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Defense Industrial Base: DoD Should Take Actions to Strengthen Its Risk Mitigation Approach

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Abstract

A healthy defense industrial base is essential to meeting U.S. national security objectives. Multiple DOD reports have highlighted a need to maintain and grow the industrial base to foster innovation and support continued development of cutting-edge technologies and weapon systems. However, for decades, DOD has also reported on complex risks that the defense industrial base faces, such as relying on foreign and single-source suppliers for critical materials. The COVID-19 pandemic further highlighted vulnerabilities in the U.S defense industrial base.

DOD has multiple ways to identify and address industrial base risks. For example, the Office of Industrial Base Policy leads DOD-wide industrial base assessments and invests in projects that can help maintain or expand domestic production capacity. Another forum to discuss industrial base risks is the National Technology and Industrial Base (NTIB), a congressionally-created partnership between the U.S. and Canada. Congress added Australia and the United Kingdom in 2017, and directed DOD to develop and execute an implementation plan to integrate the defense industrial bases of these countries since then. This presentation highlights information from two GAO reports regarding (1) DOD’s strategy for mitigating defense industrial base risks, (2) the extent to which DOD is monitoring and reporting its progress in mitigating risks, and (3) DOD actions to execute its NTIB implementation plan and reduce integration barriers between partner countries.

What the GAO Found

The Department of Defense’s (DoD) Industrial Base Policy office does not yet have a consolidated and comprehensive strategy to mitigate risks to the industrial base—the companies that develop and manufacture technologies and weapon systems for the DoD. The office is using a combination of four previously issued reports that were created for other requirements because it devoted its resources to completing other priorities. Collectively, the reports do not include several elements the Government Accountability Office (GAO) has previously identified that would help the DoD achieve results, evaluate progress, and ensure accountability (see Figure 1).



Source: GAO-04-408T and GAO analysis of Department of Defense documents. | GAO-22-104154

Figure 1. Elements Not Fully Addressed in the DoD’s Industrial Base Strategy



The DoD must update its industrial base strategy following the submission of the next National Security Strategy Report, which is expected to be issued later in 2022. By including all elements in a consolidated strategy, the DoD could better ensure that all appropriate organizations are working toward the same priorities, promoting supply chain resiliency, and supporting national security objectives.

The DoD is carrying out numerous efforts to mitigate risks to the industrial base. This includes more than \$1 billion in reported efforts under Navy submarine and destroyer programs and \$125 million to sustain a domestic microelectronics manufacturer. However, the DoD has limited insight into the effectiveness of these efforts and how much progress it has made addressing risks. For example:

- The Industrial Base Policy office and military services have not established enterprise-wide performance measures to monitor the aggregate effectiveness of the DoD's mitigation efforts.
- The DoD's annual Industrial Capabilities Reports do not include information about the progress the department has made in mitigating risks.

The GAO's prior work on enterprise risk management establishes that agencies should monitor and report on the status and effectiveness of their risk mitigation efforts. Without key monitoring and reporting information, the DoD and Congress do not have sufficient information to help determine whether industrial base risks have been mitigated and what additional resources or actions may be needed.

Why the GAO Did This Study

A healthy defense industrial base that provides the capacity and capability to produce advanced weapon systems is critical to maintaining U.S. national security objectives. The U.S. industrial base currently consists of over 200,000 companies. Mitigating risks—such as reliance on foreign and single-source suppliers—is essential for the DoD to avoid supply disruptions and ensure that the industrial base can meet current and future needs.

Since 2017, the White House has issued executive orders directing the DoD and other agencies to assess risks to the defense industrial base and high priority supply chains such as semiconductors.

Congress also directed the DoD to develop an analytical framework for mitigating risks and included a provision for the GAO to review the DoD's efforts. This report assesses (1) the DoD's strategy for mitigating industrial base risks, and (2) the extent to which the DoD is monitoring and reporting on its progress in mitigating risks. The GAO analyzed DoD policies and reports and interviewed DoD officials.

What the GAO Recommends

The GAO is making six recommendations, including that the DoD develop a consolidated and comprehensive strategy to mitigate industrial base risks, develop and use enterprise-wide performance measures to monitor the aggregate effectiveness of its efforts, and report on its progress in mitigating risks. View [GAO-22-104154](#).





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