United States Government Accountability Office

Report to Congressional Committees

January 2015

DEFENSE LOGISTICS

DOD Has a Strategy and Has Taken Steps to Improve Its Asset Visibility, but Further Actions Are Needed

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Why GAO Did This Study

GAO designated DOD's supply chain management as a high-risk area and in July 2011 found that limitations in asset visibility make it difficult to obtain timely and accurate information on assets that are present in a theater of operations. In 2013, GAO found that DOD had made moderate progress in addressing weaknesses in its supply chain management and identified several actions that DOD should take to strengthen asset visibility, including completing and implementing its strategy for coordinating efforts to improve asset visibility across the department.

This report examined the extent to which DOD has (1) a comprehensive strategy and implementation plans for improving asset visibility; and (2) made improvements in asset visibility that meet GAO's criteria for removal from the High-Risk List. GAO reviewed DOD's 2014 *Strategy* and initiatives for improving asset visibility and evaluated DOD's actions to improve asset visibility against GAO's criteria for determining and removing high risk designations.

What GAO Recommends

GAO recommends four actions to improve DOD's management of asset visibility. The actions include, among other things, that DOD include information in its S*trategy* and SEPs on elements used to develop cost estimates; clearly link performance measures for the initiatives and the *Strategy's* goals and objectives; and demonstrate that the initiatives are resulting in measurable outcomes and progress toward meeting the goals and objectives in the *Strategy*. DOD agreed with all the recommendations.

View GAO-15-148. For more information, contact Zina Merritt at 202-512-5257 or merrittz@gao.gov.

What GAO Found

In January 2014, the Department of Defense (DOD) issued its *Strategy for Improving DOD Asset Visibility* (*Strategy*) and supporting execution plans (SEP), which included five of the seven key elements of a comprehensive strategic plan and partially included the other two elements. For example, the *Strategy* fully includes a comprehensive mission statement; a problem definition, scope, and methodology; goals and objectives; activities, milestones, and performance measures; and organizational roles, responsibilities, and coordination. However, 4 of the 22 SEPs, which outline initiatives intended to improve asset visibility, did not address resources and investments and key external factors. DOD officials told GAO that this information would be added during regular updates to the *Strategy*. Since the *Strategy* was issued, DOD components have begun updating the SEPs to include information—such as costs and key external factors—that had been missing from the SEPs included in the *Strategy*.

DOD has taken steps to improve its asset visibility, and GAO's assessment is that the department has fully met one of the five criteria for removal from the High-Risk List—leadership commitment—and partially met the other four, as shown below.

Extent to Which DOD's Efforts to Improve Asset Visibility Meet GAO's High-Risk Criteria

Criteria	Description	GAO's assessment[a]
Leadership commitment	Demonstrate strong commitment and top leadership support	●
Capacity	Demonstrate the capacity (i.e., the people and other resources) to resolve the risks	◑
Corrective action plan	A corrective action plan exists that defines the root causes and solutions and provides for substantially completing corrective measures, including steps necessary to implement the solutions GAO recommended	◑
Monitoring	Program instituted to monitor and independently validate the effectiveness and sustainability of corrective measures	◑
Demonstrated progress	Ability to demonstrate progress in having implemented corrective measures and resolving the High-Risk area	◑

Legend: ● Fully met   ◑ Partially met

Source: GAO analysis of DOD data. | GAO-15-148

[a]Fully met indicates that all parts of the criterion were fully addressed. Partially met indicates that some, but not all, aspects of the criterion were addressed.

Related to demonstrating capacity, DOD has begun to identify the resources and investments required to achieve the *Strategy*'s goals and objectives, but the *Strategy* and accompanying SEPs do not include detail on the elements used in developing cost estimates for the individual initiatives. Further, while the *Strategy* and SEPs serve as a corrective-action plan, there is not a clear link between the performance measures for the initiatives and the *Strategy*'s goals and objectives, and DOD has not yet developed a process for determining whether implementing its initiatives is helping it to achieve these goals and objectives. Until these criteria are satisfied, the department will have limited ability to demonstrate measurable progress towards achieving progress in improving its asset visibility.

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Contents

List of Abbreviations

AIT	Automated Information Technology
DLA	Defense Logistics Agency
DOD	Department of Defense
IUID	Item Unique Identification
OIS	Ordnance Information System
RFID	Radio Frequency Identification
SEP	Supporting Execution Plan
STRATEGY	Strategy for Improving DOD Asset Visibility
TRANSCOM	U.S. Transportation Command

January 27, 2015

Congressional Committees

One of the Department of Defense's (DOD) goals in supporting the warfighter is to deliver the right items in the right quantities to the right place at the right time—and at the right cost. One of the most complex and vital tasks facing DOD is managing its supply chain to effectively and efficiently provide spare parts, food, fuel, and other critical supplies in support of U.S. military forces. Supply chain management encompasses the processes and systems for accomplishing this goal. Because of long-standing weaknesses in DOD's supply chain management, we have designated it as a high-risk area.[1] We have found that limitations in asset visibility—including the visibility of assets in transit—make it difficult to obtain timely and accurate information about the assets that are present in the theater of operations. DOD defines asset visibility as the ability to provide timely and accurate information on the location, quantity, condition, movement, and status of items in its inventory—including assets in transit.[2] To achieve a seamless and effective supply chain, it is important for DOD to have end-to-end visibility of its assets—from acquisition to disposal and all points in between. Further, it is critical to maintain visibility of these assets in order to ensure that DOD meets its stated goals and provides needed support to the warfighter.

In our February 2013 high-risk update, we found that DOD had made moderate progress in addressing weaknesses in its supply chain management, but that several long-standing problems had not yet been resolved.[3] We found that DOD had met two of our five criteria for removal from the High-Risk List in the supply chain management area. Specifically, we found that DOD demonstrated top leadership support for

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[1]GAO, *High-Risk Series: An Update*, GAO-13-283 (Washington, D.C.: February 2013). In 1990, we began a program to report on government operations that we identified as "high risk." Every 2 years, we call attention to agencies and program areas that are high risk due to their vulnerabilities to fraud, waste, abuse, and mismanagement, or are most in need of transformation.

[2]Department of Defense, *Deployment and Redeployment Operations*, Joint Publication 3-35 (Jan. 31, 2013), p. I-13.

[3]GAO-13-283.

improving supply chain management, and the department had the capacity (i.e., people and resources) to resolve risks in this area. However, DOD had not yet fully met the remaining three criteria, which include developing a corrective action plan for materiel distribution and asset visibility, monitoring and independently validating the effectiveness and sustainability of corrective measures, and demonstrating sustained progress in implementing corrective measures. We also found that although DOD had not established integrated, comprehensive approaches for overseeing and addressing problems across the department and implementing associated initiatives, it had begun developing a strategy to coordinate efforts to improve asset visibility, including in-transit visibility. We identified several actions that DOD should take to improve asset visibility, including completing and implementing its strategy for coordinating efforts to improve asset visibility across the department. DOD concurred with our findings and recommendations and issued a *Strategy for Improving DOD Asset Visibility* (the *Strategy*) in January 2014, as discussed later in this report.

We performed our work and prepared this report under the authority of the Comptroller General to assist Congress with its oversight responsibilities. This report discusses the extent to which DOD has (1) a comprehensive strategy and implementation plans for improving asset visibility, including in-transit visibility; and (2) made improvements in asset visibility that meet our criteria for removal from the High-Risk List.

To determine the extent to which DOD has a comprehensive strategy and implementation plans for improving asset visibility, including in-transit visibility, we reviewed DOD's *Strategy*—which incorporates implementation plans that DOD calls "supporting execution plans" (SEP)[4]—and assessed whether they fully included, partially included, or

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[4] In this report, we refer to these as SEPs or plans. Each of the SEPs outlines an initiative and describes specific actions that components plan to take that are intended to improve asset visibility.

did not include the elements of a comprehensive strategic plan.[5] We determined that the *Strategy* and plans "fully included" an element when the plan described the entire element, and "partially included" an element when the plan described some, but not all, parts of that element. When a plan did not explicitly cite any of the parts of an element, we determined that the element was "not included" in the *Strategy*. Additionally, we discussed with officials from the Office of the Deputy Assistant Secretary of Defense for Supply Chain Integration, Joint Staff, Defense Logistics Agency (DLA), U.S. Transportation Command (TRANSCOM), and each of the military services their roles in the development of the *Strategy* and our preliminary analysis of the *Strategy*.

To evaluate the extent to which DOD has made improvements in meeting the high-risk criteria for the asset visibility area, we reviewed DOD's *Strategy* and the SEPs, and discussed with the components the initiatives they had implemented or were implementing to improve asset visibility.[6] We also reviewed updates to those initiatives that the components had provided to the Asset Visibility Working Group.[7] We assessed these actions against GAO's criteria for assessing agencies' actions and determining whether performance and accountability challenges merit our high-risk designation.[8] Additionally, we reviewed our prior high-risk reports to obtain information on the progress agencies have made to

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[5]The Government Performance and Results Act of 1993, commonly referred to as "GPRA" or "the Results Act" requires agencies to set goals, measure performance, and report on their accomplishments. We also used several GAO guides and reports that provided instruction on applying the GPRA criteria and included other elements that should be included in a comprehensive strategic plan, such as GAO, *Executive Guide: Effectively Implementing the Government Performance and Results Act*, GAO/GGD-96-118 (Washington, D.C.: June 1996). Also see prior GAO reports GAO, *Defense Logistics: A Completed Comprehensive Strategy is Needed to Guide DOD's In-Transit Visibility Efforts*, GAO-13-201 (Washington, D.C.: Feb. 28, 2013) and *Managing for Results: Critical Issues for Improving Federal Agencies' Strategic Plans*, GAO/GGD-97-180 (Washington, D.C.: Sept. 16, 1997).

[6]We use the term components to refer to all of the organizations involved in delivering logistics capabilities to the warfighters, including the Joint Staff, DLA, TRANSCOM, and each of the military services.

[7]The Asset Visibility Working Group is responsible for monitoring the execution of the initiatives outlined in the SEPs. The components report the status of their initiatives to this group on a quarterly basis.

[8]GAO, *Determining Performance and Accountability Challenges and High Risks*, GAO-01-159SP (Washington, D.C.: November 2000).

address issues identified on our High-Risk List.[9] Further, we evaluated DOD's actions to improve asset visibility against each of our five high-risk criteria for removal from the high-risk list (referred to as the "high-risk criteria").[10] We also shared with officials our preliminary assessment of asset visibility relative to each of the criteria and discussed actions that DOD had taken, is taking to, or plans to take to fully address the criteria in each of those areas.

We conducted this performance audit from August 2014 to January 2015 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. We provide additional information about our scope and methodology in appendix I.

Background

DOD Supply Chain Management Challenges and Past Efforts to Address Them

DOD's supply chain is a global network that provides materiel, services, and equipment to the joint force. Ineffective and inefficient inventory-management practices and procedures, and weaknesses in accurately forecasting the demand for spare parts, contributed to our designating DOD's inventory management as a high-risk area in 1990.[11] We initially focused this high-risk area on inventory management including requirements (or demand) forecasting. We subsequently determined, on the basis of work we conducted related to U.S. operations in Iraq and later Afghanistan, that weaknesses extended to other aspects of the supply chain supporting the warfighter, including asset visibility and materiel distribution.[12] Additionally, based in part on our input and input

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[9]See the Related GAO Products list at the end of this report.

[10]For the criteria and process for assessing agency activities and determining whether performance and accountability challenges warrant designation as high risk, see GAO-01-159SP.

[11]GAO, *High Risk: Letter to Congressional Committees Identifying GAO's Original High Risk Areas* (Washington, D.C.: Jan. 23, 1990).

[12]GAO, *High-Risk Series: An Update,* GAO-05-207 (Washington, D.C.: January 2005).

from the Office of Management and Budget in 2005, DOD identified requirements forecasting, asset visibility, and materiel distribution as its focus areas for improving supply chain management.[13] Since that time, DOD has made moderate progress in addressing weaknesses in its supply chain management. For example, in our February 2013 High Risk report we found that DOD had begun developing a strategy to coordinate efforts to improve asset tracking and in-transit visibility. Although DOD has made progress in these efforts, we also found that more work remains to fully address the issues identified for this high-risk area.[14]

In February 2013, we reviewed DOD's draft strategy for in-transit visibility and found that it included some, but not all, of the elements of a comprehensive strategic plan.[15] We found that the draft strategy fully included one of the seven elements of a comprehensive strategic plan, partially included four elements, and did not include two elements. Specifically, the draft strategy fully included goals and objectives that addressed the results desired from implementation of the strategy. The draft strategy partially included (1) a mission statement that summarizes the purpose of the strategy; (2) a problem definition, scope, and methodology that summarizes the issues to be addressed and the scope of the strategy; (3) activities, milestones, and performance measures identifying steps required to achieve results, and timelines and metrics to gauge results; and (4) organizational roles, responsibilities, and coordination for overseeing and managing implementation of the strategy. Lastly, we found that the draft strategy did not include (1) information on resources and investments—including skills and technology and the human capital, information, and other resources required to achieve the goals and objectives—or (2) information on the key external factors that could affect achievement of the goals and objectives. We recommended that DOD finalize its strategy and ensure that the strategy contained all the key elements of a comprehensive strategic plan, including the

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[13]DOD inventory management was redesignated as DOD supply chain management in our 2005 update to the High-Risk Series. See GAO-05-207. We define *inventory management* as the range of activities related to buying, storing, positioning, issuing, and shipping supply items; *asset visibility* as the ability to provide timely and accurate information on the location, quantity, condition, movement, and status of supplies; and *materiel distribution* as the process for synchronizing all elements of the logistics system in order to deliver items to support the warfighter.

[14]GAO-13-283.

[15]GAO-13-201.

elements that were not included in the draft strategy—resources and investments and key external factors.[16] DOD concurred with our recommendation and, as discussed later in our report, developed its January 2014 *Strategy* in response to that recommendation.

GAO's High-Risk List and Criteria for Removal

In 1990, we began a program to report on government operations that we identified as "high risk." Since then, generally coinciding with the start of each new Congress, we have reported on the status of progress to address high-risk areas and have also updated the high-risk list. Our high-risk program has served to identify and help resolve serious weaknesses in areas that involve substantial resources and provide critical services to the public. Our experience with the high-risk series over the past 23 years has shown that the key elements needed to make progress in high-risk areas are congressional action, high-level administrative initiatives, and agencies' efforts grounded in the five criteria we established for removal of an area from the high-risk list.[17] These criteria call for agencies to demonstrate the following:

1. Leadership Commitment—a strong commitment and top leadership support;

2. Capacity—the capacity (i.e., the people and other resources) to resolve the risk(s);

3. Corrective Action Plan—a plan that defines the root causes and solutions and provides for substantially completing corrective measures, including steps necessary to implement the solutions we recommended;

4. Monitoring—a program instituted to monitor and independently validate the effectiveness and sustainability of corrective measures; and

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[16]Resources and investments are the costs to execute the plan and sources and types of resources and investments, including skills and technology and the human capital, information, and other resources required that meet the goals and objectives. Key external factors are key factors external to the organization and beyond its control that could significantly affect the achievement of the long-term goals contained in the strategy. These can include economic, demographic, social, technological, or environmental factors, as well as conditions or events that would affect DOD's ability to achieve the desired results.

[17]GAO-01-159SP.

5. Demonstrated Progress—the ability to demonstrate progress in having implemented corrective measures and resolving the High-Risk area.

DOD's Asset Visibility Strategy and Implementation Plans Contain Most, but Not All, of the Key Elements of a Comprehensive Strategic Plan, and DOD Is Taking Steps to Address the Missing Information

In January 2014, DOD issued its *Strategy* and implementation plans[18] for improving asset visibility, which included five of the seven key elements of a comprehensive strategic plan and partially included the other two elements—resources and investments and key external factors. According to the *Strategy*, it creates a framework within which the components can work collaboratively to identify improvement opportunities and capability gaps and to leverage technologies that will improve asset visibility. The *Strategy* includes 22 SEPs developed by the components that outline initiatives intended to improve asset visibility. The SEPs describe the components' approaches for addressing specific processes, data and technical improvements, and logistics-related opportunities that are intended to improve the visibility of asset data.

In February 2013, we recommended that DOD finalize its draft strategy for in-transit visibility and that the strategy contain seven key elements of a comprehensive strategic plan, including resources and investments and key external factors.[19] DOD addressed our recommendation by including, or requiring the components to include, in the *Strategy* or SEPs, all seven of the elements of a comprehensive strategic plan. We reviewed the *Strategy* and SEPs and assessed whether they included, partially included, or did not include the elements of a comprehensive strategic plan.[20] Table 1 describes these elements and shows whether they were included in the *Strategy* and SEPs.[21]

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[18]The *Strategy* contains 22 SEPs, which serve as implementation plans and which outline initiatives intended to improve asset visibility. The *Strategy*, together with its enclosed SEPs, constitutes DOD's strategy and implementation plans for improving asset visibility.

[19]GAO-13-201.

[20]GAO/GGD-97-180.

[21]While the majority of the elements required in a comprehensive strategic plan are addressed in DOD's *Strategy*, two elements—resources and investments and key external factors—are addressed only in the SEPs.

Table 1: GAO's Assessment of the Extent to Which the Department of Defense's (DOD) January 2014 Strategy and Implementation Plans Include the Seven Elements of a Comprehensive Strategic Plan

Element	Description	GAO's assessment[a]
Comprehensive mission statement	A comprehensive statement that summarizes the main purpose of the strategy	●
Problem definition, scope, and methodology	The particular problems and threats the strategy is directed toward, why the strategy was produced, the scope of its coverage, and the process by which it was developed	●
Goals and objectives	A discussion of the overall results desired from implementation of the strategy	●
Activities, milestones, and performance measures	The steps required to achieve the results, as well as timelines and performance measures to gauge results	●
Organizational roles, responsibilities, and coordination	A description of roles and responsibilities for managing and overseeing implementation of the strategy and the establishment of mechanisms for multiple stakeholders to coordinate their efforts throughout implementation and to make necessary adjustments to the strategy based on performance	●
Resources and investments	The costs to implement the strategy and the sources and types of resources and investments, including skills and technology and the human capital, information, and other resources required to meet the goals and objectives in the strategy	◗
Key external factors that could affect goals	Key factors external to the organization and beyond its control that could significantly affect the achievement of the long-term goals contained in the strategy	◗

Legend:

● Fully included

◗ Partially included

○ Not included

Source: GAO analysis of DOD data. | GAO-15-148

[a]We determined that the *Strategy* and plans "fully included" an element when the plan described the entire element, and "partially included" an element when the plan described some, but not all, parts of that element. When a plan did not explicitly cite any of the parts of an element, we determined that the element was "not included" in the *Strategy*. The above seven elements mirror those that GAO recommended DOD include in its strategy in February 2013.

We determined that the *Strategy* fully includes a discussion of the first five elements and partially includes the last two elements. Specifically, we determined that the *Strategy* fully includes a comprehensive mission statement; a problem definition, scope, and methodology; goals and objectives; activities, milestones, and performance measures; and organizational roles, responsibilities, and coordination. For example, we determined that the *Strategy* fully includes a comprehensive mission statement because it included a comprehensive statement that summarizes the main purpose of the *Strategy*. More precisely, as stated in the *Strategy*, it was developed to guide and integrate department-wide efforts to improve asset visibility, reduce supply chain risk, and improve logistics decision making. Additionally, we determined that the *Strategy*

fully includes a problem definition, scope, and methodology because it presents the issues to be addressed by the strategy, the scope the strategy covers, and the process by which it was developed. Further, we determined that the *Strategy* fully includes goals and objectives because it lists each of the department's goals for improving asset visibility and also lists the objectives that support achievement of those goals. Specifically, the *Strategy* includes goals such as enhance visibility of assets in-transit, in-storage, in-process, and in-theater, and increase inventory existence and completeness in support of audit readiness. In support of achieving these goals, the *Strategy* also establishes objectives intended to be a foundation for identifying opportunities for improvement across the supply chain, such as increase efficiencies to include delivery accuracy or cycle times, and to provide better customer service by changing or adjusting supply chain or asset movement processes. We also determined that the *Strategy* fully includes activities, milestones, and performance measures because the SEPs, which were issued along with the *Strategy*, detail the initiatives (activities) intended to improve asset visibility and include both milestones and performance measures for monitoring their implementation. Lastly, we determined that the *Strategy* fully includes organizational roles, responsibilities, and coordination due to the inclusion of a responsibilities and oversight discussion in the *Strategy* that details the key players and their roles in implementing the *Strategy.*

However, not all of these elements were completely addressed in the SEPs, as required by the *Strategy*, at the time the *Strategy* was issued. In the *Strategy*, components were called to address resources and investments[22] and key external factors in their SEPs, which were published as part of the *Strategy*. However, 4 of the 22 SEPs either did not include resources and investments and key external factors or indicated that the information is "to be determined." Specifically, 4 of the SEPs did not include information on key external factors, 1 of those 4 SEPs showed "to be determined" for resources and investments and key external factors, while another of those SEPs did not include resources and investments at all. For example, the SEP for the Navy's Afloat/Ashore Implementation of Navy Ordnance Information System (OIS) Automated Information Technology (AIT) Capability shows "to be determined" for resources and investments, and the SEP for the DOD Item Unique

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[22]The Strategy refers to resources and investments as "implementation costs."

Identification (IUID) Implementation Plan does not address resources and investments at all. The SEPs for DOD IUID Implementation Plans, the Army's Mortuary Affairs Reporting and Tracking System, and the Joint Staff Development of In-transit Visibility Capabilities within the Global Combat Support System–Joint do not address key external factors that could affect achievement of the goals and objectives.

We discussed with officials from the Office of the Deputy Assistant Secretary of Defense for Supply Chain Integration why elements such as costs and key external factors were either not addressed or noted as "to be determined" in the SEPs. According to these officials, the *Strategy* was issued before some of the SEPs had been finalized. The SEPs in which information on resources and investments and key external factors was not available were incorporated into the *Strategy* without that information. These officials further noted it was DOD's intent to capture and publish costs and external factors during regular updates to the *Strategy*. Since the *Strategy* was published, we have observed that components have been working on updates to help ensure that the SEPs are current and complete. Specifically, we reviewed updates[23] to the 4 SEPs that were missing information—such as costs (although they do not distinguish the resources and investments that are included in those costs, as discussed later in our report) and key external factors—when the *Strategy* was issued and determined that the missing information had been added in a subsequent update to one of the SEPs. For example, as previously stated, the SEP for the Navy Afloat/Ashore implementation of the Navy OIS AIT showed costs "to be determined." The update to this SEP shows that the estimated cost to implement the OIS is $6.7 million (over fiscal years 2011 through 2014) and that, starting in fiscal year 2015, an additional $1.1 million will be required annually to sustain equipment and software capabilities. Officials from the Office of the Deputy Assistant Secretary of Defense for Supply Chain Integration stated that the components will continue to make quarterly updates to the SEPs.

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[23]The components are required to provide quarterly updates, called "quad charts" to the Asset Visibility Working Group on their initiatives. The quad charts provide abbreviated information on the initiatives including updates on milestones and resources and investments but do not include all information that was included in the SEPs published with the *Strategy*, such as key external factors.

DOD Has Taken Steps to Improve Its Asset Visibility, but Additional Actions Are Needed to Fully Address GAO's High-Risk Criteria

DOD has taken steps to improve its asset visibility, and we found that the department has fully met one of the five criteria for removal from the High-Risk List—leadership commitment—and partially met the other four, as shown in table 2. A discussion of the criteria as well as our assessment of DOD's progress in meeting each of the criteria is discussed below.

Table 2: GAO's Assessment of the Extent to Which the Department of Defense's (DOD) Efforts to Improve Asset Visibility Meet Our High-Risk Criteria

Criteria	Description	GAO's assessment[a]
Leadership commitment	Demonstrate strong commitment and top leadership support	●
Capacity	Demonstrate the capacity (i.e., the people and other resources) to resolve the risk(s)	◐
Corrective action plan	A corrective action plan exists that defines the root causes and solutions and provides for substantially completing corrective measures, including steps necessary to implement the solutions we recommended	◐
Monitoring	Program instituted to monitor and independently validate the effectiveness and sustainability of corrective measures	◐
Demonstrated progress	Ability to demonstrate progress in having implemented corrective measures and resolving the High-Risk area	◐

Legend:

● Fully met

◐ Partially met

○ Not met

Source: GAO analysis of DOD data. | GAO-15-148

[a]Fully met indicates that all parts of the criterion were fully addressed. Partially met indicates that some, but not all, aspects of the criterion were addressed. Not met indicates none of the aspects of the criterion were addressed.

DOD Has Fully Demonstrated Leadership Commitment and Support

Our high-risk criterion for leadership commitment calls for leadership oversight and involvement. DOD has taken positive steps to address asset visibility challenges, and we found, as we did in our February 2013 high-risk assessment,[24] that DOD has fully met our high-risk criterion for

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[24]GAO-13-283.

leadership commitment. Senior leaders at the department have continued to demonstrate commitment to addressing the department's asset visibility challenges. For example, this commitment is evidenced by DOD's issuance of its January 2014 *Strategy* and senior leadership involvement in asset visibility improvement efforts through groups such as the Supply Chain Executive Steering Committee. The Office of the Deputy Assistant Secretary of Defense for Supply Chain Integration provides department-wide oversight for development, coordination, approval, and implementation of the *Strategy*, and reviews the implementation of the initiatives. DOD has also established a governance structure for overseeing and coordinating efforts to improve asset visibility, which includes the following groups:

- Supply Chain Executive Steering Committee: includes senior-level officials responsible for overseeing asset visibility improvement efforts;

- Asset Visibility Working Group: includes representatives from the components and other government agencies, as needed; identifies opportunities for improvement; and monitors the implementation of SEPs; and

- Item Unique Identification Working Group: includes representatives from the components and other government agencies, as needed, and identifies and monitors the implementation of item unique identification initiatives, such as those related to asset marking and automated identification system updates.

DOD Has Begun to Identify Required Resources and Investments, but Cost Estimates Do Not Include Detailed Information

Our high-risk criterion for capacity calls for agencies to demonstrate that they have the people and other resources needed to resolve risks. In February 2013, we found that DOD had limited awareness of in-transit visibility efforts being taken across the department because it lacked a formal, central mechanism to monitor the status of improvements or fully track the resources allocated to them.[25] Key elements of a comprehensive strategic plan include a discussion of resources and investments including the costs to execute the plan and the sources and types of resources and investments—including skills and technology and the

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[25]GAO-13-201.

human capital, information, and other resources required to meet the goals and objectives. Further, these elements should be complete, accurate, and consistent.[26] Further, according to GAO's *Cost Estimating and Assessment Guide*, a reliable cost estimate is critical to the success of any program. Such an estimate provides the basis for informed investment decision making, realistic budget formulation and program resourcing, meaningful progress measurement, proactive course correction when warranted, and accountability for results.[27]

DOD has begun to identify the resources and investments that would be required to achieve the goals and objectives outlined in its January 2014 *Strategy*. For example, as previously discussed, DOD components have included resource and investment information in 18 of the 22 SEPs, and components are starting to include missing information in the remaining SEPs. The *Strategy* calls for the components to include estimates of costs to implement the initiatives in the SEPs. However, the *Strategy* does not specify that the specific elements included in those cost estimates, such as human capital, information, and other resources required to meet the goals and objectives, be included. That is, the components provide cost estimates in the SEPs, but generally at an aggregate level[28] without details of the elements included. In our review of the SEPs, we asked component officials which elements—such as human capital, information, and contracts—were used when computing the cost estimates. The elements considered varied from estimate to estimate because the components employ different cost estimating models. Officials agreed that a greater transparency to the elements included in these cost estimates would be helpful. Without including information on the specific elements included in cost estimates, DOD lacks reasonable assurance that the department will have the level of detailed cost information it needs to make well-informed decisions about asset visibility, including setting budget priorities.

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[26]GAO/GGD-97-180.

[27]GAO, *GAO Cost Estimating and Assessment Guide*, GAO-09-3SP (Washington, D.C.: March 2009).

[28]While the *Strategy* does not call for the components to provide details on the elements used to develop the cost estimates, a small number of SEPs did include some level of information on the elements included in their estimates. For example, the Air Force provided information with the total estimated cost for its Enterprise Data Collection Layer initiative explaining that the total cost includes costs for software licensing, architecture sustainment, and support for customers using the architecture.

DOD's Strategy and Implementation Plans Serve as a Corrective Action Plan, but Initiatives Do Not Clearly Link with Goals and Objectives

Our high-risk criterion for a corrective action plan calls for agencies to define the root causes and solutions and provide for substantially completing corrective measures, including steps necessary to implement the solutions. As we concluded in February 2013, DOD's draft strategy for in-transit visibility was incomplete because the components had not yet submitted their SEPs, which provide key information about the components' in-transit visibility efforts and describe any gaps or challenges within the supply chain, as well as the components' corrective actions to address them.[29] DOD has since taken steps to implement our February 2013 recommendation, and it issued its *Strategy* in January 2014. DOD's 2014 *Strategy* represents its corrective action plan and provides goals and objectives as well as SEPs detailing specific initiatives for improving asset visibility. Aligning agency-wide goals and objectives with strategies to achieve those goals and objectives is a key practice that could improve the effectiveness of DOD's efforts to improve asset visibility.[30] Further, leading practices to promote successful data-driven performance reviews include ensuring alignment between agency goals, program activities, and resources.[31]

Realization of the goals and objectives outlined in the *Strategy* relies heavily on efforts by the Joint Staff, DLA, TRANSCOM, and the services to continue to identify initiatives and to collaborate and capitalize on those initiatives that offer benefits across the department. The SEPs included in the *Strategy* include asset visibility improvement efforts recently completed or expected to be completed in the near future. Additionally, as indicated in the *Strategy*, the components are expected to continue to identify opportunities for improving asset visibility. These will be included in future versions of the *Strategy*, which will be updated annually. As of October 2014, 6 of the 22 SEPs that were included in the *Strategy* have been fully implemented. For example, a TRANSCOM initiative intended to create an integrated data environment for asset visibility information included in transportation and supply data systems has been fully implemented and is now being used to enhance asset visibility. The implementation of 3 SEPs were halted either because funding was

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[29] GAO-13-201.

[30] GAO/GGD-97-180.

[31] GAO, *Managing for Results: Data-Driven Performance Reviews Show Promise But Agencies Should Explore How to Involve Other Relevant Agencies*, GAO-13-228 (Washington, D.C.: Feb. 27, 2013).

unavailable or the initiatives were not succeeding in reaching their intended purpose, and the remaining 13 SEPs were in the process of being implemented.

As previously described, the *Strategy* includes goals and objectives for improving asset visibility, as well as SEPs detailing specific initiatives. The 22 SEPs identified in the *Strategy* are categorized by the major categories of effort, or objectives, they address. However, the *Strategy* does not specifically link the initiatives to the goals and objectives. For example:

- TRANSCOM identified in the *Strategy* an initiative that is intended to create a more competitive environment for procuring Active Radio Frequency Identification (RFID) technology. However, the *Strategy* does not specify which of the goals and objectives this initiative supports. According to TRANSCOM officials, this technology supports many of the goals and objectives in the *Strategy*. Specifically, they expect that the Active RFID Migration SEP will increase vendor competition, lower product cost, and ensure an unlimited supply of unique identification tags. Although the department is using these outcomes to assess implementation of this initiative, the *Strategy* does not clearly link how this initiative is related to or contributes towards achieving the *Strategy's* goals and objectives.

- Additionally, the *Strategy* states that the Army's enhanced parachute tracking system initiative is intended to provide a web-based automated system to manage parachutes—from delivery to disposal—using standard, DOD-approved interoperable technologies, and will enable these assets to be incorporated into the central Army logistics and DOD visibility systems when in distribution or storage. Specifically, this initiative is expected to increase supply chain performance and improve logistics decision making. However, the *Strategy* does not provide information about how these initiatives and expected outcomes for the enhanced parachute tracking system will contribute to the achievement of the *Strategy's* goals and objectives.

We discussed with officials why this linkage was not clearly established in the *Strategy,* and they indicated that the components that developed the initiatives understood that linkage. However, they agreed the linkage was not explicitly stated in the *Strategy* and agreed such linkage would be useful to create a shared understanding of which of the goals and objectives each of the initiatives were supporting. Without creating a clear link between the goals and objectives in the *Strategy* and the initiatives

intended to implement the *Strategy*, DOD may be unable to assess progress toward realizing its goals and objectives.

DOD Has Taken Steps to Monitor Its Initiatives, but Lacks a Way to Assess Progress toward Achievement of Its Goals and Objectives

Our monitoring high-risk criterion calls for agencies to institute a program to monitor and independently validate the effectiveness and sustainability of corrective measures, such as through performance measures and data collection and analysis. We found in February 2013 that, while DOD's draft in-transit visibility strategy included overarching goals and objectives that address the overall results desired from implementation of the strategy, it only partially addressed, among other factors, performance measures that are necessary to enable monitoring progress.[32] We also found that DOD lacked a formal, central mechanism to monitor the status of improvements of its asset visibility efforts or fully track the resources allocated to them.[33] Similarly, in May 2012, we found that DOD had taken steps to improve its approach to implementing a key asset visibility enabling technology—item unique identification—but had not employed best management practices, such as performance measures and milestones, necessary to manage and determine benefits associated with implementation of this technology.[34] As we concluded in May 2012, in the absence of quantifiable metrics to measure progress, it is difficult for officials to assess whether goals were achieved.[35] We recommended that DOD complete its implementation and management framework for item unique identification by incorporating key elements such as goals and metrics for measuring progress. DOD concurred with our recommendation.

DOD's *Strategy* calls for organizations to identify at least one outcome or key performance indicator for assessing the implementation of each SEP. These performance indicators or outcomes are unique to the initiatives,

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[32]GAO-13-201.

[33]GAO-13-201.

[34]Item unique identification technology allows DOD to assign a unique number to an item and use that number to manage that item in a variety of logistics processes. It is intended to provide timely and accurate information on the location, quantity, condition, movement, and status of inventory items. See GAO, *Defense Logistics: Improvements Needed to Enhance DOD's Management Approach and Implementation of Item Unique Identification Technology*, GAO-12-482 (Washington, D.C.: May 3, 2012).

[35]GAO-12-482.

and any relation they may have to the *Strategy's* goals and objectives is not apparent. According to officials from the Office of the Deputy Assistant Secretary of Defense for Supply Chain Integration, these key performance indicators are used by the components and oversight bodies such as the Asset Visibility Working Group to, among other things, periodically assess whether the initiatives are meeting implementation goals and achieving performance expectations. For example, one of the expected outcomes for the TRANSCOM Active Radio Frequency Identification (RFID) SEP is to realize a continual reduction in the cost of Active RFID technology products. Specifically, the cost of RFID tags prior to February 2009 was $75 each. Since the latest contract to procure RFID tags was awarded in April 2014, the cost of RFID tags has decreased to $37 each. As a result, according to DOD officials, the department has realized an estimated cost reduction of $5 million to $7 million annually.

DOD has established a structure for overseeing and coordinating efforts to improve asset visibility. This structure includes the Asset Visibility Working Group, which is responsible for monitoring the implementation of the initiatives identified by the components. The Asset Visibility Working Group is to meet on a monthly basis to discuss the status of each SEP. The components are to report quarterly to the Asset Visibility Working Group on the status of their initiatives—including progress made on implementation milestones, return on investment, and resources and funding. Additionally, in March 2014, DOD established an online database, or electronic repository, that includes the *Strategy* and SEPs. According to information provided by the Office of the Deputy Assistant Secretary of Defense for Supply Chain Integration, the online database is used to track the status of the SEPs; document the final disposition of the SEP upon completion or cancellation; and include outcomes and results as well as lessons learned from the SEPs.[36] In written comments provided on a draft of this report, DOD stated that subsequent to the issuance of its 2014 *Strategy*, DOD implemented a Life-cycle of a SEP process that requires the Asset Visibility Working Group to, among other things, review and concur that a SEP has met its performance objectives and document an after action report to include outcomes, lessons learned, and performance measures.

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[36]DOD's online database or repository is at www.distribute.mil.

DOD officials told us that the components are responsible for assessing whether their initiatives that are being implemented are meeting implementation goals and achieving performance expectations. However, the performance indicators DOD currently uses to assess progress in implementing the initiatives are specific to the individual initiatives, and any relationship these indicators may have to the overarching goals and objectives in the *Strategy* is not apparent. For example, one of the metrics TRANSCOM uses to monitor its Active Radio Frequency Identification (RFID) technology initiative is the cost to procure an RFID tag. While this is a useful metric as it tells TRANSCOM if the organization is reducing the item cost for RFID tags, it is unclear whether this is also a useful metric for determining how the department is progressing towards achieving any related goals and objectives for improving asset visibility. DOD officials agree that there needs to be a process for assessing progress towards meeting the overarching goals and objectives in the *Strategy*. Assessing, and refining, the existing performance measures as needed to help ensure their alignment with the goals in the *Strategy*, would better position DOD to develop the most relevant performance metrics and to analyze and monitor performance data. Until DOD implements a process to monitor performance and progress towards achieving goals in the asset visibility area, it may lack the tools necessary to effectively assess the results of the initiatives.

DOD Has Started to Demonstrate Progress in Addressing Its Asset Visibility Challenges, and Sustained Progress Is Warranted

Our high-risk criterion for demonstrated progress calls for agencies to demonstrate progress in implementing corrective measures and resolving the high-risk area. When assessing agencies' corrective actions, consistent with GAO's criteria for determining high risk,[37] we assessed the effectiveness of DOD's corrective actions to address existing materiel weaknesses. In this regard, we considered factors such as whether the proposed remaining corrective action plans are appropriate and whether effective solutions will be substantially completed in the near term, which is generally considered to be within the 2-year period covered by the term of the Congress to which a high-risk update report is addressed.

In December 2004, we found that DOD's efforts to achieve total asset visibility, which hinged largely on individual initiatives, were unlikely to succeed without a long-term strategy that established outcome-oriented

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[37]GAO-01-159SP.

goals, timelines, and performance measures. Therefore, we recommended that the department develop a strategy for total asset visibility that included, among other things, goals and performance measures to gauge improvement.[38] DOD's January 2014 *Strategy* represents a positive step, and the preliminary efforts to develop and implement initiatives to improve asset visibility look promising. Further, as indicated in the *Strategy*, it will be updated annually and include new SEPs outlining initiatives that have been developed by the components. The Asset Visibility Working Group encourages components to continue to develop new initiatives. Several initiatives are being developed and may be included in the next annual update to the *Strategy*. For example, the Air Force is developing a new initiative that will track the location and status of aircraft, vehicles, ground support equipment, and aircraft parts in real time. Also, the Marine Corps is developing an initiative to leverage passive RFID and Global Positioning System advances to provide, among other things, improved equipment accountability and enterprise data sharing. While the components are implementing initiatives intended to improve asset visibility and are working to identify new ones, it is too early to tell whether the implementation of these initiatives will result in measurable outcomes and progress toward meeting the goals and objectives in the *Strategy*. Further, DOD has a process for continuing to identify new initiatives. However, it is too early to tell whether these combined efforts will result in measurable outcomes and progress in realizing DOD's goals and objectives for improving asset visibility. Further, the combined efforts may not be substantially completed in the near term or within the 2-year period to demonstrate sustained progress in resolving the high-risk area. Until DOD demonstrates that implementation of these initiatives will result in measurable outcomes and progress towards achieving the goals and objectives in the *Strategy*, it may be limited in its ability to demonstrate sustained progress in implementing corrective actions and resolving the high-risk area.

Conclusions

Moving forward, the removal of DOD's asset visibility from our High-Risk List will require that DOD meet all five of our high-risk criteria and achieve related actions and outcomes. DOD's leadership commitment with the *Strategy* and implementation plans for improving asset visibility represent

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[38]GAO, *Defense Inventory: Improvements Needed in DOD's Implementation of Its Long-Term Strategy for Total Asset Visibility of Its Inventory*, GAO-05-15 (Washington, D.C.: Dec. 6, 2004).

positive steps toward meeting our high-risk criteria. However, without transparency on what resources and investments are required to implement its asset visibility improvement initiatives, DOD cannot be sure that the department will have the information it needs to make well-informed decisions about asset visibility, including setting budget priorities. Additionally, establishing clear linkage between these improvement initiatives and the goals and objectives in the *Strategy* as well as a process to monitor performance and assess progress towards achieving the goals and objectives in its *Strategy* will be an important step to determining what, if any, effect these initiatives are having on achievement of those goals and objectives. Until DOD demonstrates that implementation of the initiatives will result in measurable outcomes and progress towards achieving the goals and objectives in the *Strategy*, it may be limited in its ability to demonstrate sustained progress in implementing corrective actions and resolving the high-risk area.

Recommendations for Executive Action

We are making four recommendations to help improve DOD's asset visibility.

To demonstrate the capacity to implement the initiatives intended to improve asset visibility, we recommend that the Secretary of Defense direct the Under Secretary of Defense for Acquisition, Technology and Logistics, in collaboration with the components, to include information in subsequent updates to the *Strategy* and accompanying SEPs about which elements—such as human capital, information technology, and contracts—were used in developing cost estimates for resources and investments.

To implement a corrective action plan that defines the root causes, identifies effective solutions, and provides for substantially completing corrective actions, we recommend that the Secretary of Defense direct the Under Secretary of Defense for Acquisition, Technology and Logistics to clearly specify the linkage between the goals and objectives in the *Strategy* and the initiatives intended to implement the *Strategy*.

To develop and implement a process to monitor performance and independently validate the effectiveness and sustainability of corrective actions, we recommend that the Secretary of Defense direct the Under Secretary of Defense for Acquisition, Technology and Logistics to assess, and refine as appropriate, existing performance measures to ensure the measures assess the implementation of individual initiatives as well as

progress towards achievement of the overarching goals and objectives in the *Strategy*.

To demonstrate sustained progress in having implemented corrective measures, we recommend that the Secretary of Defense direct the Under Secretary of Defense for Acquisition, Technology and Logistics, in collaboration with the military services, to continue the implementation of identified initiatives, refining them over time as appropriate, and demonstrate that implementation of initiatives results in measurable outcomes and progress toward achieving improvements in asset visibility.

Agency Comments and Our Evaluation

We provided a draft of this report to DOD for review and comment. In its written comments, reproduced in appendix II, DOD concurred with all four of the recommendations. DOD also provided technical comments on the draft report, which we incorporated as appropriate.

DOD concurred with our first recommendation to include information in subsequent updates to its *Strategy* and accompanying SEPs about which elements—such as human capital, information technology, and contracts—were used in developing cost estimates for resources and investments. DOD stated that the update to its *Strategy to Improve DOD Asset Visibility*, which is under development and expected to be issued in the third quarter of fiscal year 2015, will include a requirement to delineate costs associated with implementing SEPs and specific elements considered in developing the cost estimates will be included. DOD also stated in its letter that SEPs contained in the current 2014 edition of the *Strategy* will be updated in accordance with the new cost requirement.

In response to the second recommendation, DOD agreed to clearly specify the linkage between the goals and objectives in the *Strategy* and the initiatives intended to implement the *Strategy*. Specifically, DOD stated that a matrix diagramming the relationship between the goals, objectives, and SEPs will be included in its 2015 update to the *Strategy* and will be used for monitoring progress in implementing the SEPs and improving asset visibility.
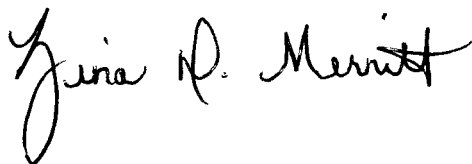
DOD concurred with our third recommendation to assess, and refine as appropriate, existing performance measures to ensure the measures assess the implementation of individual initiatives as well as progress towards achievement of the overarching goals and objectives in the *Strategy*. DOD stated that subsequent to the publishing of the 2014 *Strategy,* the Department implemented the "Life-cycle of a SEP" process. This process requires the Asset Visibility Working Group to, among other

things, review and concur that a SEP has met its performance objectives and document an "after action report" for each SEP to include outcomes, lessons learned, and performance measures. DOD stated in its letter that the 2015 *Strategy* will expand on this and include a process as well as metrics which will allow the Department to assess and demonstrate how these individual efforts are supporting progress toward achievement of its asset visibility goals and objectives.

In response to our fourth recommendation, DOD agreed to continue the implementation of its identified initiatives, refining them over time as appropriate, and demonstrate that implementation of these initiatives results in measurable outcomes and progress towards achieving improvements in asset visibility. DOD stated that its 2015 *Strategy* will document the "Life-cycle of a SEP" process that not only enables monitoring continued implementation of individual efforts but also includes a mechanism and measures to ensure each SEP supports the achievement of the overarching goals and objectives in the *Strategy.*

We are sending copies of this report to the appropriate congressional committees and the Secretary of Defense. In addition, the report is available at no charge on the GAO website at http://www.gao.gov.

If you or your staff have any questions about this report, please contact me at (202) 512-5257 or merrittz@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. Key contributors to this report are listed in appendix III.

Zina D. Merritt
Director
Defense Capabilities and Management

List of Committees

The Honorable John McCain
Chairman
The Honorable Jack Reed
Ranking Member
Committee on Armed Services
United States Senate

The Honorable William "Mac" Thornberry
Chairman
The Honorable Adam Smith
Ranking Member
Committee on Armed Services
House of Representatives

Appendix I: Scope and Methodology

To determine the extent to which the Department of Defense (DOD) has a comprehensive strategy and implementation plans for improving asset visibility, including in-transit visibility, we reviewed DOD's *Strategy for Improving DOD Asset Visibility* (the *Strategy*) and its implementation plans.[1] Specifically, we reviewed the *Strategy* and plans and assessed whether they included, partially included, or did not include the elements of a comprehensive strategic plan, as outlined in our prior work.[2] We determined that the *Strategy* and plans "fully included" an element when the plan described the entire element, and "partially included" an element when the plan described some, but not all, parts of that element. When a plan did not explicitly cite any of the parts of an element, we determined that the element was "not included" in the *Strategy*. We then discussed our assessment with officials from the Office of the Deputy Assistant Secretary of Defense for Supply Chain Integration to confirm our understanding of the documents and gain more insight, including whether any elements were addressed in other departmental documents and whether there were any plans or actions under way to update the *Strategy* or address any of the missing elements. Additionally, we discussed with officials from the Joint Staff, Defense Logistics Agency (DLA), U.S. Transportation Command (TRANSCOM), and each of the military services their roles in the development of DOD's *Strategy* and our preliminary analysis of the *Strategy*.[3]

To evaluate any improvements made to asset visibility that would meet criteria for removal from the High-Risk List (referred to as high-risk

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[1]The January 2014 *Strategy* contains supporting execution plans (SEP). In this report, we refer to these as SEPs or plans. Each of the initiatives—specific actions that components plan to take that are intended to improve asset visibility—is outlined in a SEP.

[2]The Government Performance and Results Act of 1993, commonly referred to as "GPRA" or "the Results Act" requires agencies to set goals, measure performance, and report on their accomplishments. We also used several GAO guides and reports that provided instruction on applying the GPRA criteria and included other elements that should be included in a comprehensive strategic plan, such as GAO, *Executive Guide: Effectively Implementing the Government Performance and Results Act*, GAO/GGD-96-118 (Washington, D.C.: June 1996). Also see prior GAO reports GAO, *Defense Logistics: A Completed Comprehensive Strategy is Needed to Guide DOD's In-Transit Visibility Efforts*, GAO-13-201 (Washington, D.C.: Feb. 28, 2013) and *Managing for Results: Critical Issues for Improving Federal Agencies' Strategic Plans*, GAO/GGD-97-180 (Washington, D.C.: Sept. 16, 1997).

[3]We use the term components to refer to all the organizations involved in delivering logistics capabilities to the warfighters, including the Joint Staff, TRANSCOM, DLA, and each of the military services.

criteria), we reviewed DOD's *Strategy* and the supporting execution plans (SEP), and we discussed with the components the initiatives they had implemented or were in the process of implementing to improve asset visibility. We also reviewed updates to those initiatives that the components provided to the Asset Visibility Working Group.[4] We assessed these actions against GAO's criteria for assessing agencies' actions and determining whether performance and accountability challenges merit our high-risk designation.[5] Further, we evaluated DOD's actions to improve asset visibility against each of our five high-risk criteria for removal from the high-risk list (referred to as the "high-risk criteria").[6] We also shared with officials our preliminary assessment of asset visibility relative to each of the criteria and discussed actions that DOD had taken, is taking, or plans to take to fully address the criteria in each of those areas. To help ensure that our evaluation of improvements made relative to the high-risk criteria were consistent with our prior evaluations of Supply Chain Management and other issue areas, we reviewed our prior high-risk reports to gain insight on what actions agencies had taken to address the issues identified on GAO's past high-risk lists.[7] We also shared with officials our preliminary assessment of asset visibility relative to each of the high-risk criteria and discussed actions DOD is taking to address any shortcomings in each of those areas.

We conducted this performance audit from August 2014 to January 2015 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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[4]The Asset Visibility Working Group is responsible for monitoring the execution of the initiatives contained in the SEPs. The components are to report the status of the initiatives to this group on a quarterly basis.

[5]GAO, *Determining Performance and Accountability Challenges and High Risks*, GAO-01-159SP (Washington, D.C.: November 2000).

[6]For the criteria and process for assessing agency activities and determining whether performance and accountability challenges warrant designation as high-risk, see GAO-01-159SP.

[7]See the Related GAO Products list at the end of this report.

Appendix II: Comments from the Department of Defense

ASSISTANT SECRETARY OF DEFENSE
3500 DEFENSE PENTAGON
WASHINGTON, DC 20301-3500

LOGISTICS AND
MATERIEL READINESS

DEC 22 2014

Ms. Zina D. Merritt
Director, Defense Capabilities and Management
U.S. Government Accountability Office
441 G Street, N.W.
Washington, DC 20548

Dear Ms. Merritt:

This is the Department of Defense (DoD) response to the GAO Draft Report, GAO-15-

148, "DEFENSE LOGISTICS: DOD Has a Strategy for Asset Visibility and Has Begun to

Address GAO's High Risk Criteria, but Further Actions Are Needed" dated November 24, 2014

(GAO Code 351973). Detailed comments on the report recommendations are enclosed.

Sincerely,

Paul D. Peters
Principal Deputy

Enclosure:
As stated

GAO Draft Report Dated NOVEMBER 24, 2014
GAO-15-148 (GAO CODE 351973)

**"DEFENSE LOGISTICS: DOD Has a Strategy for Asset Visibility and Has Begun to
Address GAO's High Risk Criteria, but Further Actions Are Needed"**

DEPARTMENT OF DEFENSE COMMENTS
TO THE GAO RECOMMENDATIONS

RECOMMENDATION # 1: To demonstrate the capacity to implement the initiatives intended
to improve asset visibility, we recommend that the Secretary of Defense direct the Under
Secretary of Defense for Acquisition, Technology and Logistics, in collaboration with the
components, to include information in subsequent updates to the *Strategy* and accompanying
SEPs about which elements – such as human capital, information technology, and contracts –
were used in developing cost estimates for resources and investments.

DoD RESPONSE: Concur. The 2015 edition of the *Strategy to Improve DoD Asset Visibility*,
which is under development in collaboration with the Components, will include a requirement to
delineate costs associated with implementing SEPs. Specific cost elements to be considered will
also be included. SEPs contained in the current 2014 edition of the *Strategy* will be updated in
accordance with the new cost requirement. The Department anticipates publication of the 2015
edition of the *Strategy* in Q3FY15.

RECOMMENDATION # 2: To implement a corrective action plan that defines the root
causes, identifies effective solutions, and provides for substantially completing corrective
actions, we recommend that the Secretary of Defense direct the Under Secretary of Defense for
Acquisition, Technology and Logistics to clearly specify the linkage between the goals and
objectives in the *Strategy* and the initiatives intended to implement the *Strategy*.

DoD RESPONSE: Concur. A matrix diagramming the relationships between goals, objectives,
and SEPs will be included in the 2015 edition of the *Strategy*. This matrix will help form the
framework for not only monitoring performance of individual SEPs but also progressing
improved asset visibility across the Department.

RECOMMENDATION # 3: To develop and implement a process to monitor performance and
independently validate the effectiveness and sustainability of corrective actions, we recommend
that the Secretary of Defense direct the Under Secretary of Defense for Acquisition, Technology
and Logistics to assess, and refine as appropriate, existing performance measures to ensure the
measures assess the implementation of individual initiatives as well as progress towards
achievement of the overarching goal(s) and objective(s) in the *Strategy*.

DoD RESPONSE: Concur. Subsequent to the publishing of the 2014 *Strategy*, the Department implemented the "Life-cycle of a SEP" process. This process requires the Asset Visibility Working Group to:

- o Concur that a SEP is needed for a gap or opportunity and that it includes all the required elements
- o Conduct quarterly monitoring of individual SEP implementations
- o Review and concur that a SEP has been completed and has/has not met its performance objectives
- o Document an "after action report" for each SEP to include outcomes, lessons learned, and performance measures

The 2015 *Strategy* will expand on this and include a process as well as metrics, both qualitative and quantitative. The addition of metrics will allow the Department to assess and demonstrate how these individual efforts are supporting progress toward achievement of its asset visibility goals and objectives.

RECOMMENDATION # 4: To demonstrate sustained progress in having implemented corrective measures, we recommend that the Secretary of Defense direct the Under Secretary of Defense for Acquisition, Technology and Logistics, in collaboration with the military services, to continue the implementation of identified initiatives, refining them over time as appropriate and demonstrate that implementation of initiatives results in measureable outcomes and progress toward achieving improvements in asset visibility.

DoD RESPONSE: Concur. The 2015 *Strategy* will document the "Life-cycle of a SEP" process that not only enables monitoring continued implementation of individual efforts but also includes a mechanism and measures to ensure each SEP supports the achievement of the overarching goal(s) and objective(s) in the *Strategy*.

Appendix III: GAO Contact and Staff Acknowledgments

GAO Contact

Zina D. Merritt, (202) 512-5257 or merrittz@gao.gov

Staff Acknowledgments

In addition to the contact named above, Carleen C. Bennett, Assistant Director; Richard Burkard; Elizabeth Curda; Nicole Harris; Joanne Landesman; Amie Lesser; Carol Petersen; Greg Pugnetti; Mike Silver; Sabrina Streagle; Susan Tindall; and Jose Watkins made key contributions to this report.

Related GAO Products

Defense Logistics: A Completed Comprehensive Strategy is Needed to Guide DOD's In-Transit Visibility Efforts. GAO-13-201. Washington, D.C.: February 28, 2013.

High-Risk Series: An Update: GAO-13-283. Washington, D.C.: February 14, 2013.

Defense Logistics: Improvements Needed to Enhance DOD's Management Approach and Implementation Item Unique Identification Technology. GAO-12-482. Washington, D.C.: May 3, 2012.

Defense Logistics: DOD Needs to Take Additional Actions to Address Challenges in Supply Chain Management. GAO-11-569. Washington, D.C.: July 28, 2011.

High-Risk Series: An Update. GAO-11-278. Washington, D.C.: February 16, 2011.

DOD's High-Risk Areas: Observations on DOD's Progress and Challenges in Strategic Planning for Supply Chain Management. GAO-10-929T. Washington, D.C.: July 27, 2010.

Defense Logistics: Lack of Key Information May Impede DOD's Ability to Improve Supply Chain Management. GAO-09-150. Washington, D.C.: January 12, 2009.

High-Risk Series: An Update. GAO-09-271. Washington, D.C.: January 2009.

DOD's High-Risk Areas: Progress Made Implementing Supply Chain Management Recommendations, but Full Extent of Improvement Unknown. GAO-07-234. Washington, D.C.: January 17, 2007.

High-Risk Series: An Update. GAO-07-310. Washington, D.C.: January 2007.

DOD's High-Risk Areas: Challenges Remain to Achieving and Demonstrating Progress in Supply Chain Management. GAO-06-983T. Washington, D.C.: July 25, 2006.

High-Risk Series: An Update. GAO-05-350T. Washington, D.C.: February 17, 2005.

High-Risk Series: An Update. GAO-03-119. Washington, D.C.: January 2003.

High-Risk Series: An Update. GAO-01-263. Washington, D.C.: January 2001.