

## Why GAO Did This Study

DOD estimated that overall spending on logistics, including supply chain management, was more than \$210 billion in fiscal year 2010. Because of long-standing weaknesses in supply chain management, GAO has designated DOD supply chain management as a high-risk area and identified three focus areas for improvement—requirements forecasting, asset visibility, and materiel distribution. GAO reviewed the extent to which DOD has developed and implemented (1) corrective action plans that address challenges in the three focus areas, (2) an effective program for monitoring and validating the effectiveness and sustainability of supply chain management corrective actions, and (3) an ability to demonstrate supply chain management progress. GAO prepared this report to assist Congress in its oversight of DOD's supply chain management. GAO reviewed strategic and improvement plans, reviewed documents detailing the performance management framework, and assessed performance measures.

## What GAO Recommends

GAO recommends that DOD develop and implement corrective action plans and performance measures for asset visibility and materiel distribution and take steps to fully institute its performance management framework. DOD concurred or partially concurred with two recommendations and did not concur with four, citing ongoing initiatives and existing policy. GAO believes all recommendations remain valid, as further discussed in the report.

## DEFENSE LOGISTICS

### DOD Needs to Take Additional Actions to Address Challenges in Supply Chain Management

## What GAO Found

DOD has developed and begun to implement a corrective action plan for requirements forecasting, one of the three focus areas GAO identified as needing improvement in supply chain management. However, it does not have similar plans for the focus areas of asset visibility or materiel distribution. Such corrective action plans are critical to resolving weaknesses in these two areas. Such plans should (1) define root causes of problems, (2) identify effective solutions, and (3) provide for substantially completing corrective measures in the near-term, including steps necessary to implement solutions. DOD's *Comprehensive Inventory Management Improvement Plan*, issued in October 2010 in response to a statutory mandate, includes the elements necessary to serve as a corrective action plan for requirements forecasting. DOD's 2010 *Logistics Strategic Plan*, and other prior logistics-related plans, do not contain all of the elements needed to serve as corrective action plans for either asset visibility or materiel distribution, such as definition of problems or performance information to gauge progress in achieving outcomes.

DOD outlined a performance management framework that is designed to provide guidance and oversight of logistics efforts, including supply chain improvement efforts. GAO's prior work has shown that in order for agencies to address challenges, they need to institute a program to monitor and validate the effectiveness and sustainability of corrective actions. The framework, as outlined in the 2010 *Logistics Strategic Plan*, offers a new management tool that may enable DOD to manage performance in supply chain management. For example, it calls for an ongoing assessment and feedback process that could help to ensure that improvement efforts are effective. However, DOD has not included key elements for instituting its performance management framework, such as implementing guidance to affected stakeholders, a strategy to communicate results internally and to stakeholders such as Congress, or definition of the roles and responsibilities of senior logistics governance bodies and chief management officers. Until the framework is fully instituted, DOD may not be able to effectively use this new management tool to monitor the effectiveness of corrective actions.

DOD and its components track many aspects of the supply chain; however, DOD does not have performance measures that assess the overall effectiveness and efficiency of the supply chain across the enterprise. In order to fully address challenges, agencies must be able to demonstrate progress achieved through corrective actions, which is possible through the reporting of performance measures. In the development of its inventory management improvement plan, a collaborative process was used to define existing and needed performance measures for requirements forecasting. A similar collaborative focus on developing enterprisewide performance measures for asset visibility and materiel distribution has not occurred. The department may have difficulty demonstrating progress until enterprisewide performance measures are developed and implemented in all three focus areas for improving its supply chain management.