



Highlights of [GAO-07-1064T](#), a 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 availability of spare parts and other critical items provided through the Department of Defense's (DOD) supply chains affects the readiness and capabilities of U.S. military forces. Since 1990, GAO has designated DOD supply chain management as a high-risk area. In 2005, DOD developed a plan aimed at addressing supply chain problems and having GAO remove this high-risk designation. DOD's plan focuses on three areas: requirements forecasting, asset visibility, and materiel distribution.

GAO was asked to provide its views on (1) DOD's progress in developing and implementing the initiatives in its plan, (2) the results of recent work relating to the three focus areas covered by the plan, and (3) the integration of supply chain management with efforts to improve defense business operations. GAO also addressed broader issues of logistics governance and strategic planning.

This testimony is based on prior GAO reports and analysis.

To determine whether to retain the high-risk designation for supply chain management, GAO considers factors such as whether DOD makes substantial progress implementing improvement initiatives; establishes a program to validate the effectiveness of the initiatives; and completes a comprehensive, integrated strategy.

www.gao.gov/cgi-bin/getrpt?GAO-07-1064T.

To view the full product, including the scope and methodology, click on the link above. For more information, contact William Solis at (202) 512-8365 or solisw@gao.gov.

DOD'S HIGH-RISK AREAS

Efforts to Improve Supply Chain Can Be Enhanced by Linkage to Outcomes, Progress in Transforming Business Operations, and Reexamination of Logistics Governance and Strategy

What GAO Found

The most recent update to DOD's plan shows that DOD has made progress developing and implementing its supply chain management improvement initiatives. DOD is generally staying on track for implementing its initiatives, although there have been delays in meeting certain milestones. However, the long-term time frames for many of these initiatives present challenges to the department in sustaining progress toward substantially completing their implementation. The plan also lacks outcome-focused performance measures for many individual initiatives and the three focus areas, limiting DOD's ability to fully demonstrate the results achieved through its plan. Increasing DOD's focus on outcomes will enable stakeholders to track the interim and long-term success of its initiatives and help DOD determine if it is meeting its goals of more effective and efficient supply chain management.

GAO's recent work has identified problems related to the three focus areas in DOD's plan. In the requirements area, the military services are experiencing difficulties estimating acquisition lead times to acquire spare parts for equipment and weapon systems, hindering their ability to efficiently and effectively maintain spare parts inventories for military equipment. Challenges in the asset visibility area include lack of interoperability among information technology systems, problems with container management, and inconsistent application of radio frequency identification technology, which make it difficult to obtain timely and accurate information on assets in theater. In the materiel distribution area, challenges remain in coordinating and consolidating distribution and supply support within a theater.

Improving defense business operations is integral to resolving supply chain management problems. Progress in DOD's overall approach to business transformation is needed to confront problems in other high-risk areas, including supply chain management. Because of the complexity of business transformation, GAO has stated that DOD needs a Chief Management Officer with significant authority, experience, and a term that would provide sustained leadership and the time to integrate DOD's overall business transformation efforts. GAO's work, pending legislation, and other recent studies indicate a consensus that the status quo is no longer acceptable.

GAO's recent review of joint theater logistics raises concerns about whether DOD can effectively implement this initiative without reexamining fundamental aspects of the department's logistics governance and strategy. In this respect, joint theater logistics may serve as a microcosm of some of the challenges DOD faces in resolving supply chain management problems. Moreover, GAO recommended in that report that DOD align its approach to joint theater logistics with ongoing actions the department is taking to reform its logistics governance and develop its logistics strategy. Several recent studies of DOD logistics systems have recommended changes to DOD's organizational structure for providing joint logistics and supply support to military operations.