



Highlights of [GAO-07-234](#), a report to 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

Military operations in Iraq and Afghanistan have focused attention on the Department of Defense's (DOD) supply chain management. The supply chain can be critical to determining outcomes on the battlefield, and the investment of resources in DOD's supply chain is substantial. In 2005, with the encouragement of the Office of Management and Budget (OMB), DOD prepared an improvement plan to address some of the systemic weaknesses in supply chain management. GAO was asked to monitor implementation of the plan and DOD's progress toward improving supply chain management. GAO reviewed (1) the integration of supply chain management with broader defense business transformation and strategic logistics planning efforts; and (2) the extent DOD is able to demonstrate progress. In addition, GAO developed a baseline of prior supply chain management recommendations. GAO surveyed supply chain-related reports issued since October 2001, identified common themes, and determined the status of the recommendations.

## What GAO Recommends

GAO recommends that DOD complete its logistics strategy and develop and implement outcome-focused performance metrics and cost metrics for supply chain management. DOD concurred with GAO's recommendations.

[www.gao.gov/cgi-bin/getrpt?GAO-07-234](http://www.gao.gov/cgi-bin/getrpt?GAO-07-234).

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

## DOD'S HIGH-RISK AREAS

### Progress Made Implementing Supply Chain Management Recommendations, but Full Extent of Improvement Unknown

#### What GAO Found

DOD's success in improving supply chain management is closely linked with its defense business transformation efforts and completion of a comprehensive, integrated logistics strategy. Based on GAO's prior reviews and recommendations, GAO has concluded that progress in DOD's overall approach to business defense transformation is needed to confront problems in other high-risk areas, including supply chain management. DOD has taken several actions intended to advance business transformation, including the establishment of new governance structures and the issuance of an Enterprise Transition Plan aligned with the department's business enterprise architecture. As a separate effort, DOD has been developing a strategy—called the "To Be" logistics roadmap—to guide logistics programs and initiatives across the department. The strategy would identify the scope of logistics problems and capability gaps to be addressed and include specific performance goals, programs, milestones, and metrics. However, DOD has not identified a target date for completion of this effort. According to DOD officials, its completion is pending the results of the department's ongoing test of new concepts for managing logistic capabilities. Without a comprehensive, integrated strategy, decision makers will lack the means to effectively guide logistics efforts, including supply chain management, and the ability to determine if these efforts are achieving desired results.

DOD has taken a number of actions to improve supply chain management, but the department is unable to demonstrate at this time the full extent of its progress that may have resulted from its efforts. In addition to implementing audit recommendations, DOD is implementing initiatives in its supply chain management improvement plan. However, it is unclear how much progress its actions have resulted in because the plan generally lacks outcome-focused performance metrics that track progress in the three focus areas and at the initiative level. DOD's plan includes four high-level performance measures, but these measures do not explicitly relate to the focus areas, and they may be affected by many variables, such as disruptions in the distribution process, other than DOD's supply chain initiatives. Further, the plan does not include overall cost metrics that might show efficiencies gained through the efforts. Therefore, it is unclear whether DOD is meeting its stated goal of improving the provision of supplies to the warfighter and improving readiness of equipment while reducing or avoiding costs.

Over the last 5 years, audit organizations have made more than 400 recommendations that focused specifically on improving certain aspects of DOD's supply chain management. About two-thirds of the recommendations had been closed at the time GAO conducted its review, and most of these were considered implemented. Of the total recommendations, 41 percent covered the focus areas in DOD's supply chain management improvement plan: requirements forecasting, asset visibility, and materiel distribution. The recommendations addressed five common themes—management oversight, performance tracking, planning, policy, and processes.