

GAO Highlights

Highlights of [GAO-17-768](#), a report to the Committee on Armed Services, House of Representatives

Why GAO Did This Study

DOD has an extensive network of suppliers that provide millions of parts needed to sustain its weapon systems. Some parts are provided by a single source of supply (e.g., one manufacturing facility), and if that single source were no longer able to provide the part, DOD could face challenges in maintaining systems. Senate Report 114-49 directed DOD to report on risks associated with single sources of supply. DOD completed its report in October 2016.

House Report 114-102, accompanying a bill for the National Defense Authorization Act for Fiscal Year 2016, included a provision that GAO review single sources of supply for major defense acquisition programs. This report evaluates the extent to which (1) DOD's 2016 report addressed the direction in the Senate report and (2) DOD's weapon systems program offices have information for identifying and managing single source of supply risks. GAO reviewed DOD policy and procedures, analyzed DOD's report, and interviewed officials from a non-generalizable selection sample of nine program offices.

What GAO Recommends

GAO is recommending that DOD provide complete information to decision makers on risk mitigation plans and timeframes, potential effects from losses, and all critical facilities, commercial and organic, regarding risks from single sources of supply; share information on critical risks with program offices; develop a mechanism to ensure program offices obtain complete information; and issue a DMSMS policy. DOD concurred with GAO's six recommendations.

View [GAO-17-768](#). For more information, contact Zina D. Merritt at (202) 512-5257 or merrittz@gao.gov.

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DEFENSE SUPPLY CHAIN

DOD Needs Complete Information on Single Sources of Supply to Proactively Manage the Risks

What GAO Found

The Department of Defense's (DOD) 2016 report on risks associated with single sources of supply did not fully address two of the four elements directed by a Senate report and did not include other information that would have provided further insight into those risks. DOD included information on major defense acquisition programs and supporting parts provided by each single source of supply. However, DOD did not include implementation plans and timelines for risk mitigation actions or information about the effects of the loss of suppliers, as directed. In addition, complete information about DOD organic facilities was not included. While DOD is not required to update its report, it regularly reports industrial base information to congressional committees. Without complete information about critical suppliers, congressional and DOD decision makers do not know all potential risks and effects associated with the loss of single sources of supply for weapon systems.

GAO Assessment of Department of Defense (DOD) 2016 Report on Single Source of Supply

Reporting element from Senate Report 114-49	Assessment
Identify major defense acquisition programs with operational implications.	●
Include a list of critical components provided by single-source and single-provider suppliers.	●
Identify risk management actions with associated implementation plans and time lines DOD will take to prevent negative operational impact in the event of a loss of such suppliers	◐
Identify severity of operational impact of the loss of such suppliers.	○

Legend: ● Addressed ◐ Partially Addressed ○ Did not address

Source: GAO analysis of DOD report. | [GAO-17-768](#)

Program offices do not have complete information to fully identify and manage single source of supply risks. First, program officials GAO spoke with were not aware of DOD's 2016 report, and thus did not have information about parts from single-source suppliers that are considered to be most critical, which could provide important focus for managing these risks. Second, program offices often rely on the prime contractor to identify single source of supply risks, among other types of risks, and GAO found that program offices in some instances had limited information to manage those risks because DOD does not have a mechanism to ensure program offices obtain complete information from contractors. Without such a mechanism, program offices may not be aware of risks early enough to take proactive actions to understand and, as appropriate, mitigate those risks. Third, DOD has a program intended to provide information regarding the loss of suppliers and shortages and to proactively manage these risks, called the Diminishing Manufacturing Sources and Material Shortages (DMSMS) program, but GAO found that DMSMS implementation varied at selected program offices. DOD is taking steps toward improving DMSMS management, but there is no department-wide policy that clearly defines the requirements for DMSMS implementation at the program office level throughout the acquisition life cycle. Without such a policy there is no clearly defined requirement for program managers to proactively manage DMSMS issues.