



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

MAR - 1 2017

The Honorable John McCain
Chairman
Committee on Armed Services
United States Senate
Washington, DC 20510

Dear Mr. Chairman:

This is the interim report required by section 901(j)(1) of the National Defense Authorization Act (NDAA) for Fiscal Year (FY) 2017 on the review and recommended organizational and management structure for the Office of the Secretary of Defense (OSD). Specifically, it relates to the disestablishment of the Under Secretary of Defense (USD) for Acquisition, Technology, and Logistics (AT&L), the establishment of the USDs for Research and Engineering (R&E) and Acquisition and Sustainment (A&S), and the establishment of the Chief Management Officer (CMO) of the Department of Defense (DoD).

On February 17, 2017, the Secretary of Defense directed me to lead an accelerated and fully transparent effort to address the following reforms: develop a plan to establish the USD(R&E) and USD(A&S) that improves the Department's ability to be innovative and responsive; consider options for the establishment of the CMO, or alternatively, a comparable USD for Management, that will deliver more effective stewardship of resources; and develop an initial plan for a more optimized organizational structure and processes to support information management and cyber operations that addresses our nation's security needs now and into the future. The initial responses to these tasks have been introduced to the Secretary for his personal review and deliberation; they are fashioned to address the concerns expressed by Congress while simultaneously providing the best solution for the warfighters.

While it would be premature to get ahead of the Secretary's final decisions on this important reorganization, as part of the interim report, the following is the general direction of the Department's efforts to date.

- With regard to the disestablishment of the USD(AT&L), the Department intends to take full advantage of the flexibility inherent in section 901 to conduct a broader rationalization of the offices, organizations, and processes within the USD(AT&L) portfolio and their alignment, and potential overlap, with other functional areas and processes across OSD and the Services. Thus, while the Department is fully supportive of the establishment of the USD(R&E) and USD(A&S), the Department is also examining the realignment of legacy AT&L functions to other OSD and Service officials if it is prudent and can provide greater integration of efforts. In so doing, these actions, in turn, can facilitate greater focus of these two USDs on the imperatives for technology innovation and continuing acquisition reform; both of which directly support the needs of our Warfighters, now and in the future.



- With regard to the CMO, the Department is looking carefully at the organizational responsibilities and structures associated with this senior management official position. Our goal is to create a position that will attract the best qualified candidate who possesses the requisite business acumen to optimize the business operations of the Department and to give that person the requisite authority to improve the performance of the business operations of the Department. The focus would address responsibilities for both Department-wide business processes and more focused responsibilities for processes within Office of the Secretary of Defense and defense/field agencies.

While a final report for section 901 is required to be submitted to the congressional defense committees no later than August 1, 2017, my plan is to provide the final report either in late spring or early summer to ensure that it can be provided to the congressional defense committees in time to inform your markup of the NDAA for FY 2018. I also anticipate that DoD will need further conforming and technical amendments in future legislation in order to ensure clear establishment provisions, including appointment and qualification requirements, duties and powers, and precedence.

The Department looks forward to discussing these efforts with you in the coming months. I am sending identical letters to the other congressional defense committees.

A handwritten signature in black ink, appearing to read "R. Gates", written in a cursive style.

cc:
The Honorable Jack Reed
Ranking Member