

GAO Highlights

Highlights of [GAO-16-86](#), a report to congressional addressees

Why GAO Did This Study

DOD's three manufacturing arsenals provide manufacturing, supply, and technical support services for the military services and allies during national emergencies and contingency operations. The Fiscal Year 2014 NDAA required DOD to report to Congress on its arsenals and included a provision for GAO to review DOD's report. This report assesses (1) actions DOD has taken to assign work to the manufacturing arsenals to generate sufficient revenue to recover their operating expenses, (2) the extent to which DOD is strategically positioned to sustain the manufacturing arsenals' critical capabilities, and (3) the extent to which DOD's September 2014 report addresses statutory reporting elements and is consistent with relevant research presentation standards for a defense research study. To conduct this review, GAO analyzed documentation, visited the arsenals, and interviewed relevant DOD officials. GAO assessed DOD's September 2014 report against the statutory elements and generally accepted research standards.

What GAO Recommends

GAO recommends that DOD issue implementing guidance for make-or-buy analyses; identify fundamental elements for implementing its strategic plan; and develop and implement its process for identifying critical capabilities and the minimum workload level needed to sustain them. DOD concurred with the recommendations but disagreed with some statements in the report. GAO believes the statements are accurate, as discussed in the report.

View [GAO-16-86](#). For more information, contact Johana Ayers at (202) 512-5741 or ayersj@gao.gov.

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DOD MANUFACTURING ARSENALS

Actions Needed to Identify and Sustain Critical Capabilities

What GAO Found

Since 2012, the Department of Defense (DOD) has taken various actions to assign work to its three manufacturing arsenals—Pine Bluff Arsenal, Rock Island Arsenal Joint Manufacturing and Technology Center, and Watervliet Arsenal Joint Manufacturing and Technology Center—in an attempt to generate sufficient revenue to recover operating expenses following a significant decline in demand for materiel, as well as to maintain manufacturing skills to sustain readiness. For example, the Army directed acquisition programs to assign work to the arsenals consistent with the arsenals' capabilities. While these actions have increased revenue, the increases have been small relative to operating expenses. Further, DOD may not always appropriately consider the arsenals as a source of manufacture, because it has not developed clear, step-by-step implementing guidance on conducting make-or-buy analyses to determine whether to purchase items from an arsenal or the private sector, which potentially limits the arsenals' ability to generate revenue. Because DOD's actions as of September 2014 did not generate sufficient revenue, Congress provided \$375 million collectively in fiscal years 2014 and 2015 to help recover the arsenals' operating expenses.

DOD is not strategically positioned to sustain the manufacturing arsenals' critical capabilities, as it has not identified fundamental elements for implementing its strategic plan or identified these capabilities. Such capabilities help ensure that DOD can respond to emergencies and obtain products and services it could not otherwise acquire from private industry in an economical manner. DOD has a strategic plan that includes goals and objectives related to sustaining the arsenals' critical capabilities; however, it has not identified fundamental elements, such as milestones and resources, needed to implement the plan. As a result, DOD lacks information that would be useful in determining progress in achieving the plan's stated goals and objectives for the arsenals. Moreover, DOD's past efforts to identify the arsenals' critical capabilities had shortcomings, such as each arsenal using a unique method to do so. DOD has an effort under way to develop a process for identifying these critical capabilities and determining a minimum level of workload needed to sustain them, but this effort has been delayed to allow for coordination with stakeholders. Until such a process is developed and implemented, for example through an instruction, DOD is not positioned to determine the minimum workload levels needed or to appropriately adjust the arsenals' equipment and personnel level to sustain these capabilities.

DOD's September 2014 *Report on Army Manufacturing Arsenal Study* met the statutory requirements to address seven reporting elements within the National Defense Authorization Act (NDAA) for Fiscal Year 2014. However, GAO found that additional information would have made the report more consistent with relevant generally accepted research presentation standards for a defense research study and helped decision makers to identify and evaluate information presented in the report. For example, DOD did not disclose that it has not developed a process for identifying the arsenals' critical capabilities. Also, had stakeholders seen the report before it was issued, as called for by the standards, they would have been informed of its results and could have provided comments, as needed, to allow DOD to present a more sound, complete, and clear report.