

GAO Highlights

Highlights of [GAO-22-104154](#), a report to congressional committees

Why GAO Did This Study

A healthy defense industrial base that provides the capacity and capability to produce advanced weapon systems is critical to maintaining U.S. national security objectives. The U.S. industrial base currently consists of over 200,000 companies. Mitigating risks—such as reliance on foreign and single-source suppliers—is essential for DOD to avoid supply disruptions and ensure that the industrial base can meet current and future needs.

Since 2017, the White House has issued executive orders directing DOD and other agencies to assess risks to the defense industrial base and high priority supply chains such as semiconductors.

Congress also directed DOD to develop an analytical framework for mitigating risks and included a provision for GAO to review DOD's efforts. This report assesses (1) DOD's strategy for mitigating industrial base risks, and (2) the extent to which DOD is monitoring and reporting on its progress in mitigating risks. GAO analyzed DOD policies and reports and interviewed DOD officials.

What GAO Recommends

GAO is making six recommendations, including that DOD develop a consolidated and comprehensive strategy to mitigate industrial base risks; develop and use enterprise-wide performance measures to monitor the aggregate effectiveness of its efforts; and report on its progress in mitigating risks. DOD generally concurred with the recommendations and identified some actions to address them.

View [GAO-22-104154](#). For more information, contact W. William Russell at (202) 512-4841 or RussellW@gao.gov.

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DEFENSE INDUSTRIAL BASE

DOD Should Take Actions to Strengthen Its Risk Mitigation Approach

What GAO Found

The Department of Defense's (DOD) Industrial Base Policy office does not yet have a consolidated and comprehensive strategy to mitigate risks to the industrial base—the companies that develop and manufacture technologies and weapon systems for DOD. The office is using a combination of four previously issued reports that were created for other requirements because it devoted its resources to completing other priorities. Collectively, the reports do not include several elements GAO has previously identified that would help DOD achieve results, evaluate progress, and ensure accountability (see figure).

Elements Not Fully Addressed in DOD's Industrial Base Strategy



Source: GAO-04-408T and GAO analysis of Department of Defense (DOD) documents. | [GAO-22-104154](#)

DOD must update its industrial base strategy following the submission of the next National Security Strategy Report, which is expected to be issued later in 2022. By including all elements in a consolidated strategy, DOD could better ensure that all appropriate organizations are working toward the same priorities, promoting supply chain resiliency, and supporting national security objectives.

DOD is carrying out numerous efforts to mitigate risks to the industrial base. This includes more than \$1 billion in reported efforts under Navy submarine and destroyer programs and \$125 million to sustain a domestic microelectronics manufacturer. However, DOD has limited insight into the effectiveness of these efforts and how much progress it has made addressing risks. For example:

- The Industrial Base Policy office and military services have not established enterprise-wide performance measures to monitor the aggregate effectiveness of DOD's mitigation efforts.
- DOD's annual Industrial Capabilities Reports do not include information about the progress the department has made in mitigating risks.

GAO's prior work on enterprise risk management establishes that agencies should monitor and report on the status and effectiveness of their risk mitigation efforts. Without key monitoring and reporting information, DOD and Congress do not have sufficient information to help determine whether industrial base risks have been mitigated and what additional resources or actions may be needed.