



SECRETARY OF DEFENSE
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WASHINGTON, DC 20301-1000

DEC 04 2013

MEMORANDUM FOR: SEE DISTRIBUTION

Subject: Results of the Office of the Secretary of Defense Organizational Review

This memorandum outlines the results of the Office of the Secretary of Defense (OSD) Organizational Review recently concluded by former Secretary of the Air Force Mike Donley. It includes implementation of my direction to reduce the total number of OSD personnel and its budget, my decisions on the Strategic Choices and Management Review and other proposals for organizational changes, and related planning for the future.

First, I want to thank you for your continued service and dedication to both our Department and our Nation. This has been a trying period for all DoD personnel and their families in the wake of sequestration, furloughs, and a Government shutdown. Through it all, you have remained dedicated to your work and focused on accomplishing your important missions, as we undergo a difficult transition from ending the second of America's two longest wars, in an era of significant budget growth, to one of reduced resources and a world that presents new threats and new challenges. There is no doubt that, as the DoD's most senior civilian staff, OSD continues to provide the essential support and leadership that will help us overcome any challenge this Department or our Nation may face in the future.

It is the responsibility of our Nation's leaders to work together to replace the steep, abrupt, and deep spending cuts that have been imposed under sequestration. At the same time, in this very constrained budget environment, it is critical that we bring greater efficiency to our DoD management headquarters, including OSD, so that scarce resources can be focused on combat capabilities. I have, therefore, directed a 20% reduction in OSD's operating budget over the Fiscal Year (FY) 2015-2019 Future Years Defense Program. To protect joint readiness and training, this reduction will not include the Combatant Commanders' Exercise and Engagement Training Transformation Program; however, this Program will be reviewed separately for potential management efficiencies in the ongoing FY2015 Program Budget Review. In addition, I have taken into account the impact of these reductions on some of the smallest OSD offices and directed appropriate accommodations.

Over the next five years, OSD's total workforce of civilian, military, and contractor personnel will be reduced to obtain the necessary savings. Some of these savings will be achieved through significant reductions in civilian personnel; much of these savings will be achieved through contractor reductions. We are still finalizing the details, which will be available when the budget is submitted next year. But we will save at least \$1 billion over the next five years. I will provide implementing guidance to the Director, Cost Assessment and Program Evaluation to finalize OSD budget and manpower totals during the FY2015 Program Budget Review and to reflect these decisions in an appropriate Resource Management Decision.



OSD014014-13

In reducing and constraining the size of our management headquarters, we must also take the opportunity to reshape and strengthen our staff to better position OSD to meet the emerging challenges ahead. In this context, 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.
- Restructuring the Office of the Under Secretary of Defense for Policy to balance workload across its Assistant Secretaries of Defense (ASDs), sustain emphasis on the Asia-Pacific Region, and strengthen focus on security cooperation.
- Directing the Under Secretary of Defense for Personnel and Readiness to undertake a study to rebalance internal resources across her Office's three ASDs, to better position the Office to address major concerns related to DoD downsizing, such as readiness, total force management, and compensation.
- Directing the Under Secretary of Defense for Intelligence to establish its post-9/11, post-Operation Iraqi Freedom/Operation Enduring Freedom steady-state configuration and level of effort.
- Combining the Office of the Assistant to the Secretary of Defense for Intelligence Oversight with the Defense Privacy and Civil Liberties Office under the DA&M.
- Realigning the Office of Net Assessment (ONA) under the Office of the Under Secretary of Defense for Policy, preserving it as a distinct organization that reports to the Secretary, through the Under Secretary, to better ensure that ONA's long-range comparative analyses inform and influence the Department's overall strategy and policy.
- Approving plans for eliminating the five remaining non-Presidentially Appointed, Senate-confirmed Deputy Under Secretaries of Defense, fulfilling the direction from Congress.

Specific guidance and timelines related to these decisions will be distributed separately to the affected offices. The Deputy Secretary of Defense will oversee implementation of these changes. My desire is that these changes begin immediately and be in place by January 1, 2015. The DA&M will track and report the progress of implementation to the Deputy Secretary on a regular basis. The General Counsel of the Department of Defense, in coordination with the ASD for Legislative Affairs, will prepare any legislative proposals necessary to effect these changes and seek fast-tracking of such proposals through OMB to Congress for its consideration and approval.

Mr. Donley also recommended, and I have approved, issues for additional follow-up that would further improve the management and administration of OSD. These include refining OSD budget categories, improving oversight of contractor support, reviewing DoD databases managed by OSD, and completing a systematic review of OSD's workload. I am also directing a biennial review of OSD to establish a regular assessment of OSD requirements and enhance the agility of this critical staff in response to rapidly changing DoD needs. I have assigned these follow-up tasks to the DCMO and the DA&M for appropriate action.

As we implement these changes over the next year, I ask that you continue to focus on OSD's top leadership and management tasks: establishing direction and setting DoD priorities, formulating policies; allocating resources; guiding force employment; representing DoD in our external relationships; and overseeing policy and program implementation in DoD's operating components. As a critical staff for the Deputy Secretary and myself, and as a critical asset for this Department, you should be focused on performing only those top leadership and management tasks that cannot be performed by others; and, consistent with your assigned responsibilities, you should, therefore, continue to look for opportunities to divest administrative and program management responsibilities where feasible.

Thank you again for your dedicated support to our mission of national defense and for your continuing efforts to improve the effectiveness and efficiency of this Department.

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