

GAO Highlights

Highlights of [GAO-23-106098](#), a report to congressional committees

Why GAO Did This Study

The F-35 Lightning II aircraft is DOD's most costly weapon system in history. Overall costs are estimated to be more than \$1.7 trillion over the program's life cycle. The F-35's supply chain has a unique design. Rather than owning the spare parts for their aircraft, the program participants share a common, global pool of spare parts that DOD owns and the prime contractors manage. These spare parts are held in over 50 domestic and international non-prime contractor facilities.

This report was developed in connection with GAO's audit of the U.S. government's consolidated financial statements. This report examines the extent to which DOD oversees and accounts for F-35 global spare parts held at non-prime contractor facilities.

For this report, GAO reviewed relevant DOD guidance, regulations, and instructions. GAO also interviewed DOD and contractor officials to identify how DOD categorizes, oversees, and accounts for these spare parts held at non-prime contractor facilities.

What GAO Recommends

GAO is making four recommendations, including for DOD to take steps to ensure that all spare parts in the global spares pool are accountable under a contract, and to develop a process for contractors to report losses and dispose of spare parts that are excess, obsolete, or unserviceable. DOD concurred with all four recommendations and cited actions it will take to address them.

View [GAO-23-106098](#). For more information, contact Kristen Kocielek at (202) 512-2989 or kocielekk@gao.gov.

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F-35 PROGRAM

DOD Needs Better Accountability for Global Spare Parts and Reporting of Losses Worth Millions

What GAO Found

The Department of Defense's (DOD) F-35 Joint Program Office does not oversee or account for spare parts in its global spares pool that have been accepted and received by the government and are located at non-prime contractor facilities. The F-35 Joint Program Office does not track or enter these spare parts into an accountable property system of record that would enable it to capture and store real-time changes to property records. Currently, the prime contractors maintain this information.

One contributing factor to DOD's lack of accountability over these spare parts is the lack of agreement among various organizations as to whether the spare parts are both accountable under a contract and government-furnished property. If the spare parts, which include engines; tires; landing gear; and other parts, such as bolts, screws, and fasteners, are not accountable under a contract and are not government-furnished property, the contractor will not enter these parts into the system DOD uses to track losses and disposition. Without DOD taking steps to ensure that these spare parts are accountable under a contract, the F-35 Joint Program Office will be unable to either gain or maintain accountability over these spare parts and will not have data, such as locations, costs, and quantities, needed for financial reporting or to ensure that government interests are protected.

The organizations' inability to reach consensus has also affected the F-35 Joint Program Office's processing of losses (spare parts that are lost, damaged, or destroyed) and disposition of spare parts in the global spares pool. Because the F-35 Joint Program Office does not maintain complete records on losses and disposition of spare parts, GAO used a combination of data provided by both the F-35 Joint Program Office and one prime contractor and found the following:

- Since May 2018, one F-35 prime contractor incurred losses of over 1 million spare parts totaling over \$85 million, of which less than 2 percent has been reviewed by the F-35 Joint Program Office. Further, due to the lack of a process for reporting losses, as of October 2022, the same prime contractor has not reported over 900,000 spare parts valued at over \$66 million to the F-35 Joint Program Office for review. In one example, the contractor identified 34 actuator doors with a total cost of over \$3.2 million that were lost in the fourth quarter of 2019 and have yet to be reported to the F-35 Joint Program Office.
- As of October 2022, DOD has over 19,000 spare parts in the global spares pool that have been awaiting disposition instructions from the F-35 Joint Program Office for anywhere from a few months up to 5 years.

Without developing procedures for contractors to both (1) report global spares pool losses and (2) dispose of spare parts that staff have determined are excess, obsolete, or unserviceable, DOD does not have assurance that lost spare parts or those in need of disposition are being accurately reported and tracked. This increases the risk of misstatement on DOD's financial statements and increases the risk of mismanagement of F-35 global spares pool losses. It also potentially raises government expenditures.