



May 2023

F-35 PROGRAM

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

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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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.

Contents

Letter		1
	Background	5
	F-35 JPO Does Not Oversee and Account for Its F-35 Global Spares Pool Held at Non-Prime Contractor Facilities	8
	Conclusions	20
	Recommendations for Executive Action	21
	Agency Comments	22
Appendix I	Objectives, Scope, and Methodology	24
Appendix II	Comments from the Department of Defense	27
Appendix III	GAO Contact and Staff Acknowledgments	30
Table		
	Table 1: Organizations' Reasoning on Whether Spare Parts in the F-35 Global Spares Pool are Accountable under a Contract and Government-Furnished Property (GFP)	11
Figures		
	Figure 1: Identification, Investigation, and Adjudication of Government-Furnished Property (GFP) Losses at the Department of Defense	15
	Figure 2: Adjudication Process for Global Spares Pool Losses	16
	Figure 3: Government-Furnished Property (GFP) Disposition Process	18

Abbreviations

APSR	accountable property system of record
CAP	contractor-acquired property
DCMA	Defense Contract Management Agency
DOD	Department of Defense
FAR	Federal Acquisition Regulation
GFP	government-furnished property
JPO	Joint Program Office
OUSD	Office of the Under Secretary of Defense
OUSD (A&S)	Office of the Under Secretary of Defense for Acquisition and Sustainment
PMSA	property management system analysis

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May 23, 2023

Congressional Committees

The F-35 Lightning II aircraft is the Department of Defense's (DOD) most costly weapon system in history, with overall costs for the F-35 program estimated to be more than \$1.7 trillion over its life cycle.¹ The program is designed so that its participants—the Air Force, Navy, and Marine Corps, along with seven international partners and other foreign military sales customers—share a common, global pool of spare parts, referred to in this report as the global spares pool.² Lockheed Martin and Pratt & Whitney, the F-35 program's two prime contractors, are responsible for developing, repairing, and managing these spare parts, which are used to maintain or improve the F-35 aircraft. Examples of these spare parts include engines; tires; landing gear; support equipment; and other parts such as bolts, screws, and fasteners.

Spare parts in the global spares pool that DOD (i.e., the government) has received and accepted are held at over 50 facilities worldwide that are not located at the two prime contractors' main facilities (hereinafter referred to as non-prime contractor facilities). These non-prime contractor facilities include domestic and international subcontractors' facilities, domestic and international military bases, facilities managed by foreign partners in the F-35 program's supply chain, and Defense Logistics Agency facilities.

We have previously reported that DOD initially did not intend to own the F-35 assets, which include the global spares pool and support equipment, special tooling, and special test equipment. However, in 2012, the F-35 program's executive steering board issued a memorandum declaring the F-35 assets be titled to the U.S. government when they are not installed on an aircraft. Because DOD did not develop a plan to address this

¹The overall costs comprise approximately \$300 billion in DOD's planned acquisition costs and DOD's estimated \$1.4 trillion in costs to operate, maintain, and support the F-35 aircraft, such as the supply chain for the delivery of spare parts. The \$1.7 trillion reflects then-year dollars through the end of F-35 program operations in year 2088. Then-year dollars include the effects of projected inflation or escalation.

²International partners include the countries of Australia, Canada, Denmark, Italy, the Netherlands, Norway, and the United Kingdom. Military sales participants include the countries of Belgium, Finland, Israel, Japan, Poland, Singapore, Republic of Korea, and Switzerland. According to F-35 Joint Program Office officials, multiple other countries are at various stages of foreign military sales consideration.