-level attention essential***
Provide for continuity of leadership in the COO/CMO position	**Red**	CMO position does not have a required term of appointment to sustain progress across administrations ***Roles and responsibilities of CMO should be clearly defined, have a term of office that spans administrations such as 5-7 years***

Green	Mostly Effective
Yellow	Somewhat Effective
Red	Mostly Ineffective

*GAO Implementation of CMO Standards 2007

Statutory Task 4 : GAO Report Themes

- DoD has been largely ineffective towards implementing the CMO's authority to direct the military departments on business operations [GAO 19-199]
- A CMO is needed in order to sustain progress on long-standing "DoD high risk series" issues [GAO 19-199 and GAO 19-157SP]
- The GAO found a lack of sustained leadership involvement in business transformation performance and mostly ineffective in achieving efficiencies in enterprise business operations [GAO 17-369 and GAO 17-317]

Statutory Task 5: Best practices

"An identification and comparison of best practices in the private sector and the public sector…"

CMO was designed to align with best practices in the Private/Public sector, *but in practice has not been able to accomplish it*

Alignment
- CMO's Mission
- CMO's Purpose/Tasks
- CMO Report-to

Private Sector: DoD design only aligns with concept and intent

Public Sector: DBB notes consolidated management offices across the USG, but GAO found federal agencies struggling to implement shared service consolidation best practices [GAO 19-94, 11]

Misalignment
- Lead/Manage Shared Service initiatives
- Benchmark industry/peer competition
- Establish and focus on a single data source
- Owns teams and budgets responsible for Shared Services / Outsourcing

Do NOT align with private/ public best practices

Statutory Task 5: Best practices in the private/public sector

Best Practice	Private*	Public*	DoD
Mission: Drive efficiencies and create new capabilities	Green	Yellow	Yellow
Focus: Lead shared service transformation	Green	Green	Red
Structure: Individual in "CMO" role reports to top executive	Green	Green	Yellow
Ownership: Control Shared Services and related capabilities	Green	Red	Red
Performance: Uses benchmarks against peer competitors to improve and enhance	Green	Red	Red
Data: Focus/Utilizes a single, reliable source for data	Green	Yellow	Yellow
Analytics: Ownership and leverage of data enterprise-wide	Green	Red	Red

- Mission
- Purpose/Tasks
- Report-to

→ Aligns with private best practices

- Lead/Manage Shared Service initiatives
- Benchmark industry/peer competition
- Estab. and focus on a single data source

→ Does **NOT** align with private best practices

Green	Mostly Effective Implementation
Yellow	Somewhat Effective Implementation
Red	Mostly Ineffective Implementation

***The DBB Task Force examined those Private/Public organizations which are considered to be the top performers in their respective business areas**

Statutory Task 5: UK and AU CMOs

Transformation efforts in other military organizations [UK and Australia]:

- Both have established a high level position to focus on “business transformation” in recent years
- These positions report directly to the CEO equivalent position in their systems.
- These positions also have responsibility for selected mission support entities (e.g., Comptroller, Chief Information Officer (CIO), Personnel),
- These positions are filled with persons with both relevant experience and institutional knowledge
- Both appoint long term civil servants to manage Defense mission support areas as the preferable construct
- These CMO-type executives manage budget, investment, acquisition, IT, HR, logistics, and support
- Both countries recognized the need to have a top level executive focused on business transformation and both have implemented such a position in recent years

The DBB’s assessment took into account the scale of the two organizations in comparison to the DoD and America’s global commitments

Statutory Task 6: Responsibilities and Authorities

"An identification and assessment of differences in responsibilities and authorities…"

There is significant overlap and confusion across the Department on the role and responsibilities of the CMO versus the role of the DSD as the COO

- CMO does have the necessary **authorities in statute** to meet the requirements of § 132a; however, **the DoD has not codified the OCMO** responsibilities and authorities in a chartering document (DoD issuance). **This significantly diminishes its authority in the Pentagon hierarchy**

- CMO statutory authorities were found to **significantly overlap** those of DSD/COO, Service Secretaries, and PSAs. This poses an issue of "who's in charge" and confuses the line of authority and responsibility

- Despite having the statutory authority to do so, **major enterprise-wide trade-off decisions are not made at the CMO level**

- These all contribute to the **CMO not being set up for success**

DBB Findings and Observations

In assessing the interviews conducted, literature reviewed, data analysis performed, and examination of Congressional statutes and intent, the DBB Task Force:

- Believes the CMO and the OCMO has, despite the intentions, **never been set up for success** and as a result has been **mostly ineffective** in achieving the objectives of enterprise-wide business transformation across the DoD or in executing its statutory responsibilities per § 132a
- Observes that the **OCMO organizational structure has been mostly ineffective** in exercising its authorities and responsibilities. Further, the officials appointed have not had the enterprise-wide business transformation experience coupled with extensive Pentagon experience. Additionally, staff assigned has not been well versed in business transformation implementation.
- Concurs with the MilDep CMOs that the CMO position, **as designed, has been mostly ineffective** due to its lack of clear authority, confusion about CMO's responsibilities, and lack of necessary staff with appropriate skills
- Considers DoD's **organizational culture is resistant to change, this poses significant obstacles** to effecting enterprise-wide transformational change
- Agrees with the Comptroller General that the **CMO position is mostly ineffective** and has not satisfactorily acted for 12 years in response to rectifying the items on the GAO high risk list
- Concludes that the CMO **does not align with Private/Public sector** best practices where applicable
- Concludes that there is **significant overlap and confusion** in the authorities and responsibilities of the CMO position with other officials; due largely to the lack of an official CMO charter, thereby even **further reducing its authority, influences, and effectiveness**
- Observed that there is **considerable misperception in the Department as to the definition of "transformational**," finding it is used inconsistently, typically in reference to what are actually transactional activities

DBB Summary Assessment

6 Tasks Enumerated in § 904	Assessed to be:
Task 1: The extent to which the position has been effective in achieving the service, and exercising the powers and authorities, specified in § 132a of title 10, United States Code.	Red
Task 2: The perspectives of the Under Secretaries of the military departments on the matters described in Task 1 based on the experiences of such Under Secretaries as the Chief Management Officer of a military department.	Red
Task 3: The extent to which the ingrained organizational culture of the Department of Defense poses fundamental structural challenges for the position of Chief Management Officer of the Department, irrespective of the individual appointed to the position.	Red
Task 4: The observations of the Comptroller General of the United States on progress and challenges during the prior 10 years in the establishment of positions of Chief Management Officer in agencies throughout the Executive Branch, including in the Department of Defense and in other Federal agencies.	Red
Task 5: An identification and comparison of best practices in the private sector and the public sector for the responsibilities and authorities of a Chief Management Officer.	Red
Task 6: An identification and assessment of differences in responsibilities and authorities of the Chief Management Office of the Department, the Chief Operating Officer of the Department of Defense, and the Deputy Secretary of Defense.	Red
Overall Assessment of CMO Effectiveness	Red

Green	Mostly Effective
Yellow	Somewhat Effective
Red	Mostly Ineffective

DEFENSE BUSINESS BOARD

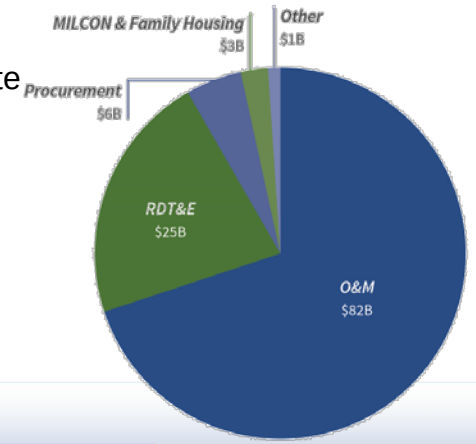
Defense Agencies, DoD Field Activities, and Defense Working Capital Funds

DAFA Definitions and Assumptions

DAFA are a primary means of providing broadly centralized service support functions; however, the DoD also uses an array of other management arrangements

"Defense Agencies" and "DoD Field Activities" are terms found in § 191 of title 10, U.S.C., which states:

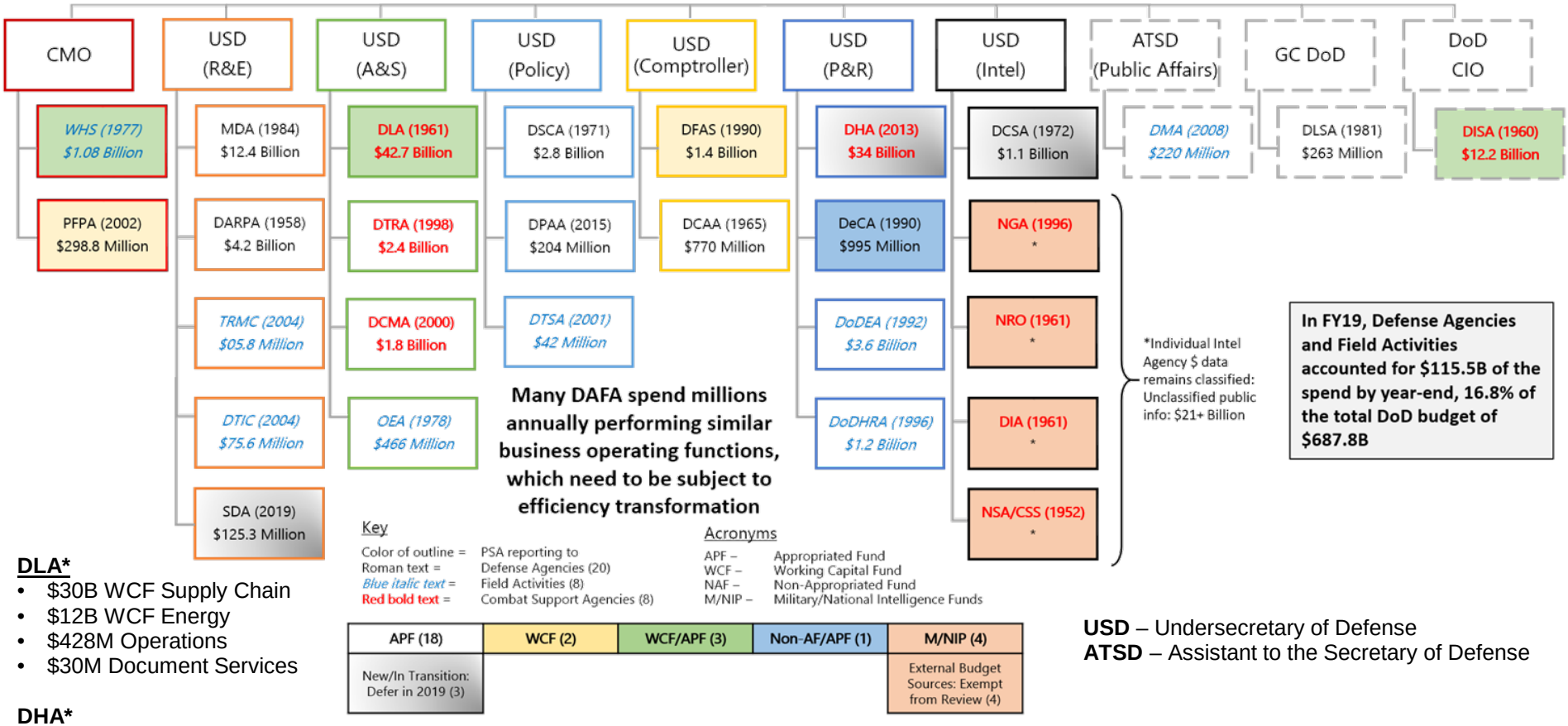
- These organizations are established by the Secretary of Defense to perform a supply or service activity common to more than one Military Service in a more effective, economical, or efficient manner
- Goldwater-Nichols established that each DAFA is overseen by a Principal Staff Assistant on behalf of the Secretary
- Validation processes are supposed to be deeply rooted in all aspects of the DoD's oversight of DAFA to ensure that their services and supplies could not be more efficiently provided by the Military Services or other sources
- DAFA are a subset of Defense-wide spending, a number of which are funded through Defense Working Capital Funds
- Defense-wide includes OSD, TJS, DAFA, USSOCOM, and the Fourth Estate
- In FY19, Defense-wide accounts spent $117B, just over 16% of DoD's total budget of $718B (including OCO and emergency funding)
  - However, there is significant cost associated with MilPers assigned to DW activities which is not reflected within those activity's budgets



Source: DBB chart created with computations using the FY19 budget data

Current DAFA

28 DAFA (20 DAs and 8 FAs)
Current appropriated budget 'enacted' by the Congress for FY2020*



DLA*
- $30B WCF Supply Chain
- $12B WCF Energy
- $428M Operations
- $30M Document Services

DHA*
- $34B Health, Welfare, MHCRF, Pharmacy, Operations

USD – Undersecretary of Defense
ATSD – Assistant to the Secretary of Defense

*DoD ADVANA data analytics FY20, pulled from OSD Comptroller budget systems / WCF data – OSD Comptroller DW budget analysts, FY2020 Budget OP-5 Chart from Organizational Policy and Decision Support, Office of the Chief Management Officer

Approved by DBB - 6 May 2020

Defense-wide Cost for FY2020

DW Functional Categories*

(FY 2020 $B Discretionary Base)

Families & Benefits	
DHP	$33.2B
DoDEA	$3.1B
DECA	$1.0B
DHRA	$0.9B
CMP	$0.2B
DPAA	$0.1B
OEA	$0.1B
Total	**$38.6B**

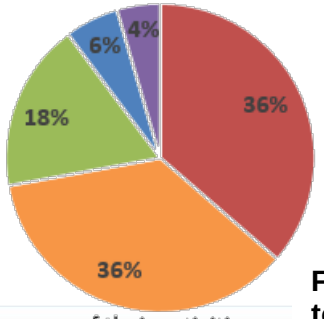
Warfighting & Support	
Classified	$22.1B
SOCOM	$9.6B
DTRA	$1.5B
CBDP	$1.4B
DCSA	$1.1B
DSCA	$0.8B
CN	$0.8B
TJS CE2T2	$0.7B
Total	**$38B**

RDT&E	
MDA	$9.4B
OSD RDT&E	$5.3B
DARPA	$3.6B
SDA	$0.2B
OTE	$0.2B
DTIC	$0.1B
Total	**$18.8B**

Policy & Oversight	
OSD O&M	$1.7B
DCMA	$1.5B
TJS Ops	$0.6B
DCAA	$0.6B
DAU/DAWDF	$0.6B
WHS	$0.4B
IG	$0.4B
DMA	$0.2B
DLSA	$0.0B
CAAF	$0.0B
DTSA	$0.0B
Total	**$6B**

Working Capital Funds	
WCF - Appropriated	
DISA	$3.6B
DLA	$1.2B
Total	**$4.8B**
WCF - Revenue	
DLA Supply	$29.3B
DLA Energy	$12.1B
DISA	$7.9B
DECA	$5.9B
DFAS	$1.4B
DLA Doc Svcs	$0.4B
Other	$2.1B
Total	**$59.1B**

Percent of Discretionary Base



FY20 DW enactment of $119.8B = 16.7% of the total DoD budget

Note: organizations aligned according to the preponderance of their activities.

*Acronym list on Slides 83-84

*Data analytics FY20, pulled from OSD Comptroller budget systems / WCF data – OSD Comptroller DW budget analysts, FY2020 Budget OP-5

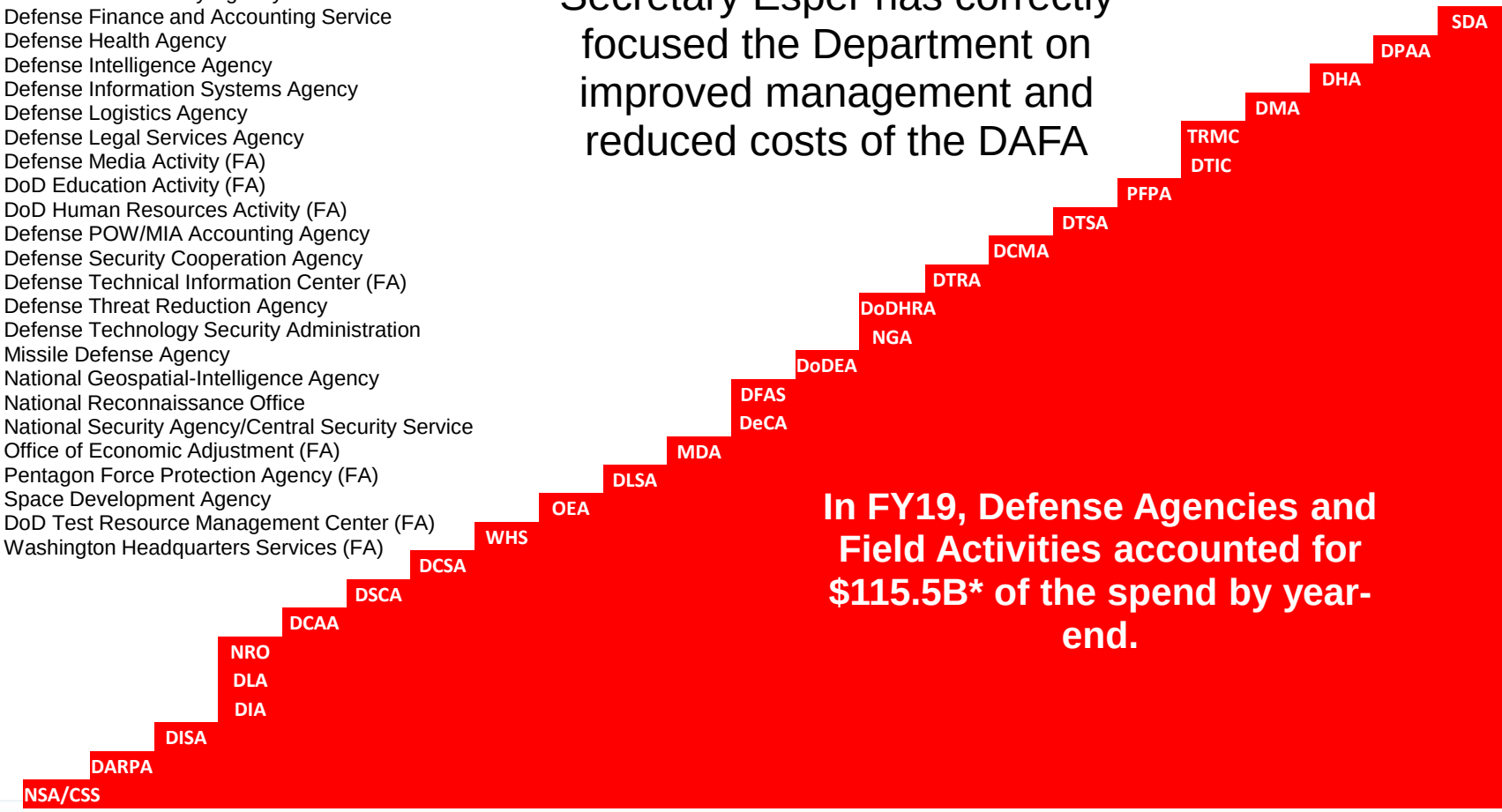
Approved by DBB - 6 May 2020

Defense Agencies and Field Activities

From 1958 to 2018 the number of DAFA grew from 2 to 28

DARPA	Defense Advanced Research Projects Agency
DCAA	Defense Contract Audit Agency
DCMA	Defense Contract Management Agency
DCSA	Defense Counterintelligence and Security Agency
DeCA	Defense Commissary Agency
DFAS	Defense Finance and Accounting Service
DHA	Defense Health Agency
DIA	Defense Intelligence Agency
DISA	Defense Information Systems Agency
DLA	Defense Logistics Agency
DLSA	Defense Legal Services Agency
DMA	Defense Media Activity (FA)
DoDEA	DoD Education Activity (FA)
DoDHRA	DoD Human Resources Activity (FA)
DPAA	Defense POW/MIA Accounting Agency
DSCA	Defense Security Cooperation Agency
DTIC	Defense Technical Information Center (FA)
DTRA	Defense Threat Reduction Agency
DTSA	Defense Technology Security Administration
MDA	Missile Defense Agency
NGA	National Geospatial-Intelligence Agency
NRO	National Reconnaissance Office
NSA/CSS	National Security Agency/Central Security Service
OEA	Office of Economic Adjustment (FA)
PFPA	Pentagon Force Protection Agency (FA)
SDA	Space Development Agency
TRMC	DoD Test Resource Management Center (FA)
WHS	Washington Headquarters Services (FA)

Secretary Esper has correctly focused the Department on improved management and reduced costs of the DAFA



In FY19, Defense Agencies and Field Activities accounted for $115.5B* of the spend by year-end.

*DoD ADVANA data analytics FY19 WCF data – OSD Comptroller DW budget analysts, FY19 Budget OP-5

DAFA Are Big Business

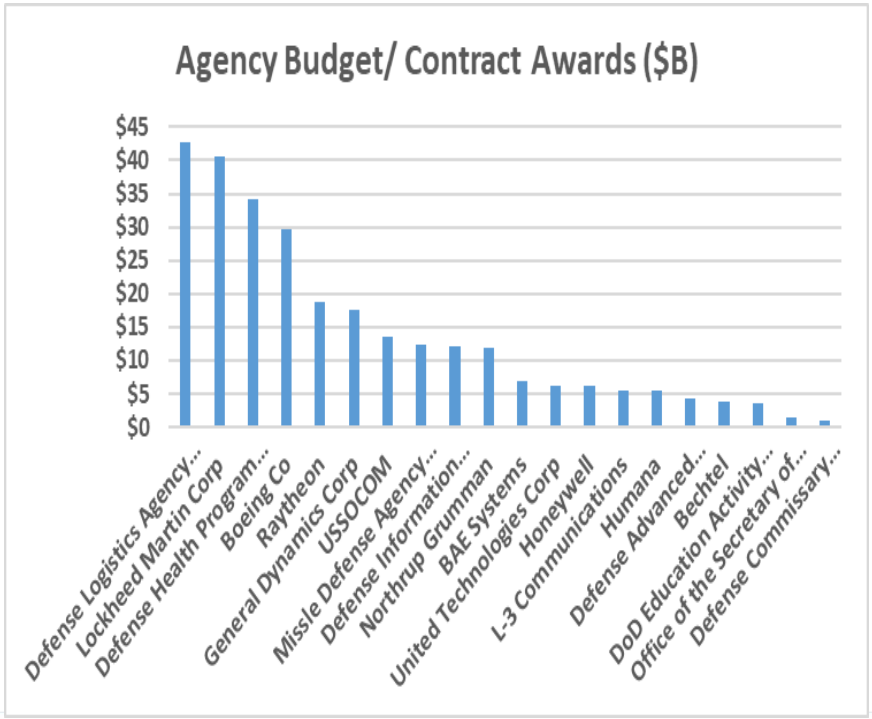
In comparing DAFA funding to the **top defense contractors**, **5 Defense Agencies make up the top 10**

- **9 DoD organizations place in the top 20** of the largest defense oriented organizations in the nation
- DLA's and DHP's annual operating budgets are in the same company as Lockheed Martin and Boeing
- The top 10 DAFA spend more than the 10 largest Defense contractors combined

(This does not include the large Intelligence agencies as budgets/personnel #s are classified data; however from unclassified data available, they would be included in the top 20 list, with some in the top 10)

	Defense Agencies are Big Business	
Rank	Defense Agency/Defense Contractor	Agency Budget/ Contract Awards ($B)
1	**Defense Logistics Agency (DLA)**	$46.7
2	**Defense Health Program (DHP)**	$34.0
3	Lockheed Martin Corp	$33.6
4	Boeing Co	$29.7
5	Raytheon	$18.7
6	General Dynamics Corp	$17.5
7	**USSOCOM**	$13.6
8	**Missle Defense Agency (MDA)**	$12.4
9	**Defense Information Systems Agency (DISA)**	$12.2
10	Northrup Grumman	$11.9
11	BAE Systems	$6.8
12	United Technologies Corp	$6.3
13	Honeywell	$6.1
14	L-3 Communications	$5.5
15	Humana	$5.4
16	**Defense Advanced Research Project Agency (DARPA)**	$4.2
17	Bechtel	$3.8
18	**DoD Education Activity (DoDEA)**	$3.6
19	**Office of the Secretary of Defense**	$1.5
20	**Defense Commissary Agency (DeCA)**	$1.0

Source: FY20 Presidents Budget Request, Federal Procurement Data System (FPDS)



Note: Contractor revenues are based on prime contract values, excluding subcontracts to other primes
Source: FY20 Presidents Budget Request, Federal Procurement Data System (FPDS)

Defense-wide communities shown above includes Working Capital Fund

DAFA Challenges

Problem: DoD lacks the integrated management structure, business systems, and financial controls to coherently manage and oversee the 28 DAFA to meet the priorities of Secretary Esper to promote effectiveness, efficiency, fiscal discipline, and adjust to near peer benchmarks

Challenges:

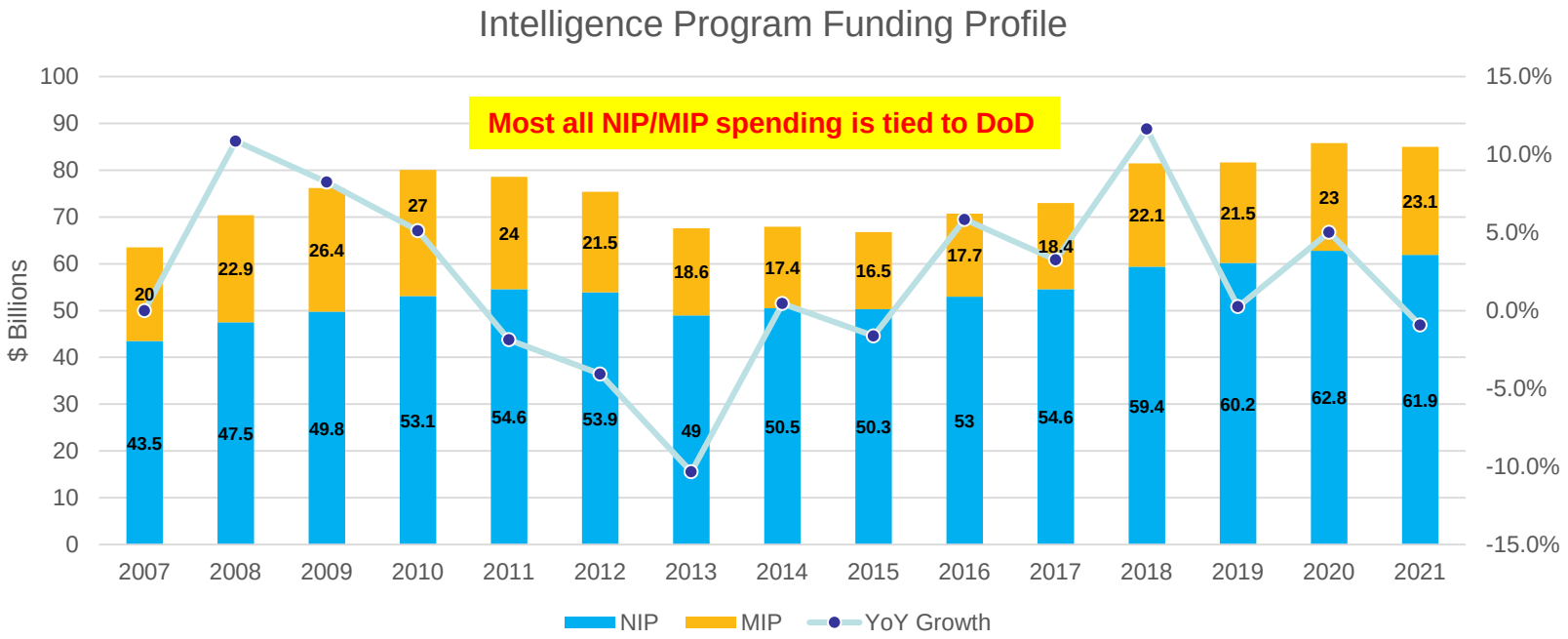
- Current **structures and authorities** are **insufficient and ambiguous**
  - OSD PSAs have specific authority, direction, and control (ADC) over their individual DAFA, but practically speaking, this ADC has not always been fully used because they are more focused on policy responsibilities. Further, they do not have the authority to make unilateral cross-DAFA decisions
  - CMO has statutory authority (132a) for the DAFA which provide enterprise shared services that has not been operationalized nor rationalized with the PSA's authorities
- CMO and PSAs **lack capacity, and in some cases competencies,** to substantively manage their responsibilities for the DAFA
- DAFA are not homogenous (ranging from operating a secondary school system to missile defense)
  - DAFA have diverse programming and budgeting requirements
  - DAFA have varied internal and external stakeholders/communities that must be considered (e.g., DNI,CJCS, Military Departments, CCMDs, Service members, Congress)
- There is **no structured process for assessing DAFA performance outside of PSA oversight**
  - No official or organization actively/continually reviews individual DAFA performance, or recommends appropriate programs for transfer, reductions, or termination
  - Absence of objective performance measures complicates comparisons/evaluations and cost reduction
  - Enterprise-wide DAFA performance metrics are not tied to associated resourcing
  - Competition for resourcing adjudication between DAFA must be decided by the DSD, who has multiple competing demands on his time

Need enhanced oversight over the DAFA to monitor, control, and check on growth, budgets, and people, as well as improve business processes

Intelligence Community Spending

IC spending (and personnel) is a significant amount of the DAFA/DW budgets, but most IC spending is veiled behind classification and are not counted in the unclassified budget totals. MilPers costs are not reflected in the budgets either

These are massive organizations in terms of people and money and should be subject to the same review of their business processes, but have been largely exempt from recent and past budget scrubs



- The FY21 unclassified requested levels have been posted and include $61.9B for the National Intelligence Program and $23.1B for the Military Intelligence Program. This is net decrease of -0.9% compared to FY20's reported levels
- The FY21 level is the first slight decline in intelligence funding since FY15. During that period, the net increase in funding was $18.2B or 27.2%

Source: Reserve Forces Policy Board

DAFA: Management Issues

Some major considerations for DAFA management and DAFA wide spending:

Problem:

- DAFA and DW has grown considerably in costs, personnel, and scope.
  - DAFA in 2001 = 5% ($18B) of the DoD budget ($316B) / DAFA in 2020 = 30% of the DoD budget
  - 2 DAFA in 1958 / 28 DAFA by 2018 = 1400% growth

Challenges:

- Supervised by PSAs who are limited by tour time (24 months), time constraints, and sometimes experience
- Layers of management impair visibility unto DAFA operations
- The mainly business oriented DAFA are run by government personnel with limited experience in managing major business operations and have customer “Boards” which lack similar business expertise

Senior DOD leadership needs an effective and robust way to improve DAFA performance levels, create efficiencies, reduce costs, and establish benchmarks and outputs compared to China

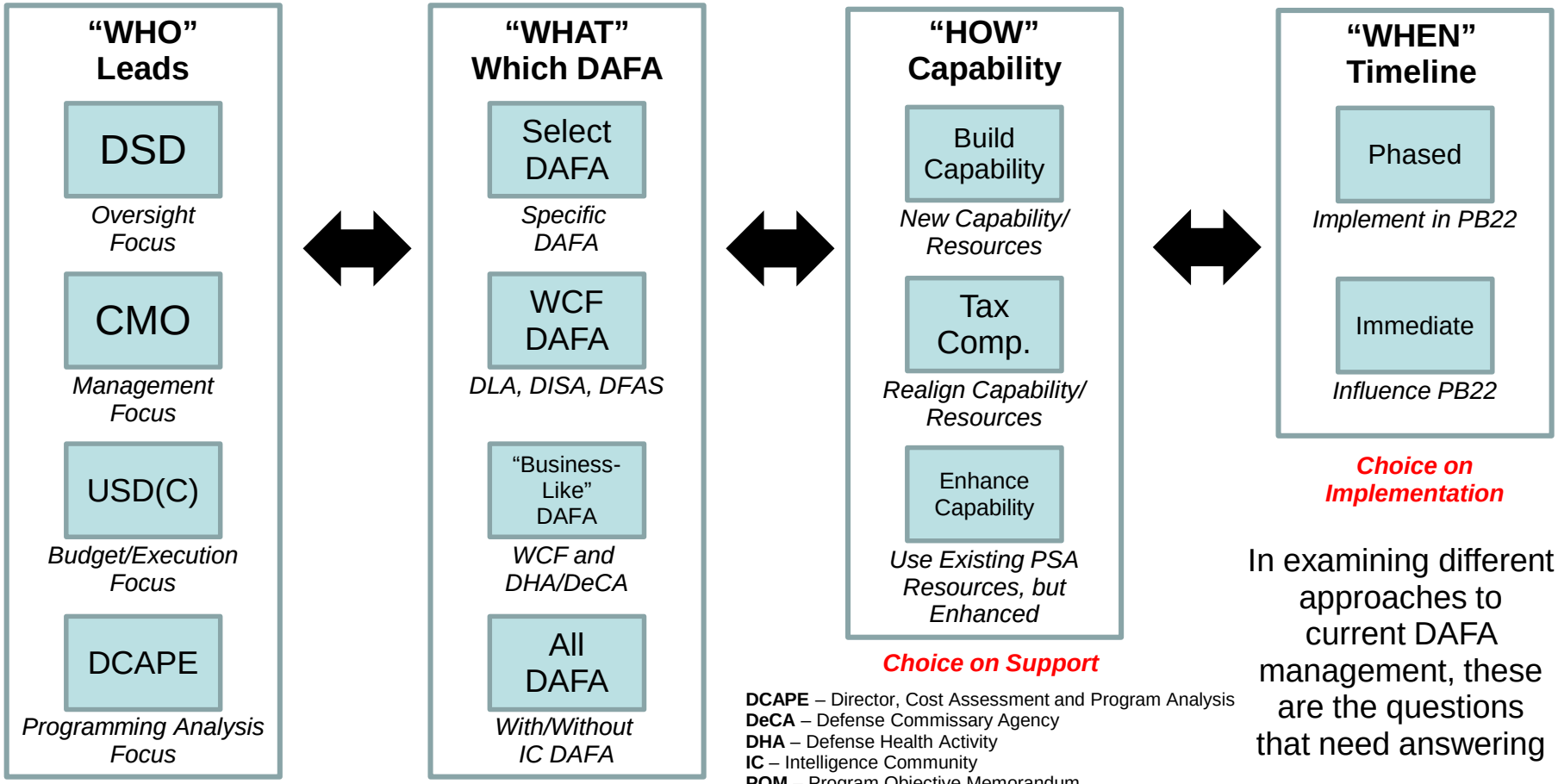
Centralized vs De-centralized DAFA management

- Can centralized management address identified problems?
- What new challenges would centralized management create?
- What statutes would need to be changed?
- How could a better management structure promote improved performance?

Source: OSD DW Budget Exhibits OP-5

DAFA: Management Options to Consider

DAFA Enhanced Management Options*



In examining different approaches to current DAFA management, these are the questions that need answering

DCAPE – Director, Cost Assessment and Program Analysis
DeCA – Defense Commissary Agency
DHA – Defense Health Activity
IC – Intelligence Community
POM – Program Objective Memorandum
USD(C) – Undersecretary of Defense Comptroller
WCF – Working Capital Fund

*This and the following 3 slides are based on previous analysis done by multiple DoD organizations over the last 10 years!

DAFA: Management Options to Consider

Add performance contracts to existing structure by adding output metrics to judge agency performance

- Metrics developed/monitored by existing oversight components (DSD, USD(C), Cost Analysis and Program Evaluation (CAPE))
- Metrics approved by DMAG, enforced by DSD, using “commander’s intent” to PSAs from SD/DSD

Create a DAFA Oversight Committee (DOC)

- Retain existing senior fora structure but create DOC chaired by DSD
- PASs who have DAFA oversight present status reports to DOC on a rotating basis; changes needed directed by DSD

Create a DAFA Performance Office (DPO) in a newly established Performance Improvement Office reporting to the DSD

- Oversees performance metric compliance, recommends revisions
- Work with PSAs and provides management advice and internal consulting
- Reports directly to DSD and provides support in his DAFA role

DAFA: Management Options to Consider

Create a "Service Secretary" (Executive Level (EX) II) for the DAFA

- Reports directly to SD and has ADC similar to a Service Secretary
- Reviews all major new structure and/or staffing
- Makes recommendations for organizational consolidation, reorganization, elimination
- Authorized to direct component use of shared services provided by DAFA
- Remove ADC, and policy direction, from the PSAs

Improve management of defense-wide working capital funds

- Reestablish the section in USD(C) that formerly performed this function
- Works with a newly established staff official, under the DSD

Replace 3-Star military leaders in the business oriented DAFA (DLA, DHA, DeCA, DCAA, DCMA, and perhaps others) with private-sector executives with proven track records in successfully running similar organizations in the private-sector

- 3-Star would become the deputy
- Agency head on a term performance contract
- Create oversight fiduciary boards into a blend of private sector experts and DoD customers representatives with "lead director" from the private sector
- "Independent" directors should have a majority of board seats

DAFA: Enhanced Management Options

Least aggressive ⟵ ⟶ Most aggressive

	Options for a Central Management Official in OSD					Outside OSD
Red = Changes between Options	**Status Quo** 0	**Increased Visibility** 1	**OSD Process Owners** 2 Split ADCON	**DSD Process owner** 3 Full ADCON	**Enhanced CMO** 4 OPCON/ADCON	**Global Business Services** 5
Admin Mgmt **ADCON**	**DAFA directors** *All admin matters*	**DAFA directors** *All admin matters*	**OSD Leads** *Select admin matters*	**DSD** *All admin matters*	**CMO** *All admin matters*	**GBS** *All admin matters*
Mission Direction **OPCON**	**PSAs**	**PSAs**	**PSAs** *w/ Analysis Cells*	**PSAs** w/ Analysis Cells	**CMO**	**GBS**
POM Build	**DAFA Directors** *w/ PSA oversight; Individual POMs*	**DAFA Directors** *w/ CAPE assistance; Individual POMs*	**DAFA Directors** *w/ CAPE assistance; Individual POMs*	**DAFA Directors** *w/ DSD guidance; Synchronized individual DAFA POMs*	**DAFA Directors** *w/ CMO ownership; single integrated DAFA POM*	**GBS Directors** *Single integrated GBS/DAFA POM*
POM Adjustments	**Intra-DAFA only**	**Intra-DAFA only**	**Across DAFA**	**Across DAFA**	**Across DAFA**	**Across GBS** *composed of DAFA*
DAFA Resource Competition Process	**DoD-wide** *PBR competition DSD decides*	**DoD-wide** *PBR competition w/ CMO recommendations DSD decides*	**DAFA-wide** *CMO-level competition w/3C's PSAs advising CMO decides*	**DAFA-wide** *DSD-level competition w/3C's PSAs advising DSD decides*	**DAFA-wide** *CMO decides*	**GBS** *GBS Leader decides*
			After DAFA-wide competition, DAFA enter back into DOD-wide competition			***GBS enters DoD-wide competition directly***
Thematics		Enhanced POM development SES Performance Reviews (opt) CXO council (opt)	Cells in OCMO/OUSD(C) /ODCAPE Remaining admin handled by DAFA	DSD all admin Ramped up capability and centralization	OPCON to CMO CMO "owns" DAFA PSAs maintain policy oversight	New element: **"Mil-Dep for Fourth Estate" - like**
Additional choices	DAFA merged by category e.g., WCF, CSA, Intel - potential for organizational efficiencies by selected DAFA mergers DAFA included/excluded by category e.g., Intel, CSA, Business included vs Financial excluded					

All options presume that PSAs will continue to execute DoD-wide policy oversight

Defense Working Capital Funds

Improving DWCF performance is integral to improving DAFA management. DWCFs create an internal DoD market where "customers" purchase the goods/services they need from the DWCF provider. A number of DAFA DWCFs provide consolidated services that are needed across DoD; the Military Departments also maintain DWCFs for specific needs

- Defense-wide WCF: $62.6B* / Service Specific WCFs: $71.4B*
  - DW WCF: DLA $43B, DISA $12.2B, DFAS $1.4B, DeCA $6B
  - MILDEPS WCF: $29.4B Navy, $26.5B Air Force, $15.5B Army

DWCFs are revolving funds that provide and charge for support/products

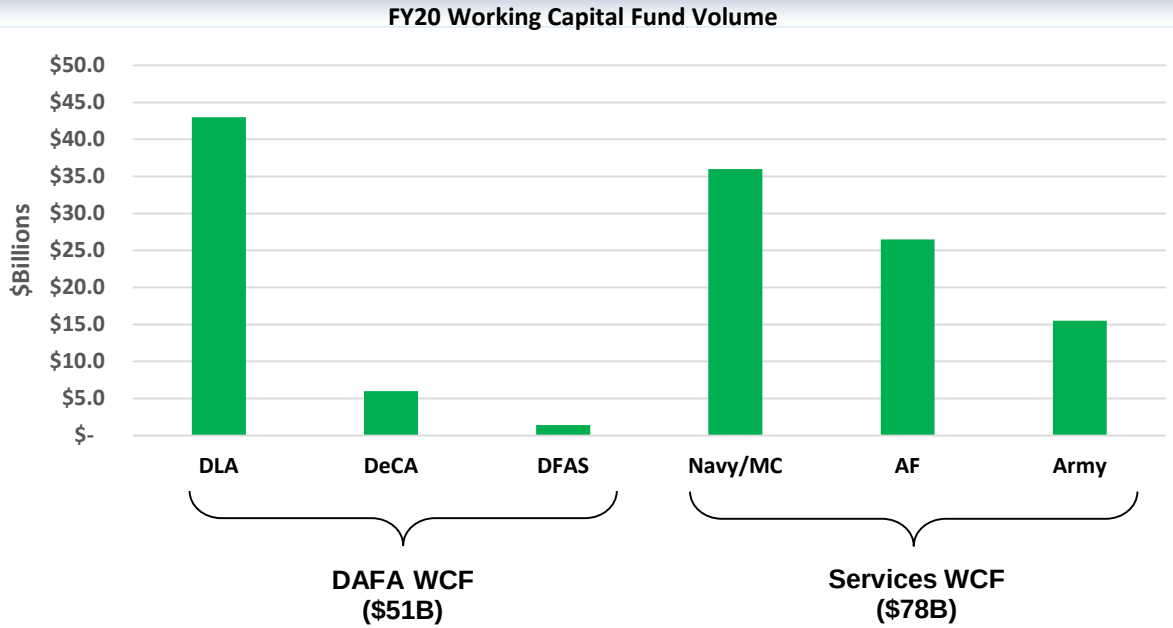
- Example: DLA purchases parts from a supplier. When forces require that part, DLA sells it to them and charges them to cover the cost of acquiring, storing, and delivering it
- While DWCFs handle large volumes of money, this amount is directly related to the volume of goods/services desired and purchased by customers
- On aggregate, an 85% /15% split between cost of goods and overhead (acquiring, storing, transporting)

Generally, DWCFs do not receive substantive appropriation, but instead recover the costs of goods/services/overhead by charging customers (DeCA being the exception)

- If the DWCF has a net positive or negative return in a given year, it lowers or adjusts prices the next year to compensate
- Goal: revenue neutral each year with relatively stable rates

*Source: Official FY20 WCF Budgets: DLA, DISA, DeCA, DFAS, Navy/MC, USAF, Army

DWCF Volume and Manpower Is Huge



- Working Capital Funds vary widely in terms of dollars handled and manpower
  - DLA: $44B, approximately half of which is sales of fuel. Overhead rates have been low in recent years (12%). Small portion of sales to non-DoD entities helps limit overhead
  - DeCA: ~$6B which comes directly from sales of items to service members/retirees
  - DFAS: ~$1.4B for purchases of finance and accounting services. Some sales to non-DoD entities helps limit overhead
  - Navy: $29B, including $13B for Navy R&D, $7B for supply, and $3B for depots
  - Air Force: $26.5B, including $14B for spares and depot repair and $12B for transportation
  - Army: $15.5B equally split between supplies and depot maintenance

Source: DBB chart created with DoD WCF FY20 Budgets

Why does the Department Run DWCFs?

The Idea: DWCFs offer a number of distinct advantages when demand/product is roughly predictable

- **Decreased costs:** DWCFs can purchase common goods/services in bulk, negotiating a better deal than individual customers
- **Less duplication of effort:** DWCFs can consolidate efforts that are common across services
- **Budgeting flexibility:** DWCFs are less constrained by the budgeting cycle
- **Price transparency:** By including all costs associated with goods/services, customers can see the fully burdened cost of their support services - *GAO found in 2019 that DFAS, DISA, and DLA have not provided transparent pricing to the MILDEPs, who are their largest customers [GAO 20-65]*
- **Price stability:** DWCFs can charge a stable price throughout the year, allowing customers to better plan and execute their budgets

The Concern: Some argue that DWCFs don't always realize these advantages in practice

- Concerns that as size of DWCFs grow, they may become bloated due to indirect and G&A costs
- Data shows that overhead rates have been substantial in the past; OSD puts breaking even first
  - In times of relative peace, customer base shrinks and overhead can increase
- Customers sometimes argue that DWCF rates are higher than they should be **[Levine testimony, 2018]**
  - DWCF rates may be too high OR price transparency may make DWCF appear more expensive, even if not
- Anecdotally, it was suggested that DWCFs may not always provide goods as quickly as desired

Exceptions: DFAS and DLA have improved over time and the goal is to get all those using DWCF to improve as well

Summary of Potential Choices for Savings

Do nothing: Money handled in DWCFs should decrease as customers' force structures and budgets decrease (and they buy fewer goods)

- **Concern:** As total volume of sales decreases, overhead rates could rise since fixed costs will be spread over a smaller customer base
- **Example:** DLA overhead costs were 20-25% pre-9/11
  - Potential Mitigation: All DWCFs have initiated efforts that may minimize overhead as demand decreases

Reconsider: Examine shrinking, expanding, or eliminating DWCFs

- If DWCF operations are more efficient, perhaps additional functions should use them
  - Example: Run T&E functions as DWCFs, charging Services to test their platforms; broader use of DWCFs for R&D (i.e., Navy model)
- If DWCFs are bloated monopolies, split to create competition and drive performance
  - Example: Allow multiple providers of financial accounting services to allow price competition
- Reenergize the USD(C)/CFO office which focuses on DWCF (capability was substantially reduced in OSD cuts)

Four ways to achieve savings in DWCF:

- Customers purchase directly, using DWCF
- DWCF managers work directly with supplier to eliminate middle-man overhead cost (i.e., DLA) and can negotiate better prices
- DWCF reduces overhead costs; decreasing overhead is preferred, however, customer demand is the highest variable
- Allow DoD customers to direct purchase from outside vendors, bypassing DWCF and DAFA

DWCFs should help make DoD's operations more efficient. SD should launch an empirical study to determine if DWCFs are operating effectively

DEFENSE BUSINESS BOARD

Organizational Alternatives

Organizational Alternatives

The DBB's overall assessment of CMO effectiveness from 2008 to present found that, based on how it was initially designed statutorily and subsequently changed and how DoD implemented it over time in its various forms, the office has been **mostly ineffective** in executing its mission to transform business operations in DoD, and in exercising the powers and authorities specified in § 132a of title 10, United States Code

Therefore, this section provides alternatives to the to the unacceptable status quo

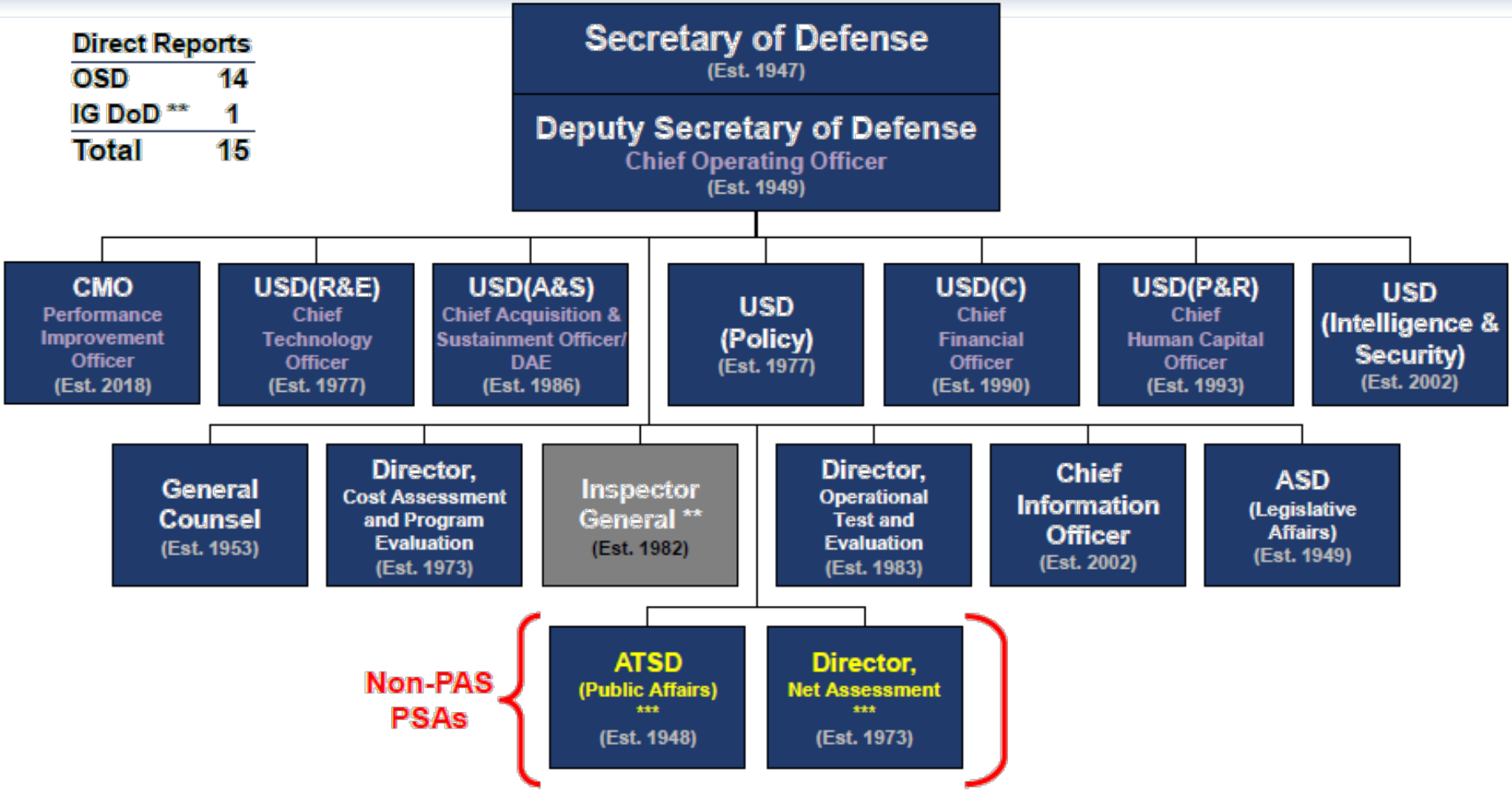
The DBB found in part that the position itself, starting in 2008, was never truly set up for success. In large part, the DBB feels this failure is due to an inadequate organizational construct, even in the most recent legislative change, the FY18 NDAA that created the CMO as a PAS EX II. This also did not result in empowerment within the hierarchy of the DoD or success in effecting enterprise business transformation

Section 904(c) of the FY20 NDAA directed both an assessment of the effectiveness of the CMO and also for the SD to identify such modifications to the responsibilities and authorities of the CMO, whether specified in statute or otherwise

The following organizational alternatives are presented **in no particular order of preference** and ultimately were chosen to assist the SD in developing recommendations to the Congress for such legislative action as he may consider appropriate to implement such modifications

Current OSD Organization

Direct Reports	
OSD	14
IG DoD **	1
Total	15



* *Dates reflect establishment of positions with roles that were essentially the same as they are today (even though the positions may have previously been non-PAS).*

** *Although the IG DoD is statutorily part of OSD and for most purposes is under the general supervision of the SD, the Office of the IG DoD (OIG) functions as an independent and objective unit of the DoD*

*** *All positions shown are PAS except those with **** which are SES positions*

The full complexity of the DoD Enterprise can be found on Backup Slides 156-163

Organizational Alternatives*

Re-designate CMO as Principal Undersecretary of Defense for Business Transformation (PUSD(BT))/Deputy Chief Operating Officer (DCOO) (PAS EX III)

- Adjust current § 132a, Title 10 statutory responsibilities to focus this position strictly on business transformation
- Rationalize CMO relationships/authorities of and between DSD/COO, PSAs, MilDeps, and DAFA by re-designating the CMO as the PUSD(BT)/DCOO under the ADC of the DSD as COO
- SD should clarify focus and responsibilities through a charter outlining relationships and responsibilities. The office should have presumptive authority over the other PSAs in specified matters
- Remove administrative and regulatory functions (WHS, PFPA, COG/COOP) by establishing a Director of Administration and Support (DA&S) responsible to the SD/DSD for executing those functions
- Remove authority to direct Service Secretaries
- Shift Fourth Estate/DAFA responsibilities to DSD and a Performance Improvement Officer (PIO); with capabilities added to the PSAs, OUSD(C)/CFO, ODCAPE, and the J-8 to effect improved oversight on operations and to reduce costs

Two Deputy Secretaries of Defense (both PAS EX II)

- Deputy Secretary for Strategy and Policy focused externally and internally on policy and strategy issues
- Deputy Secretary for Resources focused internally and externally on management and resources issues with separate officials responsible to the Deputy for the Fourth Estate and another for enterprise business transformation
    - Disestablish CMO with responsibilities assumed by this Deputy and other PASs and move administrative and regulatory functions under this Deputy

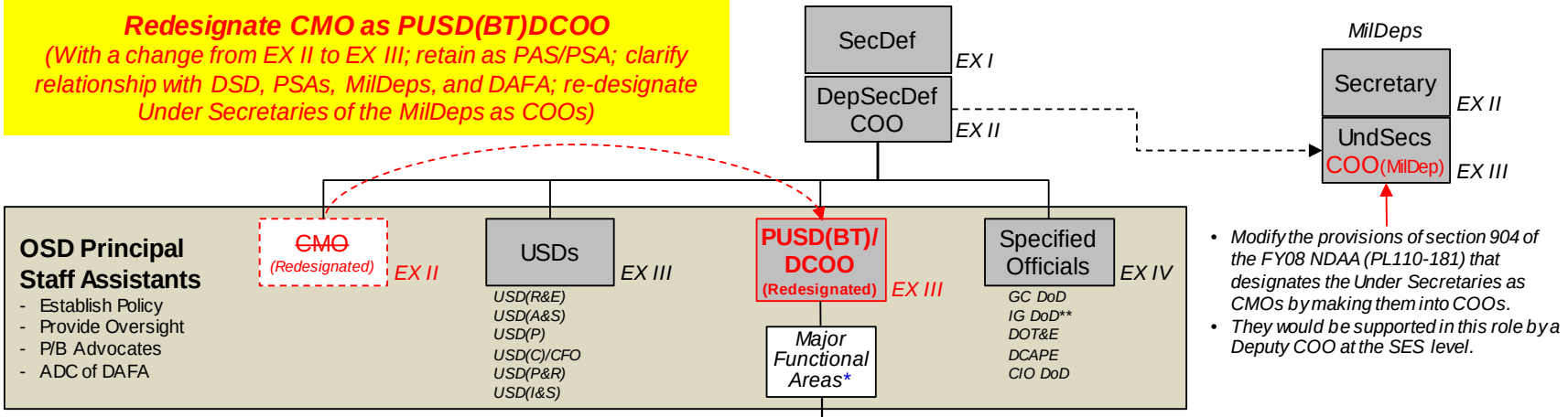
Deputy Secretary of Defense as enhanced Chief Operating Officer (PAS EX II)(a & b)

- The Deputy empowered as an enhanced COO
- Disestablish CMO position and organization
- Distribute current CMO statutory responsibilities; divest CMO administrative and regulatory functions as per Alternative #1
- Establish Performance Improvement Officer tasked with business transformation, performance improvement, and improving DW/DAFA enterprise business operations
- Establish a Director of Strategic Integration, Governance, and Analysis (DSIGA) placed in the DA&S with direct support to SD/DSD (**Option a**) or reporting directly to the DSD as part of the SD/DSD's immediate office (**Option b**)
- Increase/enhance analytical capabilities in OUSD(C)/CFO, ODCAPE, and J-8 to support the DSD's COO role
- Increase/enhance IT capabilities in CIO to support digital transformation

*As previously noted, the organizational alternatives are presented **in no particular order of preference**

Re-designate CMO as Principal Undersecretary of Defense for Business Transformation / Deputy Chief Operating Officer

Redesignate CMO as PUSD(BT)DCOO
(With a change from EX II to EX III; retain as PAS/PSA; clarify relationship with DSD, PSAs, MilDeps, and DAFA; re-designate Under Secretaries of the MilDeps as COOs)



- *Modify the provisions of section 904 of the FY08 NDAA (PL110-181) that designates the Under Secretaries as CMOs by making them into COOs.*
- *They would be supported in this role by a Deputy COO at the SES level.*

Focus areas:
- Reform of DoD-wide EBO (Sec. 921 of FY19 NDAA)
  - o Civilian Resource Management
  - o Logistics Management
  - o Services Contracting
  - o Real Estate Management
- Reform Teams and SD initiatives

Focus: Individual high-interest or high-priority deep-dives

Focus areas:
- Financial Improvement and Audit Remediation Plan (10 U.S.C. 240b)
- Performance Improvement (31 U.S.C. 1124)
- Agency Performance Plan (31 U.S.C. 1115)

Focus: Audit and performance metrics

Focus areas:
- Defense-wide Review ("son of DWR")
- DAFA budget certifications (10 U.S.C. 132a)
- SD biennial and CMO quadrennial periodic reviews (10 U.S.C. 192)

Focus: Program and budget offsets ("finding money")

Focus areas:
- IT Investment certifications (10 U.S.C. 2222)
- Defense Business Enterprise Architecture (DBEA) (10 U.S.C. 2222)
- Defense Business Council (10 U.S.C. 2222)

Focus: DBS and IT certifications

*** All Specified Officials are EX IV except the IG DoD which has a special pay setting authority in the Inspector General Act of 1978. Additionally, all the Specified Officials (officials identified in 10 USC 131(b)(4)) are grouped together with the CIO DoD for the sake of precedence.*

NOTE: Above is not the current organizational structure of the OCMO

**** Divest administration and regulatory functions (WHS, PFPA, COG/COOP, Intelligence Oversight); reestablish Director of Administration and Support (DA&S) with oversight of those functions, reporting to SD/DSD.***

DW Portfolio Groups:
- Warfighter & WF Spt
- Family & Benefits
- RDT&E
- Policy & Oversight
- WCF

Red indicates change or designation required in law

Blue indicates change or designation available under SD discretionary authority

Re-designate CMO as PUSD(BT)/DCOO

Concept: Re-designate CMO* as the Principal Undersecretary of Defense for Business Transformation (PUSD(BT))/Deputy Chief Operating Officer (DCOO) to the DSD

- Official remains a PAS, but as an EX III totally focused on business transformation
- A charter with responsibilities and authorities determined and approved by the SD
- Remove non-core administrative and regulatory functions (WHS, PFPA, COG/COOP, ATSD(IO)) to other officials; reestablishing a DA&S responsible to the DSD for executing those functions
- Remove the statutory authority to direct the Service Secretaries, as that is vested with the SD/DSD
- Shift Fourth Estate/DAFA responsibilities to DSD and PSA, with added capabilities to provide oversight and effect transformation (additional billets from disestablished OCMO)

Actions Required:

- Determine authority and relationships between the DCOO, MilDeps, PSAs, and DAFA
- Codify the DCOO in a chartering directive

Pros:

- Focuses the office on business transformation
- Provides additional time for DCOO business transformation to develop and mature
- Sets up an organizational structure more aligned within the norms of DoD decision-making

Cons:

- Doesn't address CMO shortcomings over the 12 year period of its existence
- CMO is under-resourced to accomplish current functions; and understaffed in terms of skill sets
- Uncertainty as to the probability of success

**DoD is the only Federal Agency with a CMO. All Federal Agencies are required, pursuant to title 31, U.S.C., to have a COO, which performs equivalent responsibilities to a CMO. All alternatives remove the CMO designation with the DSD as COO, with equivalent responsibilities. Additionally, all propose removing authority to direct the Secretaries of the MilDeps and other DoD Component heads*

Two Deputy Secretaries of Defense

The demands of the 21st century national security environment have altered the traditional role of the Deputy Secretary as the Department's COO as a leadership duality with the Secretary of Defense

The OSD structure should be rationalized and aligned with the Secretary's two core responsibilities as CEO of the Department: managing and resourcing the Defense business enterprise and the strategic planning for integrated global military operations

Timely decision-making would be improved by vesting the day-to-day leadership in two Executive Level II officials who will effect appropriate decisions at their level, and when necessary, will ensure that fully coordinated and integrated recommendations are presented to the Secretary for final decision

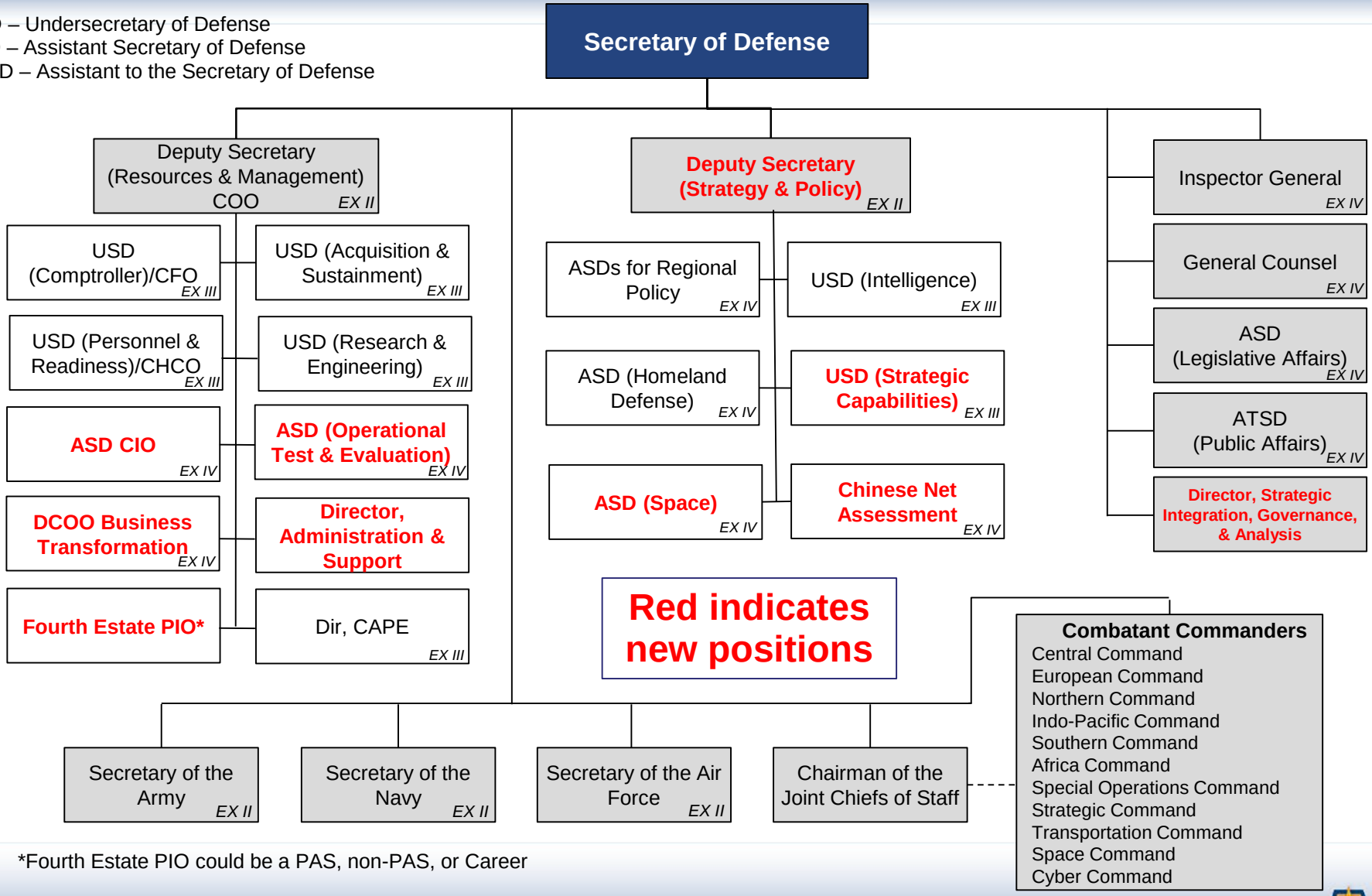
The restructuring of executive authority in two Deputy Secretaries will strengthen civilian control over the Department; restore advocacy at the OSD level; enhance the Department's ability to provide for continuity of leadership under extraordinary circumstances; and provide a natural succession plan

A Deputy Secretary for Strategy and Policy can more effectively speak on behalf of the Secretary and represent his interests with both internal and external organizations including the JCS, the State Department, the NSC staff, the Intelligence Community, and the Congress

A Deputy Secretary for Resources and Management can more effectively represent the Secretary with both internal and external organizations including the Military Departments, Defense-wide, including the DAFA, OMB, Office of Personnel Management (OPM), GAO, the Congress, and industry

Two Deputy Secretaries of Defense

USD – Undersecretary of Defense
ASD – Assistant Secretary of Defense
ATSD – Assistant to the Secretary of Defense



*Fourth Estate PIO could be a PAS, non-PAS, or Career

Two Deputy Secretaries of Defense

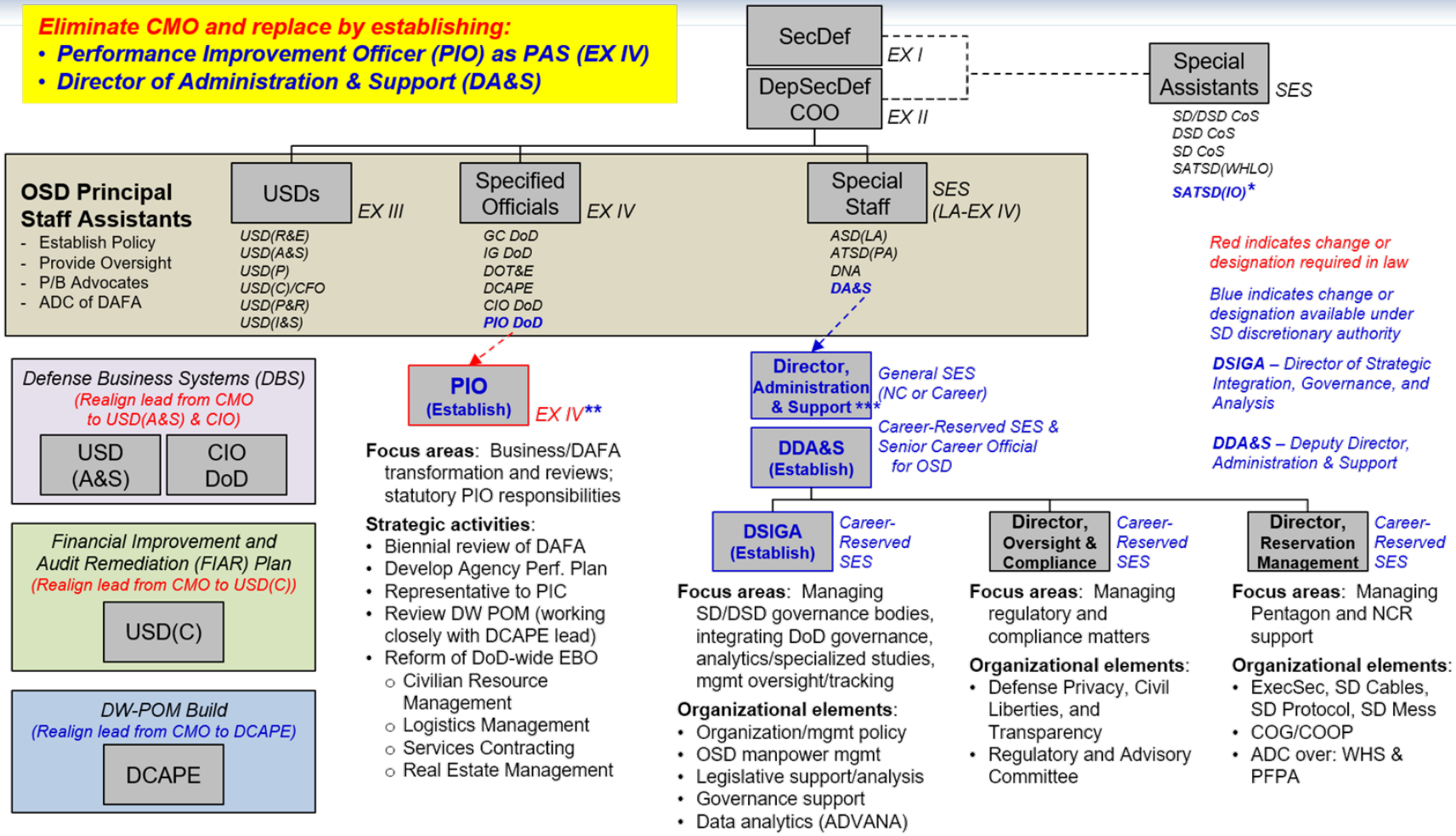
Concept:
- Create a Deputy Secretary for Strategy and Policy and a Deputy Secretary for Resources and Management

Actions Required:
- Requires significant changes to Title 10
- Establish a Director of Strategic Implementation, Governance, and Analysis
- Establish an Performance Improvement Officer

Pros:
- Equalizes the focus on internal business management and policy/strategy portfolios
- Provides two empowered officials who can speak on behalf of the Secretary to internal and external organizations
- Restores and strengthens advocacy at the OSD level
- Aligns the organizational structure with the Secretary's CEO focus
- Improves the Secretary's span of control

Cons:
- Creates two "First Assistants" to the Secretary; who is really number two?
- Deprives the Secretary of a singularly focused Deputy who can share the managerial and leadership demands of the security environment (the "duality of leadership" concept)
- Lacks a senior coordinating Deputy, free from the demands and vested interests of a portfolio. Will still require "tie-breaking" and/or critical decisions by the Secretary
- More difficulty integrating strategy and resources
- Rejected in the past by previous SDs and DSDs
- Not within the norms of DoD decision-making

DSD as COO with Enhanced Capabilities (a)



DSD as COO with Enhanced Capabilities (a)

Concept: Deputy Secretary of Defense as Chief Operating Officer

- The Deputy empowered as an enhanced COO (returning the "CMO" hat to DSD as COO)
- Disestablish CMO position and organization, establish a Performance Improvement Officer (PIO) and office focused on Business Transformation and Performance Improvement with task to assist DSD in DW/DAFA management
- Distribute current CMO statutory responsibilities; divest CMO administrative and regulatory functions as per Alternative #1
- Increase/enhance analytical capabilities as they relate to management in OUSD(C), ODCAPE, PSAs, and JS J-8 to support the DSD's COO role in business transformation and Fourth Estate/DAFA oversight
- Empower USD(P) as the representative of the SD in the interagency processes
- Increase/enhance IT capabilities in CIO to support digital transformation
- Improve and update non-governance structures

Actions Required:

- Establish Performance Improvement Officer with focus on Business Transformation, Strategic Management and Performance Improvement and DW/DAFA Enterprise Business Operations
- Establish a Director of Administration and Support (DA&S) with a dedicated office to provide Strategic Integration, Governance, and Analysis (SIGA) support directly to the SD/DSD
- Distribute current CMO statutory responsibilities as indicated above
- Rely on USD(P) for most interagency policy matters

Pros:

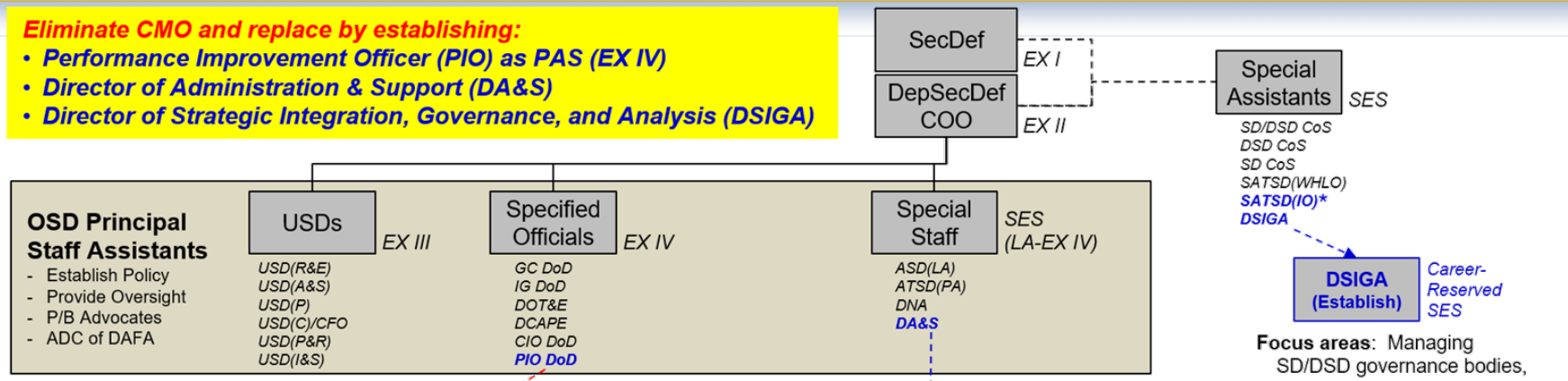
- Takes advantage of the current and historical strength of the DoD decision support/governance processes as this operates within accepted norms
- Improves oversight, supervision, and direction of the DAFA
- Recognizes only the SD and DSD make enterprise-wide decisions requiring trade-offs and prioritization
- Provides a better chance of success in enterprise business transformation than the 12 previous years of the DCMO/CMO

Cons:

- Will require DSD to focus more exclusively on managing the Department, its resources, and effecting enterprise business transformation, vice engaging in most interagency processes and meetings
  - A DSD should be appointed who has a proven track record in managing large, complex private sector organizations together with proven experience in the DoD
  - An USD(P) should be selected with the understanding they would share responsibility to represent DoD in the interagency processes

DSD as COO with Enhanced Capabilities (b)

Eliminate CMO and replace by establishing:
- ***Performance Improvement Officer (PIO) as PAS (EX IV)***
- ***Director of Administration & Support (DA&S)***
- ***Director of Strategic Integration, Governance, and Analysis (DSIGA)***



Focus areas: Managing SD/DSD governance bodies, integrating DoD governance, analytics/specialized studies, mgmt oversight/tracking

Organizational elements:
- Organization/mgmt policy
- OSD manpower mgmt
- Legislative support/analysis
- Governance support
- Data analytics (ADVANA)

Defense Business Systems (DBS)
(Realign lead from CMO to USD(A&S) & CIO)
USD (A&S) | CIO DoD

Financial Improvement and Audit Remediation (FIAR) Plan
(Realign lead from CMO to USD(C))
USD(C)

DW-POM Build
(Realign lead from CMO to DCAPE)
DCAPE

PIO (Establish)** EX IV

Focus areas: Business/DAFA transformation and reviews; statutory PIO responsibilities

Strategic activities:
- Biennial review of DAFA
- Develop Agency Perf. Plan
- Representative to PIC
- Review DW POM (working closely with DCAPE lead)
- Reform of DoD-wide EBO
  - Civilian Resource Management
  - Logistics Management
  - Services Contracting
  - Real Estate Management

Director, Administration & Support — *General SES (NC or Career)*

DDA&S (Establish)* ** — *Career-Reserved SES & Senior Career Official for OSD*

Director, Oversight & Compliance — *Career-Reserved SES*

Focus areas: Managing regulatory and compliance matters

Organizational elements:
- Defense Privacy, Civil Liberties, and Transparency
- Regulatory and Advisory Committee

Director, Reservation Management — *Career-Reserved SES*

Focus areas: Managing Pentagon and NCR support

Organizational elements:
- ExecSec, SD Cables, SD Protocol, SD Mess
- COG/COOP
- ADC over: WHS & PFPA

Red indicates change or designation required in law

Blue indicates change or designation available under SD discretionary authority

***DDA&S** – Deputy Director, Administration & Support*

Design Principles:

Recognize DSD as singular integration point (no "multiple Deputies" to SD)	**Streamline DoD transformation into a single focused official**	**Transfer and realign other functions to more appropriate PSAs**	**Reestablish administrative support official for SD/DSD**	**Establish dedicated SD/DSD governance integration office**

** *SD can establish a PIO; establishment of a PAS PIO requires statutory changes*

*** *Alternatively, the DA&S could be designated as the Administrative Assistant to the SD/DSD (similar construct to that in the MilDeps)*

* *IO reestablished as a SATSD*

DSD as COO with Enhanced Capabilities (b)

Concept: Deputy Secretary of Defense as Chief Operating Officer

- The Deputy empowered as an enhanced COO (returning the "CMO" hat to DSD as COO)
- Disestablish CMO position and organization, establish a Performance Improvement Officer (PIO) and office focused on Business Transformation and Performance Improvement with task to assist DSD in DW/DAFA management
- Distribute current CMO statutory responsibilities; divest CMO administrative and regulatory functions as per Alternative #1
- Increase/enhance analytical capabilities as they relate to management in OUSD(C)/CFO, ODCAPE, PSAs, and JS J-8 to support the DSD's COO role in business transformation and Fourth Estate/DAFA oversight
- Empower USD(P) as the representative of the SD in the interagency processes
- Increase/enhance IT capabilities in CIO to support digital transformation
- Improve and update non-governance structures; create a direct report capability for the DSD

Actions Required:

- Establish Performance Improvement Officer with focus on Business Transformation, Strategic Management and Performance Improvement and DW/DAFA Enterprise Business Operations
- Establish a Director of Administration and Support (DA&S); distribute current CMO statutory responsibilities as indicated
- Establish Director, Strategic Integration, Governance, and Analysis (DSIGA) reporting directly to the DSD
- Rely on USD(P) for most interagency policy matters

Pros:

- Takes advantage of the current and historical strength of the DoD decision support/governance processes as this operates within accepted norms; creates dedicated, direct report capability for the SD/DSD
- Improves oversight, supervision, and direction of the DAFA
- Recognizes only the SD and DSD make enterprise-wide decisions requiring trade-offs and prioritization
- Provides a better chance of success in enterprise business transformation than the 12 previous years of the DCMO/CMO

Cons:

- Will require DSD to focus more exclusively on managing the Department, its resources, and effecting enterprise business transformation, vice engaging in most interagency processes and meetings; increases the size of the DSD staff elements
  - A DSD should be appointed who has a proven track record in managing large, complex private sector organizations together with proven experience in the DoD
  - An USD(P) should be selected with the understanding they would share responsibility to represent DoD in the interagency processes

DEFENSE BUSINESS BOARD

DBB Recommendations

DBB Recommendations

Based on the results of the required statutory assessment pursuant to § 904 of the FY2020 NDAA, the DBB recommends the following:

Disestablishment of the OCMO and its replacement by one of the three alternatives, as selected by the SD, outlined in the Organizational Alternatives section beginning on Slide 64.

Recommendations consistent will all three organizational alternatives:

- Current OCMO disestablished and functions distributed in accordance with the alternative selected
- The term Chief Management Officer eliminated; MilDep undersecretaries title changed from CMO to COO
- DSD held accountable to the SD for the overall management of DoD with an emphasis on business transformation
- A Performance Improvement Officer is created under alternatives 2 and 3 (as required by the GPRA Modernization Act of 2010 (Pub. L.111-352) [Slide 118] and § 1124, title 31 U.S.C.) to focus on business transformation, including enterprise business operations and to improve operations and reduce costs in DW and DAFA
- A Director of Strategic Integration, Governance, and Analysis is established to support SD/DSD in the integrating and tracking of priorities; includes NDS and maintaining coherence in DoD governance structures
- DSD transmits the SD's annual "commander's intent" in terms of the goals and performance objectives for business transformation and holds the Department accountable to the SD
- Increased staffing in OUSD(C)/CFO, ODCAPE, and the J-8 for analytical and review capability in terms of enterprise business transformation and improved management and transformation of the DAFA under all alternatives
- Increased CIO staffing to fully develop, implement, and support a digital strategy for all of DoD in furtherance of SD/DSD priorities
- Increased OASD(LA) personnel and skill sets in existing and new areas to better inform the Congress on SD priorities
- Additional staffing requirements in OSD and TJS would be filled by using billets freed by disestablishing the OCMO
- PSAs retain ADC of DAFA while the DAFA review is underway, with additional internal capacity and capability for both budget review and management advice of DAFA and functional enterprises combined with consultation and analytical support from the OUSD(C), ODCAPE, PIO, and J-8

The greatest chance of success requires multiple changes be made

DBB Recommendations

Other organizational reforms recommended:

- DAFAs that are major business entities or function as such (e.g., DLA, DHA, DeCA, DSCA) should be led by proven core competent civilian leaders with performance contracts at private sector comparable salaries with a military leader as deputy
- Business-oriented DAFAs should have an independent board of directors who come from the appropriate business world (current government customers could also serve on the board, but the board majority should be independents)
- Reestablish the Director of Administration and Management (DA&M) as the Director of Administration and Support directly reporting to the SD/DSD.
  - Could be led by a general position SES (non-career or career)
  - Deputy could be a career reserved SES and is the most senior career civilian in OSD
  - WHS, PFPA, CG, compliance and oversight, NCR and Pentagon reservation management would be within this organization
- Create the position of Director of Strategic Integration, Governance, and Analysis. This position facilitates departmental and integration of key priorities; tracks NDS implementation, integration and presentation of data; maintains and monitors coherence in execution of departmental governance; integration of primary and supporting tiers of governance; and high level of “process” and information flow
- Reestablish the Assistant to the Secretary of Defense for Intelligence Oversight as a Specified Official reporting directly to the SD/DSD
  - Remove this organizational function from the OCMO
- Emphasis that any DSD nominee must possesses a proven track record in managing large, complex organizations and also significant previous experience in DoD
  - Preferably an individual promoted to ever-increasing positions in the private sector and government sector
- The USD for Policy, when directed by the SD, should represent DoD in the interagency process when the DSD’s presence is not required
  - This would free up the DSD to focus on his COO role of leading internal management and business transformation

DBB Recommendations

Process reforms recommended:

- The SD should direct the **conduct of a net assessment of the Chinese industrial base** and the Communist Party of China's role and incorporate germane findings into the performance goals of DoD business operations
  - Elements of the assessment should include comparisons of the Chinese military support enterprise to the US and China's military aerospace industrial base state and non-state controlled industries to America's
  - This should include relative cost, speed of product development, age and value of the installed capital base, leadership's technical competence and agility, nationally imposed inhibiting conditions, the availability of human and material resources, the burdens of government oversight, etc.
  - Particular focus should be on the emerging dual-use capabilities and technologies, already highlighted by DoD R&E priorities, including AI/ML, cybersecurity, space, quantum computing, microelectronics, engineered biology, etc.

- The SD should **continue to robustly** implement his responsibilities in §192 of title 10 to **review the DAFA**; the goal being to look at reducing, streamlining, consolidating, eliminating some, moving some to other supervisory arrangements, while conducting a major study of the future management options for DAFA as outlined on Slides 53 and 56

- The SD should **commission a major review of the Defense Working Capital Funds** and how they could be used to improve price-signaling effectiveness and efficiencies of the DAFA that use DWCF. Same for the services' use of DWCF. Both use DWCF in the $100B range

- The SD should direct both an **internal and external review of the intelligence agencies** and subject them to the same rigorous approach as is being required for the rest of the Fourth Estate, CCMDS, OSD, Joint Staff, and MilDeps

- The SD should **commission a management survey** done by an independent organization to assess management gaps and organization structural problems across OSD. This survey would use the NDS as the benchmark to determine if the organization is structured, manned, and budgeted to achieve the challenges of the NDS

DBB Recommendations

Governance reforms recommendations tied to the NDS

The overall existing DoD governance structure lacks a sufficient NDS focus and dates back to a different global strategic era. The structure needs to be updated

- SD should direct development of concrete options (with timelines) to achieve NDS-aligned governance. Options should include zeroing out many governance bodies for maximum delayering and updating governance documents
- SD should direct continued development of digital tools to capture, track, and share NDS implementation goals and tasks
- SD should stress that with data analytics: (1) all data is DoD data, no silos; and (2) development of use cases relevant to NDS implementation for eventual inclusion into decision fora is approved
- SD should direct that these directions be aligned within a newly established Director for Strategic Integration, Governance, and Analysis working directly for SD/DSD; provides decision support to cabinet level officials (near/mid-term SD/DSD priorities

DBB Recommendations

All Alternatives would:

- Divest administrative matters from the CMO to a single non-PAS direct report to the SD/DSD (DA&M-like or equivalent). This official would:
  - Provide ADC over WHS, PFPA, and COG/COOP
  - Supervise immediate office support including Protocol, Mess, Cables, and ExecSec
  - Manage FOIA, FACA, and Privacy and Civil Liberties policy
  - Manage organizational/management, governance, and issuance policy
  - Provide support to SD/DSD
  - Serve as the Senior Career Official for transition purposes
- Reestablished Intelligence Oversight as a direct report to the SD/DSD
  - This function already requires direct engagement with the DSD on a regular basis to address sensitive intelligence matters
  - Recommend that this position not be designated as a PSA, but identified as a Special Assistant to the SD (SATSD) similar to WHLO
- Move remaining CIO related functions from CMO back to the CIO
- Remove CMO authority to direct Service Secretaries

Note: The FY20 NDAA (P.L. 116-92) returned CIO functions in titles 10, 40, and 44 to the CIO with the exception of a single provision in title 40 (§ 11319; on an inventory of non-NSS IT systems). All alternatives would proposed that the requirement in § 11319 be reassigned to the CIO

DBB Recommendations

Recommendations within current SD authority:

- Enhancing the DSD's role as COO
- Increasing staffing/capabilities for OUSD(C)/CFO, ODCAPE, OASD(LA), and JS/J-8
- Retaining ADC of DAFA with PSAs, but with specific performance objectives
- Assigning proven private-sector civilian leaders to lead DAFA which are major business entities; creating outside fiduciary boards
- Establishing a separate Performance Improvement Officer (PIO)
- Reestablishing the DA&M (or Director of Administration and Support to the SD/DSD)
- Establishing a Director for Strategic Integration, Governance, and Analysis
- Reestablishing the ATSD(IO)
- Empowering USD(P) to represent DoD for many interagency roles (10 U.S.C. § 134(b)(2) covers the statutory responsibilities of the USD(P))
- Conducting a net assessment of the Chinese industrial base and CPC involvement
- Robustly implementing SD § 192 responsibility for DAFA through OSD enhanced organizations and capabilities under the DSD's direction
- Conducting an assessment of the management options for the DAFA
- Commissioning a major review of the DWCF for needed improvements
- Commissioning a management survey to look for management and organizational gaps
- Conducting a "Night Court" review of the intelligence DAFA

DBB Recommendations

Recommendations, if selected, requiring statutory changes:

- Changing titles from CMO to COO for Undersecretaries of the MilDeps (§ 904, FY08 NDAA (Pub. L.110-181))
- Disestablishing the CMO* and moving current statutory duties to other PSAs (10 U.S.C. §§ 131, 132, 132a)(the CMO duties which are discretionary can be moved immediately)
- Implementing two DSDs option (10 U.S.C. §§ 131, 132, 132a)
- Creating a Principal Undersecretary of Defense, focused on business transformation, as the Deputy COO to the DSD in his COO role. Move from EX II to EX III (5 U.S.C. §§ 5313 and §5314; 10 U.S.C. §§ 131 and 132a)

*If CMO is disestablished, changes to or elimination of the following statutes will be required:

- 10 U.S.C. §131 OSD
- 10 U.S.C. §132 DSD
- 10 U.S.C. §132a CMO
- 10 U.S.C. §192 DAFA Oversight
- 10 U.S.C. §240b FIAR Plan
- 10 U.S.C. §2222 DBS
- 31 U.S.C. §1124 PIO
- 40 U.S.C. §11319IT Review
- Additionally, there are 16 other minor mentions of CMO within U.S. statutes

DEFENSE BUSINESS BOARD

Approved by DBB - 6 May 2020

Defense Business Board

TAB I

ADDITIONAL BACKUP MATERIALS

DEFENSE BUSINESS BOARD

Back-up

Acronyms

ADC	Authority, Direction, and Control
ADCMO	Assistant Deputy Chief Management Officer
ADCON	Administrative Control (Authority)
AO	Action Officer
ASD(LA)	Assistant Secretary of Defense for Legislative Affairs
ASD(RA)	Assistant Secretary of Defense for Reserve Affairs
CAAF	Court of Appeals of the Armed Forces
CAPE	Cost Assessment and Program Evaluation
CBDP	Chemical Biological Defense Program
CBO	Congressional Budget Office
CCMD	Combatant Command (Organization)
CIMB	Cyber Investment and Management Board
CIO	Chief Information Officer
CJCS	Chairman of the Joint Chiefs of Staff
CLC	Continuous Learning Center
CMO	Chief Management Officer
CMP	Civil Military Programs
CN	Counter narcotics
COCOM	Combatant Command (Authority)
COO	Chief Operating Officer
CSMG	Computer Software Management Group
CSS	Central Security Service
CXO	Chief Experience Officer
DAFA	Defense Agencies and DoD Field Activities
DARPA	Defense Advanced Research Projects Agency
DASD (RUE)	Deputy Assistant Secretary of Defense for Russia, Ukraine, and Eurasia
DASD	Deputy Assistant Secretary of Defense
DAU	Defense Acquisition University
DAWDF	Defense Acquisition Workforce Development Fund
DBB	Defense Business Board
DBC	Defense Business Council
DCAA	Defense Contract Audit Agency
DCAPE	Director of Cost Assessment and Program Evaluation
DCMA	Defense Contract Management Agency
DCMO	Deputy Chief Management Officer
DCSA	Defense Counterintelligence and Security Agency
DeCA	Defense Commissary Agency
DFAS	Defense Finance and Accounting Service
DHA	Defense Health Agency
DHB	Defense Health Board
DHP	Defense Health Program
DIA	Defense Intelligence Agency
DISA	Defense Information Systems Agency
DISIC	Defense Intelligence and Security Integration Council
DJ-8	Director, Force Structure, Resources and Assessment, J8, Jo
DJS	Director, Joint Staff
DLA	Defense Logistics Agency
DLSA	Defense Legal Services Agency
DMA	Defense Media Activity
DMAG	Deputy's Management Action Group
DNI	Director of National Intelligence
DoC	Department of Commerce
DoD	Department of Defense
DoDD	Department of Defense Directive
DoDEA	DoD Education Activity
DoDHRA	DoD Human Resources Activity
DoDI	Department of Defense Instruction
DPAA	Defense POW/MIA Accounting Agency
DPO	Defense Program Office
DSCA	Defense Security Cooperation Agency
DSCO	Defensive Space Control Operations
DSD	Deputy Secretary of Defense
DTIC	Defense Technical Information Center
DTRA	Defense Threat Reduction Agency
DTSA	Defense Technology Security Administration
DW	Defense-wide
ERMG	Executive Readiness Management Group
EW EXCOM	Electronic Warfare Executive Committee
FFRDC	Federally Funded Research Development Center
FIAR	Financial Improvement and Audit Remediation
FTE	Full Time Equivalent
GAO	Government Accountability Office
GBS	Global Business Services

Acronyms

GC	General Counsel
GDP	Gross Domestic Product
GFMB	Global Force Management Board
HQ	Head Quarters
IC	Intelligence Community
IG	Inspector General
IIE	Institute of International Education
JCS	Joint Chiefs of Staff
JIE EXCOM	Joint Information Environment Executive Committee
JROC	Joint Requirements Oversight Committee
JS	Joint Staff
LRP	Long Range Plan
MDA	Missile Defense Agency
MHSER	Military Health System Executive Review
MIA	Missing in Action
MILDEP	Military Department
MILPERS	Military Personnel
NDAA	National Defense Authorization Act
NDERG	Nuclear Deterrent Enterprise Review Group
NGA	National Geospatial-Intelligence Agency
NRO	National Reconnaissance Office
NSA/CSS	National Security Agency/Central Security Service
O&M	Operations and Maintenance
OCMO	Office of the Chief Management Officer
OCO	Overseas Contingency Operations
ODCMO	Office of the Deputy Chief Management Officer
OEA	Office of Economic Adjustment
OPCON	Operational Control
OPSDEPS	Operations Deputies Meeting
OSD	Office of the Secretary of Defense
OT&E	Operational Test and Evaluation
OTE	Organize, Train, and Equip
PAS	Presidentially Appointed, Senate-Confirmed
PBR	Program and Budget Review
PFPA	Pentagon Force Protection Agency
PIO	Performance Improvement Officer
PNT	Pentagon
POM	Program Objective Memorandum
PPP	Purchasing Power Parity
PSA	Principal Staff Assistant
PTDO	Performing the Duties of
RDT&E	Research, Development, Test, and Evaluation
RMG	Reform Management Group
SD	Secretary of Defense
SDA	Space Development Agency
SES	Senior Executive Service
SLC	Senior Leadership Council
SOCOM	U.S. Special Operations Command
SSA	Software Support Activity
STLT	Senior Transition Leadership Team
SWPR	SD Weekly Priorities Review
TJS OPS	The Joint Chiefs of Staff, Operations
TJS	The Joint Staff
TRMC	DoD Test Resource Management Center
USD(A&S)	Under Secretary of Defense for Acquisition and Sustainment
USD(C)	Under Secretary of Defense (Comptroller)
USD(I)	Under Secretary of Defense for Intelligence
USD(P&R)	Under Secretary of Defense for Personnel and Readiness
USD(P)	Under Secretary of Defense for Policy
USD(R&E)	Under Secretary of Defense for Research and Engineering
VCJCS	Vice Chairman of the Joint Chiefs of Staff
WCF	Working Capital Fund
WHS	Washington Headquarters Services

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Research Methodology Back-up

DBB Assessment Methodology

Research Approach

- The TF began with an extensive review of the statutory responsibilities and authorities of the relevant position/offices. This included analysis of transformation efforts and successes/failures since 2008, current state of OCMO performance metrics, past ODCMO and OCMO performance evaluations and prior studies and reports from various sources (20 year's worth) and best practices
- Second, TF members conducted 90 semi-structured interviews, internal and external to DoD, using pre-determined questions based on the § 904 task designed by the DBB. We analyzed the data into major categories that aligned with the 6 assessments required by § 904. Collective experience was drawn from:
  - Current and former senior DoD officials, Presidentially appointed, Senate approved (PAS) leaders, flag officers, career SES, and mid-career leaders
  - Leaders in other federal cabinet agencies and foreign national defense organizations
  - Key leaders from public and private sector organizations
  - Congressional leaders and key staff
  - Subject matter elites across the Department

Over 3,000 total years of experience

- Following standard DBB practices, all interviews were conducted under the Chatham House Rule (CHR) - "When a meeting, or part thereof, is held under the Chatham House Rule, participants are free to use the information received, but neither the identity nor the affiliation of the speaker(s), nor the participant, may be revealed"

DBB Assessment Interviews

Mr	Randolf	Alles	Acting Under Secretary for Management, Department of Homeland Security
Mr	Norman	Augustine	Former Chairman and CEO of Lockheed Martin; former Under Secretary of the Army and Acting Secretary of the Army
Mr	Chris	Barnhurst	Chief Financial Officer/Comptroller, Defense Information Systems Agency
HON	Barbara	Barrett	Secretary of the Air Force
HON	David	Berteau	CEO of Professional Service Council; former Assistant Secretary of Defense for Logistics and Material Readiness
Ms	Anita	Blair	Fourth Estate Management Division Director, Office of the Chief Management Officer
Mr	Charles	Bowsher	Former Comptroller General of the United States, Government Accounting Office
VADM	Ronald	Boxall	The J-8, Joint Chiefs of Staff
Mr	Brian	Bulatao	Under Secretary for Management, Department of State
Mr	Christopher	Burnham	Former Under Secretary General for Management of the United Nations; former Assistant Secretary of State and Chief Financial Officer, Department of State
Gen Ret	Hawk	Carlisle	President and CEO, National Security Industrial Association; former Commander, Pacific Air Forces; former Commander, Air Combat Command
HON	Eric	Chewning	Former Chief of Staff to the Secretary of Defense; former Deputy Assistant Secretary of Defense for Industrial Policy
Ms	Christine	Condon	Principal Director, Resources and Budget, Office of the Chief Information Officer
Ms	Amy	Culbertson	Deputy Performance Improvement Officer, Department of Homeland Security
HON	Dana	Deasy	DoD Chief Information Officer
HON	Rudy	DeLeon	Former Deputy Secretary of Defense, former Under Secretary of the Air Force, former Under Secretary of Personnel and Readiness
HON	Lisa	Disbrow	Former Undersecretary of the Air Force; former Deputy J-8 Joint Chiefs of Staff
HON	Gene	Dodaro	Comptroller General of the United States, Government Accounting Office
HON	Michael	Donley	Former Secretary of the Air Force, former Director of Administration and Management
HON	Mathew	Donovan	Under Secretary of Defense for Personnel and Readiness; former Under Secretary of the Air Force
Ms	Camille	Drummond	Vice President of Global Business Services, British Petroleum
LTG Ret	Bob	Durbin	Chief Operating Officer, Aerospace Industries Association; former Director, Army Office of Business Transformation
Mr	Raymond	DuBois	Former Director of Administration and Management
Mr	Jeffrey	Eanes	Deputy Director, Organizational Policy and Decision Support, Office of the Chief Management Officer; legislative & organizational management expert
Mr	Mark	Easton	Deputy Chief Financial Officer, Office of the Under Secretary of Defense Comptroller
HON	Gordon	England	Former Deputy Secretary of Defense
Ms	Elizabeth	Field	Principal author, GAO reports on the DoD Chief Management Officer
Mr	Glenn	Fine	Inspector General of the DoD
HON	Michèle	Flournoy	Former Under Secretary of Defense for Policy

Over 3,000 total years of experience

DBB Assessment Interviews

Mr	Daniel	Folliard	Special Assistant to the Secretary of Defense
HON	Christine	Fox	Former Acting Deputy Secretary of Defense; former Director of Cost Assessment and Program Evaluation
Mr	Peter	Giambastiani	Former Principal Deputy Assistant Secretary of Defense for Legislative Affairs
HON	John	Gibson	Former DoD Chief Management Officer
Mr	David	Goldstone	Chief Operating Officer, UK Ministry of Defence
HON	Mike	Griffin	Under Secretary of Defense for Research and Engineering
HON	Chuck	Hagel	Former Secretary of Defense
HON	Bob	Hale	Former Under Secretary of Defense (Comptroller) and Chief Financial Officer
HON	John	Hamre	Former Deputy Secretary of Defense, former Under Secretary of Defense (Comptroller) and Chief Financial Officer
Mr	Robert	Henke	Chief of Staff to the Deputy Secretary of Defense
HON	Lisa	Hershman	DoD Chief Management Officer
HON	Robert	Hood	Assistant Secretary of Defense for Legislative Affairs
GEN	John	Hyten	Vice Chairman of the Joint Chiefs of Staff
Mr	Justin	Johnson	Special Assistant to the Secretary of Defense, former Special Assistant to the Deputy Secretary of Defense
HON	Frank	Kendall	Former Under Secretary of Defense for Acquisition, Technology and Logistics
Mr	Paul	Koffsky	Senior Deputy General Counsel/Deputy General Counsel for Personnel and Health Policy
HON	Ken	Krieg	Former Under Secretary of Defense for Acquisition, Technology and Logistics
Ms	Susan	Leopoldi-Nichols	President of Global Business Services, United Parcel Service (UPS)
HON	Peter	Levine	Senior Fellow, Institute for Defense Analyses (IDA); former Deputy Chief Management Officer; former Acting Under Secretary of Defense for Personnel and Readiness
VADM	David	Lewis	Director of Defense Contracting Management Agency
HON	Ellen	Lord	Under Secretary of Defense for Acquisition and Sustainment
HON	Shon	Manasco	Performing the Duties of Under Secretary of the Air Force; Assistant Secretary of the Air Force for Manpower and Reserve Affairs
Mr	Andy	Mapes	Chief of Staff, Office of the Chief Management Officer
Dr	Roger	Mason	President Space, Intl and Cyber, Peraton, Inc.
Ms	Anne	McAndrew	Deputy Comptroller (Program/Budget), Office of the Under Secretary of Defense Comptroller
HON	Ryan	McCarthy	Secretary of the Army, former Under Secretary of the Army
Mr	Dick	McConn	Chairman, National Security Industrial Association
HON	Mike	McCord	Former Under Secretary of Defense (Comptroller) and Chief Financial Officer
HON	Elaine	McCusker	Acting Under Secretary of Defense (Comptroller) and Chief Financial Officer
HON	Beth	McGrath	Former Deputy Chief Management Officer
HON	James	McPherson	Under Secretary for the Army, former General Counsel of the Army

DBB Assessment Interviews

Ms	Regina	Meiners	Director, Organizational Policy and Decision Support, Office of the Chief Management Officer
Ms	Jamie	Miller	Former Principal Deputy Assistant Secretary of Defense for Legislative Affairs
HON	Jim	Miller	Former Under Secretary of Defense for Policy
HON	Thomas	Modly	Acting Secretary of the Navy; Under Secretary of the Navy
Mr	Mark	Munson, Sr.	Office of the Chief Management Officer Organization Lead
HON	Paul	Ney	General Counsel of the Department of Defense
HON	David	Norquist	Deputy Secretary of Defense
VADM	Nancy	Norton	Director, Defense Information Systems Agency
HON	Dave	Patterson	Former Special Assistant to the Deputy Secretary of Defense; former Principal Deputy Under Secretary of Defense Comptroller/Chief Financial Officer
Mr	Greg	Pejic	Special Assistant to Deputy Secretary of Defense
LTG	Ronald	Place	Director of the Defense Health Agency
Mr	Robert	Rangel	Former Chief of Staff to the Secretary of Defense
Mr	Michael	Rhodes	Former Director of Administration and Management
Mr	Steve	Rudderham	Head of Global Business Services, Akzo Nobel
HON	Alan	Shaffer	Deputy Under Secretary of Defense for Acquisition and Sustainment
HON	Pat	Shanahan	Former Deputy Secretary of Defense
Ms	Rebecca	Skinner	Associate Secretary of Defence, Australia Department of Defence
Mr	Michael	Stough	Performance Improvement Officer, Department of Homeland Security
Mr	Alex	Thompson	Global Head of Global Business Service (GBS) Procurement, British Petroleum
HON	Mac	Thornberry	Ranking Member, House Armed Services Committee; former Chairman, House Armed Services Committee
Ms	Cynthia	Trudell	Former Executive Vice President, Human Resources and Chief Human Resources Officer, PepsiCo; former Defense Business Board Vice Chair
Mr	Peter	Verga	Deputy Chief of Staff to the Secretary of Defense and Special Assistant to the Secretary and Deputy Secretary of Defense for Compartmented Activities
HON	Margaret	Weichert	Deputy Director of Management, Office of Management and Budget
HON	John	Whitley	Acting Director, Cost Assessment and Program Evaluation
LTG	Darrell	Williams	Director of Defense Logistics Agency
ADM	Sandy	Winnefeld	Former Vice Chairman, Joint Chiefs of Staff
HON	Robert	Work	Former Deputy Secretary of Defense
HON	Roger	Zakheim	Former General Counsel and Deputy Staff Director, House Armed Services Committee

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China's Great Game: Road to a new empire by Charles Clover and Lucy Hornby (Financial Times 2015) https://www.ft.com/content/6e098274-587a-11e5-a28b-50226830d644

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America Could Lose a Real War Against Russia by Timothy A. Walton (The New York Times - 2019) https://www.nytimes.com/2019/08/05/opinion/inf-treaty-putin-trump.html

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5 U.S.C. § 5313. Positions at Level II

5 U.S.C. § 5314. Positions at Level III

5 U.S.C. §§ 3345 to 3349d (The Federal Vacancies Reform Act of 1998, P.L. 105-277)

10 U.S.C. § 131. Office of the Secretary of Defense

10 U.S.C. § 132. Deputy Secretary of Defense

10 U.S.C. § 132a. Chief Management Officer

10 U.S.C. § 133a. Under Secretary of Defense for Research and Engineering

10 U.S.C. § 133b. Under Secretary of Defense for Acquisition and Sustainment

10 U.S.C. § 137a. Deputy Under Secretaries of Defense

10 U.S.C. § 138. Assistant Secretaries of Defense.

10 U.S.C. § 191. Secretary of Defense: authority to provide for common performance of supply or service activities.

10 U.S.C. § 192. Defense Agencies and Department of Defense Field Activities: oversight by the Secretary of Defense.

10 U.S.C. § 240b. Financial Improvement and Audit Remediation Plan.

10 U.S.C. § 240d. Audits: audit of financial statements of Department of Defense components by independent external auditors.

10 U.S.C. § 2222. Defense business systems: business process reengineering; enterprise architecture; management.

10 U.S.C. § 2223a. Information technology acquisition planning and oversight requirements.

10 U.S.C. § 2302. Definitions.

10 U.S.C. § 2358. Research and development projects.

10 U.S.C. § 2481. Defense commissary and exchange systems: existence and purpose.

31 U.S.C. § 1124. Performance Improvement Officers and the Performance Improvement Council.

40 U.S.C. §11319d. Information Technology Portfolio, Program, and Resource Reviews

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Goldwater-Nichols DoD Reorganization Act of 1986 (Public Law 99-433), (October 1, 1986)

Clinger-Cohen Act of 1996 - Established CIOs in the Federal government and required establishment of performance measures on IT (Public Law 104-106),(February 10, 1996)

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Weapon Systems Acquisition Reform Act of 2009 (WSARA) (2009)

Senate Report on Fiscal Year 2017 National Defense Authorization Act (S Rept. 114-255), (May 18, 2016)

Committee on Armed Services United States Senate Report 114-255 to Accompany S. 2943 on National Defense Authorization Act for Fiscal Year 2017 Together with Additional and Minority Views (2017)

Joint Explanatory Statement of the Committee of Conference - House Report 333 (2018)

Congress: NDAAs

FY05 NDAA - S.780 to establish a DSD for Management (DSD(M)) DoD had two DSD positions from 1972 until 1977 when the second DSD (which focused on Intelligence) was eliminated and the first Under Secretaries of Defense (USDs) were created. (2005)

FY06 NDAA (PL.109-163) § 907 directed a report on the feasibility and advisability of the establishment of a DSD(M) (2006)

FY08 NDAA - SASC introduced a provision which would designate the DSD as the CMO, create a new USD(M)(DCMO) at EX III, and designate the Under Secretaries of the Military Departments as the CMOs of those Departments (2007)

FY08 NDAA (PL.110-181) § 904 designated the DSD as the CMO; established a DCMO of DoD (2008)

FY09 NDAA (PL.110-417, section 904) established the Office of the DCMO and added the DCMO to the membership of the Defense Business System Management Committee (DBSMC) and made the DCMO the DBSMC Vice Chairman (2008)

FY14 NDAA - SASC introduced a provision for the FY 2014 NDAA (S.1197, § 901) to strengthen the DCMO by converting it into the USD(M) at EX III and designating the position as the Chief Information Officer (CIO) of DoD (2014)

FY15 NDAA - SASC introduced a provision for the FY 2015 NDAA (S.2410, § 901) to strengthen the DCMO by: designating the DSD as the Chief Operating Officer (COO), removing the CMO role; and converting the DCMO into the Chief Management Officer of the DoD (CMO) (2014)

FY15 NDAA (PL.113-291) § 901 established a USD for Business Management and Information (USD(BM&I)) (2014)

FY17 NDAA (PL. 114–328) § 901 eliminated the USD(AT&L) and established a USD(R&E) and a USD(A&S). § 911, provided an Organizational Strategy for the Department of Defense; the NDAA also directed 16 significant DoD organization and management actions and studies that directly impact nearly every DoD Component. (2016)

FY17 NDAA - Additional and Minority Views, Senate Report 114-255 to Accompany S. 2943 (2016)

FY18 NDAA (Public Law 115–91) (2017)

FY19 NDAA (Public Law 115-232) (2018)

FY20 NDAA (Public Law 116–92) (2019)

Congress: Commissions and Testimony

Commissions

US-China Economic and Security Review Commission 2019 Annual Report to Congress (2019)

Commission on the National Defense Strategy for the United States – Providing for the Common Defense: The Assessment and Recommendations of the National Defense Strategy Commission (2018)

Testimony

Senate Armed Services Committee Subcommittee on Personnel Hearing on Civilian Personnel Reform(Testimony by Peter Levine, March 23, 2017)

House Armed Services Committee Subcommittee on Emerging Threats and Capabilities Hearing on Creating a Flexible and Effective Information Technology Management and Acquisition System (Testimony by Peter Levine, April 26, 2017)

House Armed Services Committee on Oversight and Reform of the Department of Defense 4th Estate (Testimony by Peter Levine and Preston Dunlop, April 18, 2018)

U.S.-China Economic and Security Review Commission: U.S.-China Relations in 2019: A Year in Review (Testimony by Dr. Andrew F. Krepinevich, Jr., September 4, 2019)

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DBB FY 04-1 - Management Agenda Task Group (2004)

DBB FY 05-1 - Role of a Chief Management Officer in the Department of Defense (2005)

DBB FY 05-2 - Business Management Modernization Program Task Group (2005)

DBB FY 06-2 - Governance – Alignment and Configuration of Business Activities Task Group Report (2006)

DBB FY 06-4 - Creating a Chief Management Officer in the Department of Defense (2006)

DBB FY 08-4 - Strengthening the DoD Enterprise Governance (2008)

DBB FY 09-4 - Focusing A Transition (2009)

DBB FY 11-01 - Task Group Report on A Culture of Savings: Implementing Behavior Change in DoD, Report to the Secretary of Defense (2011)

DBB FY 13-03 - Applying Best Business Practices from Corporate Performance Management to DoD (2013)

DBB FY 16-03 - An Assessment on the Creation of an Under Secretary of Defense for Business Management and Information (2016)

DBB FY 16-04 - Selecting Senior Acquisition Officials (2016)

DBB FY 16-05 - Focusing A Transition: Challenges Facing the New Administration (2016)

DBB FY 18-01 - Fully Burdened and Lifecycle Costs of the Workforce (2018)

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Department of Defense

DoD Key Locator Charts

From the 1960s through current edition

DoD Memoranda

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SD, Force of the Future: Maintaining our Competitive Edge in Human Capital (November 18, 2015)

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DoD management approaches and organizational constructs, specifically the CMO, have been studied in detail for over 35 years. Specific examples…

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1986: Goldwater-Nichols Reorg
1993: GPRA Law
1997: Study of OSD Org (Donley)
1998: GAO - Reform Initiatives
2002: GAO - Management Reform
2004: The Aldridge Study
2005: DBB Role of CMO
2006: IDA - Does DoD Need a CMO?
2006: DBB Creating a CMO
2007: GAO Success Requires a CMO
2008: CSIS – Invigorating Governance
2010: DoD - Revised Org Structure for OSD
2011: DBB - A Culture of Savings
2011: DoD Strategic Management Plan issued
2012: DoD - Business Transformation
2013: DoD - OSD Org Review (Donley)
2013: DoD - Strategic Choices Management
2014: FY15 NDAA - Est. (USD(BM&I))
2014: GAO - Assessments of Roles and Missions
2016: FY17 NDAA eliminates USD(AT&L)
2016: DBB - Assessment of USD(BM&I)
2018: GAO - Four management studies issued
2019: GAO - Fully Institutionalize CMO

Previous Studies on DoD Management

Table 7: Historical DoD Reform Initiative or Study	Timeframe
The Goldwater-Nichols DoD Reorganization Act	1985
President's Blue Ribbon Commission on Defense Management – Packard Commission	1986
Defense Management Review	1989
Clinger-Cohen Act of 1996 requiring establishment of performance measures on IT	1996
Defense Reform Initiative	1997-1998
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Defense Business Board: Creating a Chief Management Officer in DoD	2006
Project on National Security Reform – Forging a New Shield	2008
Quadrennial Roles and Missions Review	2008, 2012
Overview of National Security Strategy – White House	2009
DoD Agency Financial Report for FY15	2015
Quadrennial Defense Reviews	2010
Revised Organizational Structure for the Office of the Secretary of Defense – Report to Congress	2010
Sustainable Defense Task Force, "Debt, Deficits, and Defense: A Way Forward"	2010
2011 Financial Improvement Audit Readiness Guidance (updated in March 2013)	2011
DoD Defense Efficiency Initiatives Directed by SecDef ("Gates Efficiencies")	2010-2011

Previous Studies on DoD Management

Table 8: Recent DoD Reform Initiative or Study	Timeframe
Secretary of Defense Strategic Choices and Management Review and the 20% Headquarters Reductions	2013
OSD Organizational Review ("Donley Review")	2013
Defense Security Enterprise Reform	2013
Business Process and Systems Review	2014
Comptroller Cost Framework Initiative	2014
Transforming DoD Core Business Processes	2014
Review of the Total Cost of the Pentagon Reservation Operations	2014
Defense Resale Optimization	2015
Force of the Future	2015
Major DoD Headquarters Activities Reduction	2015
Organizational Delayering	2015
Services Requirements Review Boards on OSD and Associated Defense Agencies and DoD Field Activities	2015
Fourth Estate Business Operations Improvements	2015
Review of the Organization and Responsibilities of the DoD (Revisiting Goldwater-Nichols)	2016
Office of Management and Budget Agency Reform Initiative	2017
Cross Functional Teams	2017
Business Reform Teams	2018

DoD Reform Memoranda

Tab Number	Official Signature	Subject	Date
1	Chuck Hagel SecDef	Strategic Choices and Management Review	March 15, 2013
2	Ashton Carter DepSecDef	20 Percent Headquarters Review	July 31, 2013
3	Ashton Carter DepSecDef	Terms of Reference for the 2013 OSD Organizational Review	August 26, 2013
4	Ashton Carter DepSecDef	Appointment of the DoD Senior Official Charged with Overseeing Insider Threat Efforts	September 25, 2013
5	Robert Work DepSecDef	Implementation Guidance for the Business Process and Systems Review	August 8, 2014
6	Robert Work DepSecDef	Authority to Direct Other Defense Organizations' Financial Improvement and Audit Readiness Efforts	October 25, 2015
7	Robert Work DepSecDef	Terms of Reference-"Transforming Department of Defense Core Business Processes for Revolutionary Change"	October 15, 2014
8	Robert Work DepSecDef	Review of the Total Costs of the Pentagon Reservation Operations	October 7, 2014
9	Robert Work DepSecDef	Defense Resale Business Optimization Board (DRBOB) Charter	February 5, 2016
10	Ashton Carter SecDef	Force of the Future: Maintaining our Competitive Edge in Human Capital	November 18, 2015
11	Robert Work DepSecDef	Cost Reduction Targets for Major Headquarters/ Policy Guidance for Controlling Growth in Major Headquarters (Outside of the Military Departments)	August 24, 2015
12	Robert Work DepSecDef	Hiring Suspension to Ensure Implementation of Organizational Delayering Commitments	February 23, 2016
13	Robert Work DepSecDef	Implementation of Institutional Reform Opportunities	July 24, 2015
14	Terry Halvorsen ADoD CIO David Tillotson III ADCMO	Fourth Estate Working Group Charter	February 9, 2015
15	Robert Work DepSecDef	Review of the Organization and Responsibilities of the DoD	January 4, 2016
16	Mick Mulvaney Dir, OPM	Comprehensive Plan for Reforming the Federal Government and Reducing the Federal Civilian Workforce	April 12, 2017
17	Robert Work DepSecDef	Designation of Lead Official for Development Of Plans Pursuant to Defense Reform	May 5, 2017
18	Patrick M. Shanahan DepSecDef	Appointment of Business Reform Leaders for the Department	--

DEFENSE BUSINESS BOARD

6 Task Assessment Back-up

Assessment Backup: GPRA Modernization Act

Created in the GPRA Modernization Act of 2010 (Pub. L.111-352); applies to all Federal Agencies

Section 1123. Chief Operating Officers

(a) Establishment.—At each agency, the deputy head of agency, or equivalent, shall be the Chief Operating Officer of the agency.

(b) Function.—Each COO shall be responsible for improving the management and performance of the agency, and shall—

(1) provide overall organization management to improve agency performance and achieve the mission and goals of the agency through the use of strategic and performance planning, measurement, analysis, regular assessment of progress, and use of performance information to improve the results achieved;

(2) advise and assist the head of agency in carrying out the requirements of §§ 1115 through 1122 of this title and § 306 of title 5;

(3) oversee agency-specific efforts to improve management functions within the agency and across Government; and

(4) coordinate and collaborate with relevant personnel within and external to the agency who have a significant role in contributing to and achieving the mission and goals of the agency, such as the Chief Financial Officer, Chief Human Capital Officer, Chief Acquisition Officer/Senior Procurement Executive, Chief Information Officer, and other line of business chiefs at the agency.

Section 1124(a) Performance Improvement Officers.—

(1) Establishment.—At each agency, the head of the agency, in consultation with the agency COO, shall designate a senior executive of the agency as the agency PIO.

(2) Function.—Each PIO shall report directly to the COO. Subject to the direction of the COO, each PIO shall—

(A) advise and assist the head of the agency and the COO to ensure that the mission and goals of the agency are achieved through strategic and performance planning, measurement, analysis, regular assessment of progress, and use of performance information to improve the results achieved;

(B) advise the head of the agency and the COO on the selection of agency goals, including opportunities to collaborate with other agencies on common goals;

(C) assist the head of the agency and the COO in overseeing the implementation of the agency strategic planning, performance planning, and reporting requirements provided under §§ 1115 through 1122 of this title and § 306 of title 5, including the contributions of the agency to the Federal Government priority goals;

(D) support the head of agency and the COO in the conduct of regular reviews of agency performance, including at least quarterly reviews of progress achieved toward agency priority goals, if applicable;

(E) assist the head of the agency and the COO in the development and use within the agency of performance measures in personnel performance appraisals, and, as appropriate, other agency personnel and planning processes and assessments; and

(F) ensure that agency progress toward the achievement of all goals is communicated to leaders, managers, and employees in the agency and Congress, and made available on a public website of the agency.

			Only exists in DoD	
	COO	PIO	CMO	DCMO
Federal Agencies	Deputy Secretary	SES-level	None	None
DoD *(prior to CMO)*	DSD	DCMO *(PAS)*	DSD	DCMO *(PAS)*
DoD *(after CMO)*	DSD	CMO *(PAS)*	CMO	DCMO *(Non-PAS)*

Task 1 Backup: CMO Effectiveness

Evaluating effectiveness requires an understanding of the OCMO's statutory requirements and a methodology to evaluate compliance

OVERALL
Mostly Ineffective

Although the OCMO has made **recent** strides, its overall performance is below expectations. This is due to both external and internal factors

Statute	DBB Assessment Criteria	Score	Assessment Results	Supporting
1. Manage Enterprise Business Operations / shared services (§ 132a.(b)(1)	Lead implementation of Shared Services	Yellow	Category Management only DW/Fed effort implemented	OMB M-16-02
	Talent & resources required	Red	Does not have right mix of skills/talent	Interviews/GAO
	Lead EBO Transformation	Red	Downgraded from "met" in 2017 to partially "met" in 2019	GAO 19-157SP
	Define/transition to BEA	Red	No integrated Business Ent. Architure	GAO-20-253
	Overall score	Red		
2. Establish policies for and direct all EBO for DoD (§ 132a.(b)(2)	EBO Policies established	Red	No policy in place defining EBO/Shared Services	Interviews
	Consistent, measurable EBO processes	Red	No consistent measurable processes/procedures	GAO-19-157SP
	Establish Reform Teams (9)	Red	75% of initiatives never reached implementation phase	GAO-20-312
	Overall score	Red		
3. Exercise authority, direction, control for shared services & budget review for DAFAs (§ 132a.(b)(3) (6)(c)	Strategic plan for DAFA/shared services	Red	Currently only SD/CMO Memos defigning direction	SD/DSD Memos
	Budge Oversight established	Red	No routinely established effort to assess DAFAs	GAO 18592 NDAA 2020
	Admin control- Perf plans/reviews	Red	Has not conducted effective performance reviews needed to ensure accountability	GAO-17-369 Interviews
	Overall score	Red		
4. Direct MilDeps for EBO (§ 132a.(b)(3) (6)(c)	Process in place to direct MilDeps	Yellow	RMG (Reform) forum in place;not attended by decision-makers	RMG Charter Interviews
	Share best practices through BPR	Red	Has enough staff, does not utilize for this task	GAO-19-666
	Implemenation/results across MilDeps	Red	Has attempted reform across MilDeps thru RMG	Interviews
	Overall score	Red		
5. Minimize duplication of efforts & maximize efficiency (§ 132a.(b)(5))	Re-engineer processes/minimize duplication, max efficiency, effectiveness	Red	Partially but fragmented across the DoD and EBO	GAO-20-312 GAO-20-253 GAO-18-130
	Realize Budget Savings	Red	Savings $6.7bn vs $25bn Congressional target. Most savings identified by CMO are outside their lane.	CAPE /COMPT NDAA 2020
	Optimize Business Systems	Red	DOD's bus systems (8 of 12)on GAO High Risk list since 1995	GAO-20-253
	Overall score	Red		
6. Establish performance metrics for department entities (§ 132a.(b)(5)) (§ 131.(2))	Process to establish metrics	Yellow	NDBOP established but not used to manage in DoD	GPRA/ Interviews
	Inform /Justify Budget Requests	Red	Budgets not tied to performance	CAPE GAO-19-666
	Leadership Dashboards	Red	None for EBO initiatives	Interviews
	Overall score	Red		
7. Review, assess, certify, and report on DAFA budgets (§ 132a.(b)(5))	Reviw DAFA Budgets	Red	Effort began in Feb 2020	DSD Memo NDAA 2020
	Certify budgets for efficiency & effectiveness	Red	Does not have the staff or resources required	Interviews
	Report to SD		*Cannot assess*	10USC 132a(6b)
	Overall score	Red		

Green	Mostly Effective
Yellow	Somewhat Effective
Red	Mostly Ineffective

Approved by DBB - 6 May 2020

Task 1 Backup: CMO Effectiveness

Statue	DBB Assessment Criteria	Assessment Results	Exhibit
1. Manage Enterprise Business Operations (EBO)/shared services (§ 132a.(b)(1) 10 U.S.C. 2222.DBS	Evaluate requirements and lead implementation of enterprise shared services model Note: No policy defining EBO/shared services	YES - Category management - exceeded DoD goals and met OMB goals. DoD is the lead for the federal government so federal goals were also met.	Green
	Identify opportunities and transform EBO processes in DAFAs and MilDeps unifying business management efforts across the department	NO- GAO noted DoD has not met many of its internal goals and milestones for enterprise business operations reform NO -GAO downgraded the business transformation capacity criterion from "met" in 2017 to partially met in 2019	Yellow
	Lead enterprise transformation initiatives		
	Define and transition to Business Enterprise Architecture (managing people, processes and technology)	NO - DoD had not yet integrated its business and information technology architectures, ensure that portfolio assessments are conducted in key areas identified in the GAO Information Technology Investment Management framework, nor develop a skills inventory, needs assessment, gap analysis, and plan to address identified gaps as part of a strategic approach to human capital planning, among other things. NO - DOD's business systems (8 of 12)have been on GAO High Risk list since 1995	Red • OMB M-16-02 • GAO-19-157SP • GAO-19-157SP • GAO-20-253 • GAO-20-253 • Interviews
2. Establish policies for and direct all EBO for DoD (§ 132a.(b)(2)	Develop policy and determine governance structures Create consistent, measurable processes, procedures, and instructions Note: No policy defining EBO/shared services	DoD reported that nine reform teams were pursuing a total of 135 business reform initiatives--104 of these initiatives have not reached the implementation phase	• GAO-19-165 • Interviews
3. Exercise authority, direction, control for DAFAs for shared business services and budget review (§ 132a.(b)(3) (6)(c)	Budget Oversight (not mission /policy)	NO - "DoD" does not comprehensively or routinely assess the continuing need for its defense agencies and DoD field activities (DAFAs) NO - Without a reliable cost estimate that includes a cost baseline, DoD will be unable to determine and accurately report actual savings achieved from its reform efforts	• GAO 18-592 • GAO-19-157SP • GAO-17-369 • GAO-17-369
	Administrative Control –SES Performance Plans/GPRA A-11: Develop performance measures/conduct performance reviews (OMB A-11)	NO - Performance reviews have not held business function leaders accountable in part because military department performance information was not included in the scope of the reviews [GAO: DoD has not conducted effective performance reviews needed to ensure accountability for achieving results for its business transformation initiatives	Red

Green	Mostly Effective
Yellow	Somewhat Effective
Red	Mostly Ineffective

Green
Yellow

Task 1 Backup: CMO Effectiveness

Statue	DBB Assessment Criteria	Assessment Results	Exhibit
4. Direct MilDeps for EBO	Manage EBO reform activities through the Reform Management Group Note: Authority in statute not recognized or utilized within DoD	No – the RMG was established as a decision-making body for Goal 3 Reform. Fora is not attended by high level decision makers, e.g., USDs, MILDEP Secretaries, Joint Staff, as outlined in the RMG Charter. Leaders indicate no decisions are being made so they send a substitute.	• GAO-19-666 • Interviews • RMG Charter • RMG Decision memos
	As Performance Improvement Officer for DoD, identify and share best practices through BPR	DOD's reform contains the required schedule and cost estimates. However, many of its initiatives are preliminary—intended to collect information for later reforms	
5. Minimize the duplication of efforts and maximize efficiency and effectiveness (§ 132a.(b)(5)) 10 U.S.C. 2222.DBS	Reengineer EBO processes minimizing duplication of efforts, maximizing efficiency, and effectiveness	GAO "cultural barriers and military commanders' reluctance to give up certain responsibilities for determining how and which services were needed to meet their missions hindered DOD's efforts" There is fragmentation and overlap within the DAFAs that provide human resources services to other defense agencies or organizations within DoD. At least six DoD organizations, including three DAFAs, perform human resources services for other parts of the department. One DAFA receives human resources services from all six organizations. Longstanding organizational and management challenges continue to hinder collaboration	• GAO-20-312 • GAO-20-253 • GAO-18-130 • GAO-13-557 • Interviews • CAPE • Comptroller Red
	Realize budget savings	YES – However, for the most part, since 2017, the "savings" identified by the CMO in various Department documents are for the most part from organizations not related to the responsibilities of the OCMO Partially - DSD directed Defense-wide reviews identified $5B in savings in FY 19 for FY20.	Yellow
	Reduce/optimize the number of DoD Business Systems, licenses, personnel, spaces, contracts	DoD should consistently use the business enterprise architecture to eliminate duplicative systems [Department officials confirmed that no system was denied certification due to lack of business process reengineering assertion even though, according to the act, compliance is a requirement for obligation of funds	Red

Green	Mostly Effective
Yellow	Somewhat Effective
Red	Mostly Ineffective

Task 1 Backup: CMO Effectiveness

Statue	DBB Assessment Criteria	Assessment Results	Exhibit
6. Establish metrics for performance among and for all organizations and elements of the department (§ 132a.(b)(5)) (§ 131.(2))	Leadership dashboards (efficiency/effectiveness) with consistent performance measures for enterprise business operations that drive Secretary's performance reviews – NDS-I (SWPR)	The only overall dashboard is the SD/DSD NDS Strategy Goal Implementation Progress, there are none for EBO DoD has not conducted effective performance reviews needed to ensure accountability for achieving results for its business transformation initiatives	• **Interviews** • **GAO-17-369** • **NDBOP APP** **Red**
	Inform/justify budget requests	Budgets not tied to performance	
7. Review, assess, certify, and report on DAFA budgets	Review DAFA budgets	NO - "DoD" does not comprehensively or routinely assess the continuing need for its defense agencies and DoD field activities	• **GAO 18-592** • **NDAA 2020** **Red**
	Certify if budget achieves required levels of efficiency and effectiveness	NO - DAFA Budget certification not comprehensive per Congress - FY20 NDAA directed 3rd review since FY19 NDAA as well as independent review of the DAFA § 921 report Dec 2019 by GAO.	
	Report to SD on determinations- There has not been sufficient time to asses implementation of the Jan 6 2020 SD memo, however prior two reviews were submitted to the DSD resulting in the DW reviews and Jan 6 2020 memo.	Cannot assess – TBD	

Green	Mostly Effective
Yellow	Somewhat Effective
Red	Mostly Ineffective

Task 1 Backup: Reform Management Group

DoD formed the RMG as a governance body to champion initiatives that reform business practices for greater performance and affordability

Effectiveness: ***Uneven, at best***

- Starting point: ***October 27, 2017*** DSD appointed 7 of 9 Reform Leads, with the final two by January 2, 2018
  - DSD tasked development of transformation plans and to create a 60 day work plan
  - "This plan is to include…performance goals, targets for cost reduction, and redesign of organizations to accomplish revised procedures"
- First RMG meeting: ***January 4, 2018*** DBB notes senior leader attendance declining over time [GAO 19-157SP]
  - Summer 2017: DSD chaired RMG with CMO and D, CAPE as Co-Chairs
  - Fall 2018: D, CAPE no longer co-chairing
- GAO looked in ***September 2018*** at 11-month Reform Team progress [GAO 19-165]
  - 9 teams were pursuing 135 initiatives (IT 38, Health 21, Supply Chain 21, Real Property 15, HR 8)
  - 104 of 135 had not reached implementation phase
  - Teams had "lack of resources to full implement approved initiatives" – DoD did not fund 4 of 9 requests
  - Although asserting the reform team's role in a May 2018 National Defense Business Operations Plan DoD reversed in September 2018, no longer considering these teams as responsive to § 911
- In ***November 2018,*** CMO officials planned on narrowing the scope of reform efforts
  - Four areas remain of 9 original [GAO-19-157SP]
    - Fourth Estate
    - Information technology
    - Health care
    - DOD's buying of goods and services (category management)
  - GAO warned of ignoring deemphasized areas, especially Human Resources

FY 2017 NDAA § 911 directed the SD to issue an organizational strategy that identifies critical objectives spanning multiple functional boundaries; establishes cross-functional teams; and streamlines DoD

Task 1 Backup: Reform Management Group

- The DBB notes documentation on 65 RMG meetings (Jan 2018 – Feb 2020) covering 41 decisions requested by Reform Teams with 32 decisions "to pursue" initiatives or implement plans, resulting in 7 business changes [RMG memos].

- In Sep 2018, GAO observed 135 initiatives with 104 not reaching the implementation phase [GAO 19-165]

- These seven business changes include one on consolidated health contracting, five on Fourth Estate IT issues already under OSD components purview, and a decision to consolidate the new contract writing system from the programs of the Army, Air Force, and Navy

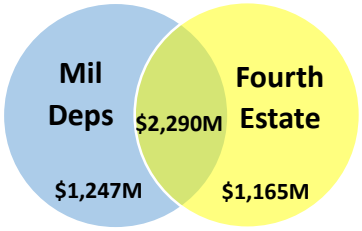
- The DBB found that the RMG makes progress where business functions:
  - Have their *own appropriation and NDAA direction* (e.g., Health Care)
  - Have to do with the IT space
  - Reside mostly in the Fourth Estate [RMG memos]

However, this is done without bringing the SD, DSD, and CMO transformative decisions that confront organizational equities to cross cut business areas or military services regarding the duplication assessment, core functions, and output of the DoD [2017 NDAA, Senate Committee Report Sec. 941]

Task 1 Backup: CMO Effectiveness

DoD Identified Savings FY17 to FY19

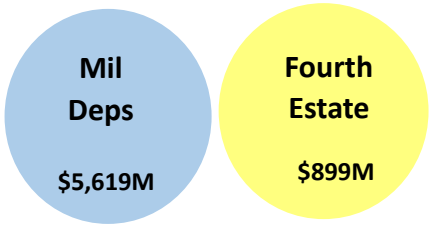
Budgeted/Programmed Reforms FY2017 and FY2018



Total: $4,702M

These are positive savings, but little are from enterprise-wide business transformation

Budgeted/Programmed Reforms FY2019



Total: $6,518M

FY17/FY18 Programmed and Budgeted Savings

Re-engineering	$K
Contract Management	$491,530.00
IT Reform	$160,248.00
Business Systems	$240,092.00
Healthcare Reform	$590,900.00
Personnel Management	$2,613,740.00
Acquisition Management	$553,296.00
Financial Management	$53,000.00
Grand Total	**$4,702,806.00**

FY19 Programmed and Budgeted Savings

Re-engineering / Re-alignments	$K
Historical Deobligations of Non-Readiness Programs	$241,300.00
Historical Deobligations of Readiness Programs	$207,500.00
Navy Reform - Better Use of Resources	$1,357,496.00
Marine Corps Reform - Better Use of Resources	$568,869.00
IT - Commodity Management Reform	$15,587.00
IT - Mission Partner Environment	($50,000.00)
IT - MHS Internet Protocol (IP) Connectable Devices Efficiency	$1,000.00
IT - Wireless Device Management Reform	$9,778.00
IT - Military Health IT Management Reform	$26,000.00
Military Health System Major Headquarters Reduction	$27,021.00
Military Health System TRICARE Long-Term Care Reimbursements	$97,000.00
Military Health System TRICARE Contract Admin Fee Update	$506,000.00
Military Services - Realign/Re-Phase Investment Programs	$3,510,410.00
Grand Total	**$6,517,961.00**

Source: OCMO

Task 1 Backup: CMO Effectiveness

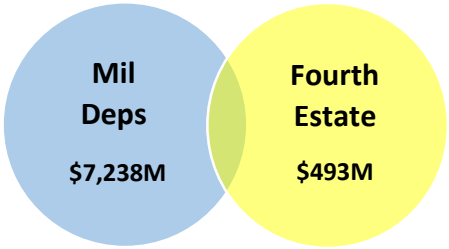
DoD Identified Savings FY20

Changes/Savings identified are positive, but not Transformative; the bulk of savings are from MilDeps

FY20 Programmed and Budgeted Savings

Improvement Lever	Examples within Lever	$K
Better Alignment of Resources	Bottom Up Review Next Gen Air Dominance (NGAD) DHP Under-execution	
Better Alignment of Resources Total		$2,144,209.00
Business Process Improvements	Contract Efficiencies Improve Expenditure Efficiency IT Reform	
Business Process Improvements Total		$2,309,552.00
Business System Improvement	Automation and Equipment	
Business System Improvement Total		$250,517.00
Divestments	Equipment Divestiture Program Divestments or QTY Reductions	
Divestments Total		$2,949,276.00
Policy Reform	Civilian Reduction/Realignment	
Policy Reform Total		$177,925.00
Weapon System Acquisition Process	Contracting Improvements	
Weapon System Acquisition Total		($100,618.00)
Grand Total		**$7,730,861.00**

Budgeted/Programmed Reforms FY2020



Total: $7,731M

Source: OCMO

Task 2 Backup: MilDep CMO Perspectives

Effectiveness	CMO oversight is seen as adding no value by the Services The Pentagon has a natural resistance to anything new, especially a new layer of supervision There is a lack of understanding of CMO's role in the building Pentagon culture is one of compliance, yet components don't think the billet has the authority Services believe CMO is not yet effective at implementing its management authorities CMO needs a governance forum that makes decisions; the RMG doesn't work To be effective, CMO needs ownership of business process engineering
Qualifications	Qualifications for CMO need to be (a) experience in the building and (b) strong private sector CEO/COO background Congress hasn't always chosen the right people for the CMO/DCMO role Congress needs to do a better job at recruiting and retaining top talent as leader of business transformation. Should be a term position
Authorities	SecDef should outline CMO's authorities and responsibilities (e.g. General Order) CMO is perceived as having little power by the DAFAs and Services; there is no associated DoD issuance (Directive/Charter) Vest the right authorities, whether in the DSD or CMO. Options: • DSD needs an assistant to help find efficiencies • Drive reform through the service COOs and CMOs; hold them accountable • Make the CMO the deputy to the DSD; tailor the CMO organization to meet the mission • CMO function belongs at the DSD level; CMO cannot referee enterprise issues
Fourth Estate Management	CMO currently lacks people, tools and processes to review the DAFA budgets CMO should take on the Fourth Estate under the DSD DAFA focus should be on business transformation. Business processes in many of the DAFAs are broken, duplicative, or inefficient Group the 28 DAFAs into different buckets and start managing like-agencies DAFAs need to be like Services when it comes to budget scrutiny and discipline

Task 3 Backup: Organizational Culture

DoD's organizational culture poses obstacles for serious transformation

Organizational level

- A systemic practice of MilDeps/DAFAs **exercising selective compliance** when they perceive that proposed transformational or budgetary cuts may negatively affect their organization's mission effectiveness[1]
- When faced with a directive or transformational mandate they don't agree with, MilDeps /DAFAs often choose to non-comply, because they know that this will benefit their organization and they will then be able to trade compliance in return for something else they want/need. DoD leaders referred to this as a culturally accepted practice of horse trading
  - **The DoD organization of today overwhelmingly recognizes the DSD as the arbiter – and not the CMO – as the DSD controls budget and people**
  - Because the CMO does not have this deal-making ability, the CMO's authorities are diminished and the role's effectiveness is hindered

Individual Employee level

- DoD leaders also recognize that there is a **cultural problem at the individual level**
- Civilian employees remain entrenched in the same role/office for decades and will obfuscate efforts to transform their environment/process in order to keep status quo
  - Top-down business reform efforts may have noble intent and enjoy leadership support, but without implementing the carrot/stick model to bring onboard the rank and file and increasing accountability, no change will take hold
  - Restrictions on terminating DoD civilian employees emboldens these DoD civilians at every level to resist change because its so hard to move or terminate them

1. DoD leaders cannot recall significant repercussions upon Services/Agencies who choose not to recognize the authorities of the CMO.

Task 3 Backup: Organizational Culture

Supporting Studies on sub-standard civilian employee performance at DoD

Rand Study[1]

- Study conducted in 2018 by Rand Corporation called Support for DoD Supervisors in Addressing Poor Employee Performance -A Holistic Approach
- Purpose was to look at the effect of a 2017 OMB study that instructed federal agencies to develop actionable, measurable plans to maximize employee performance, including rewards for high performers and penalties for poor performers
- Aside from the OMB's 2017 memorandum, motivation for the study came from the following two facts: (1) that 25 percent of DoD supervisors reported directly supervising at least one poor performer and (2) that roughly 60 percent of these supervisors agreed that a poor performer would negatively affect the ability of other subordinates to do their own jobs

Key Findings: Identified promising policies, procedures, and structures for maximizing employee performance, with emphasis on assisting supervisors of poor-performing personnel. Developed recommendations on how best to support supervisors responsible for managing the poor-performing DoD employees. The framework they present calls for developing, supporting, and professionalizing supervisors in conjunction with assessing and reporting key performance-related outcomes

GAO Study[2]

- Study conducted in 2016 by GAO called: Improved Supervision and Better Use of Probationary Periods Are Needed to Address Substandard Employee Performance
- Purpose was to examine the rules and trends relating to the review and dismissal of federal employees for poor performance. This report (1) describes and compares avenues for addressing poor performance, (2) describes issues that can affect an agency's response to poor performance, (3) determines trends in how agencies have resolved cases of poor performance since 2004, and (4) assesses the extent to which OPM provides guidance that agencies need to address poor performance

Key Finding: GAO is making four recommendations to OPM to strengthen agencies' ability to deal with poor performers including working with stakeholders to assess the leadership training agencies provide to supervisors

1. Support for DoD Supervisors in Addressing Poor Employee Performance, A Holistic Approach, Rand Corporation, 2018
2. FEDERAL WORKFORCE: Improved Supervision and Better Use of Probationary Periods Are Needed to Address Substandard Employee Performance GAO-15-191: Published: Feb 6, 2015

Task 3 Backup: Reform vs. Transformation

- Each administration typically introduces new leaders who all have a mandate to effect Department reform

- Reform has two distinct focuses: (1) Redesign and (2) Transformation
  - Redesigning a process is much easier than actually transforming/changing a process.
  - Transformation requires strong cultural support that accepts change as necessary to adapt to a new competitive threat and environment
  - The DoD continually initiates new reform efforts after old ones fail

  - The root cause of this repetitive cycle is an organizational culture within DoD characterized as[1] …
    - A non-collaborative culture lacking shared purpose and values
    - Having structure, processes and leadership behaviors that value consensus more than results and reward non-compliance with negotiation and concession
    - Allowing components to easily block, but not advance coherent initiatives and are a powerful disincentive to collaboration
    - Risk averse, arising from fear of the consequences of real or perceived failure and lack of incentives for appropriate risk-taking
    - Lacking viable alternative mechanisms for integrating across the almost exclusively functionally aligned components of the Department

1. Senate Report 114-255 to accompany S. 2943 FY17 NDAA: SASC Additional and Minority Views

Task 4 Backup: GAO Reports Cited

In reviewing many GAO reports, the High Risk lists since 2008, and interview results, the DBB in particular notes:

Congress does not hold DoD accountable for failure to achieve GAO recommendations. To not implement 75% of the recommendations and for there to be no meaningful consequence to the DoD for lack of compliance is an important finding with respect to DoD leadership and culture. TF interviews suggest that leaders do not fear reprisal or accountability that is direct and punitive

Nine cross-functional teams are tasked with driving DoD's business reforms – an important point being how strong is the 'driving' versus teams being assigned responsibilities, but not being held accountable for results. That is either a structural issue, or a leadership issue (all associated elements of the CMO role), or both. The DBB believes it's both. GAO recommendations are being made, yet Congress is not holding the Department accountable for meaningful efforts to address those recommendations. The evidence is overwhelmingly clear that the GAO identified high risk areas in DoD have staying power – the same are on the list year in and year out

The DBB concluded from interviews that the MilDeps and DAFA do not take the CMO or the OCMO seriously. One piece of evidence of this is that the MilDeps are allowed to assign members to the RMG. Are the MilDeps assigning their best people? Are these people empowered to work with the CMO? Are they empowered to make binding decisions of behalf of their MilDep? There seems to definitely be goal-incentive misalignment with the authorities within the Services and the lack of enforcement authority from the CMO to hold the MilDeps and their RMG representatives accountable; not only for attending meetings, but for following through on assigned responsibilities from the RMG

Task 4 Backup: GAO Reports Cited

GAO 20-253 BUSINESS SYSTEMS MODERNIZATION: DoD Has Made Progress in Addressing Recommendations to Improve IT Management, but More Action Is Needed what is preventing a MILDEP-level solution within the existing HPCON guidance – Mar 5, 2020

- GAO is not making any new recommendations in this report (T10 s. 2222)
- As of November 2019, ***DoD had not yet implemented eight of the 12 prior recommendations***
  - Establish business system investment management guidance (1/1 implemented)
  - Develop and maintain a business and IT enterprise architecture (0/5 implemented)
  - Ensure business system investment review and certification (3/5 implemented)
  - Other: Ensure a strategic approach to human capital (0/1 implemented)

GAO 20-312 DEFENSE MANAGEMENT: More Progress Needed for DoD to Meet Outstanding Statutory Requirements to Improve Collaboration– Jan 30, 2020

- The SecDef should ensure that the CMO identify and document specific implementation steps to advance a collaborative culture, consistent with our leading practices for mergers and organizational transformations
- NDAA requirements
  - Issue organizational strategy (Complete)
  - Streamline the Office of the Secretary of Defense (Complete) **[For Global Force Management and Acquisition]**
  - Issue guidance on cross-functional teams (Complete)
  - Provide training for cross-functional team members and their supervisors (Not complete)
  - Provide training for presidential appointees (Not complete)
  - Report on the successes and failures of cross-functional teams (Not complete)

Task 4 Backup: GAO Reports Cited

GAO 19-385 DEFENSE STRATEGY: Revised Analytic Approach Needed to Support Force Structure Decision-Making – Mar 14, 2019

- DoD finds difficultly in developing a common "starting point" for force structure analysis
- The military services' analyses largely supported the status quo
- There was no way to compare options and identify tradeoffs across DoD
- GAO recommends that DoD
  - Determine the analytic products needed and update them
  - Provide specific guidance requiring the services to explore a range of alternative approaches and force structures
  - Establish an approach for conducting joint force structure analysis across the department
- The DoD analytic approach ***has not provided senior leaders with the support they need to evaluate and determine the force structure necessary*** to implement the National Defense Strategy
- ***Products are cumbersome and inflexible***
- ***Analysis does not*** significantly ***deviate*** from services' programmed force structures or ***test key assumptions***
- DoD ***lacks joint analytic capabilities*** to assess force structure [to evaluate] competing force structure options and cross-service tradeoffs, ***the department has not conducted this type of analysis because it lacks a body or process to do so***
- "…according to service officials, due to competing priorities ***they believe they can generally only affect marginal changes*** in their budgets from year to year and have limited analytic capacity" [18]
- ***" unless directed to by senior leaders***, service officials told us that they ***typically do not use their limited analytic resources*** to conduct sensitivity analysis or explore alternative approaches" [18]
- "…the ***services have been reluctant to conduct or share boundary pushing analyses*** through SSA for fear that they will jeopardize their forces or limit their options." [26]

Task 4 Backup: GAO Reports Cited

GAO-19-199 DoD Should Take Steps to Fully Institutionalize CMO Position - Mar 14, 2019

- DoD has not fully addressed three key issues related to the CMO's authorities and responsibilities
  - The CMO's authority to direct the military departments on business
  - The CMO's oversight responsibilities of the Defense Agencies and DoD Field Activities (DAFAs)
  - Transfer of responsibilities from the Chief Information Officer to the CMO
- Recommendations
  - The Secretary of Defense should ensure that the ***Deputy Secretary of Defense makes a determination as to how the CMO is to direct the business-related activities of the military departments***
  - The Secretary of Defense should ensure that the Deputy Secretary of Defense makes a determination regarding the CMO's relationship with the DAFAs, including whether additional DAFAs should be identified as providing shared business services and which DAFAs will be required to submit their proposed budgets for enterprise business operations to the CMO for review
  - The Secretary of Defense should ensure that the CMO and Chief Information Officer (CIO) conduct an analysis to determine which responsibilities should transfer from the CIO to the CMO, including identifying any associated resource impacts, and share the results of that analysis with the Congress.
  - The Secretary of Defense should ensure that the Deputy Secretary of Defense, on the basis of the determinations regarding the CMO's statutory and discretionary authorities, ***codify those authorities and how they are to be operationalized in formal department-wide guidance***
- Reiterates previous recommendation that DoD should have a chief management officer (CMO) with significant authority to help reduce inefficiencies and save billions of dollars
- Identifies need for a CMO to ***sustain progress on "DoD high risk series"***—reiterates GAO-05-207
- Although strengthening in data capabilities DoD has mapped a ***cost baseline for only half*** of Business Support Areas—***it takes 300 days to create a cost baseline for each line of business***
  - Complete: Real property, Health Care, IT; In-progress: supply chain, financial management
  - Projected 2019-2020 :acquisition, community services, human resources, and science and technology

Task 4 Backup: GAO Reports Cited

GAO-19-666 Defense Management: Observations on DOD's Business Reform Efforts and Plan - Jan 17, 2019

- 2019 NDAA established requirements for DoD to reform its enterprise business operations
- Section 921 required the SecDef to submit to the congressional a plan, schedule, and cost estimate for reforms of DOD's enterprise business operations to increase effectiveness and efficiency
- DoD provided limited documentation of progress in implementing its 921 plan
- DoD ***reported cost savings from broader reform efforts but provided limited documentation***
- DoD has not fully funded some of the initiatives in its 921 plan
- GAO previously made eight recommendations related to DOD's reform initiatives from 3 prior reports

GAO 19-165 Defense Management: DoD Needs to Implement Statutory Requirements and Identify Resources for Its Cross-Functional Reform Teams - Jan 17, 2019

- Fourth report: 2017 NDAA § 911 – Jan 17, 2019
- ***Nine cross-functional teams are driving DOD's enterprise business reform*** …but the teams' progress has been uneven
- September 2018, DoD reported that these nine teams were pursuing a total of 135 business reform initiatives.
  - 104 of these initiatives have not reached the implementation phase
  - DoD did not fulfill four of nine funding requests from the teams in FY18 to implement initiatives
- As of September 2019 "DoD Plans to Establish One Cross-Functional Team, Disestablish Another, and ***Will No Longer Consider Nine Business Reform Teams as Responsive to Section 911***"

Recommendation: The Secretary of Defense ensure that the CMO establishes a process for identifying and prioritizing funding to develop and implement initiatives from the cross-functional reform teams

Task 4 Backup: GAO Reports Cited

GAO-19-157SP HIGH-RISK SERIES – Mar 6, 2019

- ***Reform team membership relies on the military services' and DAFAs' continued willingness to provide members for each of the teams***
- DoD senior leaders told us they plan to move many of the teams out of the OCMO to the components responsible for the functions they are trying to reform
- ***This development raises questions about whether the teams will be fully empowered and sufficiently independent to drive change***

GAO 19-165 – Jan 17, 2019

- One senior DoD official involved in the ***reform*** effort acknowledged that the teams' progress has been uneven
- He cited numerous factors that can affect implementation, ***including the degree to which the teams have support from the highest levels of department leadership to operate independently and advance changes that may be unpopular with internal or external stakeholders***, and the ***ability of teams to tackle longstanding systemic challenges,*** such as ***inaccurate cost data throughout the department***
- This official and several teams we met with cited the importance of the team leader's commitment to driving team success

Task 4 Backup: GAO Reports Cited

GAO-19-157SP HIGH-RISK SERIES: Substantial Efforts Needed to Achieve Greater Progress on High-Risk Areas - Mar 6, 2019

- The structure and processes and the ***involvement of a key leader on DOD's Reform Management Group (RMG) have changed and remain unclear***
- GAO ***downgraded the capacity criterion from met in 2017 to partially met*** in 2019
- DOD's budget request for OCMO has declined from FY 2017 to FY 2019. At the same time, the CMO's authorities and responsibilities have expanded [2018 NDAA and 2019 NDAA responsibilities]
- Reform teams have encountered challenges that could impede their progress (initiative funding)
- "Met" action plan hit from 2017 High Risk issue w/ 2018 National Defense Business Ops Plan
- ***RMG in summer 2017 was initially chaired by DSD and co-chaired by the CMO and CAPE*** -- October 2018, the Director of ***CAPE*** told us, he was ***no longer co-chairing the group***
- Without a reliable cost estimate that includes a cost baseline, DoD will be unable to determine and accurately report actual savings achieved from its reform efforts
- DoD established nine functional reform teams in February 2017:
  - "it remains to be seen how effective these reform teams, or…reform initiatives" become;
  - DoD has not met many of its internal goals and milestones for business operation reform; and
  - Absence of a clear process for identifying and prioritizing available funding for reform teams may impede progress
- ***In November 2018, CMO officials told us they planned on narrowing the scope of reform efforts*** to focus on four areas:
  - Fourth Estate;
  - Information technology;
  - Health care; and
  - DOD's buying of goods and services called category management.
- ***GAO warns of ignoring deemphasized areas, especially Human Resources***

Task 4 Backup: GAO Reports Cited

GAO-19-157SP HIGH-RISK SERIES: Substantial Efforts Needed to Achieve Greater Progress on High-Risk Areas - Mar 6, 2019

"In order to make progress in …business transformation, DoD should:"

- ***Provide department-wide guidance on the CMO's roles, responsibilities, and authorities*;**
- Implement and communicate a process for providing resources to the reform teams, including funding to implement reform initiatives, as needed;
- Demonstrate that the National Defense Business Operations Plan is being used and updated, as needed, to guide reform efforts;
- ***Ensure that the Reform Management Group continues to monitor and oversee reform team progress*;**
- Fully populate and actively use the dashboard and the associated milestones and metrics to gauge team success in identifying and achieving efficiencies and cost savings;
- Establish the cost baseline required by § 921 of the John S. McCain NDAA for Fiscal Year 2019 and use it to accurately estimate savings anticipated within the business functions covered under the NDAA;
- Develop additional cost baselines, modeled on the baseline created in accordance with the NDAA for Fiscal Year 2019, to accurately track actual savings resulting from implementation of reform initiatives in additional business functions, such as health care management;
- ***Effectively consolidate key business functions in the department and show cost savings from the consolidation*;** and
- Demonstrate progress in implementing reform efforts outlined in the National Defense Business Operations Plan, including those not covered by the reform teams

Task 4 Backup: GAO Reports Cited

GAO 19-94 STREAMLINING GOVERNMENT: OMB and GSA Could Strengthen Their Approach to Implementing a New Shared Services Plan - Mar 7, 2019

- The federal government can reduce duplicative efforts and free up resources for mission-critical activities by consolidating mission-support services that multiple agencies need such as payroll or
- ***Migrating to a shared services provider has not consistently increased cost savings, efficiencies, or customer satisfaction*****,** according to ***OMB*** and others who have observed these migrations
- Challenges that hamper efforts to establish effective and efficient shared services
  - Governance: Limited interagency collaboration, difficulty reconciling benefits and trade-offs, and limited oversight and technical support for shared services migrations
  - Marketplace: Difficulty obtaining funding to invest in shared services, demand uncertainty among providers, and limited choices for customers
- GAO noted the inability of some Federal Government agencies to realize shared services savings due to
  - **The balkanization of IT as a barrier to customer-supplier relationships and inadequate cost-benefit analysis**
  - **Integration deficiencies due to using stove piped "line of business" frameworks for cross-cutting initiatives**
- ***Setting consistent standards for data and systems can lead to benefits*** for shared services customers as well as providers. For example, ***the ability to meaningfully aggregate or compare data*** across the federal government increases as more agencies adopt common or standardized data elements or processes
- ***The Lines of Business governance structure limited collaboration across different mission support areas***
- GAO made 4 recommendations to OMB including the implementation of a process for collecting and tracking cost-savings data that would allow them to assess progress toward the shared services cost-savings goal of an estimated $2 billion over 10 years

Task 4 Backup: GAO Reports Cited

GAO 18-592 Defense Management: DoD Needs to Address Inefficiencies and Implement Reform across Its Defense Agencies and DoD Field Activities – Sep 6, 2018

- ***DoD does not comprehensively or routinely assess the continuing need for its defense agencies*** and DoD field activities (DAFAs)
- DoD is statutorily required to ***ensure there is a continuing need for each and that the provision of services and supplies by each DAFA, rather than by the military departments***, is more effective, economical, or efficient
- ***There is fragmentation and overlap within the DAFAs that provide human resources services to other defense agencies or organizations within DoD. At least six DoD organizations, including three DAFAs, perform human resources services for other parts of the department. One DAFA receives human resources services from all six organizations.***
- The Secretary of Defense should ensure that the Chief Management Officer (CMO) develops internal guidance that defines the requirements and provides clear direction for conducting and recording reviews of the Defense Agencies and DoD Field Activities in response to 10 U.S.C. § 192(c).
- This guidance, which could be similar to the guidance that exists for assessments of the combat support agencies, should reflect the key elements of quality

Task 4 Backup: GAO Reports Cited

GAO-18-513 DoD Senior Leadership Has Not Fully Implemented Statutory Requirements to Promote Department-Wide Collaboration – Jun 25, 2018

- Third report: 2017 NDAA § 911– June 25, 2018

  (1) DoD had established 10 cross-functional teams that were in various stages of implementation

  (2) DoD had updated, but not issued, its draft organizational strategy

  (3) DoD had not fulfilled three statutory requirements related to guidance and training for cross-functional teams and presidential appointees

GAO 18-194 DEFENSE MANAGEMENT: DoD Needs to Take Additional Actions to Promote Department-Wide Collaboration – February 28, 2018

- Second report: 2017 NDAA § 911 – Feb 28, 2018

  (1) DOD's draft organizational strategy did not address all elements required by statute

  (2) DoD had established one cross-functional team, and that draft team guidance addressed most statutory elements and leading practices for implementing cross-functional teams

  (3) DoD had developed, but not provided, training for its presidential appointees and cross-functional team members, but the training for the presidential appointees did not address all statutory requirements

Task 4 Backup: GAO Reports Cited

GAO 17-523R DEFENSE MANAGEMENT: DoD Has Taken Initial Steps to Formulate an Organizational Strategy, but These Efforts Are Not Complete - Jun 23, 2017

- First report: 2017 NDAA § 911– Jun 23, 2017
- DoD was exploring options for providing the required training to presidential appointees;
- DoD awarded a contract for a study on leading practices for cross-functional teams
- DoD was taking initial steps to develop an organizational strategy

Section 911 directed the SecDef to:

Formulate and issue an organizational strategy for DoD. The organizational strategy, the act stated, should identify the critical objectives and other organizational outputs that span multiple functional boundaries and would benefit from the use of cross-functional teams to ***ensure collaboration and integration*** across the department. (Dec 23, 2016)

Committee Report Language

Sec 941. The ***committee stresses that the mission teams must remain small and agile***, numbering approximately 8–10 people. ***This is a critical point. One way that teams fail in DoD is*** that every organization that thinks its equities might be affected insists on having a representative on the group. ***This bloats and infiltrates the group with people who only care about protecting their parent organizations' equities.*** https://www.congress.gov/114/crpt/srpt255/CRPT-114srpt255.pdf

As of: 18 Feb 20

Task 4 Backup: GAO Reports Cited

GAO 17-369 DoD Actions Needed to Address Five Key Mission Challenges - Jun 13, 2017

- DoD faces five key challenges that significantly affect the department's ability to accomplish its mission
  - Rebalance forces and rebuild readiness
  - Mitigate threats to cyberspace and expand cyber capabilities
  - Control the escalating costs of programs, such as certain weapon systems acquisitions and military health care, and better manage its finances
  - Strategically manage its human capital;
  - ***Achieve greater efficiencies in defense business operations***
- *Lack of sustained leadership involvement*: ***More than 9 years after Congress designated the Deputy Secretary of Defense as the Chief Management Officer*** *and created the Deputy Chief Management Officer position to provide leadership over the department's business functions,* ***all of DOD's business areas remain on our High-Risk List—areas that are vulnerable to waste, fraud, or mismanagement***
- DoD has not conducted effective ***performance reviews needed to ensure accountability for achieving results of its business transformation*** initiatives
- Since 2008, DoD has made some progress in sustaining leadership over its business functions, including developing specific roles and responsibilities for the CMO and DCMO and establishing a senior-level governance forum co-chaired by the DCMO and the DoD Chief Information Officer to oversee the department's business functions. ***However, DoD has had challenges retaining individuals in some of its top leadership positions, and significant work remains to address long-standing challenges in the management of DOD's business functions***

Task 4 Backup: GAO Reports Cited

GAO 17-317 HIGH-RISK SERIES: Progress on Many High-Risk Areas, While Substantial Efforts Needed on Others – Feb 17, 2017

- GAO added DOD's overall approach to managing business transformation as a high-risk area in 2005 because DoD ***had not taken the necessary steps to achieve and sustain business reform on a broad, strategic, department-wide, and integrated basis***
- DOD's historical approach to ***business transformation has not proven effective in achieving meaningful and sustainable progress*** in a timely manner
- DoD had not established clear and specific management responsibility, accountability, and control over business transformation-related efforts and applicable resources across business functions
- DoD did not have an integrated plan for business transformation with specific goals, measures, and accountability mechanisms to monitor progress and achieve improvements
- The DoD has faced ***organizational, management, and cultural challenges*** that can limit effective and efficient collaboration across the department to accomplish departmental objectives

DoD Should

- ***Hold business function leaders accountable for diagnosing performance problems and identifying strategies for improvement*;**
- Lead ***regular DoD performance reviews regarding transformation*** goals and associated metrics and ensure that ***business function leaders attend these*** reviews to facilitate problem solving
- Develop a corrective action plan that identifies initiatives to address root causes, including critical links that must be present among the initiatives, and the processes, systems, personnel, and other resources needed for their implementation with tradeoffs, priorities, and sequencing
- Refine the performance action plan or develop a corrective action plan that identifies initiatives to address root causes, including critical links that must be present among the initiatives, and the processes, systems, personnel, and other resources needed for their implementation

Task 4 Backup: GAO Reports Cited

GAO 15-191 FEDERAL WORKFORCE: Improved Supervision and Better Use of Probationary Periods Are Needed to Address Substandard Employee Performance - Feb 6, 2015

- Report noted ***the time and resource commitment needed to remove a poor performing permanent employee can be substantial*** due to concerns over internal support, lack of performance management training, and legal issues
- GAO found ***Federal agencies have three avenues*** to address employees' poor performance:
  - Day-to-day performance management activities
  - Probationary periods
  - Formal procedures
- GAO recommended that ***OPM improve supervisor training and review probationary periods***
  - Improve supervisor training
  - Agencies build a well-qualified cadre of supervisors capable of effectively addressing poor performance
  - Review fit of probationary period to type and complexity of work

Task 4 Backup: GAO Reports Cited

GAO 13-557 DoD BUSINESS SYSTEMS MODERNIZATION: Further Actions Needed to Address Challenges and Improve Accountability - May 17, 2013

- Findings:
  - DoD continues efforts to establish a business enterprise architecture (a modernization blueprint) and transition plan and modernize its business systems and processes in compliance with the **FY *2005 NDAA***
  - The ***OCMO has yet to determine and follow a strategic approach to managing its human capital needs***, thus limiting its ability to, among other things, effectively address the act's [FY 2005 NDAA] requirements
- ***These limitations put the billions of dollars spent annually on approximately 2,100 business system investments that support DoD functions at risk***
- ***DoD continues to develop content for its business enterprise architecture***, such as business rules, and is proceeding with efforts to extend the architecture to its components. However, even though ***DoD has spent more than 10 years and at least $379 million on its business enterprise architecture*****,** its ability to use the architecture to guide and constrain investments has been limited by, among other things, the lack of a detailed plan
- To date, the ***DoD has not implemented 29 of the 63 recommendations that GAO has made*** in these areas
- ***Until DoD implements GAO recommendations and addresses the weaknesses*** described in this report, ***it will be challenged in its ability to manage the billions of dollars invested annually*** in modernizing its business system investments

Task 4 Backup: GAO Reports Cited

GAO 08-034 ORGANIZATIONAL TRANSFORMATION Implementing Chief Operating Officer/Chief Management Officer Positions in Federal Agencies - Nov 1, 2007

- Determine the type of COO/CMO or similar position that ought to be established in federal agencies
- Strategies for implementing COO/CMO positions to elevate, integrate, and institutionalize key management functions and business transformation efforts in federal Agencies
- Study reviewed Treasury, IRS, Justice and Massachusetts Institute of Technology
  - Assistant Secretary for Management at **Treasury**
  - Deputy Commissioner for Operations Support at **IRS**
  - Assistant Attorney General for Administration at **Justice**
  - Executive Vice President at **MIT**
- Criteria ***to implement*** CMO/COO in Federal Government
  - **The history of organizational performance** (***management weakness, project failure rates***)
  - **Degree of organizational change needed** (challenge of reorganizing ***and integrating disparate organizational units or cultures***)
  - **Nature and complexity of mission** (range, risk, and scope of the agency's mission)
  - **Organizational size and structure** (such as the number of employees, geographic dispersion of field offices, number of management layers, types of reporting relationships, and degree of centralization of decision-making)
  - **Current leadership talent and focus** (***the extent of knowledge and the level of focus of the agency's managers on management functions and change initiatives***, and the number of political appointees in key positions)
- **Criteria to determine what type of CMO/COO position**
  - Existing deputy (***for stable or small organizations***)
  - Undersecretary or other official reporting to deputy (to lead ***Business Transformation***)
  - Second deputy (for a large and complex organization undergoing a ***significant transformation to reform long-standing management problems***)

Task 4 Backup: GAO Reports Cited

T-NSIAD/AIMD-98-122 DEFENSE MANAGEMENT: Challenges Facing DoD in Implementing Defense Reform Initiatives – Mar 13, 1998

- 1998 Testimony Before the Subcommittee on Military Readiness, Committee on National Security, House of Representatives
- Underlying causes of systemic management problems
  - ***Cultural barriers and service parochialism that limit opportunities for change*;**
  - ***The lack of incentives for seeking and implementing change*;**
  - The ***lack*** of comprehensive and ***reliable management data for making decisions*** and measuring program costs and performance;
  - The lack of clear, results-oriented goals and performance measures, in some cases;
  - Inconsistent management accountability and follow through
- No plan to address these problems, DoD needs to ensure that
  - Implementation plans for each level of the organization include goals, performance measures, and time frames for completing corrective actions;
  - Identify organizations and individuals accountable for accomplishing specific goals; and
  - Fully comply with legislative requirements of the ***Chief Financial Officers Act*,** the Government Performance and Results Act, the Paperwork Reduction Act, and the 1997 ***Clinger-Cohen Act***

Task 5 Backup: Best practices

2018 National Academy of Public Administration observations provided the main lessons learned in regards to public/private sector best practices

Alignment of Enterprise Business Operations with and Public sector best practice:

- CMO's **requirement** to implement shared services model **has not occurred**
- ***Voice of Customer*** and ***Service Level Agreement standards*** have not been implemented

Best Practice	Public Sector
Distinct unit: Continuous high-level political and career leadership support must be maintained	The Shared Service Center (SSC) is a separate organizational unit that has strong governance in place that gives customers a voice in service delivery.
Customer Centered Processes: The "Voice of the Customer" is often missing	The users of shared services as viewed as customers and business partners who rely on outcomes of business processes.
Defined Service Expectations: Mission focus and performance measures should tie shared services frameworks to improvements in mission delivery	Service delivery is managed through formal service-level agreements (SLAs) that define the responsibilities of both the SSC and its customers, with metrics and costs for performance.
Performance Driven Culture: The Federal marketplace should provide greater opportunities for commercial service providers to bring investment, scale, and innovation	The SSC workforce is evaluated based on metrics and feedback regarding how well the business processes are functioning, all the way down to the individual SSC employee level, to foster continuous improvement.
End-to-End Ownership: Shared services is a transformation of the agency, workforce, and technology	The SSC manages the critical business processes behind the services it provides and monitors controls and compliance to established standards.

Task 5 Backup: Best practices

Main lessons learned in regards to public/private sector best practices

Best Practice	Private	Public	DoD	Remarks
Mission: Drive efficiencies and create new capabilities	Green	Yellow	Yellow	Similar expectations on role. All expected to drive efficiencies and overall performance. Also, free up capital to either invest in new initiatives or improve profitability.
Focus: Lead shared service transformation	Green	Green	Red	Private/Public roles are tasked with leading enterprise-wide shared services model. DoD OCMO does not lead such initiatives
Structure: CMO Role reports to top executive (CEO or SD)	Green	Green	Yellow	CEO reporting is new trend in private sector. Private sector role reports to CFO in cost-focused or early stage shared services models. USG agencies vary. Per §132a.(b) of title 10 the CMO is "Subject to the authority, direction, and control of the Secretary of Defense and the Deputy Secretary of Defense,…" yet in practice the CMO reports to the DSD.
Ownership: Control Shared Services and related capabilities	Green	Red	Red	Private sector shared services own the operations of the functions in their domain. They own the people, tools and budgets. In the Public sector and DoD, the CMO only influences.
Performance: Use benchmarks against peer competitors to improve and enhance	Green	Red	Red	Both organizations have peer competition. Private sector closely tracks competitive capabilities and designs strategy and R&D to match. **DoD does not benchmark internal processes against any peer (private or foreign nation)**. NAPA contributors cite "Voice of Customer"
Data: Focus/Utilizes a single, reliable source for data	Green	Yellow	Yellow	Private sector is relentless about getting to a single source of trusted data. Master Data Management is often under shared services. NAPA literature highlights "end-to-end" ownership.
Analytics: Ownership and leverage of data enterprise-wide	Green	Red	Red	Private sector typically owns this in shared services while in public sector and DoD, the responsibilities are split between CMO and CIO.

- Mission
- Purpose/Tasks
- Report-to

→ Aligns with private best practices

- Lead/Manage Shared Service initiatives
- Benchmark industry/peer competition
- Estab. and focus on a single data source

→ Does **NOT** align with private best practices

Green	Mostly Effective Implementation
Yellow	Somewhat Effective Implementation
Red	Mostly Ineffective Implementation

Task 5 Backup: UK and AU CMOs

United Kingdom

- The Permanent Secretary (equivalent to U.S. DSD) is a new position created because the management of the defense enterprise was not working well
- The Ministry of Defense's (MoD) Chief Operating Officer (COO) is a civil service administrative appointment with a performance contract, but no term limit. He focuses on the MoD's business transformation efforts, and reports directly to the Permanent Secretary
- The MoD COO is roughly equivalent to the DoD CMO
- The MoD COO focuses on four key areas:
- 1) How we acquire equipment
- 2) How we enable our digital capabilities
- 3) How we manage the workforce both military and civilian.
- 4) How the logistics and support functions work
- MoD divides transformation into three parts: delivery, strategy and portfolio
- The COO was created to take on tasks that the Permanent Secretary was too overwhelmed handle
- The COO was tasked in 2010 with making the organization smaller – identified tech improvements to create efficiency resulting in reduced numbers. The COO did not start with numbers cuts. The gained efficiencies resulted in numbers cuts
- 12 Agencies' accounting (budget) officers report through the COO to the Permanent Secretary

Australia

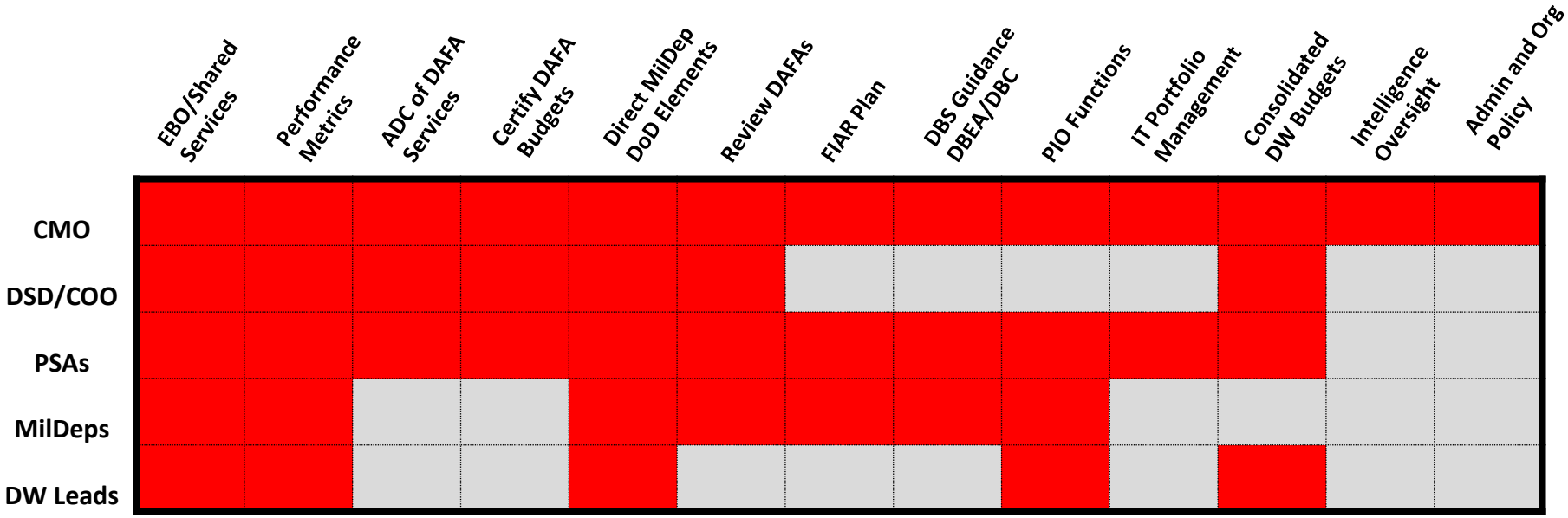
- The Minister of Defense for Australia is similar to the DoD SD for the U.S. and is politically appointed. The AU Secretary of Defense, similar to the role of DoD's DSD, is a bureaucratic appointment and is a civil servant serving for 5 years
- The AU MoD reviewed the defense enterprise in 2016. The result of that review was the strengthening of the role of the Associate Secretary (CMO)
- The Associate Secretary (CMO) is appointed by the Secretary of Defense and is not bound by time
- The enterprise governance committee led by the Associate Secretary drives transformational change across the organization and is made up of all the group heads and the Joint Capability Commander
- AU uses shared services as much as possible. Formerly had three prongs; Capability, IT and an Integrating Plans. Now has only one Integrated Investment Plan
- The Associate Secretary drives transformation horizontally
- Ten organizations and functions report to the Associate Secretary: CIO, Chief People Officer, The Head of Defense State Infrastructure, The Chief Finance Officer, The chief Security Officer, The Head of the organizations Governance Reform, The head of General Council, The other Control Functions such as the Audit Function and Contestability Function
- The Associate Secretary also administrators the military justice system

Task 6 Backup: Responsibilities and Authorities

RESPONSIBILITIES AND AUTHORITIES	STATUTORY	DESIGNATED, DELEGATED	DSD/ COO	CMO	OTHERS	COMMENTS
Policy, direction, and management of all DoD enterprise business operations (EBO)/shared services	10 U.S.C. 132a (CMO)	Oct 27, 2017 DSD Memo	X	X	MilDeps, PSAs, DW	Overlaps PSA, MilDep, and DW Lead responsibilities
Minimize duplication, maximize efficiency and effectiveness, and establish DoD performance metrics	10 U.S.C. 132a (CMO)		X	X	MilDeps, PSAs, DW	Overlaps PSA, MilDep, and DW Lead responsibilities
Authority, direction, and control of DAFAs providing shared business services as determined by SD	10 U.S.C. 132a (CMO)		X	X	PSAs	Overlaps PSA responsibilities. Business services covered have not been determined by SD
Review and certify DAFA budgets that achieve efficiency and effectiveness for EBO	10 U.S.C. 132a (CMO)		X	X	PSAs	Overlaps PSA responsibilities
Authority to direct MilDeps and heads of other DoD elements with regards to CMO responsibilities under this section	10 U.S.C. 132a (CMO)		X	X	MilDeps, PSAs, DW	Overlaps PSA, MilDep, and DW Lead responsibilities. Powers not exercised; no CMO issuance/charter. DSD makes tradeoffs
Review efficiency/effectiveness of DAFAs. Submit report on compliant DAFAs, plan for non-compliant DAFAs, and recommendations to consolidate MilDep functions into DAFAs	10 U.S.C. 192 (DAFA Oversight)		X	X	MilDeps, PSAs	Overlaps PSA and MilDep responsibilities. DSD makes tradeoffs
Maintain Financial Improvement and Audit Remediation (FIAR) Plan	10 U.S.C. 240b (FIAR Plan)			X	USD(C), MilDeps	Overlaps USD(C) and MilDep FM responsibilities who provide plan/briefings
Issue Defense Business System (DBS) guidance. Develop and maintain Defense Business Enterprise Architecture; document common business enterprise data; and co-chair Defense Business Council (DBC) with CIO	10 U.S.C. 2222 (DBS)			X	USD(A&S), USD(C), CIO, MilDeps	Overlaps USD(A&S), USD(C), MilDeps, and dual ownership of DBC with CIO
Designated as Performance Improvement Officer (PIO). Conduct performance planning, analysis, and assessment	31 U.S.C. 1124 (PIO)	Jan 31, 2008 DSD Memo		X	MilDeps, PSAs, DW	Overlaps PSA, MilDep, and DW Lead responsibilities. DSD role, but not actively engaged across DoD
IT Portfolio, Program, and Resource reviews. For DoD, CMO conducts annual review of DoD business systems only	40 U.S.C. 11319d (IT Review)			X	CIO, USD(A&S)	Overlaps CIO and USD(A&S) responsibilities
Develop consolidated budget for Defense-wide accounts		Jan 6, 2020 SD Memo	X	X	PSAs, DW, CAPE, USD(C)	Overlaps PSAs, CAPE, USD(C), and DW Lead responsibilities. DSD makes tradeoffs
Oversight: Intelligence Oversight, Defense Privacy and Civil Liberties, Regulatory and Advisory Committee		ATSD(IO)		X		Duties formerly of ATSD(IO), but became CMO's
Administration and Org Policy: WHS, PFPA, Org Policy		D, A&M		X		Duties formerly of D, A&M, but became CMO's

Task 6 Backup: Responsibilities and Authorities

CMO authorities **significantly overlap** with those of DSD/COO, PSAs, Service Secretaries/MilDeps, and other Defense-wide (DW) Leads, which causes confusion as to in whom the responsibility and authority lies



Department-wide budget trade-offs are **made at DSD-level** or above; despite its statutory authority, CMO does not make **major budgetary decisions**

Red	Significant Overlap in authorities and/or responsibilities
	No overlap in authorities and/or responsibilities noted

DEFENSE BUSINESS BOARD

DAFA/DW and DWCF
Back-up

DAFA Backup: Definitions and Assumptions

Definitions:

Administrative Control (ADCON): Direction or exercise of authority over subordinate or other organizations with respect to administration and support, including organization of MilDeps/Service forces, control of resources and equipment, personnel management, unit logistics, individual and unit training, readiness, discipline, and other matters not included in operational mission. (JP 1)

Operational Control (OPCON): The authority to perform those functions of command over subordinate forces involving organizing and employing commands and forces, assigning tasks, designating objectives, and giving authoritative direction necessary to accomplish the mission. (JP 1)

Administrative matters: Organization, resourcing and equipping, personnel management, logistics, individual and unit training, readiness, discipline, budget execution and tracking, and other matters not included in operational mission.

Program, Budget, and Financial Management: Plan for allocation of resources (manpower and TOA) to mission requirements through the first year (Budget) and four additional years (Program) – submitted as a POM or BES. Execute financial management policies, internal controls, audit strategies and plans, guidance, data processes, and systems requirements.

Assumptions:

- Authority, direction, and control, maximally prescribed, equate to full ADCON plus OPCON
- The SD has broad latitude to realign resources, functions, authorities, and organizations within the Department
- Scope is limited to the 28 DAFA, established pursuant to § 191 of Title 10
- This proposal does not initially contemplate the internal reorganization or elimination of any of the 28 DAFA individual DAFA, but focusses on processes, authorities, and organizational structures over the DAFA for enhanced resource management and control
- For the long term, SD should conduct an assessment to consider how to streamline, consolidate, eliminate, and restructure the DAFA

DAFA Backup: The Fourth Estate

The term "Fourth Estate" was coined by David "Doc" Cooke in the 1990s to describe ALL activities outside of the Military Departments. It described those organizations/activities (e.g., Combatant Commands (CCMDs)) that had been pulled out of the MilDeps by Goldwater-Nichols

- Goldwater-Nichols shifted the Department's organizational structure from 3 DoD Components (MilDeps) to 7 categories of DoD Components (identified in DoD Directive 5100.01, "Functions of the Department of Defense and Its Major Components"):

  OSD / JCS and JS / OIG DoD / CCMDs / MilDeps / DAFA

- Today there are 45 autonomous and independent DoD Components
- To minimize the burden on the SD, Goldwater-Nichols directed that the DAFA would report to the SD through a senior official in OSD or the CJCS, who would exercise authority, direction, and control (ADC) over the DAFA Director. But, each DAFA would still be identified as an independent DoD Component (separate from OSD)

Today, the use of the term "Fourth Estate" has become ambiguous; there is no single, authoritative definition - it is frequently used to mean alternatively:

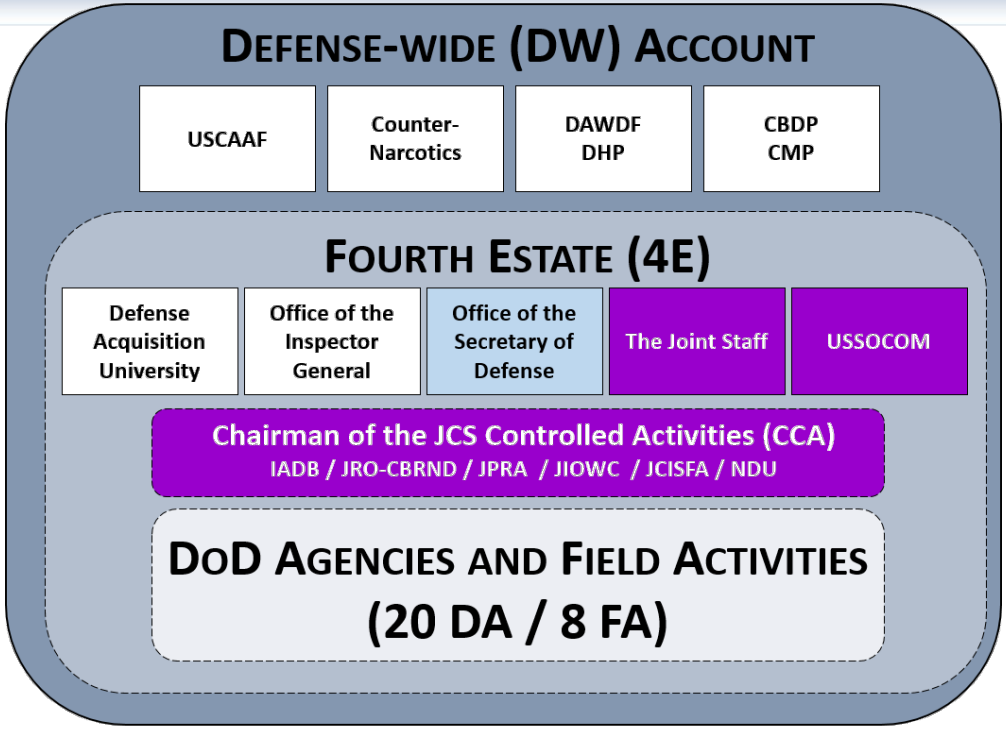
1. Everything outside the MilDeps
2. Everything outside the MilDeps and CCMDs
3. OSD and DAFA
4. DAFA only
5. Non-Intelligence Community (non-IC) DAFA
6. DAFA, OIG DoD, and certain Defense-wide activities (e.g., CJCS Controlled Activities (CCAs), Defense Acquisition University (DAU), Defense Microelectronics Activity (DMEA))
7. Any activity funded by Defense-wide Operations and Maintenance (O&M OW) funding (e.g., USSOCOM, Defense Health Program (DHP))

Strategic Imperative Backup: DW & Fourth Estate

Defense-wide accounts encompass a very broad range of disparate DoD organizations and activities

The Joint Staff, USSOCOM, and many DAFA "employ" military members, known as Borrowed Military Members (BMM). These organization's budgets do not reflect the pay for detailed BMM, as that is borne by the military service to which they belong

This is an added "cost" to operate these entities that is not reflected in budget numbers. In the case of USSOCOM and the Joint Staff this is a considerable operating cost



CBDP - Chemical Biological Defense Program
CMP - Civil Military Programs: National Guard ChalleNGe Program / DoD Innovative Readiness Training Program / DoD STARBASE Program
DAWDF - Defense Acquisition Workforce Development Fund
DHP - Defense Health Program
IADB - Inter-American Defense Board
JRO-CBRND - Joint Requirements Office CBRNE Defense
JPRA - Joint Personnel Recovery Agency
JIOWC - Joint Information Operations Warfare Center
JCISFA - Joint Center for International Security Force Assistance
NDU - National Defense University
USCAAF - U.S. Court of Appeals for the Armed Forces
USSOCOM – United States Special Operations Command

DAFA Backup: Oversight

Whenever the SD determines such action would be more effective, economical, or efficient, the SD may provide for the performance of a supply or service activity that is common to more than one MilDep by a DAFA. The SD may establish, disestablish, merge, or change the missions of the DAFA provided that he follows applicable laws and Presidential direction.

Annual Appropriations Acts

- DAFA may not be established unless the SD certifies cost savings (manpower or budget) to the Congressional Appropriations Committees. Recurring provision (most recent § 8039 of FY19 Appropriations Act)

Title 10

- § 191 Authority: The SD may establish a DAFA when it would be more effective, economical, or efficient
- § 192 Oversight: The SD shall assign ADC of each DAFA to an OSD official (PAS, PSA, or other) or the CJCS
  - Not less frequently than every 2 years, the SD shall review the DAFA for continued need/effectiveness
  - Not less frequently than every 4 years, the CMO shall review the DAFA for efficiency/effectiveness and identify where there is any duplication and/or adequate performance levels. (CMO requirement added in August 2011)
- § 193 Combat Support: The SD may identify a Defense Agency as a CSA
  - Not less frequently than every 2 years, the CJCS shall submit a Congressional report on the CSAs on their warfighting responsiveness/readiness and any recommendation the CJCS considers appropriate

The CJCS shall provide for participation of the CSAs in joint training exercises

- Section 194 Limitations: The Major DoD Headquarters Activities (MHA) specifically, and the overall size, generally, of the DAFA manpower (military and civilian, assigned or detailed) cannot exceed the levels as of September 30, 1989.

Other Statutory Provisions and Presidential direction

- All but two DAFA (DLSA and DMA} have statutory provisions related to assignments of responsibilities and functions. While not necessarily prohibitive of changes, changes to statutory language may in some cases be required. Additionally, there are current statutory reviews required for some DAFA (e.g., §§ 925 and 926 of the FY19 (NDAA) require reviews of DCAA/DCMA and DFAS
- Moreover, any Presidential direction (e.g., establishment of DCSA) would have to be addressed in order to implement changes

DAFA Backup: Reviews

The DAFA have been the subject of various reviews over the last several decades. Some of these reviews focused specifically on the DAFA and others included the DAFA in broader reviews of the Fourth Estate. Major reviews that should be considered for potential evaluation criteria, among others, are:

Defense Agency Review, OSD Study Team, Major General Antonelli, 1977

A Report to the Secretary of Defense on the Defense Organization Study (aka Ignatius study), Lt Gen James C. Kalergis (Ret), June 30 1979

Directions for Defense, Report of the Commissions on Roles and Missions of the Armed Forces (aka CORM), J.P. White et al, May 24, 1995

The Office of the Secretary of Defense, Creating a New Organization for a New Era, Donley/Locher/Bertau/Pope, Hicks and Associates, May 1997

Defense Reform Initiative, March 1997 (series of DRIDs 1997-2000)

Mike Donley memo to Arnold Punaro and DBB, February 2005

Beyond Goldwater-Nichols: U.S. Government and Defense Reform for a New Strategic Era Phase 2 Report, Clark A. Murdock and Michèle A. Flournoy, CSIS, July 2005

IDA Paper P-4169, Does DoD Need a Chief Management Officer?, Graham/Hanks/Johnson Locher/ Olson/Richanbach, December 2006

PowerPoint file, "Ken Krieg SEC Stage Setter for IDA Conference," 2010

Task Force on Military Health System Governance, Dr. George P. Taylor Jr. and Major General (Dr.) Doug Robb, September 2011

DAFA Backup: Budget Development

The 28 DAFA do not have equivalent POMs (either cross-DAFA or cross-DoD)

- Intelligence Activities and WCF DAFA have unique requirements and builds for their POMs.
- There is wide variability relative to capability and capacity to mimic a Military Department's program and budget support functions (i.e., the DAFA do not have enough people/processes today to have a rigorous POM build process like the MilDeps)

"Building a POM" can range from putting data into a spreadsheet up to creating a rigorous process that prioritizes, compares trade-offs/risks, and makes decisions on changes.

- Will changes in the POM submissions translate into changes in the way the Department submits the budget to Congress including supporting materials/justifications (e.g., J-books)?
- A POM is one Budget Year (for the President's Budget) and four Program Years for a total of five years called the Future Years Defense Program (FYDP).
- Fund distribution and budget execution are "year of execution" issues.

What is the difference between Administrative Control (ADCON) and Authority, Direction, and Control (ADC)? What is the implication if decisions about resourcing levels start to impact operational activities?

- ADCON is a specific type of authority that Mi1Deps have over their personnel and resources. What are the "boundaries" of ADCON in the context of DAFA and PSAs? Is ADCON envisioned to be unilateral authority to transfer resources between components (even when impacting operational effectiveness)?
- Will DAFA still have participation rights in PPBE processes (e.g., issue teams, 3-star)?

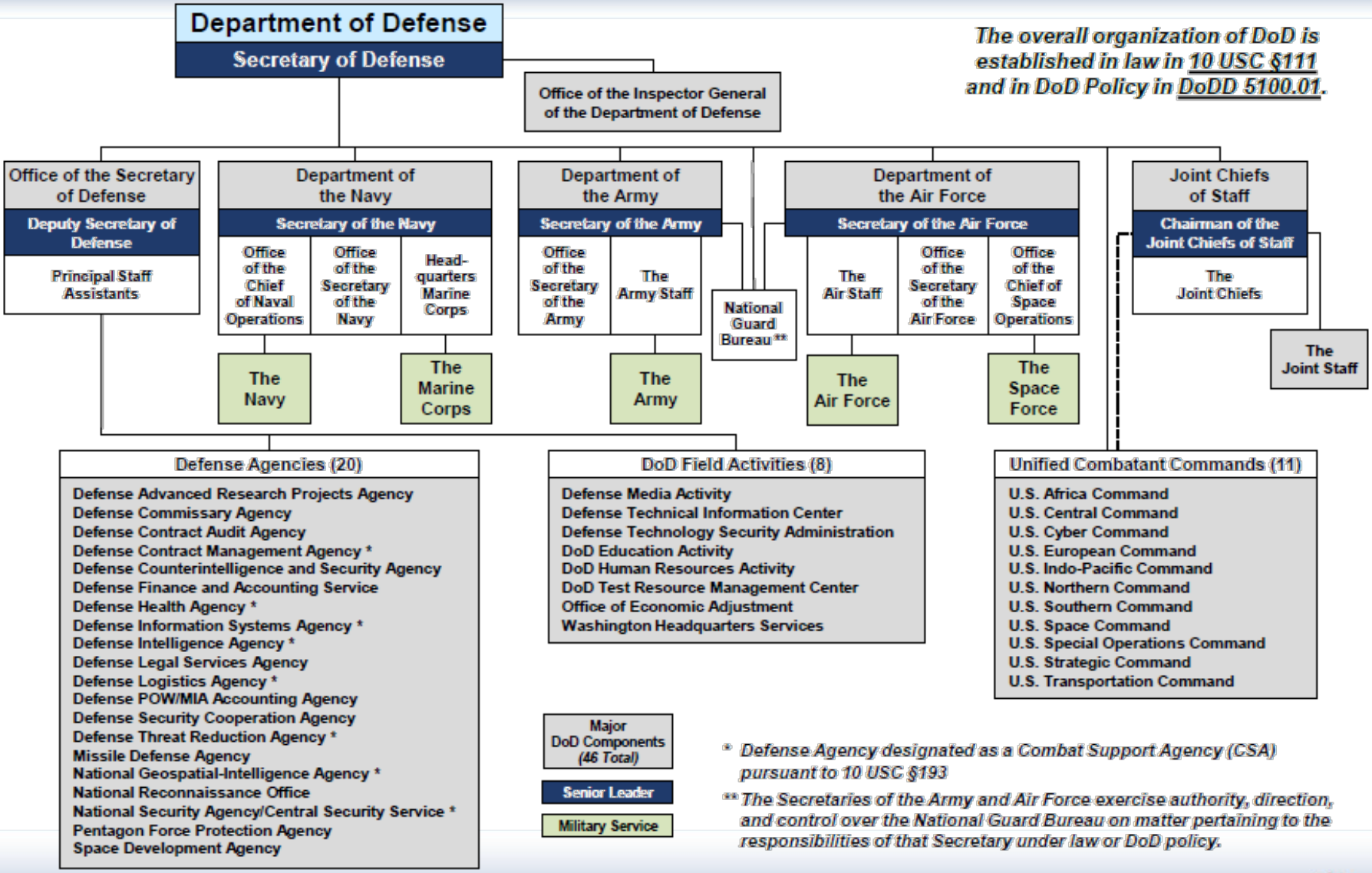
Considerations:

- Will the DAFA have any recourse and/or reclama for reductions?
- Will all enhancements/increases (e.g., SDA establishment, Background Investigations) have to be offset from within other DAFA?
- What is the threshold for bringing issues outside of the DAFA base?

DEFENSE BUSINESS BOARD

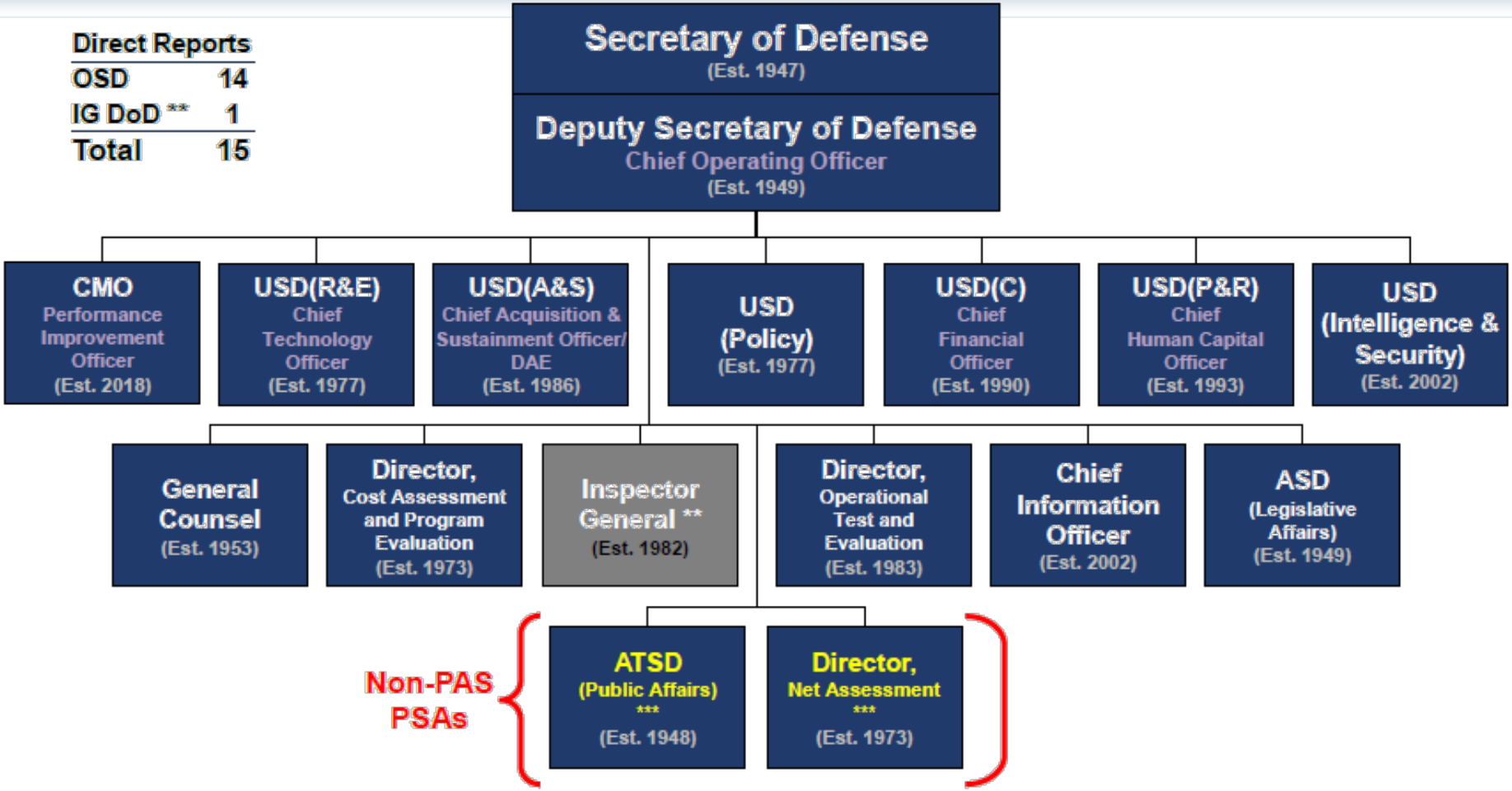
Organizational Alternatives Back-up

Current DoD Organization



Current OSD Organization

Direct Reports	
OSD	14
IG DoD **	1
Total	15

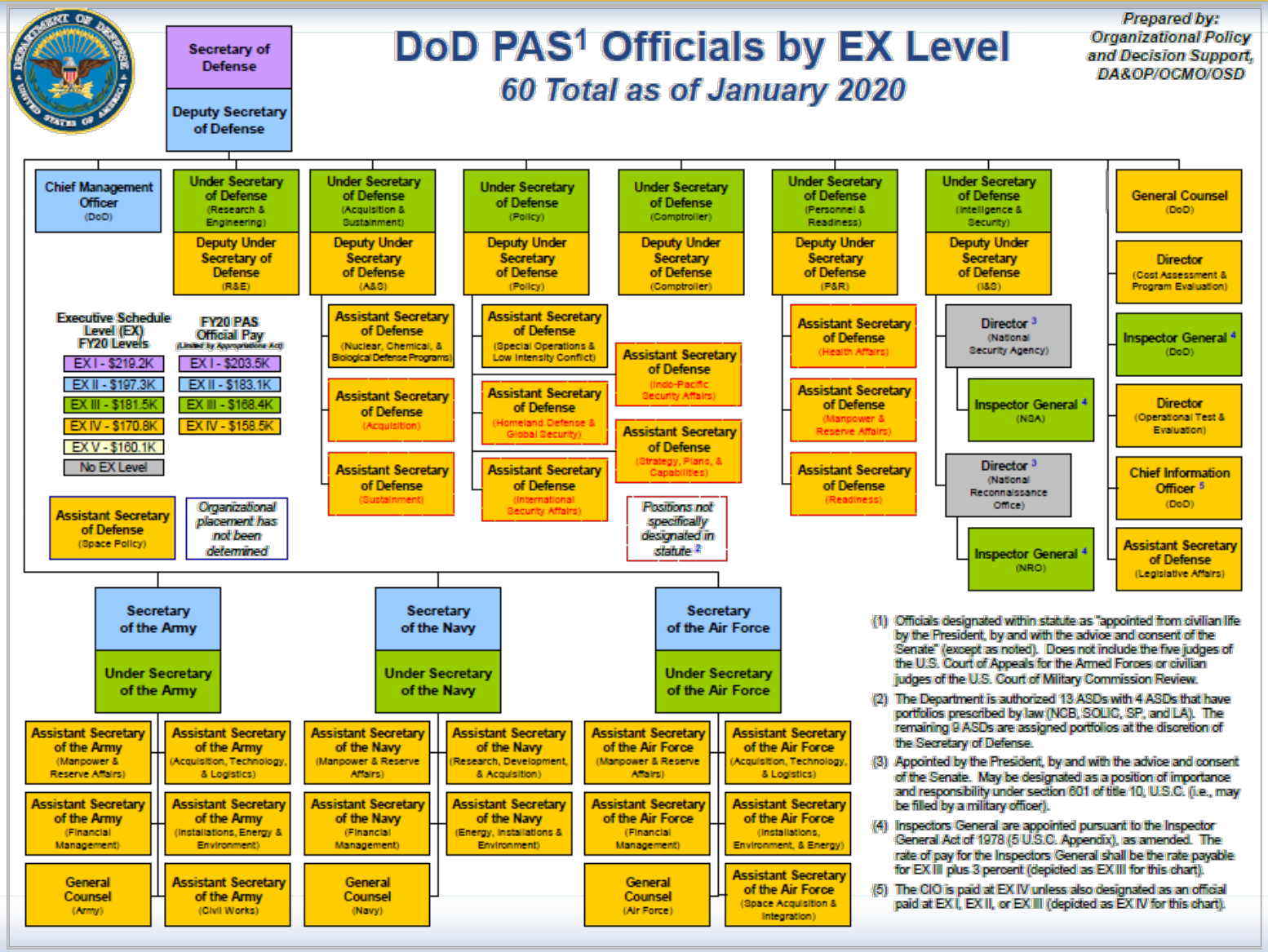


* *Dates reflect establishment of positions with roles that were essentially the same as they are today (even though the positions may have previously been non-PAS).*

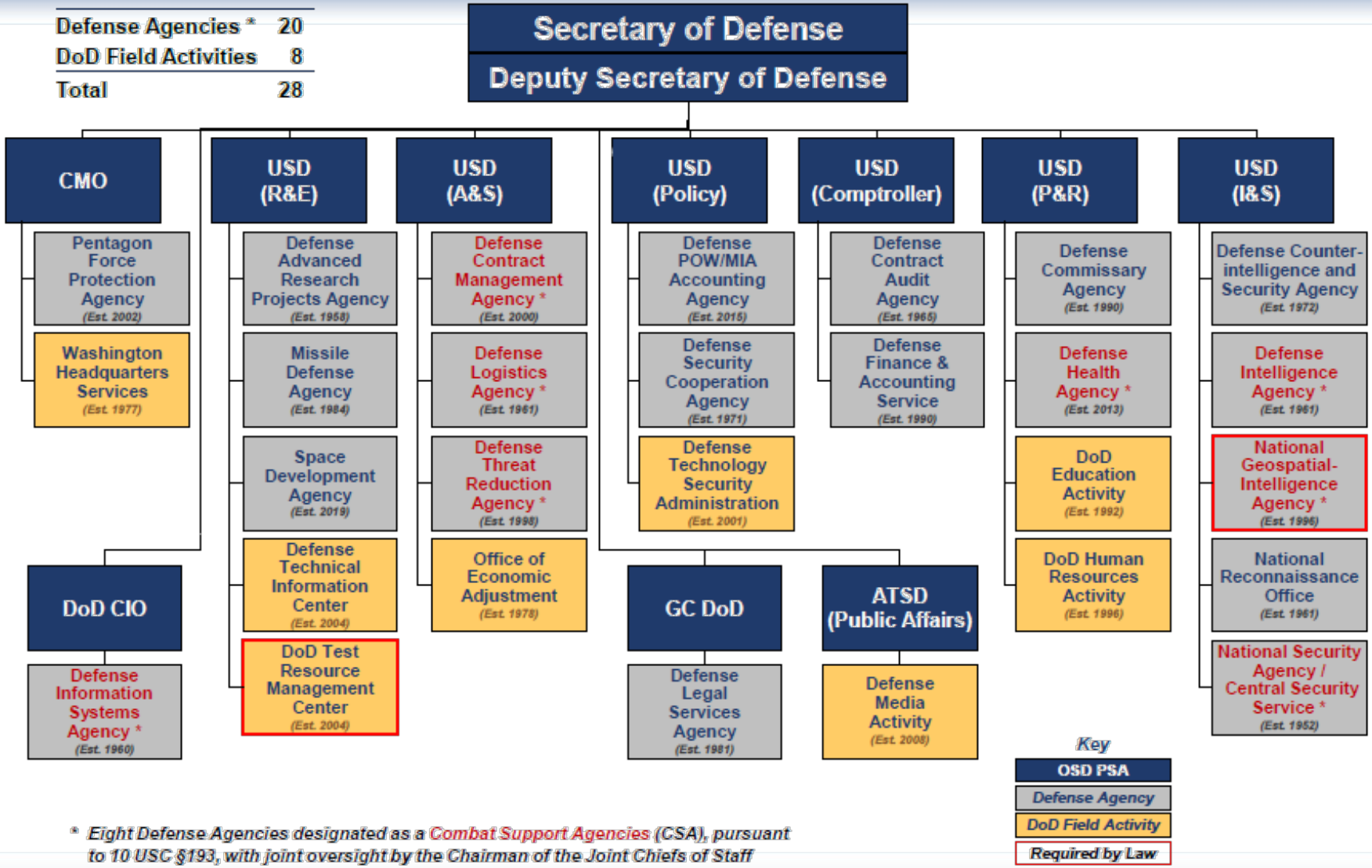
** *Although the IG DoD is statutorily part of OSD and for most purposes is under the general supervision of the SD, the Office of the IG DoD (OIG) functions as an independent and objective unit of the DoD*

*** *All positions shown are PAS except those with **** which are SES positions*

Current PAS Officials



Current DAFA Organization



* *Eight Defense Agencies designated as a Combat Support Agencies (CSA), pursuant to 10 USC §193, with joint oversight by the Chairman of the Joint Chiefs of Staff*

Combatant Commands

Six commanders have specific mission objectives for their geographical areas of responsibility:

United States Africa Command

United States Central Command

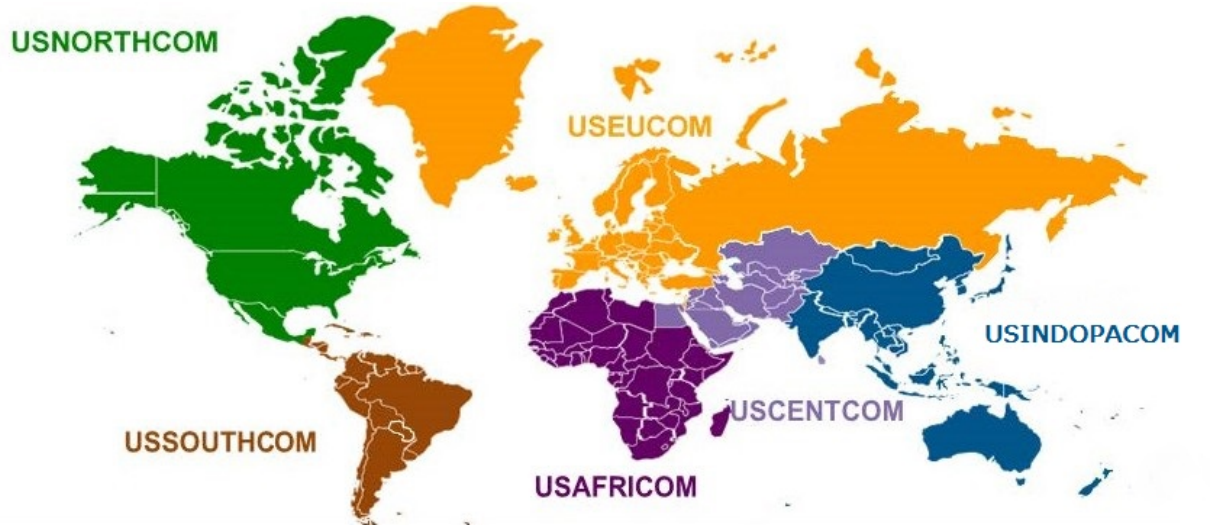
United States European Command

United States Indo-Pacific Command

United States Northern Command

United States Southern Command

United States Space Command



Four commanders have worldwide mission responsibilities, each focused on a particular function:

United States Cyber Command

United States Special Operations Command

United States Strategic Command

United States Transportation Command

DoD Organizational Structure
Senior Governance Fora

Secretary of Defense

Secretary's Weekly Priorities Review (SWPR)

Chair: SD

Weekly engagement of senior DoD leadership for Department wide alignment, and to focus on priority topics

National Defense Strategy Implementation Forum

Chair: SD

Weekly engagement of senior DoD leadership on implementation of NDS strategic objectives

Senior Leadership Council (SLC)

Chair: SD

Engages senior DoD leadership on employment, budget, strategy, and policy issues

Deputy's Management Action Group (DMAG)

Chairs: DSD/VCJCS

Weekly senior civilian military body to develop recommendations on a full range of strategy, policy, management, and resourcing issues

Chairman, JCS

Chairman's Meeting ("The Tank")

Chair: CJCS

Acts on force employment, operations and logistics support, acquisitions, and CCMD issue resolution

Chairman's Strategic Seminar (CSS)

Chair: CJCS

Conducted prior to each SLC for CJCS led, CCMD supported strategic force employment, posture, and support issues

Operations Deputies Meeting (OpsDeps)

Chair: DJS

Serves as the vetting body to support issues in consideration for review in the Tank

Joint Requirements Oversight Committee (JROC)

Chair: VCJCS

Requirements validation authority for Defense acquisition programs and capabilities

Source: DBB chart created with computations using DoD data

Approved by DBB - 6 May 2020

DoD Organizational Structure

Tiers of governance for a that advance issues to the DMAG

DMAG

PBR Meeting/3 Star Programmers	CIMB/ CLC	CIMB/ CLC	CSMG	DBC	DHRB	DISIC	DSOC
DCAPE Leads review of POMs submitted by Components, screens and develops issues for DMAG presentation	**USD(A&S), VCJCS, USD(P)** Drafts DoDD to transition into DSD Cyber Bi Weekly Renamed Cyber Leadership Council	**USD(A&S), VCJCS** Assesses performance, vulnerabilities, and priorities for Senior Leader Comms Systems, NC3 and COOP	**USD(P)** Focuses specifically on China Strategy issues	**CMO, CIO** Advises on DoD management, business processes, and governance from a private sector perspective	**USD(P&R)** Recent topics include Support to Surviving Family Members and Future of Warrior Games	**USD(I)** Relevant topics applicable to the Defense Intelligence and Security Enterprise Previously the ISR Council	**USD(P&R)** Governance on efforts to reduce mishaps, incidents, and occupational illness and injuries

ERMG	EW EXCOM	FIAR	GFMB	GPEC	JIE EXCOM	LRP	MDEB
ASD(R), DJS Advises SD on matters pertaining to DoD readiness	**USD(A&S), VCJCS** Addresses all aspects of the DoD EW Enterprises	**USD(C), CMO** Assesses management controls for essential operations and financial reporting	**DJ8** Assesses op impacts of force Management decisions; Recommends strategic planning guidance	**USD(P), JS** Convening authority for global posture and contingency planning issues	**CIO** Synchronizes JIE activities while ensuring alignment with overall IT effectiveness	**ASD(LA), GC** Processes legislative proposals consistent with the SDs legislative priorities	**USD(R&E), USD(A&S)** Missile defense Strategic policies, plans, program priorities, and investment opportunities

NDERG	PNT Oversight Council	RMG	RSMG	SGC	SSA/Tri-Chair	STLT/MHSER
DSD Identifies, tracks, coordinates, and addresses issues, risks, and opportunities across nuclear enterprise	**USD(A&S), VCJCS** Oversees DoD portion of the U.S. Positioning, Navigation, and Timing Enterprise	**CMO** Identifies, aligns, and develops new and existing business reform Efforts throughout DoD	**USD(P)** Focuses specifically on Russia Strategy issues	**DSD** Adjudicates reorg actions and legislative proposals before WH submission	**DCAPE, Policy, JS** Supports deliberations by Sr. leaders on strategy and PPBE, including force sizing, shaping, and capability	**USD(P&R)** Assesses Health care access, patient safety, and health care quality across the MHS

Source: DBB chart created with computations using DoD data

Approved by DBB - 6 May 2020

DoD Organizational Structure

	PBR Mtg/5Star Programmers	CIMB / CLC	CONLC3S	CSMG	DBC	DHRB	DISIC	DSOC	ERMG	EW EXCOM	FIAR	GFMB	GPEC	JIE	LRP	MDEB	NDERG	PNT Over-sight Council	RMG	RSMG	SGC	SSA	STLT/MHSER
Chair(s)	DCAPE	DSD	USD (A&S), VCJCS	DASD (China)	CMO, CIO	USD (P&R)	USD(I)	USD (P&R)	ASD(R),DJS	USD (R&E), VCJCS	USD(C) , CMO	DJ8	USD(P) , JS	CIO	ASD (LA), GC	USDs (R&E), (A&S)	DSD	USD (A&S), VCJCS	DSD, CMO	DASD (RUE)	DSD	USD(P) , DCAP, JS	USD (P&R)
JS	✓	✓	✓	✓	✓	✓		✓		✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
CAPE	✓			✓	✓	✓		✓	✓	✓			✓		✓	✓	✓		✓	✓	✓	✓	✓
CCMDs	✓	✓	✓	✓					✓			✓	✓	✓				✓		✓	✓		
CIO		✓	✓		✓			✓	✓	✓	✓					✓	✓	✓	✓		✓		
CMO	✓				✓	✓		✓	✓	✓	✓			✓	✓		✓		✓		✓		✓
DA/FAs			✓	✓			✓				✓			✓				✓	✓	✓			
IG											✓												
Mil/Deps	✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓			✓	✓		✓	✓	✓		✓
NGB	✓			✓		✓			✓				✓				✓		✓	✓	✓		
OGC															✓	✓	✓				✓		
OSD USDs	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
OT&E	✓															✓							
OTH Govt				✓																✓			

Key
✓ = Voting Member

Source: DBB chart created with computations using DoD data

DEFENSE BUSINESS BOARD

DCMO and CMO History and Background

DCMO-CMO History

The following history information was derived from the Info Paper: Statutory Establishment and Evolution of the Deputy Chief Management Officer (DCMO) and Chief Management Officer (CMO) of the Department of Defense(DoD), April 14, 2020 produced by Mr. Jeffery Eanes, OSD/DoD legislative/organization expert; DoD Organization Briefing Lead, Organizational Policy and Decision Support, Office of the Chief Management Officer

Apr 2005 – Bill introduced in the Senate (S.780, 109th Congress) to establish a DSD for Management at Executive Schedule (EX) Level II that would serve for a term of 7 years. Not included in the NDAA

Oct 2005 – DBB study FY05-3 provides recommendations regarding the establishment of a CMO and COO to fix the organizational structure of the department and establish metrics to coincide with business transformation initiatives

Jan 2006 – FY06 NDAA § 907 directed a report on the feasibility and advisability of the establishment of a DSD(M)

Mar 2006 – DSD England asked DBB to form a Task Force to revisit prior DBB proposal to create a CMO. The DBB explored two options: a USD for Management (USD(M)) at EX III; and a PUSD for Management (PUSD(M)) at EX II

DCMO-CMO History

The DBB decided a PUSD for Management (PUSD(M)) and recommended implementation in two phases:

- Phase I: Immediately create a Special Assistant for Management (transition) to undertake duties and draft permanent enabling legislation
- Phase II: Establish PUSD(M)/CMO with full responsibility and authority to direct Under Secretaries and Service Secretaries for issues in tasking memo and only for those issues (Level II position). Budget authority and responsibility for issues in tasking memo and only for those issues. Accountability and responsibility for progress on selected business initiatives. Accountability for success of tasks outlined in tasking memo through use of a performance-based approach. A fixed term will provide continuity for transitioning administrations resulting in more chance of implementing business initiatives successfully Jan 2008 – FY08 NDAA § 904 includes provision that designated the DSD as the CMO; established a DCMO of DoD at EX III; and designated the Under Secretaries of the Military Departments as the CMOs of those Departments

January 2008 – Ms. Beth McGrath appointed as DoD Performance Improvement Officer by DSD Gordon England via January 4, 2008 memo

Oct 2008 – FY19 NDAA § 904 added DCMO to the membership of the Defense Business System Management Committee (DBSMC) and made the DCMO the DBSMC's Vice Chairman. The Office of the DCMO is established

Oct 2009 – FY10 NDAA § 932 created the Defense Integrated Military Human Resources System (DIMHRS) Development and Transition Council. Section 1003 directed the DCMO, in consultation with the USD(C), to develop and maintain the Financial Improvement and Audit Readiness (FIAR) Plan

DCMO-CMO History

Jul 2010 – Ms. Beth McGrath appointed by the President as the first DCMO. DBB recommended to SD Gates major changes to OSD and other DoD organizations. The DBB Task Force was chaired by Arnold Punaro

Aug 2013 – SD Hagel asked former SecAF Michael Donley to lead an OSD Organizational Review (OOR). Secretary Donley had performed a similar review in 1997 (of note, Arnold Punaro chaired the "Defense Reform Task Force" for SD Bill Cohen to recommend improvement to DoD organizations and to bring world class business practices to DoD.)

Nov 2013 – Ms. McGrath departs DCMO position

Dec 2013 – SD Hagel approves OOR recommendations and directs the merger of the DCMO, DA&M, and the Assistant to the Secretary of Defense for Intelligence Oversight (ATSD(IO)). Dec 2013 – SD Hagel approves OOR recommendations and directs the merger of the DCMO, DA&M, and the Assistant to the Secretary of Defense for Intelligence Oversight (ATSD(IO))

May 2014 – Department's legislative proposal (#006 for the FY15 cycle) advancing corresponding statutory changes from SD Hagel decisions approved, cleared by the OMB and the White House, and transmitted to Congress to be included in the FY15 NDAA

Jun 2014 – SASC introduces provision for the FY15 NDAA § 901 to strengthen DCMO by designating the DSD as the COO (removing the CMO role) and converting the DCMO into the CMO of the DoD at EX III. The CMO would serve as the CIO and PIO; exercise authority, direction, and control (ADC) over IAD/NSA; and take precedence after the USD(AT&L)

DCMO-CMO History

Jul 2014 – DSD Work directs the consolidation of the Offices of the ATSD(IO) and DA&M into the CMO

Dec 2014 – FY15 NDAA § 901 establishes a USD for Business Management and Information (USD(BM&I)) at EX II to become effective on February 1, 2017. The USD(BM&I) would serve as the CIO (statutorily established in 10 U.S.C. § 142) and PIO; exercise, through the CIO role, ADC over IAD/NSA; and take precedence before the USD(AT&L) (even on matters for which the USD(AT&L) is assigned responsibility in law or by direction of the Secretary)

May 2015 – Mr. Peter Levine appointed by the President as the second DCMO

Nov 2015 – FY16 NDAA established the Defense Business Council

Apr 2016 – Mr. Levine becomes the Acting USD(P&R) while continuing to encumber the positon of DCMO.
Dec 2016 – The NDAA for FY 2017 (Pub. L.114-328, § 901) eliminated the USD(AT&L) and established a USD(Research and Engineering) at EX II, a USD(Acquisitions and Sustainment) at EX II, and a CMO without EX level rank to become effective on February 1, 2018 (1-year delay)

Jan 2017 – Mr. Levine departs DCMO position and Acting USD(P&R) role with change of Administration

Apr 2017 – SD Mattis approves request by Acting DCMO to retitle CMO to USD(M)/CMO and “let stand” the statutory provision which gave the CMO “authority to direct the Secretaries of the military departments and all other organizational elements of the Department with regard to matters for which the CMO has responsibility subject to the delegation of the Secretary vice seeking legislation to [clarify] such authority”

Nov 2017 – Mr. John “Jay” Gibson appointed by President as third DCMO

DCMO-CMO History

Dec 2017 – FY18 NDAA (Pub. L.115-91) § 909 establishes the CIO as a PAS official (EX IV), generally revises the responsibilities of the CIO, and directs the SD to provide an alternative proposal ("Section 909 Report") no later than March 1, 2018 on the statutory construct of the CIO. Section 910 revises the statutory responsibilities for the CMO, codifies the CMO position in 10 U.S.C. § 132a (thereby eliminating the PAS DCMO), and makes the CMO an EX II official, all effective February 1, 2018. The new CMO responsibilities included broader authorities for business management and information including, effective January 1, 2019, assigning to the CMO broad CIO responsibilities ("bifurcation of CIO roles") in titles 10, 40, and 44 of U.S.C.

Feb 2018 – Mr. Gibson appointed by President as first CMO

Apr 2018 – Ms. Lisa Hershman, appointed DCMO

May 2018 -- HASC introduces several provisions for the FY 2019 NDAA (HR.5515). Section 911 generally revises the responsibilities of the CMO by requiring the CMO to exercise ADC over all activities of the Department related to civilian resources management, logistics management, services contracting, or real estate management; authorizing the CMO to carry out elimination of DAFA (other than the DoD Education Activity (DoDEA) or those established by statute); requiring the DAFA to provide their budgets to the CMO for certification of cost savings

Aug 2018 – FY19 NDAA (Pub. L.115-232) § 903 codifies the bifurcation of Federal CIO responsibilities. Section 921 generally revises the responsibilities of the CMO

Nov 2018 – Mr. Gibson departs CMO position

Dec 2018 – Ms. Lisa Hershman, DCMO, is Acting CMO

DCMO-CMO History

Jun 29, 2019 – Ms. Lisa Hershman reverts back to her DCMO role

Dec 31, 2019 - Ms. Lisa Hershman appointed by President as second CMO

Jan 6 2020 – The SD establishes three DoD Reform Focus areas for 2020: DW organizations transition to CMO governance, CCMD reviews and refocus, and MilDep “clean-sheet” budget reviews. With respect to the DW effort the CMO, operating under the DSD’s guidance, will be responsible for the business functions of DW organizations. The CMO will focus on reforming business processes, overseeing resource planning and allocation, and evaluating each DW organization’s performance against business goals. The CMO will establish methods to strengthen oversight, continue reform momentum, and instill fiscal discipline across DW organizations and accounts. The CMO’s immediate focus, in coordination with the USD(C) and DCAPE, will be to develop a consolidated FY 2022-2026 program and budget for the DW accounts

Jan 24 2020 – DSD memo “Defense-wide Organizations Transition to Chief Management Officer Governance” provided further details to guide implementation activity of the SD’s 6 Jan memo. The DSD supplemented the SD directions with guidance to the CMO to strengthen resource oversight of DW accounts and organizations, drive business reform across the DAFA, and participate in the hiring process and performance evaluation cycles for the civilian DAFA Directors and Deputy Directors

Feb 13 2020 – CMO memo “Responsibility for the Business Functions of Defense-wide Organizations” outlined the CMO efforts, in coordination with USD(C), and the D,CAPE, in developing a consolidated FY 2022-2026 DW program and budget submission for the DW organizations

DCMO-CMO Incumbents

DCMO-CMO Incumbency Dates:

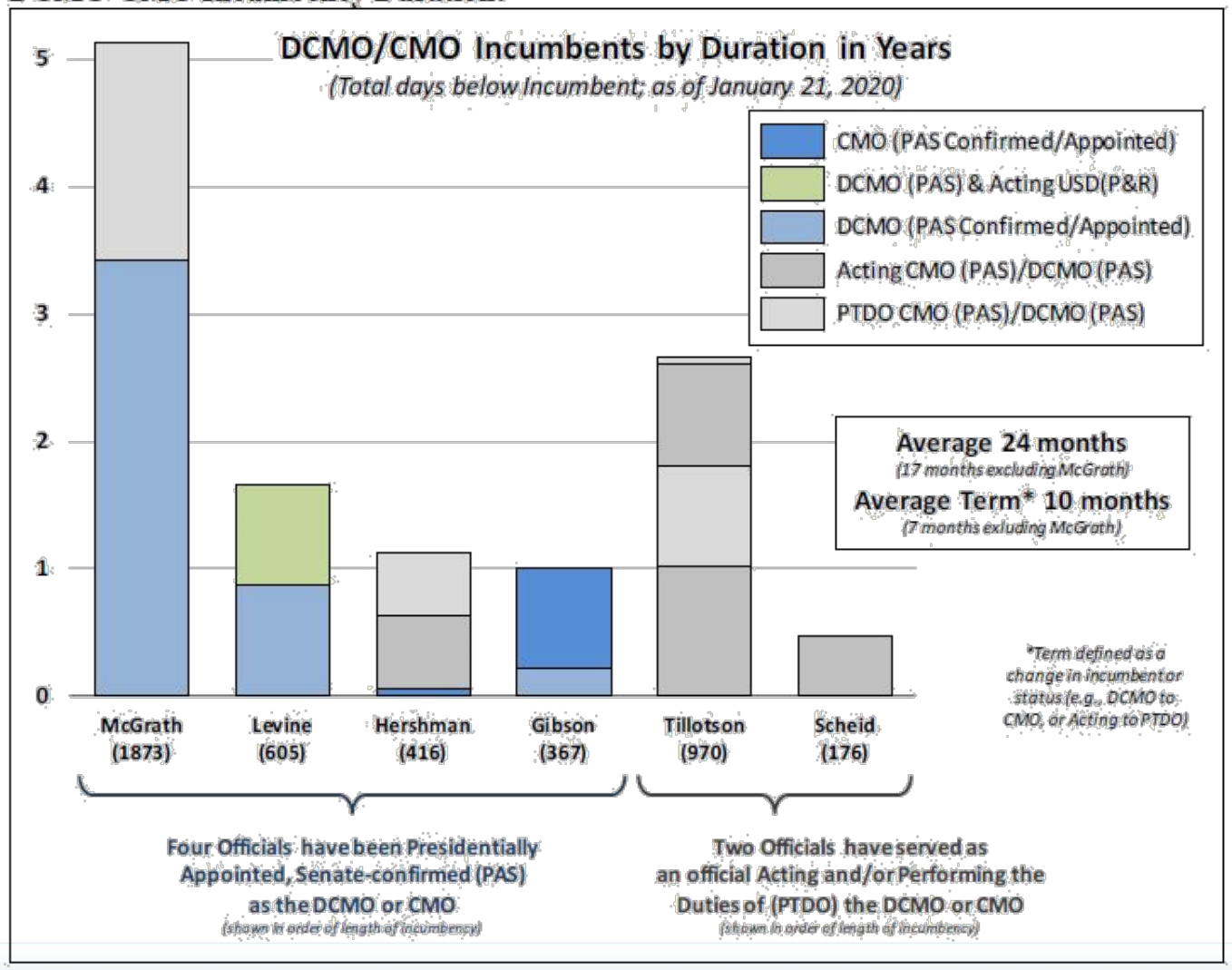
Incumbent	Position	Nominated	Hearing	Reported	Confirmed	Appointed	Departed	Length (Total)
Ms. Elizabeth McGrath	ADCMO	PTDO DCMO (new position)[1]				October 9, 2008	June 24, 2010	623
HON Elizabeth McGrath	DCMO (PAS)	March 10, 2010	March 23, 2010	May 5, 2010	June 22, 2010	June 24, 2010	November 25, 2013	1250 (1873)
Mr. Kevin Scheid	ADCMO	Acting DCMO				November 25, 2013	May 20, 2014	176
Mr. David Tillotson	ADCMO	Acting DCMO				May 20, 2014	May 26, 2015	371
HON Peter Levine	DCMO (PAS)	March 4, 2015	April 21, 2015	April 30, 2015	May 23, 2015	May 26, 2015	January 20, 2017	605 (318)[2]
Mr. David Tillotson	ADCMO	PTDO DCMO (encumbered)[2]				April 8, 2016	January 20, 2017	287
Mr. David Tillotson	ADCMO	Acting DCMO				January 20, 2017	November 8, 2017	292
HON John "Jay" Gibson	DCMO (PAS)	June 19, 2017	July 18, 2017	July 27, 2017	November 7, 2017	November 8, 2017	January 31, 2018	84
Mr. David Tillotson	ADCMO	PTDO CMO (new position)[1]				February 1, 2018	February 20, 2018	20 (970)
HON John "Jay" Gibson	CMO (PAS)	January 22, 2018	No hearing	January 30, 2018	February 15, 2018	February 20, 2018	November 30, 2018	283 (367)
Ms. Lisa Hershman	DCMO (non-PAS)	Acting CMO				December 1, 2018	June 29, 2019	210
Ms. Lisa Hershman	DCMO (non-PAS)	As the DCMO, discharges the duties of the CMO (FVRA time limit and presumption of confirmation)[3]				June 29, 2019	December 31, 2019	185
HON Lisa Hershman	CMO (PAS)	July 22, 2019	October 29, 2019	November 19, 2019	December 19, 2019	December 31, 2019	Present *(January 21, 2020)*	21 (416)

[1] An official cannot be designated as Acting for a new PAS position until the PAS position has been filled at least once.
[2] Mr. Tillotson was PTDO DCMO while Mr. Levine, still encumbering the DCMO, was the Acting USD(P&R). Mr. Levine's total days (in parenthesis) represents his DCMO time, less the time as Acting USD(P&R).
[3] Ms. Hershman was fulfilling the duties of the CMO without the designation of Acting or PTDO.

Source: OP&DS Info Paper: Statutory Establishment and Evolution of the Deputy Chief Management Officer (DCMO) and Chief Management Officer (CMO) of the DoD 21 January 2020

DCMO-CMO Incumbents

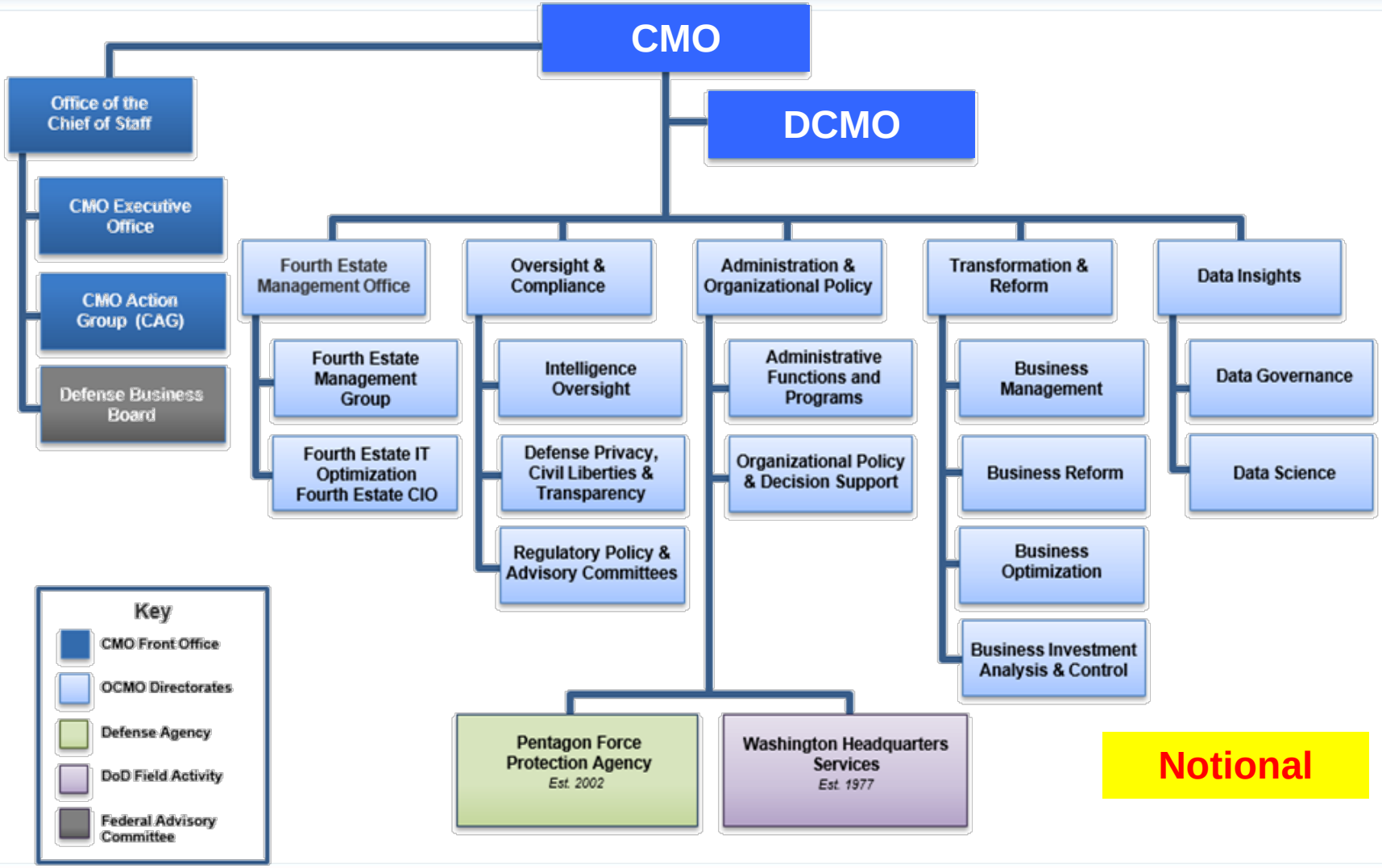
DCMO-CMO Incumbency Duration:



Source: OP&DS Info Paper: Statutory Establishment and Evolution of the Deputy Chief Management Officer (DCMO) and Chief Management Officer (CMO) of the DoD 21 January 2020

Approved by DBB - 6 May 2020

Current CMO Organization



Source: OP&DS

CMO Statutory Responsibilities and Authorities

Post FY20 NDAA

10 USC 132a. CMO

(b) Responsibilities.—**Subject to ADC of SD and DSD, the CMO shall perform such duties and exercise such powers as the SD or DSD may prescribe**, including the following:

(1) Serve as CMO DOD with mission **of managing enterprise business operations (EBO)/shared services** of DoD.

(2) Serve as the principal advisor to the SD/DSD on establishing policies for, and directing, all EBO, including:

- *Planning and processes, business transformation, and performance measurement and management activities and programs, including the allocation of resources for enterprise business operations and unifying business management efforts across the Department.*

(3) Exercise authority, direction, and control over the Defense Agencies and DoD Field Activities (DAFA) providing shared business services for the Department that are **designated by the SD or DSD for purposes of this paragraph**.

(4) Authority to direct the Secretaries of the military departments and the heads of all other elements of the Department with regard to matters for which the CMO has responsibility under this section.

(6) Serve as the official with principal responsibility in the Department for minimizing the duplication of efforts, maximizing efficiency and effectiveness, and establishing metrics for performance among and for all organizations and elements of the Department.

(c) Budget Authority.-(1)(A) Beginning in FY 2020, the SD, acting through the USD(Comptroller), shall require the head of each DAFA specified by the Secretary for purposes of this subsection to transmit the proposed budget of such Agency or Activity for EBO for a FY, and for the period covered by the FYDP submitted to Congress under section 221 of this title for that FY, to the CMO for review under subparagraph (B) at the same time the proposed budget is submitted to the USD(Comptroller).

(B) The **CMO shall review each proposed budget transmitted under subparagraph (A)** and, not later than January 31 of the year preceding the FY for which the budget is proposed, **shall submit to the SD a report containing the comments of the CMO with respect to all such proposed budgets, together with the certification of the CMO regarding whether each such proposed budget achieves the required level of efficiency and effectiveness for EBO**, consistent with guidance for budget review established by the CMO.

(C) Not later than March 31 each year, the Secretary shall submit to Congress a report that includes the following:

(i) **Each proposed budget for the EBO of a DAFA that was transmitted to the CMO** under subparagraph (A).

(ii) Identification of each proposed budget contained in the most recent report submitted under subparagraph (B) **that the CMO did not certify as achieving the required level of efficiency and effectiveness for EBO**.

(iii) A discussion of **the actions that the Secretary proposes to take**, together with any recommended legislation that the Secretary considers appropriate, **to address inadequate levels of efficiency and effectiveness** for EBO achieved by the proposed budgets identified in the report.

(iv) Any additional comments that the Secretary considers appropriate regarding inadequate levels of efficiency and effectiveness for enterprise business operations achieved by the proposed budgets.

(2) Nothing in this subsection shall be construed to modify or interfere with the budget-related responsibilities of the Director of National Intelligence.

10 USC 192. DAFA Oversight

(c) Periodic Review.—(1) **Every 2 years, the SD shall review the services/supplies provided by each DAFA** to ensure:

(A) there is a continuing need for the DAFA; and

(B) the provision of services/supplies by the DAFA is more effective, economical, or efficient that the MilDeps or in meeting the combat readiness of the armed forces.

(1*) (A) **Every 4 years, the CMO shall conduct a review of the effectiveness and efficiency of each DAFA** (in connection with ongoing business enterprise reform).

(B) As part of each review, the CMO shall identify each activity of a DAFA that is substantially similar to, or duplicative of, an activity carried out by another DoD Component, or is not being performed adequately.

(C) The CMO shall develop internal guidance that defines requirements and provides clear direction for conducting and recording the results of reviews.

....(2)(A) **NLT 90 days after each review, CMO shall submit a report to the Congressional Defense Committees**.

(B) The report shall include:

(i) **A list of the DAFA the CMO has determined: operates efficiently and effectively**, and does not carry out substantially similar or duplicative functions of another DoD Component.

(ii) **For each DAFA not on the list, a plan for better meeting the Department's needs** by:

(I) rationalizing the functions within the DAFA;

(II) transferring some or all of the functions of the DAFA; or

(iii) **Recommendations for consolidating functions from the MilDeps into the DAFA**.

....(3) The SD, in consultation with the DNI, shall determine appropriateness, and procedures for, a review of NSA.

(d) Special Rule for Defense Commissary Agency.— The SD may not transfer responsibilities of DeCA to a MilDep unless specifically authorized by law.

(e) Limitation on Termination.—The SD may not terminate a DAFA until 30 days after submitting a report to the Defense Committees with notice of intent and recommendations for appropriate legislative actions.

40 USC 11319(d)(4). IT Review

(d) IT Portfolio, Program, and Resource Reviews.—(1) Process. The OMB Director, in consultation with Agency CIOs, shall implement a process to assist agencies in reviewing their portfolio of IT investments—

(A) to identify or develop ways to increase the efficiency and effectiveness of the IT investments of the covered agency;

(B) to identify or develop opportunities to consolidate the acquisition and management of IT services, and increase the use of shared-service delivery models;

(C) to identify potential duplication and waste;

(D) to identify potential cost savings;

(E) to develop plans for actions to optimize the IT portfolio, programs, and resources of the covered agency;

(F) to develop ways to better align the IT portfolio, programs, and financial resources of the covered agency to any multi-year funding requirements or strategic plans required by law;

(G) to develop a multi-year strategy to identify and reduce duplication and waste within the IT portfolio of the covered agency, including component-level investments and to identify projected cost savings resulting from such strategy; […]

(2) Metrics and performance indicators. —OMB/CIOs shall develop standardized cost savings/avoidance metrics and performance indicators for use by agencies.

(3) Annual review. —**The CIO**, in conjunction with the COOs/Deputy Secretaries and the Administrator, Office of Electronic Government, **shall conduct an annual review of the IT portfolio of the covered agencies**.

(4) Applicability to the DoD. —Processes established pursuant to this subsection **shall apply only to DoD business systems IT portfolio and not to national security systems (NSS)**. The **annual review shall be carried out by the CMO**, in consultation with the CIO DoD, USD(A&S), and other DoD officials. The SD may designate an existing investment/management review process for the review.

DoD-wide

DAFA specific

Business Systems specific

31 USC 1124. PIO

(2) Function.—PIO shall report directly to the COO [DSD]; and shall advise/assist the SD/DSD with respect to:

*(A) **DoD mission/goals are achieved through strategic/performance planning, measurement, analysis, regular assessment of progress, and performance information to improve results;***

(B) DoD goals, including opportunities to collaborate with other agencies;

*(C) **DoD strategic and performance planning** [per Title 5 & 31, U.S.C.];*

(D) Conduct of regular reviews of agency performance;

(E) DoD performance measures in personnel performance appraisals;

(F) Communication of progress to leadership, Congress, & the public.

10 USC 131. OSD

(d) The **Secretary of each military department**, and the civilian employees and members of the armed forces under the jurisdiction of the Secretary, **shall cooperate fully with personnel of the Office of the Secretary of Defense** to achieve efficient administration of the DoD and to carry out effectively the authority, direction, and control of the SD.

10 USC 240b. FIAR Plan

(a)**(1) CMO, in consultation with the USD(C), shall maintain a "Financial Improvement and Audit Remediation Plan"**.

(2) Elements. —The plan shall include specific actions to be taken to correct deficiencies; ensure financial statements are timely, reliable, and complete; and achieve unqualified audits for all major DoD elements.

(b)**(1) Annual report**. —

(A) The USD(C) shall provide an annual plan on the status of the implementation of the plan.

(B) Each report shall include an analysis of actions, status, description of work, timeline, costs, certification of results, and an assessment of the percentage of work being performed by qualified professionals.

(C) The reports shall be in unclassified form with an optional classified annex. **The SD may not delegate submission to any official other than the DSD, CMO or USD(C).**

(2) Semiannual briefings. —NLT Jan. 31 & June 30 each year, USD(C) & MilDep FMs shall provide briefings to CDCs with number/percentage of personnel performing audit activities.[…]

10 USC 2222. DBS

(c) The SD shall issue guidance, and direct **CMO, USD(A&S), CIO, and MilDep CMOs to issue supporting guidance**.

(d) Guidance shall include continuous review of processes; requirements determinations; control of investments and data collection; periodic review; sustainability and use of open architectures; use of best practices, and audit requirements.

(e) The **CMO shall develop and maintain the Defense Business Enterprise Architecture (DBEA)**; the DBEA shall be integrated into the **Information Technology Enterprise Architecture (ITEA), developed by the CIO**. The defense business enterprise shall include common enterprise data that may be automatically extracted.

....(e)(6) Roles and responsibilities.—

*(A) **The CMO shall have primary decision-making authority with respect to the development of common enterprise data**. In consultation with the DBC, the CMO shall: develop an associated data governance process; and oversee the preparation, extraction, and provision of data across the defense business enterprise.*

*(B) **The CMO and USD(C) shall document/maintain common enterprise data for their respective areas of authority; participate in data governance processes; extract data from DBS; ensure financial/audit data consistency; provide data access; and ensure consistency of common enterprise data.***

(C) The DCAPE shall have access to data.

(D) The DoD Components shall provide access to relevant systems within their Component in order to populate common datasets.

(f) **Defense Business Council**.—The SD shall establish a DBC to **provide advice to the SD** on developing the defense business enterprise architecture, reengineering the Department's business processes, developing and deploying DBS, and developing requirements for DBS. The DBC is be **co-chaired by the CMO and CIO**, and include the MilDep CMOs; USD(A&S) *for acquisition, logistics, and installation management processes*; USD(C) *for FM and planning/budgeting processes*; and USD(P&R) *for HR management processes.*

(g) Approvals Required for Development.—

*(1) **Before development, production, or fielding a DBS, SD shall ensure the system will**: (A) Be streamlined/efficient and maximize elimination of unique software requirements and unique interfaces; (B) Be in compliance with DBEA/ITEA; (C) Have valid/achievable requirements; viable implementation plan; (D) Have an acquisition strategy designed to eliminate/reduce tailored-COTS or unique requirements/interfaces; and (E) Be in compliance with the Department's auditability requirements.*

*(2) Appropriate approval officials for certification are: **CMO for a priority defense business system; MilDep CMO for a MilDep system**; CMO for a DAFA system or a system that supports more than one MilDep; or an official SD designates for such purpose.*

*(3) **Officials shall annually certify that DBS continue to satisfy requirements** or notify MDA with recommended corrective action.*

*(4) **Funding non-certified DBS is an Antideficiency Act violation.***

(h) Responsibility of Milestone Decision Authority (MDA).—The MDA for a covered DBS shall ensure that systems are not acquired until they comply with this section.

Source: OP&DS

CMO Inherited Responsibilities and Authorities

DCMO – Oct 2008

Responsibilities/Functions: **PSA and advisor to SD/DSD for matters relating to their management and improvement of DoD business operations.**

a. Assist DSD as CMO:
- (1) Recommend to DSD methodologies and measurement criteria to better synchronize, integrate, and coordinate the business operations to ensure optimal alignment in support of the DoD warfighting mission.
- (2) Develop and maintain Strategic Management Plan.
- (3) Advise on performance goals and measures.

b. Serve as the Capability Portfolio Manager for the Corporate Management and Support Portfolio.

c. Participate as a member of senior governance councils.

d. **Serves as the Performance Improvement Officer.**

e. Work with MilDep CMOs.

f. Assist OSD and DoD Components heads in ensuring that strategic plans, performance goals, and measures are aligned with/accountability to DoD strategic goals.

g. Ensure that business transformation policies and programs are designed and managed to improve performance standards, economy, and efficiency.

h. Perform such other duties as SD/DSD may prescribe.

Relationships.

a.(1). **Report directly to DSD.**

a.(2). Exercise ADC over Director BTA.

Authorities. Delegated authority to:

a. **Issue DoD policy within assigned authorities and responsibilities, including authority to propose collateral responsibilities of OSD and DoD Component heads; such instructions will be fully coordinated and this authority may not be delegated.** Instructions to the MilDeps shall be issued through the MilDep Secretary concerned; Instructions to the CCMDs shall normally be communicated through the CJCS.

b. Obtain reports and information.

c. **Communicate, as appropriate**, in carrying out assigned responsibilities and functions with: MilDep CMOs (**through MilDep Secretaries**), **DoD Components**, **Other Executive Branch officials, Legislative Branch representatives (through ASD(LA) and Deputy Comptroller(BAA)), State and local officials, and Members of the public (through ATSD(PA))**.

* **Does not include CMO/DCMO or OSD Component Head responsibilities across other issuances.**

DA&M – Feb 2008

Responsibilities/Functions: **PSA and advisor to SD on DoD-wide administration, organization, and management; Executes a hierarchy of responsibilities in support of the SD/DSD, DoD, OSD, DAFA, and Pentagon.**

4.1. AT/FP on Pentagon/NCR; OSD high-risk personnel.

4.2. Operations/continuity of Pentagon/RRMC.

4.3. Governance/reforms (support for DMAG).

4.4. Org/Mgmt issues; Congressionally mandated reforms.

4.5. Organizations, missions, and functions.

4.6. Chartering directives for OSD and DAFA.

4.7. Administrative transition and key personnel.

4.8. Oversee DoD EA and other management arrangements.

4.9. SD/DSD correspondence.

4.10. Issue DoD policy and oversee:
- *4.10.1. Directives Program.*
- *4.10.2. Committee Management/FACA.*
- *4.10.3. Federal Executive Boards.*
- *4.10.4. Biennial Review of DAFA (per 10 USC 192).*
- *4.10.5. Adjudication of complaints of reprisal by NAF employees and applicants based on IG DoD reports.*
- *4.10.6. FOIA Program; **serve as Chief FOIA Officer.***
- *4.10.7. Security Review Program; serve as appellate authority.*
- *4.10.8. Privacy Program; **serve as Senior Privacy Official.***
- *4.10.9. Regulatory Program; **serves as functional proponent for Regulatory Policy Officer.***
- *4.10.10. Combined Federal Campaign Fundraising.*
- *4.10.11. United States Savings Bond Program.*
- *4.10.12. Passport and Passport Agent Services (SecAR is DoD EA).*
- *4.10.13. Personnel detailed to duty outside of DoD.*
- *4.10.14. Major DoD Headquarters Activities.*
- *4.10.15. Standardization of military/associated terminology.*

4.11. Serve on boards/committees (represent SD on DoD matters outside DoD), as follows:
- *4.11.1. National Capital Planning Commission.*
- *4.11.2. Defense Business Systems Management Committee.*
- *4.11.3. Defense Human Resources Board.*
- *4.11.4. Internal Controls Senior Assessment Team.*
- *4.11.5. Continuity Executive Steering Group.*
- *4.11.6. OSD Management Forum (serve as ExecSec).*

4.12. Issue policy and oversee:
- *4.12.1. OSD Historical Program.*
- *4.12.2. OSD Managers' Internal Control Program.*
- *4.12.3. Premium Class Travel Program for OSD/DAFA/FACA.*
- *4.12.4. Pentagon Executive Dining Facilities.*

4.13. Approve Official Representation Funds (<$50K).

4.14. Determine the Washington local commuting area.

4.15. Matters relating to special command positions (including matters related to furnishing quarters/providing amenities).

4.16. OSD Manpower Management:
- *4.16.1. Executive and political personnel in OSD.*
- *4.16.2. National Security Personnel System (NSPS) for OSD.*
- *4.16.3. Rep for Defense Intelligence Human Resources Board; allocate the DISES; manage the DISES/DISL Presidential Rank Awards.*

4.17. OSD POM and BES submissions.

4.18. Manage official telecommunications equipment in private residences for national security purposes.

4.19. Oversee the following for the Pentagon Reservation:
- *4.19.1. Chair the Pentagon Governance Council.*
- *4.19.2. Approve IT through the Pentagon Area CIO Council.*
- *4.19.3. Appeals of protests to the DoD Concessions Committee.*

4.20. Ensure economy, efficiency, and attentiveness to customers.

4.21. Perform such other duties as the SD/DSD may prescribe.

Relationships.

5.1.1. **Report directly to SD.**

5.1.2. Exercise Authority, Direction, and Control (ADC) over: **Director, WHS**; and **Director, PFPA**.

5.2. **OSD/DoD Component heads shall coordinate with DA&M on all matters related to DA&M responsibilities.**

Authorities. Delegated authority to:

6.1. **Issue DoD policy (exercising all authority of the SD) within assigned authorities and responsibilities, including authority to propose collateral responsibilities of OSD and DoD Component heads; such instructions will be fully coordinated and this authority may not be delegated.** Instructions to the MilDeps shall be issued through the MilDep Secretary concerned; Instructions to the CCMDs shall normally be communicated through the CJCS.

6.2. Obtain reports and information.

6.3. Communicate, as necessary, to carry out assigned responsibilities and functions with **DoD Components**; Communications to MilDeps through MilDep Secretaries and CCMDs normally through CJCS.

6.4. DoD participation in non-DoD governmental programs.

6.5. Communicate with: **Other Executive Branch officials, Legislative Branch representatives (through ASD(LA) and Deputy Comptroller(BAA)), State and local officials, and Members of the public (through ATSD(PA))**.

6.6. Security review appellate authority for OSD/OCJCS.

6.7. FOIA appellate authority for OSD/OCJCS/CCMD/DAFA.

6.8. Privacy Act appellate authority for OSD/OCJCS.

6.9. DoD Regulatory Planning and Review process.

6.10. Exercise DSD authority to cancel DoD Directives and approve administrative changes/reissuances of DoDD.

6.11. Approve premium-class travel for OSD/DAFA/FACA.

6.12. Collaborate with Labor Representatives regarding NSPS.

6.13. Issue NSPS implementing issuances for OSD/JS/DAFA.

6.14. Manage award of DoD miscellaneous grants.

6.15. Senior Management Official for the Pentagon Reservation and DoD facilities in the NCR in accordance with the National Response Plan, the National Incident Management System, and the National Infrastructure Protection Plan.

6.16. OSD Records Management/Declassification Programs.

6.17. Redelegate these authorities, as appropriate.

ATSD(IO) – Apr 2013

Responsibilities/Functions: **PSA and advisor to SD/DSD for Intelligence Oversight (IO); Independent oversight of all intelligence activities; Inspects all intelligence activities to ensure they comply with federal law and policy.**

a. Develops and issues IO policy to DoD Components.

b. Reviews any allegation questioning the legality or propriety of DoD intelligence activities; recommends and/or conducts investigations (jointly with Defense Criminal Investigative Organizations for potential criminal misconduct).

c. Reviews quarterly Intelligence Oversight reports and determines what action is required.

d. Lead for Intelligence Oversight Board (IOB) of the President's Intelligence Advisory Board (PIAB); **reports to SD/DSD, IOB, DNI**, in coordination with GC DoD:
- *(1) On an immediate basis, any Defense intelligence activities of a questionable, significant, or highly sensitive nature.*
- *(2) On a quarterly basis, any Intelligence Oversight issues reported previously that have not been resolved or remain active.*

e. Conducts staff assistance visits and independent inspections of DoD Components; ensures focus on intel and security.

f. Assesses/evaluates the performance of DoD intel activities.

g. Monitors intel investigations/inspections; evaluates finding; recommends corrective action to SD/DSD/IOB/DNI.

h. Serves on Defense Counterintelligence and Human Intelligence Enterprise Board of Directors; attends Senior Military Intelligence Officers Conference.

i. Reviews/validates funding audit for intel commercial activities.

j. Coordinates with USD(I); reviews clandestine intel and intel-related sensitive activities for compliance with law/policy.

k. Liaison with IC, federal, State, local, and tribal Law Enforcement (LE) org. to ensure support to LE agencies:
- *(1) Protect the civil liberties of DoD personnel and the public.*
- *(2) Are conducted in accordance with all laws and policies.*

l. Periodically reviews DoD sensitive support to DoD/USG.

m. Coordinates with the IG DoD on matters relating to IG AOR.

n. Develops IO outreach programs with international orgs.

o. Monitors, from an Intelligence Oversight perspective, the provision of Departmental intelligence support and involvement in DoD programs regarding information operations, special operations, critical infrastructure protection, DoD information assurance, homeland defense, insider threat, enduring constitutional government, continuity of government operations, and continuity of operations.

p. Provides IO training and materials to CCMD IG personnel.

q. Alerts Civil Liberties Officer/DoD Comp. heads on civil liberties issues when identified.

r. Performs such other duties as the SD/DSD may prescribe.

Relationships.

a.(1). **Report directly to SD and DSD.**

b. **USD(I) promptly informs of IO areas requiring attention.**

c. **OSD/DoD Component heads shall coordinate w/ATSD(IO) on all matters related to ATSD(IO) responsibilities.**

Authorities. Delegated authority to:

a. **Issue DoD policy within assigned authorities and responsibilities, including authority to propose collateral responsibilities of OSD and DoD Component heads; such instructions will be fully coordinated and this authority may not be delegated.** Instructions to the MilDeps shall be issued through the MilDep Secretary concerned; Instructions to the CCMDs shall normally be communicated through the CJCS.

b. Obtain reports and information.

c. Communicate, as necessary, to carry out assigned responsibilities and functions with **DoD Components**; Communications to MilDeps through MilDep Secretaries and CCMDs per policy.

d. Request temporary assistance from the DoD Components.

e. Communicate with: IOB of the PIAB, ODNI, **Other Executive Branch officials, Legislative Branch representatives (through ASD(LA) and Deputy Comptroller(BAA)), State and local officials, Members of the public (through ATSD(PA))**, Reps of foreign gov. and international orgs.

f. Have complete and unrestricted access to all available intel and intel-related information, regardless of classification or compartmentalization, including SAP; includes authority to:
- *(1) Require IG/DoD Comp. to report allegations of improprieties or illegalities of intel activities.*
- *(2) Obtain information on the status, proceedings, and findings.*

g. Communicate directly on inspections/investigations, conduct interviews, take sworn statements, and examine records.

h. Monitor/conduct investigations of violations of law, orders, or policy, and other Questionable Intel Activities (QIAs).

Source: OP&DS

Approved by DBB - 6 May 2020

DCMO-CMO Accomplishments

The following slides are a listing of DCMO and CMO accomplishments as identified by the CMO office

The DBB did not perform a verification of these accomplishments, these are self identified by the CMO, in addition, the DBB did not identify a third party verification of the accomplishments

DCMO-CMO Accomplishments

Incumbent	Position	Appointed	Departed	Prior Experience	Legislative and Policy Developments	Accomplishments
HON Elizabeth McGrath	ADCMO DCMO **(PAS)**	10-9-08 6-24-10	6-24-10 11-15-13	Comptroller (DFAS)	Enacted FY 2008 NDAA (P.L. 110-181) – DSD as CMO; created DCMO of DoD at EX III; U/S of MILDEPs as CMOs FY 2011 NDAA (P.L. 111-383) – Creation of a stand-alone DCMO establishment provision (10 U.S.C. 132a) FY 2012 NDAA (P.L. 112-81) – Broadly revised 10 U.S.C. 2222; enlarged DCMO's role in the acquisition and investment for DoD Defense Business Systems	**Disestablished the Business Transformation Agency; its functions and resources were transferred to DCMO** **Reduced spending on IT for business systems by creating standards and promoting the use of smaller systems** **Transformed the approach to business operations away from short-term, risk averse, status quo behaviors to a more strategic, enterprise-focused environment** **Oversaw the electronic health record effort with the Department of Veterans Affairs (move away from a shared electronic health record to ensuring interoperability and data standardizations across both separate systems)** **Issued DoD strategic management plan**
Mr. Kevin Scheid	ADCMO	11-25-13	5-20-14	Deputy DoD Comptroller	Secretary Hagel directed the merger of the DCMO, DA&M, and the Assistant to the Secretary of Defense for Intelligence Oversight	N/A
Mr. David Tillotson	ADCMO	5-20-14	5-26-15	DCMO, USAF AF Acquisition Intel	FY 2015 NDAA (P.L. 113-291) – Created USD for Business Management and Information (USD(BM&I) at EX II (effective 1 Feb 17) to: serve as CIO and PIO; exercise ADC over IAD/NSA; and take precedence before USD(AT&L)	**Advanced a legislative proposal to increase the pay level for the DCMO from EX III to EX II, and making statutory changes to the responsibilities of the DCMO and CIO in their establishment provisions**

Source: OCMO

DCMO-CMO Accomplishments

Incumbent	Position	Appointed	Departed	Prior Experience	Legislative and Policy Developments	Accomplishments
HON Peter Levine	DCMO **(PAS)**	5-26-15	1-20-17	Staff Director, SASC	FY 2017 NDAA (P.L. 114-328) – Eliminated USD(AT&L); established USD(R&E), USD(A&S), and CMO (without EX level), effective 1 Feb 18; repealed USD(BM&I) provision but did not eliminate DCMO	**Achieved a goal of saving $7B over the FYDP (achieved the goal through headquarters reductions, service contractor cuts, IT efficiencies, and a new business model for defense commissaries)** **Testified that while the Fourth Estate could perform more efficiently, a proposed 25 percent cut was unrealistic and would be counterproductive** **Implemented new headquarters reductions, in collaboration with DoD components and congressional oversight committees**
Mr. David Tillotson	ADCMO	4-8-16	11-8-17			**Obtained approval by Secretary Mattis to "let stand" the statutory provision which gave the CMO "authority to direct the Secretaries of the military departments and all other organizational elements of the Department with regard to matters for which the CMO has responsibility subject to the delegation of the Secretary vice seeking legislation to [clarify] such authority."**

Source: OCMO

DCMO-CMO Accomplishments

Incumbent	Position	Appointed	Departed	Prior Experience	Legislative and Policy Developments	Accomplishments
HON John "Jay" Gibson	DCMO **(PAS)** CMO **(PAS)**	11-8-17 2-20-18	1-31-18 11-30-18	Defense Industry; Comptroller, Air Force	FY 2018 NDAA (P.L. 115-91) – Creates CIO PAS official; revises CMO statutory responsibilities; codifies CMO in 10 U.S.C. 132a (thereby eliminating the DCMO); makes CMO an EX II official; bifurcates CIO roles (with CMO) in 10, 40, 44 of U.S.C. FY 2019 NDAA (P.L. 115-232) – Codifies bifurcation of Federal CIO responsibilities; revises CMO responsibilities by requiring: DAFA to provide their budgets to CMO for certification (efficiency and effectiveness of EBO), CMO to reform EBO of DoD, establish a consistent reporting framework for the costs of functions, and certify 25% savings against the cost framework	**Co-sponsored a DoD audit with USD(C)** **Stood up first 9 Reform Teams**

Source: OCMO

DCMO-CMO Accomplishments

Incumbent	Position	Appointed	Departed	Prior Experience	Legislative and Policy Developments	Accomplishments
HON Lisa Hershman	DCMO (non-PAS) CMO (PAS)	12-1-18 12-31-19	12-31-19 Present	Industry (supply chain logistics, technology, aerospace, auto industry); Internationally Published Author – *Faster, Cheaper, Better – The 9 Levers for Transforming How Work Gets Done*	Foundations for Evidence-Based Policymaking Act, 2018 (P.L. 115-411) – Requires SD to: develop a plan to identify and address policy questions to be included with the annual DoD performance plan, designate an employee as the DoD Evaluation Officer, designate a statistical official, and designate a nonpolitical appointee as Chief Data Officer	Saved $4.7B through Reform in FY17-18 Institutionalized Reform / Transformation Office with a Reform business case process and database to track Reform initiatives (Reform Portal) Created a process to validate Reform savings with Comptroller (Rainbow Chart) Achieved $72B (OMB Target: $58B) in Spend Under Management through Best-in-Class solutions, Multi-Agency Solutions, and application of Category Management Principals Achieved $16.25B (OMB Target: $16B) in Best-in-Class government-wide contract solutions Led the DWR in conjunction with CAPE and Comptroller to identify an additional $5B in savings Executed contract management sprints and contract negotiation training (projected to save $1.4B over the FYDP) Executed Defense Regulatory Reform efforts resulting in $21.23M in cost savings through regulation repeals Applied data analytics using common enterprise data and industry standard data to inform DoD decisions. Example: informed the Microsoft contract renegotiation resulting in improved pricing by 10% and potential run rate savings of $2-4B. Led the signing of the USALearning MOA with OPM resulting in greater efficiency and cost avoidance in training through economy of scale acquisition of training courses Cleared late CRRs within 8 months of assuming A/CMO; completed the sec. 921 reports (FY 2019 NDAA) Operationalizing Fourth Estate Management Office to execute Secretary Esper's vision of oversight of Defense-wide accounts

Source: OCMO

Approved by DBB - 6 May 2020

DCMO-CMO Accomplishments

Army, Multi-Year Procurement, Boeing AH-64 Apache - $44.7M: The Department of the Army saved $44.7M in FY17 and FY18 by procuring up to 90 Apaches in a five year contract to receive an 11.2% discount based on estimate of a single year contract. (Joint CMO/USD(C) 6 June 2019 Paper)

Cybersecurity Mission Functions - $9.5M: The Defense Logistics Agency (DLA) saved a total of $9.5M from FY17 to FY18 by consolidated system security management personnel under a single DLA authority and organization. Additional projected cost savings for FY19 totaled $1.2M. Consolidation took place within the unified Enterprise Service Area (45 Govt. FTEs) and reduction in non-labor funded support which led to these savings. (Joint CMO/USD(C) 6 June 2019 Paper)

DLA J6/Aviation/NGA Mapping - $10M: The National Geospatial-Intelligence Agency (NGA) saved over $10M in FY18 through the transition of six mapping facilities to on-demand printing operations in support of the warfighter. On-demand print facilities resulted in a 90% reduction in print times, 50% reduction in print volume, and a staggering 140 million physical maps removed from warehouses, with more to follow in out-years. (Joint CMO/USD(C) 6 June 2019 Paper)

DLA Reform Activities - $150M: Cost reductions in FY18 as a result of efficiencies in Industrial Supply Storage. (Joint CMO/USD(C) 6 June 2019 Paper)

Leased Space Reduction (Phase 1) - $52.8M: Washington Headquarters Services (WHS) saved $52.8M of annual recurring savings starting in FY18. WHS eliminated 38 leases in Phase 1 of the Leased Space Reduction Effort. (Joint CMO/USD(C) 6 June 2019 Paper)

Navy, Multi-Year Procurement (Bell Boeing V-22 Opsrey) - $8.5M: The Department of the Navy saved $8.5M by procuring 62 Ospreys for the U.S., and four Ospreys for Japan in seven year contracts to receive a 9.4% discount based on an estimate of a single year contract. (Joint CMO/USD(C) 6 June 2019 Paper)

Navy, Multi-Year Procurement (USS Arleigh Burke DDG-51) - $97.9M: The Department of the Navy saved $97.9M in by procuring 10 Arleigh Burkes in a five year contract resulting in a 9.3% discount based on an estimate of a single year contract. (Joint CMO/USD(C) 6 June 2019 Paper)

Source: OCMO

Approved by DBB - 6 May 2020

DCMO-CMO Accomplishments

Omnibus Part IV: Sale of Obsolete Equipment - $407.8M: The Department of Defense reprogrammed $407.8M from the sales of nine older UH-60 Black Hawks through a GSA auction, 10 older UH-60 Black Hawks to Afghanistan, 100 older MIM-104 Patriot Missiles to UAE, and four older C-130 Hercules to Chile and the Philippines. (Joint CMO/USD(C) 6 June 2019 Paper)

IT Reform

Enterprise Licensing Agreement: Instantiated enterprise licensing agreements to drive down the costs of individual licenses for Army, Navy, Air Force, USD(C), and five Defense Agencies/Field Activities. ($63.42M) (Joint CMO/USD(C) 6 June 2019 Paper)

Circuit Optimization: The Chief Information Officer's Circuit Optimization Plan programmed $13.1M in a reduction of costs by eliminating 1,000 of the 11,000 of necessary defense-wide circuits. (CMO/USD(C) 6 June 2019 Paper)

Data Center Infrastructure - $64.13M: As of 30 June 2018, 1,028 data centers have been closed with a goal to close 2,116 out of 3,617 data centers by FY2025. ($64.13M) (FY18). (CMO/USD(C) 6 June 2019 Paper)

Defense Media Activity Business Process and Systems Review: As of 30 June 2018, 1,028 data centers have been closed with a goal to close 2, 116 out of 3, 617 data centers by FY2025. ($64.13M) (FY18). (CMO/USD(C) 6 June 2019 Paper)

- A Business Process and Systems Review for the Defense Media Activity reduced IT services and contracts to save $5.6M of the annual estimate of $92 in FY18 spend for IT services within DMA. (33 Reform Examples and Savings for Nomination Hearing Use 2019 1024)

Fourth Estate Business Operations Improvement - $80.4M: The Fourth Estate conducted a standard system investment process which resulted in opportunities for modernized technology which changed business processes and reduced the total operating costs for the Army, Navy, Air Force, CMO, USD (C), and DFAS. ($80.4M). (CMO/USD(C) 6 June 2019 Paper)

Fourth Estate Cloud Migration Reform: Accomplishment of the Reform: This initiative migrates 765 Fourth Estate applications/systems to alternate cloud and data center hosting environments to enable the closure of 71 legacy data centers and facilitate the transition to a cloud-enabled future. Since August 1 2019. 23 systems have been migrated to a commercial cloud and two systems have been decommissioned. (SWPR 20191104)

Source: OCMO

DCMO-CMO Accomplishments

Fourth Estate Cloud Migration: Transition the 4E to a cloud-enabled future: To achieve the DoD objectives of a cloud-enabled environment, an FY20 investment of $21.3 Million ($84.3 Million, FYDP) was established to migrate, rationalize, refactor, and transition 4th Estate systems and applications into targeted cloud environments. This transition to the cloud results in a gross savings of $113.9 Million over the Future Year Defense Plan (FYDP). This transition allows the Department to leverage advanced commercial capabilities and modernize IT capability delivery to support a diverse range of 4th Estate missions. CMO Confirmation Hearing (2019-10-24) Prep (IT Vignette)

Fourth Estate IT Optimization: Modernize and Converge 4E IT Enterprise: Facilitating the unified command and control of a converged, efficient, and effective 4th Estate Enterprise IT environment, 1,229 personnel have been re-aligned from Defense Agency or Field Activity (DAFA) positions into the Defense Information Systems Agency (DISA) Defense Working Capital Fund (DWCF). DWCF positions provide the Department additional flexibility to both invest and divest personnel, as required, for a scalable enterprise approach. Additional FY20 savings of $2.6 Million ($27.3 Million, FYDP) is attributed to the efficiencies gained through the transition, to include consolidation of IT Service Desks and contract. CMO Confirmation Hearing (2019-10-24) Prep (IT Vignette)

Fourth Estate Network & Service Optimization: Accomplishment of the Reform: This initiative consolidates 44 networks, 22 organization's service desks and 44 operations centers into a single service provider to improve visibility of cyber security vulnerabilities, reduce operating expenses, and create a consistent user experience. The Resource Management Group concurred to proceed with recommended Business Case Analysis proposed migration of DAFA networks into a single service provider. The Fourth Estate Network Optimization Execution Guidance Memo that grants DISA the authority was issued. (SWPR 20191104)

IT Consolidation - $63M: DoD has more than 2,500 data centers, 355 cloud efforts, 48,000 applications, 11,000 circuits, and 1,850 business systems. Standardizing and modernizing the IT environment of networks, services, data centers, and leveraging Enterprise capabilities eliminates duplicative systems, and allows the Department to focus finite cyber resources across fewer areas, ultimately shrinking DoD's cyber threat. This has saved us $63 million through FY 2020 and will save us another $73 million through FY 2024. Additionally, in the defense agencies, we are consolidating 44 networks and 22 service desks into a single Enterprise service provider for Common Use IT and are closing 71 legacy data centers (18 closed; six more by the end of December). SASC Audit Written Testimony 2019-11-18

Source: OCMO

DCMO-CMO Accomplishments

NCR IT Consolidation - $14M: Army and Washington Headquarters Services have renegotiated memorandums with Joint Service Provider to best align agreements with needs, eliminating unnecessary requirements. ($14.0M) (FY18). (CMO/USD(C) 6 June 2019 Paper)

Streamline Risk Management Framework (RMF) Process: Improvements to Cyber Security Processes and Analysis: Through the implementation of improved RMF processes, procedures, tools, and training guidance, the Department was able to achieve FY20 savings of $2.6 Million ($12.6 Million, FYDP). This streamlined RMF process will improve the security of the Department's risk evaluation approach, and reduce the timeline for delivering new capabilities. CMO Confirmation Hearing (2019-10-24) Prep (IT Vignette)

Contract Management

Service Requirements Review Board (SRRB) and Contractor Courts - $932M: The entire Fourth Estate (60+ organizations) participated in contract service requirements reviews executing a reduction of funding for studies/analysis, elimination of contracts, and a reduction of unnecessary contract support resulting in $932M programmed savings in FY17 ($141M), FY18 ($350M), and FY19 ($441.5M): $932M. (DAFAs – Hershman Confirmation (SRRB Reform Team 5 February 2020))

Community Services Reform

Enterprise Management of Community Services - $0.4B - $0.7B: Accomplishment of the Reform: A business case analysis projected a consolidation of the defense resale enterprise would save $0.4B – 0.7B annually, beginning in 2025, across both Appropriated and Non-Appropriated Funding. Primary savings will come from synergy of resale procurement, non-resale procurement, and the organizational structure. (Report to Congress: DoD Assisted Report on the Development of a Single Defense Resale System, 1 Feb 2019)

Source: OCMO

DCMO-CMO Accomplishments

Defense Business Systems

Assisted Acquisition through USALearning - $122M: The DoD directed all Components to engage OPM USALearning resulting in a consolidation of to satisfy training and education requirements, including learning hardware, software, courseware, and other externally procured training and associated services. The purpose of this enterprise approach is to provide improved quality, more rapid acquisition and modernization outcomes, and more cost-optimized training and education products and services compared to DoD acquisition processes separately undertaken by each Component. USALearning will also support the development and hosting of a DoD-wide Common Course Catalog and Common Learning Record Repository. This effort resulted in programmed savings of $122M in the FYDP. (20-24. CMO Confirmation Hearing (2019-10-24) – Briefing Binder)

Defense Travel Modernization - $280M: The Defense Travel Modernization reform effort simplified defense travel policy and launched a prototype capability to adopt commercially available travel processing, reducing travel booking time from four hours to one, per person, per trip, saving the Department 5-7 million labor hours per year. This initiative has saved $160 million in FY17 and FY18, and an additional $120 million in FY19.The savings from travel reform are all from policy changes related to restricted fares. As a result, the savings were in the price of tickets, not man hours. The dollars reflected were taken out of the MILDEPs/DAFA budgets via RMD. (CMO Confirmation Hearing (2019-10-24) Briefing Binder)

Source: OCMO

DCMO-CMO Accomplishments

Healthcare Reform

Imaging Related Medical Device Review - $3.00M: Savings identified by establishing more efficient utilization and laydown of CT Scanners and MRI Devices across the Military Health System. (FY18). (Joint CMO/USD(C) 6 June 2019 paper)

Military Health IT Optimization - $68.9M: Savings achieved through Win10 migration, Desktop to Data Center implementation, baselining IT spend to the level of each expenditure and reconfiguring health IT to drive both operational and personnel efficiencies. This effort has booked $68.9M savings to date, but has been reinvested back into Health IT to offset increased security and support requirements for the new electronic health record and added system cybersecurity requirements. (Joint CMO/USD(C) 6 June 2019 Paper)

TRICARE Copays - $166M: NDAA 2017 mandated copays for retirees who entered service after 31 December 2017. As a result, DoD aligned retiree copays for the "grandfathered" retirees (those who entered service prior to 1 January 2018) to be comparable with the future retiree co-pay rate. This increase in co-payments for care resulted in the savings accrued. (Joint CMO/USC(C) Paper 6 June 2019)

TRICARE Managed Care Contact - $352.9M: Changes in fees applied to the estimated $16B annually TRICARE health care contracts was implemented in FY18 and realized $352.9M in savings with $2.4B planned through FY21. (Joint CMO/USD(C) 6 June 2019)

MTF Business Model sized to Readiness Requirement: Accomplishment of the Reform: Thirty-one MTFs were transferred to DHA on 1 OCT 2018 meeting the Departmental transition timeline. Planning efforts to transfer ADC for remainder of MTFs in OCT 2019 with MILDEPs providing direct support until transfer of all functional capabilities is on-going. Four Markets have begun training and will be in place by end of FY2020 1st quarter. (SWPR 20191104)

Source: OCMO

DCMO-CMO Accomplishments

Health Care: Reform isn't only about savings, in healthcare it's about restoring military readiness and providing quality care for over nine million eligible individuals. In implementing the FY 2017 NDAA provisions (Sections 702, 703, and 721), we are strengthening the readiness of our military's medical force, while improving health care quality for our military and their families. Our largest undertaking is the ongoing consolidation of the Medical Treatment Facilities (MTFs) under the authority, direction and control of the Defense Health Agency. When complete, DoD will have a unified medi Reform isn't only about savings, in healthcare it's about restoring military readiness and providing quality care for over nine million eligible individuals. In implementing the FY 2017 NDAA provisions (Sections 702, 703, and 721), we are strengthening the readiness of our military's medical force, while improving health care quality for our military and their families. Our largest undertaking is the ongoing consolidation of the Medical Treatment Facilities (MTFs) under the authority, direction and control of the Defense Health Agency. When complete, DoD will have a unified medical delivery system that more efficiently integrates purchased care and MTFs. (SASC Audit Written Testimony 2019-11-18)

Supply Chain Logistics Reform

Warehouse Utilization - $540M: The Department is executing a transfer of Supply, Storage, and Distribution (SS&D) efforts to the Defense Logistics Agency. The consolidation of SS&D functions from the Military Services results in reduced infrastructure footprint by location, improved warehouse utilization, reduced cost, decreased depot response time, and consolidated inventory. During this transition, the Department will maintain the same or better level of readiness and generating a projected $540M in savings by 2024.

(CMO Confirmation Hearing (2019-10-24) Prep (Briefing Binder. Logistics and Supply Chain Info Paper, DAFA))

Alternatives to Forecasting: DLA implemented an alternative to their traditional forecasting methods for items with unforecastable demand in FY13, which decreased backorders for these items from 105,000 to 70,000 and reduced the number of procurement actions for these items by 35%. (CMO Confirmation Hearing (2019-10-24) Briefing Binder)

Source: OCMO

DCMO-CMO Accomplishments

Maps on Demand: The implementation of DLA's Print on Demand mapping capability reduced inventory by 95%, print times by 90%, and removed 130 million physical maps from warehouses; freeing up over 180,000 square feet of space. The majority of the stored Maps were located at DLA Aviation in Richmond, VA. Specifically, building 60 warehouse was freed up by the Maps on Demand initiative, and now is temporarily being used to house Disposition Services Regional Office along with associated rack storage and equipment until a final disposition decision is made regarding the building). (CMO Confirmation Hearing (2019-10-24) Prep (DAFA))

New DLA Planning Model: DLA implemented a new planning model for items with irregular demand in FY2013, which decreased backorders for these items from 105,000 to 70,000 and reduced the number of procurement actions for these items by 35%. This new planning model is now being adopted across the Military Services. Alternative that DLA implemented relative to their traditional forecasting methods for items with unforecastable demand in FY2013: DLA is using Peak Policy for items with sporadic demand: Because of sparse demand, traditional models forecast zero for these items. Because these items are mission critical, we can't afford to not stock them. Peak policy uses techniques to balance the need for effectiveness against efficiency. DLA is using Next Gen for items with frequent, highly-variable demand: Demand variability causes "requirements churn" by overreacting to demand spikes. Churn has a one-way effect-reducing a level doesn't reduce a physical asset we already own, but increasing a level requires another asset. Traditional approaches don't treat items with significant levels of uncertainty any differently than forecastable items-calculating very large safety levels to compensate for the uncertainty. This approach uses risk-hedging strategies to calculate more efficient and effective levels. (DAFAs – CMO Hearing Confirmation (2019-10-24) Prep (DAFA))

Personnel Management

Background Investigations: DoD assumed responsibility for the majority of the background investigations for the federal government. We began with a backlog of 725,800 in April 2018 and have lowered the backlog by 437,800 as of October 2019. We are adopting continuous monitoring in lieu of periodic reinvestigations. Continuous monitoring is a vetting and adjudication process to use technology to evaluate security clearance holders on an ongoing basis, instead of more expensive periodic investigations. (SASC Audit Written Testimony 2019-11-18)

Source: OCMO

DCMO-CMO Accomplishments

Defense Agencies/ Field Activities Civilian Personnel Reductions - $55.19M: Reduced funds and manpower to implement management headquarters civilian personnel reductions in the 27 Defense Agencies and Department of Defense Field Activities. ($55.19M) (Joint CMO/USD(C) 6 June 2019 Paper)

Major Headquarters Activities - $2,555.8M: Reduced MHA including military manpower and spending cuts from the FY2016 baseline, resulting in savings of $1,131M in FY17, and $1,424M in FY18. This reduction resulted in a reduction of 3,800 civilian and military billets in FY2017. ($2,555.80M) (FY17, 18). (Joint CMO/USD(C) 6 June 2019 Paper)

OSD Civilian Personnel Buyback - $2.75M: Conducted reductions in management headquarters and delayering initiatives to appropriately address the civilian manpower requirements. ($2.75M) (Joint CMO/USD(C) 6 June 2019 Paper)

Financial Management

Audit Findings: Through the 2018 audit, the Department of Defense saved $53M by identifying missile motors not previously accounted. (Joint CMO/USD(C) 6 June 2019 Paper)

Defense Financial and Accounting Service (DFAS) System Termination: Citation(s): Accomplishment of the Reform: In FY 19 DFAS retired four systems (ICPS, TSS, SAMS, CHOOSE). (RMG Bi-Weekly Update Oct 30 2019)

Retired DFAS Legacy Systems through FY 2019: In FY 19 DFAS retired four systems (ICPS, TSS, SAMS, CHOOSE). (RMG Bi-Weekly Update Oct 30 2019)

Source: OCMO

Reform – Historical Context
George C. Marshall - Ordeal and Hope 1939 - 1942

STREAMLINING FOR ACTION in *George C. Marshall: Ordeal and Hope 1939-1942* by Forrest C. Pogue

p289 - "The time was long past when matters could be debated and discussed and carried on ad infinitum" *"Get action where action was needed with or without reference to the deputy chiefs of staff but … with a brief note to the [chief of staff] on the action taken in his name."*

Gen McNarney on the committee to reorg the war department

- "If a decision had to be made that affected an individual doughboy it had to be referred over to the Chief of Infantry … back to the General Staff … eight assistance secretaries … who did nothing but brief papers so that could be presented the Chief of Staff and…the three deputy chief of staff"

p293 - "It was taking too long to get a paper through the War Department. *Everybody had to concur. About 28 people had to pass on matters. I can't stand it."* 'He asked for' "some kind of organization that would give the Chief of Staff time to devote to strategic policy and the strategic aspects and direction of the war"

p293 *"Integration of the arms and the services into a fighter force was what Marshall* wanted and he intended to get it, at the expense of cutting away much that was deeply embedded in the War Department's past

p295 - *"Only under the pressure of war and the shock of Pearl Harbor would it have been possible to stifle the heated protests of the officers whose authority was being eliminated or sharply curtailed"* …. "direct access to the Chief of Staff from some sixty to about six were essential to a successful war effort"

OCMO Role in Reform – Strategic Guidance

SASC Committee Report to FY2017 NDAA – May 18, 2016

- Subtitle C: Organizational strategy for the Department of Defense (sec. 941)
- "Identify most important missions/ priority output" and "*Reform the way that the OSD operates*"

Strategy is required to address existing impediments

- Sequential, hierarchical planning and decision-making processes oriented around functional *bureaucratic structures that are excessively parochial, duplicative, and resistant to integrated operations and solutions*
- Layered management structures and processes that today serve as the only means of cross-functional integration and decision-making, which results in *most decisions being elevated to senior levels*, consuming excessive time and leadership attention, *diluting the influence of staff expertise, and contributing to outcomes based on lowest-common-denominator consensus rather than clear, coherent, efficacious courses of action*

The *strategy must address the underlying causes of these problems*:

- *A non-collaborative culture in DoD* that lacks shared purpose and values;
- Structure, processes and leadership behaviors that *value consensus more than clarity* and reward effort rather than effectiveness, which thus and are a powerful disincentive to collaboration;
- *Risk aversion* arising from *empower components to easily block but not advance coherent initiatives* fear of the consequences of real or perceived failure and the lack of incentives and rewards for appropriate risk-taking;
- *Lack of viable alternative mechanisms for integrating* across the almost exclusively *functionally aligned* components of the Department

OCMO Role in Reform – Strategic Guidance

Secretary Mattis "Its good to be back" memo – Jan 20, 2017

- "*we are devoted to gaining full value from every taxpayer dollar* spent on defense"

Budget Guidance Memorandum to the Department - Jan 31, 2017

- Secretary Mattis described that DoD must improve how it does business in order to increase lethality, improve readiness, and grow the capability and capacity of our forces
- Announced that FY 2019-2023 Defense Program will contain an ambitious reform agenda

SecDef memo: DSD tasked to identify business services and tasks that no longer merit individual military department approaches – Feb 2017 [GAO 19-157SP]

OMB Memo M-17-22 Comprehensive Plan for Reforming the Federal Government and Reducing the Federal Civilian Workforce - Apr 12, 2017

- Too much…creating new programs instead of eliminating or reforming programs which are no longer operating effectively
- Too many overlapping and outdated programs, rules, and processes, and
- Too many Federal employees stuck in a system that is not working for the American people
- Aim is to make government lean, accountable, and more efficient
- Deliverables: Agency Reform Plan to OMB in September 2017 as part of the agency's FY 2019 Budget submission (High draft due June 30)

OCMO Role in Reform – Strategic Guidance

National Defense Strategy Summary – Jan 19, 2018

Rebuilding military *readiness* and building a more lethal Joint Force (LOE #1)

- This a service responsibility *with significant business enterprise operations* interaction
  - Supply management of reparable and consumable items (Working Capital Fund)
  - Procurement and spares for non-reparable items (Working Capital Fund)
  - Maintenance services for Weapons Systems Sustainment (WSS) (Working Capital Fund)
  - Direct service appropriations and OCO for Cost Per Flying Hour and WSS
  - Transportation working capital fund
  - DLA energy and supply chain (Working capital funds)
  - Real property funding for Dynamic Force Employment posture
  - Direct service appropriations for IT investment

Reforming the DoD's business practices for greater performance and affordability (LOE #3)

- The Current bureaucratic approach, centered on *exacting thoroughness and minimizing risk* above all else, is proving to be increasingly *unresponsive*
- We must transition to a culture of performance where results and accountability matter
- *Shed outdated management practices* and *structures* while integrating insights from business innovation
- Department *leaders will* adapt their organizational structures to best support the Joint Force. *If current structures hinder substantial increases in lethality or performance*, it is expected that Service Secretaries and Agency heads will consolidate, eliminate, or restructure as needed
- *We will reduce or eliminate duplicative organizations and systems* for managing human resources, finance, health services, travel, and supplies

OCMO Role in Reform – Strategic Guidance

FY19 NDAA Subtitle C—Comprehensive Pentagon Bureaucracy Reform and Reduction, Section 921– Aug 13, 2018

- Amends 123a CMO authority:
- ‘‘(7) Serving as the official with principal responsibility in the Department for minimizing the duplication of efforts, maximizing efficiency and effectiveness, and establishing metrics for performance among and for all organizations and elements of the Department.’’
- (c) BUDGET AUTHORITY.—(1)(A) Beginning in fiscal year 2020, the Secretary of Defense…shall require the *head of each Defense Agency* and Department of Defense Field Activity specified by the Secretary … to transmit the proposed budget of such Agency or Activity for enterprise business operations …to the Chief Management Officer for *review*
- ‘(B) The CMO shall review each proposed budget …*and…submit to the Secretary a report …with the certification of the CMO* regarding *whether each such proposed budget achieves the required level of efficiency and effectiveness for enterprise business operations*
- The Secretary shall submit to Congress …Identification of each proposed budget … that the Chief Management Officer did not certify as achieving the required level of efficiency and effectiveness for enterprise business operations.

Sec. 923. *Periodic review of the Defense Agencies …by the CMO*

Sec. 924. Actions to increase the efficiency and transparency of the *Defense Logistics Agency*

Sec. 925. Review…of *Defense Contract Audit Agency* and *Defense Contract Management Agency*

Sec. 926. Review and improvement …the *Defense Finance and Accounting Service.*

Sec. 927. Assessment of *chief information officer functions* in connection with transition to *enterprise-wide management of information technology* and computing

OCMO Role in Reform – GAO High Risk Series

GAO-19-157SP HIGH-RISK SERIES: Substantial Efforts Needed to Achieve Greater Progress on High-Risk Areas – March 2019

Removed item now off the list

- Supply Chain Management
- Cites progress 2014-2017 (11 outcomes)
- Last 7 outcomes resolved
  - Asset visibility and Material Distribution
  - Criteria: monitoring and progress
- *Report does not show reform connection*

GAO 2019 High Risk List

Transforming DoD Program Management

- DoD Weapon Systems Acquisition
- DoD Financial Management
- DoD ***Business Systems Modernization***
- DoD Support Infrastructure Management
- DoD Approach to ***Business Transformation***

Business Transformation

- The structure and processes and the involvement of a key leader on DOD's Reform Management Group (RMG) have changed and remain unclear
- *GAO downgraded the capacity criterion* from met in 2017 to partially met in 2019
- DOD's *budget request for OCMO has declined from FY 2017 to FY 2019. At the same time, the CMO's authorities and responsibilities have expanded* [2018 NDAA and 2019 NDAA responsibilities]
- Reform teams have encountered challenges that could impede their progress (initiative funding)
- "Met" action plan hit from 2017 High Risk issue w/ 2018 National Defense Business Ops Plan
- RMG in summer 2017 was initially chaired by DSD and co-chaired by the CMO and CAPE
  - *In October 2018, the Director of CAPE told us, and a senior OCMO official later confirmed, he was no longer co-chairing the group*

OCMO Role in Reform – GAO High Risk Series

GAO-19-157SP HIGH-RISK SERIES: Substantial Efforts Needed to Achieve Greater Progress on High-Risk Areas – March 2019

Business Transformation – continued

- DoD is working to develop a cost management framework to estimate cost savings for its reforms
- Without a reliable cost estimate that includes a cost baseline, DoD will be unable to determine and accurately report actual savings achieved from its reform efforts

DoD established nine functional reform teams in February 2017

- "it remains to be seen how effective these reform teams, or…reform initiatives" become
- *DoD has not met many of its internal goals and milestones for business operation reform*
- Absence of a clear process for identifying and prioritizing available funding for reform teams may impede their progress

In November 2018, CMO officials told us they *planned on narrowing the scope of reform* efforts to focus on four areas:

- Fourth Estate
- Information technology
- Health care
- DoD's buying of goods and services called category management.

GAO warns of ignoring deemphasized areas, especially Human Resources

OCMO Role in Reform – GAO High Risk Series

GAO-19-157SP HIGH-RISK SERIES: Substantial Efforts Needed to Achieve Greater Progress on High-Risk Areas – March 2019

GAO "In order to make progress in …business transformation, DoD should"

- Provide department-wide guidance on the CMO's roles, responsibilities, and *authorities*
- Implement and communicate a process for providing resources to the reform teams, including funding to implement reform initiatives, as needed;
- *Demonstrate that the National Defense Business Operations Plan is being used* and updated, as needed, to guide reform efforts;
- Ensure that the *Reform Management Group continues to monitor* and oversee reform team progress
- Fully populate and actively use the dashboard and the associated milestones and metrics to gauge team success in identifying and achieving efficiencies and cost savings;
- *Establish the cost baseline required by § 921* of the John S. McCain NDAA for Fiscal Year 2019 and use it to accurately estimate savings anticipated within the business functions covered under the NDAA;
- Develop additional cost baselines, modeled on the baseline created in accordance with the NDAA for Fiscal Year 2019, to *accurately track actual savings resulting from implementation of reform initiatives* in additional business functions, such as health care management;
- Effectively *consolidate key business functions in the department* and show cost savings from the consolidation; and
- Demonstrate progress in implementing reform efforts outlined in the National Defense Business Operations Plan, including those not covered by the reform teams

OCMO Role in Reform – GAO Reports

GAO-19-157SP HIGH-RISK SERIES

Reform team membership relies on the military services' and DAFAs' continued willingness to provide members for each of the teams. Further, DoD senior leaders told us they plan to move many of the teams out of the OCMO to the components responsible for the functions they are trying to reform. *This development raises questions about whether the teams will be fully empowered and sufficiently independent to drive change*

GAO 19-165

One senior DoD official involved in the *reform* effort acknowledged that the teams' progress has been uneven. He cited a number of factors that can affect teams' implementation, *including the degree to which the teams have support from the highest levels of department leadership to operate independently and advance changes that may be unpopular with internal or external stakeholders*, and the *ability of teams to tackle longstanding systemic challenges,* such as *inaccurate cost data throughout the department*. This official and several teams we met with cited the importance of the team leader's commitment to driving team success.

OCMO Role in Reform – Section 911 Series
FY2017 NDAA – Dec 23, 2016

Fourth report: 2017 NDAA § 911 (GAO 19-165) – Jan 17, 2019

Nine cross-functional teams are driving DoD's enterprise business reform …but the teams' progress has been uneven

September 2018, DoD reported that these nine teams were pursuing a total of 135 business reform initiatives

- 104 of these initiatives have not reached the implementation phase
- DoD did not fulfill four of nine funding requests from the teams in FY18 to implement initiatives

Third report: 2017 NDAA § 911 (GAO 18-513) – June 25, 2018

- DoD had established 10 cross-functional teams that were in various stages of implementation;
- DoD had updated, but not issued, its draft organizational strategy; and
- DoD had not fulfilled three statutory requirements related to guidance and training for cross-functional teams and presidential appointees

Second report: 2017 NDAA § 911 (GAO 18-194) – Feb 28, 2018

- DoD's draft organizational strategy did not address all elements required by statute
- DoD had established one cross-functional team, and that draft team guidance addressed most statutory elements and leading practices for implementing cross-functional teams; and
- DoD had developed, but not provided, training for its presidential appointees and cross-functional team members, but the training for the presidential appointees did not address all statutory requirements

OCMO Role in Reform – Section 911 Series
FY2017 NDAA – Dec 23, 2016

First report: 2017 NDAA § 911 (GAO 17-523R) – Jun 23, 2017

- DoD was exploring options for providing the required training to presidential appointees;
- DoD awarded a contract for a study on leading practices for cross-functional teams
- DoD was taking initial steps to develop an organizational strategy

Section 911 directed the SecDef to:

Formulate and issue an organizational strategy for DoD. The organizational strategy, the act stated, should identify the critical objectives and other organizational outputs that span multiple functional boundaries and would benefit from the use of cross-functional teams to *ensure collaboration and integration* across the department

Committee Report Language

Sec 941. The *committee stresses that the mission teams must remain small and agile*, numbering approximately 8–10 people. *This is a critical point. One way that teams fail in DoD is* that every organization that thinks its equities might be affected insists on having a representative on the group. *This bloats and infiltrates the group with people who only care about protecting their parent organizations' equities*

OCMO Role in Reform – Culture

Gen Selva as Vice Chairman of the Joint Chiefs of Staff – Apr 13, 2017

- AFA/Air Force Breakfast Series, Breaking Defense reporter question:
  - Question: Why a budget should actually be passed? Response about defending budget
  - *Gen Selva asks "Why can't you find the $125B that the DBB said was there?"*
  - *"Great ideas, but not practical…* "Great ideas, some of them we've already executed and they didn't yield the savings that we thought they would. *But everybody that has the report wants to wave it in front of us and say, 'You haven't tried all $125 billion, so therefore you're not trying hard enough.'"*

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Defense Business Board

TAB J

PUBLIC COMMENTS

PUBLIC COMMENTS

At the May 6, 2020 public meeting Ms. Cathy Berrick from the GAO stated:

“Good afternoon. My name is Cathy Berrick with GAO and I, along with Gene Dodaro, the Comptroller General, provided input to the DBB on this study. I want to thank the DBB for this comprehensive review and for its coordination with GAO on this important topic.

GAO believes strongly that a Chief Management Officer (CMO) position at DOD is needed to address its longstanding business operations and transformation challenges. While this position could take different forms, we believe, as was mentioned, that a second deputy focused exclusively on the departments’ business operations would result in the best outcomes for DOD by having these critical areas led, and needed transformations implemented, by this most senior level.

However, we also believe that other models, to include the current CMO position at DOD, could be successful if they were appropriately resourced, empowered, and had clearly articulated and meaningful responsibilities.

I just wanted to highlight these two points, and again, thank the DBB for its work in this important area.”

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