

Why GAO Did This Study

Specialty metals—such as titanium, certain steel alloys, and samarium-cobalt alloy magnets—are essential to DOD weapon systems due to their unique properties, such as being highly durable. Federal statute requires specialty metals used in weapon systems to be procured from domestic sources or qualifying countries. However, the law allows DOD to waive this requirement in the interest of national security. GAO was mandated by a House report accompanying a bill for the National Defense Authorization Act (NDAA) for Fiscal Year 2014 to review DOD's compliance with specialty metals requirements.

This report assesses (1) how DOD meets its needs for specialty metals parts and ensures compliance with restrictions, and (2) DOD's process for providing national security waivers for specialty metal procurements and the extent to which it disseminates waiver information throughout the department. GAO reviewed contracts, laws, regulations and DOD guidance, and analyzed a non-generalizable sample of five weapon systems as case studies based on their total 2013 acquisition costs, among other things. GAO also reviewed national security waivers DOD granted since 2009 and interviewed DOD and contractor officials.

What GAO Recommends

GAO recommends that DOD disseminate non-sensitive information within the department and its supplier-base on the waivers it has granted for specialty metals. DOD concurred with the recommendation and plans to publish non-sensitive information.

View [GAO-15-133](#). For more information, contact Marie A. Mak at (202) 512-4841 or makm@gao.gov.

SPECIALTY METALS

DOD Dissemination of National Security Waiver Information Could Enhance Awareness and Compliance with Restrictions

What GAO Found

The Department of Defense (DOD) typically relies on its prime contractors to plan for the procurement of specialty metals and ensure compliance with specialty metals' restrictions for the five weapon systems programs that GAO reviewed. For these programs, GAO found that DOD plays a limited role—primarily monitoring the availability of specialty metals and conducting periodic reviews of prime contractor quality assurance processes. GAO also reviewed contracts for these five programs and found they contained clauses that require prime contractors to procure specialty metals in compliance with domestic source restrictions, ensure that delivered items meet contract requirements as part of quality assurance, and maintain processes for future material needs. In turn, these prime contractors told GAO that they pass down the contract requirements—including those pertaining to specialty metals—to their subcontractors and defense suppliers, and require them to follow industry standards for quality management. These standards include, among other things, testing subcontractor processes to determine if they meet contractual specifications; reviewing required supplier certifications for items delivered under the contract to confirm compliance with all identified requirements; and rating subcontractors using performance metrics. Prime contractors for these programs also told GAO they use a risk-based approach to oversee subcontractors, including those suppliers at lower tiers.

DOD recently improved its national security waiver process; but its dissemination of information contained in those waivers is limited. Since 2009—when specialty metals restrictions were changed and the exception for national security was added—DOD has granted six national security waivers to five different weapon system programs known to have procured noncompliant specialty metals. Five of the six waivers were for samarium-cobalt magnets, which were noncompliant largely due to a change in a previously allowed exception for these magnets. During its review, GAO identified weaknesses in DOD's waiver process such as not having defined procedures for requesting waivers; and in June 2014, DOD developed written guidance for program offices to follow when requesting these waivers. However, GAO also found that DOD does not have a mechanism to share information on national security waivers granted for noncompliant specialty metals. *Standards for Internal Control in the Federal Government* call for information to be recorded and communicated to management and others, including external parties who need it, such as program offices and suppliers, to help the agency achieve its goals. Disseminating non-sensitive information—including the names of programs that received waivers, sources of the noncompliant specialty metals, and corrective actions—to key stakeholders, such as DOD weapon system program offices and their defense suppliers, could help raise awareness of and compliance with the specialty metals restrictions. Moreover, greater awareness of supplier-base problems and broader dissemination of national security waiver information could assist DOD in better discovering potential vulnerabilities, such as systemic supply chain risks that could impact national security objectives.