

GAO Highlights

Highlights of [GAO-14-51](#), a report to congressional requesters

Why GAO Did This Study

LMP is an Army enterprise resource planning system that supports industrial operations conducted by AMC at its life cycle management commands and its maintenance, manufacturing, and storage sites. Increment 1 of LMP was fully deployed in October 2010, and the Army has spent approximately \$1.4 billion on LMP through fiscal year 2012. In order to expand the system's capabilities, the Army plans to deploy a second increment of LMP. The life cycle cost for LMP Increment 1 and Increment 2, from fiscal year 2000 through 2026, is estimated to be over \$4 billion. GAO was asked to evaluate AMC's use of LMP. This report assesses the extent to which (1) LMP supports AMC's industrial operations and (2) the Army has realized the expected benefits from deploying LMP. GAO reviewed Army documents regarding LMP usage and interviewed officials from AMC headquarters, the LMP product office, and 14 AMC sites that use LMP to conduct their operations.

What GAO Recommends

To enable the Army to determine whether the expected financial benefits of LMP are being achieved, GAO recommends that the Army develop and implement a process to track the extent of financial benefits realized from the use of LMP during the remaining course of its life cycle. This process should be linked with the LMP performance baseline now being developed by the Army for use at AMC industrial sites. The Army concurred with GAO's recommendation.

View [GAO-14-51](#). For more information, contact Zina Merritt at (202) 512-5257 or merrittz@gao.gov.

November 2013

DEFENSE LOGISTICS

Army Should Track Financial Benefits Realized from its Logistics Modernization Program

What GAO Found

The Army Materiel Command (AMC) is using the Logistics Modernization Program (LMP) Increment 1 to support its industrial operations, but additional development is necessary, according to the Army, because the current system does not support certain critical requirements, including enabling the Army to generate auditable financial statements by fiscal year 2017. Officials at the 14 AMC sites GAO visited stated that LMP provided the core functionality they needed to support their operations and that they are improving in their ability to use the system. Additionally, some sites have locally developed tools to augment LMP capabilities. Army officials stated that although LMP is functional, it currently does not support certain critical requirements that have emerged since its initial development, such as automatically tracking repair and manufacturing operations on the shop floor of depots and arsenals. In addition, according to Army officials, the current system will not enable the Army to generate auditable financial statements by 2017, the statutory deadline for this goal. Increment 2, which is estimated to cost \$730 million through fiscal year 2026, is expected to address these shortcomings. The Army is in the process of developing Increment 2 and expects to complete fielding by September 2016.

The use of LMP Increment 1 has provided the Army some benefits, but whether the system has delivered the expected financial benefits to date is unknown because AMC does not have a process for tracking financial benefits realized. Since its deployment, LMP has provided some benefits to the Army. For example, because LMP relies on accurate data to perform effectively and efficiently, the Army has made data accuracy a priority and improved the accuracy of its data by conducting data assessments, correcting data problems, and placing management emphasis on data accuracy. Additionally, the use of LMP has improved accountability for inventory stored at AMC depots, increased visibility over Army assets, and resulted in other efficiencies—such as providing faster access to information. AMC officials also stated that LMP has enabled them to develop and begin to implement a set of standardized, enterprise-wide performance measures to better assess the business operations of AMC sites. The officials stated that these performance measures, which were being used during AMC leadership reviews in June 2013, were necessary because the measures previously used to assess AMC performance were inadequate. However, the extent to which financial benefits have been realized from deploying LMP is unknown. The Army expected LMP to lead to over \$750 million in financial benefits by fiscal year 2012 and eventually achieve more than two dollars in benefits for every dollar spent. Army officials told us that there currently is no accurate process in place to track financial benefits associated with LMP. Officials stated that the inability to quantify benefits from LMP-driven performance improvements was due in part to the fluctuations in AMC workload resulting from operations in Iraq and Afghanistan. The Army is in the process of developing a performance baseline for sites that will pilot Increment 2, and it intends to apply these metrics to other AMC sites before May 2015. Federal guidelines and standards outline the need for assessing whether the benefits expected from an investment are achieved. Without a process in place to track the financial benefits associated with LMP, the Army does not have a way to determine whether LMP's projected financial benefits are materializing.