



Highlights of [GAO-09-1040T](#), a testimony before the Defense Acquisition Reform Panel, Committee on Armed Services, House of Representatives

Why GAO Did This Study

The nation's ability to project and sustain military power depends on effective logistics. As the Department of Defense's (DOD) largest combat support agency, providing worldwide logistics support in both peacetime and wartime, the Defense Logistics Agency (DLA) supplies almost every consumable item the military services need to operate, from Meals Ready-to Eat to jet fuel. Given current budgetary pressures and the crucial role DLA plays in supporting the military service in the United States and overseas, it is vital that DOD ensure DLA is getting value for the commodities and services it acquires.

The committee asked GAO to identify the challenges DOD faces in ensuring DLA gets value for the taxpayer's dollar and obtains quality commodities in a cost-efficient and effective manner. This testimony focuses on sound practices GAO has identified regarding obtaining value when contracting and how they can also apply to DLA's acquisition of commodities.

GAO has made numerous recommendations aimed at improving DOD's management and oversight of contractors, and DOD has concurred with many of them. GAO is not making any new recommendations in this testimony.

View [GAO-09-1040T](#) or [key components](#). For more information, contact William M. Solis at (202) 512-8365 or solisw@gao.gov.

DEFENSE ACQUISITIONS

Sound Practices Critical to Ensuring Value for the Defense Logistics Agency's Acquisitions

What GAO Found

DOD faces challenges ensuring DLA gets value for the taxpayer's dollar and obtains quality commodities in a cost-efficient and effective manner. GAO's previous testimonies before this committee on weapons system acquisition and service contracts highlighted how essential it is that DOD employ sound practices when using contractors to support its missions or operations to ensure the department receives value regardless of the type of product or service involved. These practices include clearly defining its requirements, using the appropriate contract type, and effectively overseeing contractors. With regard to DLA, GAO's prior work has identified the following challenge areas:

- **Accurate Requirements Definition** – Without a good understanding of customers' projected needs, DLA is not assured it is buying the right items in the right quantities at the right time. GAO's prior work has identified instances where problems in properly defining requirements can lead to ineffective or inefficient management of commodities. For example, GAO reported in 2005 that while DLA had a model to forecast supply requirements for contingencies, this model did not produce an accurate demand forecast for all items, including Meals Ready-to-Eat. As a result, the demand for these items was underestimated and some combat support units came within a day or two of exhausting their Meals Ready-to-Eat rations.
- **Sound Business Arrangements** – Selecting the appropriate type is important because certain contracting arrangements may increase the government's cost risk where others transfer some of that cost risk to the contractor. For example, GAO noted in 2007 that DLA's Defense Energy Support Center was able to purchase fuel and supply products for the forces in Iraq more cheaply than an Army Corps of Engineers contractor because DLA was able to sign long-term contracts with the fuel suppliers.
- **Proper Contract Oversight and Management** – Failure to provide adequate contract oversight and management hinders DOD's ability to address poor contractor performance and avoid negative financial and operation impacts. For example, in June 2006, GAO found that DLA officials were not conducting required price reviews for the prime vendor contracts for food service equipment and construction and equipment commodities. Agency officials acknowledged that these problems occurred because management at the agency and supply center level were not providing adequate oversight to ensure that contracting personnel were monitoring prices.

DLA has taken some actions to address these challenges. For example, DLA has begun adjusting acquisition strategies to reassign programs to a best procurement approach. DLA has also established contracting officer's representative training requirements to ensure these individuals are properly trained to carry out their responsibilities.