



Highlights of [GAO-07-281](#), a report to congressional committees

### Why GAO Did This Study

GAO has identified the Department of Defense's (DOD) management of its inventory as a high-risk area since 1990 due to ineffective and inefficient inventory systems and practices. Management of inventory acquisition lead times is important in maintaining cost-effective inventories, budgeting, and having material available when needed, as lead times are DOD's best estimate of when an item will be received. Under the Comptroller General's authority to conduct evaluations on his own initiative, GAO analyzed the extent to which (1) DOD's estimated lead times varied from actual lead times, and (2) current management actions and initiatives have reduced lead times as compared to past years. To address these objectives, GAO computed the difference between the components' actual and estimated lead times, and compared component initiatives to reduce lead times for 1994-2002 to 2002-2005.

### What GAO Recommends

GAO recommends that DOD take actions to improve the accuracy and strengthen its management of lead times, such as review lead time data to detect and correct errors, review and revise the methodology used for setting lead times, set lead time reduction goals, and direct the components to measure and report the impact of initiatives to reduce overall lead times within each of the military components. In its comments, DOD generally concurred with nine and nonconcurred with two of our recommendations.

[www.gao.gov/cgi-bin/getrpt?GAO-07-281](http://www.gao.gov/cgi-bin/getrpt?GAO-07-281).

To view the full product, including the scope and methodology, click on the link above. For more information, contact William M. Solis at (202) 512-8365 or [solisw@gao.gov](mailto:solisw@gao.gov).

## DEFENSE INVENTORY

# Opportunities Exist to Improve the Management of DOD's Acquisition Lead Times for Spare Parts

### What GAO Found

The military components' estimated lead times to acquire spare parts varied considerably from the actual lead times experienced. The effect of the lead time underestimates was almost \$12 billion in spare parts arriving more than 90 days later than anticipated, which could negatively affect readiness rates because units may not have needed inventory. If orders had been placed earlier, readiness rates could potentially have been improved. While having spare parts arrive earlier than estimated could potentially improve readiness, the effect of lead time overestimates resulted in obligating almost \$2 billion more than 90 days earlier than necessary. As the table shows, the Army underestimated lead times, DLA overestimated lead times, and the Air Force and Navy both overestimated and underestimated lead times.

	>90 days early	> 1 week to 90 days early	Up to 1 week early – Up to 1 week late	> 1 week to 90 days late	> 90 days late	Total number of deliveries
Air Force	23.8	15.7	3.0	15.2	42.3	18,335
Army	11.8	9.7	4.6	15.3	58.5	9,380
Navy	39.3	17.0	3.0	12.7	27.9	19,304
DLA	39.5	45.7	5.0	6.7	3.0	1,031,779
<b>Total</b>	<b>39.0</b>	<b>44.4</b>	<b>5.0</b>	<b>7.0</b>	<b>4.6</b>	<b>1,078,798</b>

Source: GAO analysis of components' delivery order information.

The variances were due to problems such as miscoding late deliveries as not representative of future delivery times, lack of recorded lead time data, data input errors, estimates that did not reflect improvements made in actual lead times, and the use of standard default data instead of other data that may have been obtainable. Absent actions to address these problems, lead time estimates will continue to vary from actual lead times and will contribute to inefficient use of funds and potential shortages or excesses.

The Under Secretary of Defense for Acquisition, Technology, and Logistics (USD (AT&L)) and the components' actions and initiatives to reduce lead times from 2002 to 2005 were less effective overall than previous efforts from 1994 to 2002. From 2002 to 2005, DOD-wide lead times were reduced by an average of 0.9 percent annually as compared to an average reduction of 5.6 percent annually from 1994 to 2002, potentially leading to an additional \$2.7 billion in lead time requirements, tying up money that could have been obligated for other needs. The higher rate of reduction from 1994 to 2002 can be attributed to three areas of focus: streamlining internal administrative processes, oversight from USD (AT&L), and developing strategic relationships with suppliers. However, from 2002 to 2005, USD (AT&L) no longer provided active oversight such as establishing lead time reduction goals, reporting metrics, reporting the impact of specific initiatives, or estimating the financial impact of reduced lead times, as had been done previously. Until steps are taken to renew management focus on reducing lead times, the components may continue to experience spare parts shortages and increased inventory levels to cover lead times.