

GAO Highlights

Highlights of [GAO-23-105929](#), a report to congressional committees

Why GAO Did This Study

DLA is DOD's largest logistics combat support agency. It operates 400 warehouses to, among other things, store and distribute parts for producing and repairing weapon systems. The military services and their weapon system contractors have used commercial warehouses to store inventory that were in close proximity to DLA's distribution centers, potentially incurring higher costs and longer delivery times in doing so.

Section 883 of the NDAA for Fiscal Year 2017 authorized a 6-year pilot program for DLA to provide storage and distribution services for weapon systems contractors. Section 883 also required DOD to report on the program and included a provision for GAO to review the report for sufficiency.

This review addresses the extent to which DOD's report assessed (1) the cost-effectiveness of the program and (2) whether the support contracts affected contractors' ability to meet the requirements of their existing primary contracts. GAO reviewed DOD's report and compared it to required elements in the mandate, and interviewed DOD officials.

What GAO Recommends

GAO made three recommendations, including that DOD perform a complete cost-effectiveness analysis and assess how support contracts may affect contractors' ability to meet their requirements under the primary contracts. DOD concurred with these recommendations.

View [GAO-23-105929](#). For more information, contact Diana Maurer at (202) 512-9627 or maurerd@gao.gov.

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WEAPON SYSTEMS SUSTAINMENT

DOD Needs to Improve Its Reporting for Warehousing Pilot Program

What GAO Found

The National Defense Authorization Act (NDAA) for Fiscal Year 2017 authorized a 6-year pilot program for the Defense Logistics Agency (DLA) to provide storage and distribution services for weapon system contractors. Specifically, the Department of Defense (DOD) was authorized to enter into no more than five contracts for contractors to use DLA's warehouses to store and distribute weapon system parts. DOD was also required to submit a report by the end of 2021 describing the cost-effectiveness of the pilot program and how the warehousing contracts affected the contractors' ability to meet the requirements of their existing contracts to support weapon systems sustainment. DOD issued its report to Congress in March 2021 and recommended the pilot program be made permanent and expanded to non-weapon systems. DOD further submitted a legislative proposal for the NDAA for Fiscal Year 2023 for Congress to enact its recommendations. The James M. Inhofe NDAA for Fiscal Year 2023 extended the pilot program for an additional year.

GAO found that DOD's report did not fully assess the cost-effectiveness of the pilot program. DOD guidance establishes seven elements that must be addressed for a complete cost-effectiveness analysis. GAO found that DOD substantially addressed one, partially addressed five, and did not address one element. For example, DOD's report provided some cost information for three existing contracts in the pilot program. However, the report included projected rather than actual costs, and did not fully evaluate alternatives. DOD officials told GAO that they were not aware of DOD's guidance identifying the elements of a complete cost-effectiveness analysis and did not use other relevant guidance. By applying the guidance and conducting a complete cost-effectiveness analysis, DOD can help ensure that Congress has the information it needs to evaluate the costs and benefits of the pilot program.

DOD's report did not comprehensively assess how the warehousing contracts affected contractors' ability to meet the requirements of their existing primary contracts. For example, DOD's report described contractor's views but did not include any supporting data or information. The report also did not include challenges described to GAO by stakeholders managing these contracts. Without this assessment, DOD may not have complete information on the potential effects of these contracts to inform congressional decisions about the pilot program.