



Highlights of [GAO-06-983T](#), testimony before the Subcommittee on Oversight of Government Management, the Federal Workforce, and the District of Columbia, Committee on Homeland Security and Governmental Affairs, U.S. Senate

## Why GAO Did This Study

The Department of Defense (DOD) maintains a military force with unparalleled logistics capabilities, but it continues to confront decades-old supply chain management problems. The supply chain can be the critical link in determining whether our frontline military forces win or lose on the battlefield, and the investment of resources in the supply chain is substantial. Because of weaknesses in DOD's supply chain management, this program has been on GAO's list of high-risk areas needing urgent attention and transformation since 1990. Last year, DOD developed a plan to resolve its long-term supply chain problems in three focus areas: requirements forecasting, asset visibility, and materiel distribution. In October 2005, GAO testified that the plan was a good first step.

GAO was asked to provide its views on DOD's progress toward (1) implementing the supply chain management improvement plan and (2) incorporating performance measures for tracking and demonstrating improvement, as well as to comment on the alignment of DOD's supply chain management improvement plan with other department logistics plans.

This testimony is based on prior GAO reports and ongoing work in this area. It contains GAO's views on opportunities to improve DOD's ability to achieve and demonstrate progress in supply chain management.

[www.gao.gov/cgi-bin/getrpt?GAO-06-983T](http://www.gao.gov/cgi-bin/getrpt?GAO-06-983T).

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## DOD'S HIGH-RISK AREAS

### Challenges Remain to Achieving and Demonstrating Progress in Supply Chain Management

#### What GAO Found

Since October 2005, DOD has continued to make progress implementing the 10 initiatives in its supply chain management improvement plan, but it will take several years to fully implement these initiatives. DOD's stated goal for implementing its plan is to demonstrate significant improvement in supply chain management within 2 years of the plan's inception in 2005, but the time frames for substantially implementing some initiatives are currently 2008 or later. While DOD has generally stayed on track, it has reported some slippage in the implementation of certain initiatives. Factors such as the long-standing nature of the problems, the complexities of the initiatives, and the involvement of multiple organizations within DOD could cause the implementation dates of some initiatives to slip further.

DOD has incorporated several broad performance measures in its supply chain management improvement plan, but it continues to lack outcome-focused performance measures for many of the initiatives. Therefore, it is difficult to track and demonstrate progress toward improving the three focus areas of requirements forecasting, asset visibility, and materiel distribution. Although DOD's plan includes four high-level performance measures that are being tracked across the department, these measures do not necessarily reflect the performance of the initiatives and do not relate explicitly to the three focus areas. Further, DOD's plan does not include cost metrics that might show efficiencies gained through supply chain improvement efforts. In their effort to develop performance measures for use across the department, DOD officials have encountered challenges such as a lack of standardized, reliable data. Nevertheless, DOD could show near-term progress by adding intermediate measures. These measures could include outcome-focused measures for each of the initiatives or for the three focus areas.

DOD has multiple plans aimed at improving aspects of logistics, including supply chain management, but it is unclear how these plans are aligned with one another. The plans were developed at different points of time, for different purposes, and in different formats, so it is difficult to determine how all the ongoing efforts link together to sufficiently cover requirements forecasting, asset visibility, and materiel distribution and whether they will result in significant progress toward resolving this high-risk area. Also, DOD's supply chain management improvement plan does not account for initiatives outside the direct oversight of the Office of the Secretary of Defense, and DOD lacks a comprehensive strategy to guide logistics programs and initiatives. DOD is in the process of developing a new plan, referred to as the "To Be" roadmap, for future logistics programs and initiatives. The roadmap is intended to portray where the department is headed in the logistics area, how it will get there, and what progress is being made toward achieving its objectives, as well as to link ongoing capability development, program reviews, and budgeting. However, until the roadmap is completed, GAO will not be able to assess how it addresses the challenges and risks DOD faces in its supply chain improvement efforts.