

Naval Audit Service



Audit Report



Verification of an Acquisition Strategy for the United States Marine Corps' Relocation Effort

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N2009-0028
8 May 2009

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MEMORANDUM FOR ASSISTANT SECRETARY OF THE NAVY
(INSTALLATIONS AND ENVIRONMENT)
EXECUTIVE DIRECTOR, JOINT GUAM PROGRAM
OFFICE

Subj: **VERIFICATION OF AN ACQUISITION STRATEGY FOR THE
UNITED STATES MARINE CORPS' RELOCATION EFFORT
(AUDIT REPORT N2009-0028)**

Ref: (a) NAVAUDSVC memo 7510 N2008-NIA000.0065.000, dated 9 October 2007
(b) SECNAV Instruction 7510.7F, "Department of the Navy Internal Audit"

1. This report provides results of the subject audit announced in reference (a). Section A of this report provides our finding and recommendations, summarized management responses, and our comments on the responses. Section B provides the status of the recommendations. The full text of management responses is included in the Appendix.

2. The Assistant Secretary of the Navy for Installations and Environment (ASN (I&)), and the Joint Guam program Office (JGPO), responded jointly to the recommendations. ASN (I&E) concurred with Recommendation 1 and JGPO concurred with Recommendations 2-7. Corrective actions planned and taken meet the intent of the recommendations, and Recommendations 2, 5, and 6 are closed. Recommendations 1, 3, 4, and 7 are open pending completion of agreed-to actions, and are subject to monitoring in accordance with reference (b). Management should provide a written status report on the recommendations within 30 days after target completion dates. Please provide all correspondence to the Assistant Auditor General for Installations and Environment [REDACTED], with a copy to the Director, Policy and Oversight, [REDACTED]. Please submit correspondence in electronic format (Microsoft Word or Adobe Acrobat file), and ensure that it is on letterhead and includes a scanned signature.

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3. Any requests for this report under the Freedom of Information Act must be approved by the Auditor General of the Navy as required by reference (b). This audit report is also subject to followup in accordance with reference (b).

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Subj: **VERIFICATION OF AN ACQUISITION STRATEGY FOR THE
UNITED STATES MARINE CORPS' RELOCATION EFFORT
(AUDIT REPORT N2009-0028)**

4. We appreciate the cooperation and courtesies extended to our auditors.



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Assistant Auditor General
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Section A:

Finding, Recommendations, and Corrective Actions

Finding: Acquisition (Program) Strategy for Executing the United States Marine Corps Guam Relocation Effort

Reason for Audit

Our objective was to verify that an “acquisition strategy” for executing the Marine Corps’ Guam relocation effort was established and implemented in accordance with applicable guidance. Specifically, we reviewed management processes for monitoring cost, schedule, performance, and risks.¹

In addition, the Assistant Commandant of the Marine Corps and Assistant Secretary of the Navy (Installations and Environment) (ASN (I&E)), in coordination with the Joint Guam Program Office (JGPO), requested that the Naval Audit Service (NAVAUDSVC) perform audits to verify that internal controls over the relocation of personnel and military assets, and over planned construction projects related to the Marine Corps’ relocation to Guam, are in place and operating.

Synopsis

The Department of the Navy (DON) needs to develop, implement, and maintain an official Acquisition (Program) Strategy, including cost, schedule, performance, and assessment of risks, to manage the United States Marine Corps (USMC) Okinawa to Guam relocation effort. The JGPO was established on 25 August 2006 by the Deputy Secretary of Defense to facilitate, manage, and execute requirements associated with the rebasing of USMC assets from Okinawa to Guam. According to their internally developed roles and responsibilities statement, the JGPO is responsible for working with the Naval Facilities Engineering Command (NAVFAC) to ensure an acquisition strategy and process fully meets mission and program requirements. The USMC relocation effort is not officially designated as an acquisition program and may not be subject to the laws, regulations, and policies that govern such programs. However, with the absence of specific guidance, current Department of Defense (DoD) guidance that provides a framework for preparing an acquisition strategy and Integrated Master Schedule (IMS)

¹ This audit and objective was developed as a sub-audit under the “DON’s Acquisition practices related to the USMC’s Okinawa/Guam Base Relocation (N2008-NIA000-0066.000)” audit announcement, dated 9 October 2007.

for officially designated acquisition programs should be utilized as a best business practice. The absence of an overarching acquisition strategy resulted, in part, because DON did not sufficiently define and clarify lines of communication, authority, accountability, and responsibility between JGPO, NAVFAC, and USMC management. In addition, JGPO did not have personnel on staff with experience in performing major program management functions and responsibilities. As a result of these internal control weaknesses, JGPO's ability to provide sufficient oversight, plan, make informed decisions, and provide strategic direction to the planned move, was limited. Until these causes are corrected, DON may be unable to foresee and mitigate obstacles and prevent overruns in program schedule and cost. Ultimately, the probability that DON will achieve its goal of completing the USMC relocation in accordance with the agreement between the United States Government (USG) and the Government of Japan (GOJ), on time and within projected cost, could be significantly reduced.

Communication with Management

We briefed our audit results to JGPO management on 22 April 2008, 8 May 2008, 16 July 2008, and 9 September 2008. We provided a discussion draft to JGPO representatives on 7 January 2009 and met to discuss the discussion draft on 9 January 2009. This draft reflects changes made as the result of that meeting.

In addition, we briefed our audit results to the following customers/stakeholders:

- ASN (I&E) on 23 December 2008;
- Deputy Assistant Secretary of the Navy for Environment (DASN E) on 10 September 2008; and
- NAVFAC on 22 April 2008.

Audit Results

DON did not develop, implement, or maintain an official Acquisition (Program) Strategy to manage the USMC relocation effort. DoD Instruction 5000.2, section E8.1.5, states that each acquisition of services shall have a documented acquisition strategy, updated when changes occur, and shall have metrics for cost, schedule, and performance. In addition, Secretary of the Navy (SECNAV) Instruction 5000.2C, Section 3.4.4, states that plans for assessing and mitigating program risk shall be summarized in the acquisition strategy and that a risk assessment identifying all technical, cost, schedule, and performance risks and plans for mitigating those risks shall be conducted.

The USMC relocation effort is not officially designated as an acquisition program, and may not be subject to the laws, regulations, and policies that govern such programs. However, with the absence of specific guidance, current DoD guidance (DoD Instruction 5000.2, SECNAV Instruction 5000.2C, the Defense Acquisition Guidebook (DAG), and the DoD Integrated Master Plan (IMP) and Integrated Master Schedule (IMS) Preparation and Use Guide²) provides a framework for preparing an acquisition strategy and IMS for officially designated acquisition programs, and should be utilized as a best business practice. Specific opportunities for improvement were identified within the core elements of an acquisition strategy (cost, schedule, performance, and assessment of risks). Each element is discussed in detail below.

Cost. DON did not sufficiently track costs for all projects associated with the USMC relocation effort. Specifically, while JGPO's cost data contained expenditures already made, it did not contain planned costs associated with the total USMC relocation effort. JGPO's cost data did not contain cost estimates of all requirements/projects associated with the draft Guam Joint Military Master Plan, which outlines JGPO's plan to execute all aspects of the Guam military build-up, including the USMC relocation effort. Therefore, cost data was not available to validate the accuracy of the total relocation cost estimate (approximately \$10.3 billion) associated with the USMC relocation effort. The DAG, Section 2.1.1.1, states that cost figures should reflect realistic cost estimates of the total program and/or increment. Section 11.3 states that the program manager should obtain integrated cost and schedule performance data at an appropriate level of summarization to monitor program execution. In the absence of sufficient cost data, and performing adequate analysis of that data, DON's ability to determine affordability, have accurate cost estimates, and have input for the budgeting strategy, is limited.

Schedule and Performance. DON did not maintain a complete integrated, networked schedule containing all the detailed lower-level activities necessary to support the events of a program plan, as described by the DoD IMP and IMS Preparation and User Guide. JGPO maintained a schedule that they referred to as the JGPO Integrated Master Schedule (JIMS), which contained major USG (including JGPO and NAVFAC) projects, milestones, and progress. However, it did not include Government of Guam (GovGuam) or GOJ actions even though some of their responsibilities and associated projects are interdependent. The DAG, Section 4.5.2, states that the program manager should use event-driven schedules and the participation of all stakeholders to ensure that all tasks are properly integrated and accomplished in a rational and logical order, and to allow continuous communication with customers.

Additionally, JIMS was not developed based on a critical path analysis and, therefore, did not identify some critical activities necessary to execute the USMC relocation effort, or

² The DoD IMP and IMS Preparation and Use Guide Version 0.9, dated 21 October 2005, provides guidance for the preparation and implementation of a program's IMP and IMS.

determine in what sequence the activities should be carried out. Critical activities are the interdependent activities that must be completed within their scheduled timeframe to keep the project on schedule and meet the total project completion date. Critical activities identify predecessor and successor relationships and make up the “critical path” of a program plan. When DON develops its Acquisition (Program) Strategy, it also needs to develop and implement a critical path analysis to define which tasks must be completed before others can start. In the absence of such an analysis, JGPO planned for a seemingly non-executable schedule. For example, the schedule called for tasks that reportedly could not be started before the port was upgraded, to be performed concurrent with the upgrades to the port undertaken by the Port Authority of Guam (PAG). Additionally, the roadway infrastructure, which is critical to the execution of the USMC relocation effort, is inadequate to support the traffic the project will generate. The Guam Department of Public Works (DPW) plans to rebuild the roads to provide the needed capacity which occurs during times when the road needs to be available to handle the traffic supporting the projects.

After being presented with this information during audit results briefings, JGPO has made significant improvement to their JIMS. For example, JGPO has updated their schedule to incorporate actions of the major stakeholders including GOJ and GovGuam. According to JGPO representatives, JIMS will be readily available to all stakeholders. JGPO representatives have acknowledged that additional efforts to update JIMS are necessary. Based on our comparison of the original and updated JIMS, the updated JIMS appears to be much more realistic and detailed.

Assessment of Risk. DON did not develop a formal Risk Management process³ to identify and mitigate major risks related to the execution of the USMC relocation effort. While they identified and mitigated some risks (for example, increasing the availability of foreign workers in Guam), JGPO did not develop and document a formal Risk Management process for all known risks. According to the DON Acquisition (Program) Strategy Decision Guide, an acquisition strategy should identify risk areas of the program and discuss how the program manager intends to mitigate those risks. According to the DoD Risk Management Guide for DoD Acquisition, Section 1.1, risk is a measure of future uncertainties in achieving program performance goals and objectives within defined cost, schedule, and performance constraints. Section 2.2 states that the risk management process includes risk identification, analysis, mitigation planning, mitigation plan implementation, and tracking. By not having a formal Risk Management process to properly identify, analyze, mitigate, and track known risks, including insufficient amounts of construction material and equipment, DON could be unaware and unprepared to address obstacles that would impede completion of the USMC relocation effort within

³ According to the DoD Risk Management Guide for DoD Acquisition, sixth edition, dated August 2006; the purpose of addressing risk on programs is to help ensure program cost, schedule, and performance objectives are achieved at every stage in the life cycle and to communicate to all stakeholders the process for uncovering, determining the scope of, and managing program uncertainties.

established timeframes and cost. An example of a specific risk that could adversely impact the completion of the USMC relocation effort is an insufficient supply of construction materials and equipment. According to construction managers at Anderson Air Force Base, Guam, this occurred in 6 out of 13 weeks prior to our 16 June 2008 site visit. Specifically, they reported that no commercial cement was available for purchase due to technical problems experienced with the sole cement supply vessel that supplies Guam. Since this risk was not identified through a risk assessment process, it was not initially foreseen and was not officially being mitigated under a risk management process.

The lack of an acquisition strategy, and insufficient cost, schedule, performance, and risk management processes and tools existed, in part, because DON did not sufficiently define and clarify lines of communication, authority, accountability, and responsibility between JGPO, NAVFAC, and USMC management. Unclear and undefined responsibilities resulted in an uncertainty as to who was ultimately responsible to develop an acquisition strategy and monitor cost, schedule, performance, and risk. JGPO's roles and responsibilities statement, which was developed internally, states that JGPO is to work with NAVFAC to develop an acquisition strategy and process that fully meets mission and program requirements. However, this statement does not assign full responsibility to a specific party (JGPO or NAVFAC) for the development of an acquisition strategy.

In our opinion, with the absence of specific guidance, as a best business practice, DON should, where applicable, use as a model, the duties and responsibilities outlined in SECNAV Instruction 5400.15C for commands involved with the USMC relocation effort. SECNAV Instruction 5400.15C outlines the duties and responsibilities of all parties within DON that are involved in research, development, acquisition, and associated life-cycle management and logistics (see Table A for highlights of responsibilities).

Table A: DON Research and Development, Acquisition, Associated Life-Cycle Management, and Logistics Responsibilities and Accountability

Command	Responsibilities
Assistant Secretary of the Navy (Research, Development, and Acquisition)	<ul style="list-style-type: none"> • Serve as the Naval Acquisition Executive (NAE) and have full responsibility for all DON acquisition programs through the Program Executive Offices (PEOs), Direct Reporting Program Managers (DRPMs), or Systems Commands (SYSCOMs) Commanders; • Independently assess programs and take action to manage program risk; and • Develop and/or procure systems satisfying established requirements.
Commandant of the Marine Corps (CMC) and Chief of Naval Operations (CNO)	<ul style="list-style-type: none"> • Determine requirements and establish the priority of those requirements; and • Advise SECNAV on the allocation of resources to meet program requirements and assure allocated resources match realistic cost estimates.
Commanders of SYSCOMs	<ul style="list-style-type: none"> • Provide support services to PEOs and DRPMs without duplicating their management functions; • Oversee realistic and reasonable cost estimating; and • Serve as Head of the Contracting Activity (HCA) for both assigned programs and PEO/DRPM programs.
PEOs and DRPMs	<ul style="list-style-type: none"> • Act for, and exercise the programmatic authority of, the NAE to directly supervise the management of assigned programs, maintaining oversight of cost, schedule, and performance; • Exercise authority over business and financial management and life-cycle logistics; and • Ensure program managers are vested with the authority, accountability, and resources necessary to manage all aspects of assigned acquisition programs, including managing resources to deliver systems to satisfy requirements at optimal life-cycle costs. Program managers are also responsible for developing and implementing acquisition plans.

We found that lines of authority and responsibilities for parties involved in the USMC relocation effort were unclear as to who was ultimately accountable for the types of responsibilities identified for the SYSCOM, PEO, and DRPM in the table above. We also found that JGPO did not have personnel on staff with experience in developing an acquisition strategy nor program management functions and responsibilities. After being presented with this information, JGPO management acknowledged the need to obtain personnel with past experience in acquisition and program management responsibilities associated with adequately overseeing cost, schedule, performance, and assessment of risks.

As a result of not ensuring the development or maintenance of an acquisition strategy, to include the core elements of cost, schedule, performance, and risk, JGPO's ability to provide sufficient oversight, plan, make informed decisions, and provide strategic direction to DON leadership has been adversely impacted. For example, known schedule slippages and conflicts may continue to impede progress of the USMC relocation effort, as we identify in the following paragraphs, which address the: (1) Environmental Impact Statement (EIS)⁴ and Record of Decision (ROD)⁵ process; and (2) importance of the modernization of the Port of Guam and the planned improvements to the Guam Roadway Infrastructure (Haul Road Network (HRN)) to keeping the USMC relocation effort on schedule and within cost. Ultimately, the realization of achieving the desired completion date agreed to by the USG and the GOJ, and within associated cost, will likely be adversely affected.

Modernization of the Port of Guam. The Jose D. Leon Guerrero Commercial Port is Guam's only active seaport and has not undergone major modernization since it was established in 1969. The port handles nearly 95 percent of the island's total imports and DON leadership has expressed their intent to depend on the Port of Guam to handle all port-related functions. PAG determined that the port's throughput capability will be severely deficient in meeting the peak requirements involved with the USMC relocation effort. As a result, PAG developed a "notional schedule" (see Exhibit D) to modernize the port in an attempt to adequately support the USMC requirements.

The notional schedule included major improvements totaling \$195 million during Fiscal Years (FYs) 2008 through 2011.⁶ According to PAG representatives, completion of these modernization projects by the end of FY 2011 is necessary to meet construction requirements related to the USMC relocation effort. However, according to an updated plan, which PAG calls a "Proposed Implementation Strategy," all projects required for complete modernization of the port were rescheduled for completion in 2017, rather than the original scheduled completion date of October 2011. This is approximately 6 years past the scheduled timeline in PAG's original notional schedule, and 3 years past the desired completion date agreed to by the USG and GOJ (FY 2014). This 2017 completion date for complete modernization does not coincide with the period JGPO and USMC representatives have identified as the peak Military Construction period (FYs 2011 through 2013; see Table B below). According to JGPO representatives, PAG's modernization plan, in its entirety, may not be necessary to support program efforts. However, due to DON's planned reliance on the Port of Guam,

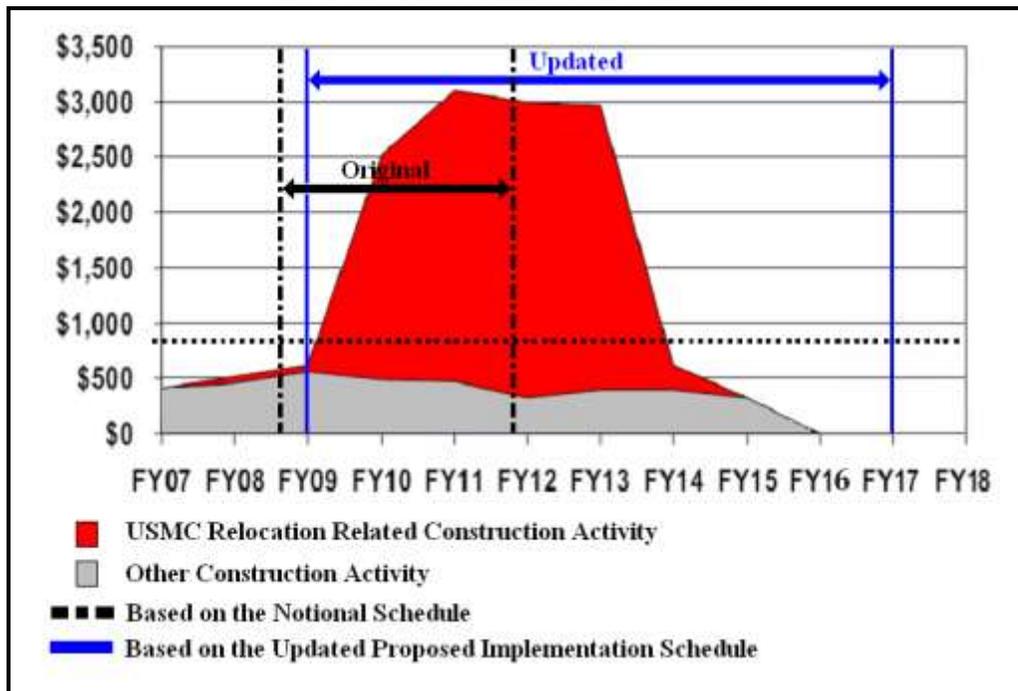
⁴ According to SECNAV Instruction 5090.6A, an EIS is a document that must be filed when the Federal Government takes a major Federal action significantly affecting the quality of the human environment.

⁵ According to SECNAV Instruction 5090.6A, a ROD is an environmental document signed by an appropriate official of DON that sets out a concise summary of the final decision and selected measures for mitigation (if any) of adverse environmental impacts of the alternative chosen from those considered in an EIS.

⁶ The fiscal year breakout of the \$195 million associated with the Fiscal Years (FYs) 2008 through 2011 timeline is as follows: FY 2008 - \$4.2 million (2 percent); FY 2009-\$25.7 million (13 percent); FY 2010 - \$55.8 million (29 percent); and FY 2011 - \$109.3 million (56 percent).

any delays in the port's modernization schedule that are deemed as essential, will adversely impact the completion of the USMC relocation effort by the desired completion date agreed to by the USG and GOJ.

Table B: JGPO's Construction Graph and the Port Modernization Schedules

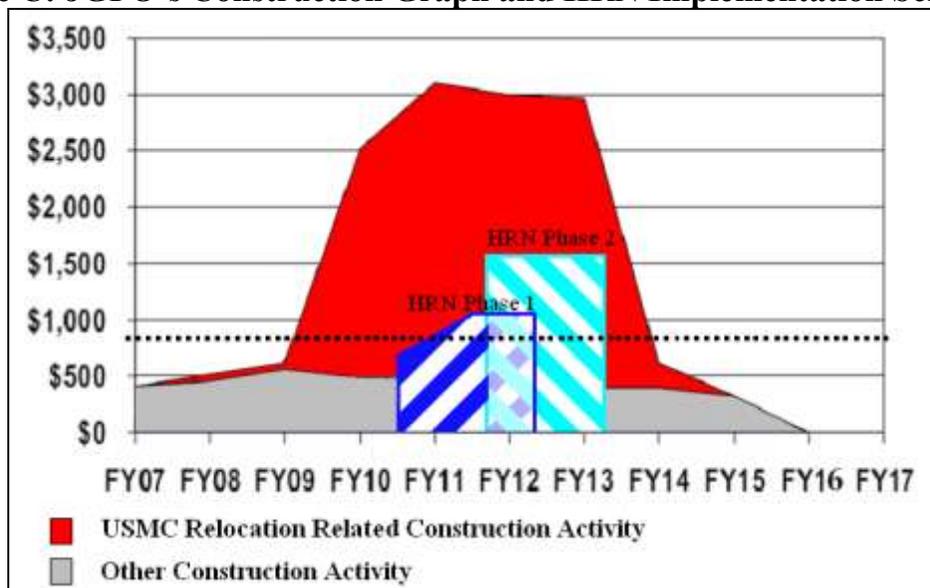


* The horizontal dotted line represents Guam's Historical Construction Capacity (\$800 million per year)

Guam Roadway Infrastructure. According to multiple assessments commissioned by the Guam DPW, the island's current road infrastructure will rapidly deteriorate and will not support elements of the expected hauling requirements to execute plans associated with the USMC relocation effort. The "Technical Assessment of Transportation Infrastructure Impacts due to Community Build-Up" study (as of June 2008) concluded that if certain roads are not strengthened before the anticipated volume of heavy trucks and military vehicles begin to operate on them, the existing pavement will deteriorate under increased weight and fail in specified locations in as little as 2 weeks. Also, these assessments have determined that expected increased traffic volume would adversely impact the rate at which materials could be transported throughout Guam. The Guam DPW's HRN Implementation Plan proposed a schedule of actions to address the potential problems with the current road infrastructure. The plan consisted of major improvements to 73.5 route miles and 11 bridges at a total estimated cost of \$4.4 billion and a timeline for execution of FYs 2009 through 2014.

We identified potential conflicts with the HRN Implementation Schedule and JGPO's construction timeline. According to the HRN Implementation Schedule, the two major construction phases for road improvements are scheduled from FYs 2010 to 2013 (see Exhibit E). However, according to JGPO's construction graph, the military peak construction period is scheduled for FYs 2011 through 2013. This would be the time when the heaviest volume of hauling activity is expected and would require an adequate road infrastructure. Accordingly, during critical hauling periods, not only will the existing road structure be inadequate, it will be under construction and unavailable for a free flow of traffic. Table C below depicts the overlap and conflict in scheduling of the planned timelines:

Table C: JGPO's Construction Graph and HRN Implementation Schedule



* The dotted line represents Guam's Historical Construction Capacity (\$800 million per year)

** HRN efforts were added to the original graph for a visual comparison, and based on fiscal years. The blue diagonal area depicts HRN Phase 1 and the light blue diagonal area depicts the HRN Phase 2 modernization construction.

An additional problematic issue is that DPW identified \$50 million in initial Defense Access Road (DAR) improvement projects in FY 2010 for selected roads and bridge improvements that reportedly were most critical to support the initial construction projects associated with the USMC relocation effort. These initial improvement projects establish a primary haul route that are intended to adequately support transport of material from the Port of Guam to various construction sites. However, under the proposed schedule, these initial improvement projects would not be completed prior to the start of major construction projects associated with the relocation (FY 2010). Accordingly, the road would not be available when needed to support the very projects for which it is to be built.

Recommendations and Corrective Actions

The Office of the Assistant Secretary for Installations and Environment, and the Joint Guam Program Office, responded jointly to the recommendations. The recommendations, summarized management responses, and our comments on the responses are presented below. The complete text of management responses is in Appendix 1.

We recommend that ASN (I&E):

Recommendation 1. Develop and promulgate policy that defines the roles and responsibilities of JGPO, USMC, and NAVFAC, and establishes clear lines of authority for project management, including efforts related to establishment and implementation of an official acquisition strategy.

Management response to Recommendation 1. Concur. An ASN (I&E) roles and responsibilities policy is being drafted by JGPO and will be sent out for coordination with other stakeholders prior to approval. The policy will define the roles and responsibilities of JGPO, the USMC, and NAVFAC, and will establish clear lines of authority for project management. It will specifically address roles and responsibilities for establishing and implementing an official acquisition strategy as well as financial management and oversight of Government of Japan funds. The estimated completion date is 31 May 2009.

Naval Audit Service comment on management response to Recommendation 1. Planned actions meet the intent of the recommendation, which is open pending completion of agreed-to actions.

We recommend that the Office of the Executive Director, JGPO:

Recommendation 2. Immediately employ personnel with expertise and experience within acquisition program management, which includes ensuring the development of an official Acquisition (Program) Strategy that addresses the core elements of cost, schedule, performance, and an assessment of risks to achieving program goals and objectives.

Management response to Recommendation 2. Concur. JGPO has on staff two personnel who are members of the Acquisition Professional Community that will be responsible for the oversight of the execution and maintenance of the strategy discussed under Finding 1.3. They arrived at JGPO approximately eight months ago. JGPO considers this recommendation closed.

Naval Audit Service comment on management response to

Recommendation 2. Actions taken meet the intent of the recommendation. The two staff members that JGPO references in their management response were not on staff at the time we presented our audit results. However, as the USMC relocation effort progresses, we encourage the JGPO to continuously monitor their need for acquisition program management personnel to ensure an official Acquisition (Program) Strategy is maintained. The recommendation is closed.

Recommendation 3. Ensure a complete Acquisition (Program) Strategy is developed, implemented, and maintained using DoD Instruction 5000.2, SECNAV Instruction 5000.2C, and DAG concepts as a guide.

Management response to Recommendation 3. Concur. JGPO is establishing a Memorandum of Agreement with the Defense Acquisition University (DAU) to conduct a Program Review Board that will review the Program and help shape our Acquisition (Program) Strategy. The Program Review Board has been approved by ASN (I&E) with DAU as the lead and is scheduled to complete their evaluation and provide the draft report by July 2009. The evaluation will be based on the criteria as it is established in DoD Instruction 5000.02 (which replaced DoD Instruction 5000.2), SECNAV Instruction 5000.2C, and Defense Acquisition Guide (DAG). The Acquisition (Program) Strategy uses these instructions as the bedrock of acquisition strategy development; however, it will be shaped based on the findings of the Program Review Board report. The initial formal Acquisition (Program) Strategy will be promulgated by 15 September 2009.

Naval Audit Service comment on management response to

Recommendation 3. Planned actions meet the intent of the recommendation, which is open pending completion of agreed-to actions.

Recommendation 4. Develop and implement procedures to track costs for all projects associated with the USMC relocation effort, and reassess cost estimates as changes in scheduling occur.

Management response to Recommendation 4. Concur. As a result of the audit, a process has since been developed and procedures implemented to track costs for all projects associated with the USMC relocation effort by Naval Facilities Engineering Command (NAVFAC). Within six months, JGPO will incorporate the existing processes and business practices to keep track and reassess cost estimates as changes in scheduling occur. Due to the size and constantly changing nature of the spreadsheet, a hard copy has not been included in this response, but is available for review by Naval Audit Service in JGPO's offices.

Naval Audit Service comment on management response to

Recommendation 4. Actions taken meet the intent of the recommendation, which is open pending completion of agreed-to actions. The target date for completion of corrective actions is 30 September 2009.

Recommendation 5. Develop, implement, and maintain a comprehensive schedule that incorporates a critical path analysis consistent with the DoD IMP and IMS Preparation and User Guide that incorporates, tracks progress, and accounts for slippages of USG, GoJ, GovGuam, and other critical milestones.

Management response to Recommendation 5. Concur. As a result of this audit, JGPO has since established a Master Program Schedule (MPS) that incorporates critical path analysis for critical milestones of all related activities being performed by DoD, GoJ, GovGuam, U.S. Congress, and Industry. This MPS is used at several levels of program management to maintain overall Program awareness as well as “by exception” management of key program elements that present high risk to Program execution. Due to the size of the MPS, a hard copy has not been included in this response, but it is available for review by Naval Audit Service in JGPO’s offices.

Naval Audit Service comment on management response to

Recommendation 5. Actions taken meet the intent of the recommendation. We reviewed a copy of the JGPO’s referenced Master Schedule Program, dated 16 January 2009, and determined that it does contain stakeholder critical milestones and a critical path analysis. The recommendation is closed.

Recommendation 6. Develop, implement, maintain, and document a formal risk management process to conduct risk identification, analysis, mitigation planning, mitigation plan implementation, and tracking of all risks associated with the USMC relocation effort.

Management response to Recommendation 6. Concur. As a result of this audit, JGPO has since developed a formal risk management process. In connection with the overall MIC Program Implementation Plan, JGPO will implement, and maintain a formal risk management process to conduct risk identification, analysis, mitigation planning, mitigation plan implementation, and tracking of all risks associated with the USMC relocation effort. JGPO will continue to identify internal and external risks that may prevent the organization from meeting its objectives and consider relevant interactions within and outside JGPO. In identifying risks, management considered internal and external audit findings, internal management review issues, and instances of non-compliance with laws and regulations. JGPO will review a broad spectrum of control activities to assess

the risk of misstatement(s) in financial statements. JGPO's Goals and Objectives were developed in March 2009 and are updated regularly.

Naval Audit Service comment on management response to

Recommendation 6. The management response and planned actions meet the intent of the recommendation. We received and reviewed a copy of JGPO's March 2009 Goals and Objectives, which included JGPO's risk management process. Based on our review, we determined that even though the updated risk management process had not been finalized and transferred into its intended final format, it included risks that had been identified by the audit team during the course of the audit and had not been previously included and/or addressed in JGPO's prior risk management process. On 14 April 2009, in supplemental email correspondence, JGPO representatives stated that the risk assessment items were currently being evaluated on a monthly basis and that JGPO was working on developing a more user-friendly format. They also stated that in 3 months JGPO will have formally integrated the risk management process into the internal program policy and management procedures. The recommendation is closed.

Recommendation 7. Ensure that the acquisition strategy, IMP and IMS, and risk assessment, when completed, are used to re-baseline the cost, schedule, and risks of the Guam relocation project and obtain necessary approvals for the changes to cost, schedule, and performance.

Management response to Recommendation 7. Concur. As part of the overall MIC Program Implementation Plan, JGPO will coordinate and integrate the acquisition strategy, integrated master plan and schedule, and risk assessment by 15 September 2009 to reestablish the cost, schedule and risks of the Guam move project and obtain necessary approvals for the changes to cost, schedule, and performance. In June 2009 the acquisition strategy, master program schedule, risk assessment will be integrated into the MIC Program Implementation Plan.

Naval Audit Service comment on management response to

Recommendation 7. Planned actions meet the intent of the recommendation, which is open pending completion of agreed-to actions.

Section B:

Status of Recommendations

RECOMMENDATIONS						
Findin g ⁷	Rec. No.	Page No.	Subject	Status ⁸	Action Comm and	Target Completion Date
1	1	12	Develop and promulgate policy that defines the roles and responsibilities of JGPO, USMC, and NAVFAC, and establishes clear lines of authority for project management, including efforts related to establishment and implementation of an official acquisition strategy.	O	ASN (I&E)	5/31/2009
1	2	12	Immediately employ personnel with expertise and experience within acquisition program management, which includes ensuring the development of an official Acquisition (Program) Strategy that addresses the core elements of cost, schedule, performance, and an assessment of risks to achieving program goals and objectives.	C	JGPO	4/7/2009
1	3	13	Ensure a complete Acquisition (Program) Strategy is developed, implemented, and maintained using DoD Instruction 5000.2, SECNAV Instruction 5000.2C, and DAG concepts as a guide.	O	JGPO	9/15/2009
1	4	13	Develop and implement procedures to track costs for all projects associated with the USMC relocation effort, and reassess cost estimates as changes in scheduling occur.	O	JGPO	9/30/2009
1	5	14	Develop, implement, and maintain a comprehensive schedule that incorporates a critical path analysis consistent with the DoD IMP and IMS Preparation and User Guide that incorporates, tracks progress, and accounts for slippages of USG, GoJ, GovGuam, and other critical milestones.	C	JGPO	4/7/2009
1	6	14	Develop, implement, maintain, and document a formal risk management process to conduct risk identification, analysis, mitigation planning, mitigation plan implementation, and tracking of all risks associated with the USMC relocation effort.	C	JGPO	4/7/2009
1	7	15	Ensure that the acquisition strategy, IMP and IMS, and risk assessment, when completed, are used to re-baseline the cost, schedule, and risks of the Guam relocation project and obtain necessary approvals for the changes to cost, schedule, and performance.	O	JGPO	9/15/2009

⁷ / + = Indicates repeat finding

⁸ / O = Recommendation is open with agreed-to corrective actions; C = Recommendation is closed with all action completed; U = Recommendation is undecided with resolution efforts in progress

Exhibit A:

Background

The United States Government (USG) and the Government of Japan (GOJ) entered into an agreement to relocate approximately 8,000 United States Marine Corps (USMC) personnel and their 9,000 dependents from Okinawa, Japan to Guam. According to the Director, Joint Guam Program Office (JGPO), this major force realignment project is vital to the United States' strategic posture in the Pacific theatre and the security of our nation. GOJ has agreed to provide approximately \$6.1 billion of the estimated approximately \$10.3 billion for facilities and infrastructure development costs associated with the USMC relocation effort. USG agreed to fund the remainder of expenses, reported at approximately \$4.2 billion.⁹ The goal is to have the specified USMC forces relocated by 2014, with properly supported operational, logistic, training, and community support facilities. There are three overall stakeholders involved in this effort: (1) USG; (2) GOJ; and (3) the Government of Guam (GovGuam). Additionally, the following are the primary USG stakeholders and responsible organizations to execute the USMC relocation effort:

- **JGPO** leads the coordinated planning efforts among the Department of Defense (DoD) Components and other stakeholders to consolidate, optimize, and integrate the existing DoD infrastructure capabilities on Guam;
- **USMC** defines the requirements; and
- **The Naval Facilities Engineering Command (NAVFAC)** executes the construction requirements by awarding contracts.

On 25 August 2006, the Deputy Secretary of Defense directed the Department of the Navy to immediately establish JGPO to facilitate, manage, and execute requirements associated with the rebasing of USMC assets from Okinawa to Guam. According to their roles and responsibilities statement, JGPO is responsible for working with NAVFAC to ensure an acquisition strategy and process fully meets mission and program requirements. According to the Defense Acquisition Guidebook (DAG),¹⁰ Section 2.0.1, an acquisition strategy describes the program manager's plan to achieve the goals required to manage the program, and summarizes the program planning and resulting program structure. Section 2.3 states that a well-developed strategy minimizes the time and cost required to satisfy approved capability needs, and maximizes affordability. Section 4.2.3.5 states that the purpose of addressing risk on programs is to help ensure program cost, schedule, and performance objectives are achieved at every stage in the life cycle, and to

⁹ \$3.18 billion in fiscal spending plus approximately \$1 billion for roadway improvements.

¹⁰ The DAG, last modified 20 December 2004, is designed to complement DoD policy documents by providing the acquisition workforce with discretionary best practices that should be tailored to the needs of each program.

communicate to all stakeholders the process for uncovering, determining the scope of, and managing program uncertainties.

According to the DoD Integrated Master Plan (IMP) and Integrated Master Schedule (IMS) Preparation and User Guide, a program IMP and IMS are fundamental management tools that are critical to performing effective planning, scheduling, execution of work efforts, and can be utilized to support an acquisition strategy. Their primary purpose is their use as the day-to-day tools for planning, executing, and tracking program technical, schedule, and cost status, including risk mitigation efforts.

Exhibit B:

Pertinent Guidance

Joint Guam Program Office (JGPO) Roles and Responsibilities Statement, dated April 2008, states that specific JGPO responsibilities include:

- Working with Naval Facilities Engineering Command (NAVFAC) to ensure acquisition strategy and process fully meets mission and program requirements;
- Providing oversight of the requirements generation, planning and execution strategy development for the Guam basing initiative;
- Providing support to Assistant Secretary of the Navy (Installations and Environment) to manage the flow of information and decisions required to support the Guam Program, which include:
 - Collecting operational requirements;
 - Overseeing development of infrastructure master plan;
 - Executing specific objectives of the U. S. Government (USG)/Government of Japan (GOJ) bilateral talks;
 - Ensuring integrated program timeline;
 - Achieving an Environmental Impact Statement and addressing key environmental issues; and
 - Having financial oversight of program funding to include GOJ, USG, and Government of Guam's contributions;
- Monitoring and tracking policies, precedents, goals, objectives, regulations, and guidelines of Department of Defense (DoD)/Military Department planning, programming, budgeting, execution system for Guam military build-up program with sufficient detail to develop and justify recommendations for financial and/or budgetary actions;
- Leading and facilitating infrastructure planning in support of operational requirements, including facilities planning solutions which lead to development of detailed cost data;
- Coordinating with Guam community and Government leaders to provide information on goal objectives and status of military build-up as well as to hear and address any concerns;
- Identifying dependent relationships and critical milestones to proactively manage the program; and

- Coordinating all aspects of the Guam military build-up program. Because of the closely inter-related nature of the various Program elements, internal staff coordination is critical to ensure Program goals are achieved in the most efficient and effective manner.

DoD Instruction 5000.2, “Operation of the Defense Acquisition System,” dated 12 May 2003, Section 3.7.2.5, states that each program or increment shall also have an Acquisition Program Baseline establishing program goals-thresholds and objectives for the minimum number of cost, schedule, and performance parameters that describe the program over its life cycle. Enclosure 8.1.5 states that each acquisition of services shall have the following:

- A documented acquisition strategy, updated when changes occur; and
- Metrics for cost, schedule, and performance.

Secretary of the Navy Instruction 5000.2C – “Implementation and Operation of the Defense Acquisition System and the Joint Capabilities Integration and Development System,” dated 19 November 2004 states:

- Section 3.4.3: Each acquisition strategy shall include a program structure, the purpose of which is to identify, in a top-level schedule, the major program elements;
- Section 3.4.4: Plans for assessing and mitigating program risk shall be summarized in the acquisition strategy. A risk assessment identifying all technical, cost, schedule, and performance risks and plans for mitigating those risks shall be conducted; and
- Section 8.8: The acquisition strategy should include cost, schedule, and performance metrics that measure service acquisition outcomes against requirements.

Defense Acquisition Guidebook, last modified on 20 December 2004, states:

- Section 2.1: Program goals are the minimum number of cost, schedule, and parameters necessary to describe program objectives;
- Section 2.3: Development of the acquisition strategy requires collaboration between the Program Manager (PM) and the functional communities engaged in, and supporting, DoD acquisition;
- Section 11.3: The PM should obtain integrated cost and schedule performance data at an appropriate level of summarization to monitor program execution.
- Section 3.7: Provides a framework for conducting cost estimate analysis and describes a recommended analytic approach for planning, conducting, and

documenting a life-cycle cost estimate for a defense acquisition program, as well as, assessing risk associated with cost estimate uncertainties;

- Section 4.2.3.5: Contains a risk model, a sample risk reporting matrix, levels of likelihood and consequence criteria, and explains the importance of establishing a Risk Management Plan; and
- Section 11.4: The PM and others in the acquisition process should take an active role in identifying and understanding program uncertainties, whether they have a negative or positive impact on the program baseline. An assessment of cost, schedule, or performance against a program baseline is not credible or realistic if uncertainties are not recognized and in some manner incorporated into estimates and assessments in a transparent manner. The impact of uncertainty in particular areas of the program, on particular estimates and assessments, should be analyzed and understood.

Acquisition Strategy Decision Guide, Department of the Navy, dated January 2001, states:

- Program cost goals should be developed as early in the program as possible and refined as more information becomes available; and
- The PM is required to not only describe the (technical) performance, cost, schedule and risk, but to also describe his/her risk mitigation plans for managing risk. The selected acquisition strategy should be the one that provides for a realistic risk mitigation plan.

Integrated Master Plan (IMP) and Integrated Master Schedule (IMS) Preparation and Use Guide, dated 21 October 2005, states:

- The IMP and IMS are business tools that enhance the management of acquisition, modification, and sustainment programs. They provide a systematic approach to program planning, scheduling, and execution. They provide a tool for improved day-to-day program execution and for on-going insight into program status; and
- The IMP and IMS enable the program or project office to:
 - Identify and assess actual progress versus the planned progress;
 - Monitor the program critical path and help develop workarounds to problem areas; and
 - Assess the status of risk management activities based on the inclusion of the program risk mitigation activities in the IMP and IMS.

Exhibit C:

Scope and Methodology

We conducted the audit for “Verification of the Establishment and Implementation of an Acquisition Strategy for the United States Marine Corps (USMC) Guam Relocation Effort” between 16 January 2008 and 11 February 2009.

We evaluated internal controls and reviewed compliance with regulations related to acquisition program management as well as the roles and responsibilities outlined in the Joint Guam Program Office (JGPO) roles and responsibilities statement.

We accompanied personnel from the Office of the Secretary of Defense on their site visits to Hawaii and Guam when they conducted a construction capacity study for Guam. We conducted additional site visits and interviewed personnel from the activities listed in Exhibit C. Our efforts were focused on the contributions and program management oversight at the JGPO and the Naval Facilities Engineering Command.

We conducted audit work to determine if an acquisition strategy was developed for the USMC relocation effort. Our audit work specifically addressed reviewing management processes for monitoring cost, schedule, performance, and risk aspects. We also identified critical activities and determined if any slippages in the original schedules had been realized.

We conducted this audit in accordance with Generally Accepted Government Auditing Standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

There have been no previous audits on acquisition strategy for the USMC relocation effort, so no followup was necessary.

Federal Managers’ Financial Integrity Act

The Federal Managers’ Financial Integrity Act (FMFIA) of 1982, as codified in Title 31, United States Code, requires each Federal agency head to annually certify the effectiveness of the agency’s internal and accounting system controls. In our opinion, due to the significant weaknesses noted in the conditions and the planned cost of approximately \$10.3 billion, this report may warrant reporting in the Auditor General’s annual FMFIA memorandum identifying management control weaknesses to the Secretary of the Navy.

Exhibit D:**List of Acronyms**

Acronym	Term
DAG	Defense Acquisition Guidebook
DAR	Defense Access Road
DASN E	Deputy Secretary of the Navy for Environment
DoD	Department of Defense
DON	Department of the Navy
DPW	Department of Public Works
EIS	Environmental Impact Statement
FMFIA	Federal Managers' Financial Integrity Act
GOJ	Government of Japan
GovGuam	Government of Guam
HRN	Haul Road Network
JGPO	Joint Guam Program Office
JIMS	JGPO Integrated Master Plan
IMP	Integrated Master Plan
IMS	Integrated Master Schedule
NAVFAC	Naval Facilities Engineering Command
PAG	Port Authority of Guam
PM	Program Manager
ROD	Record of Decision
SECNAV	Secretary of the Navy
USG	United States Government
USMC	United States Marine Corps

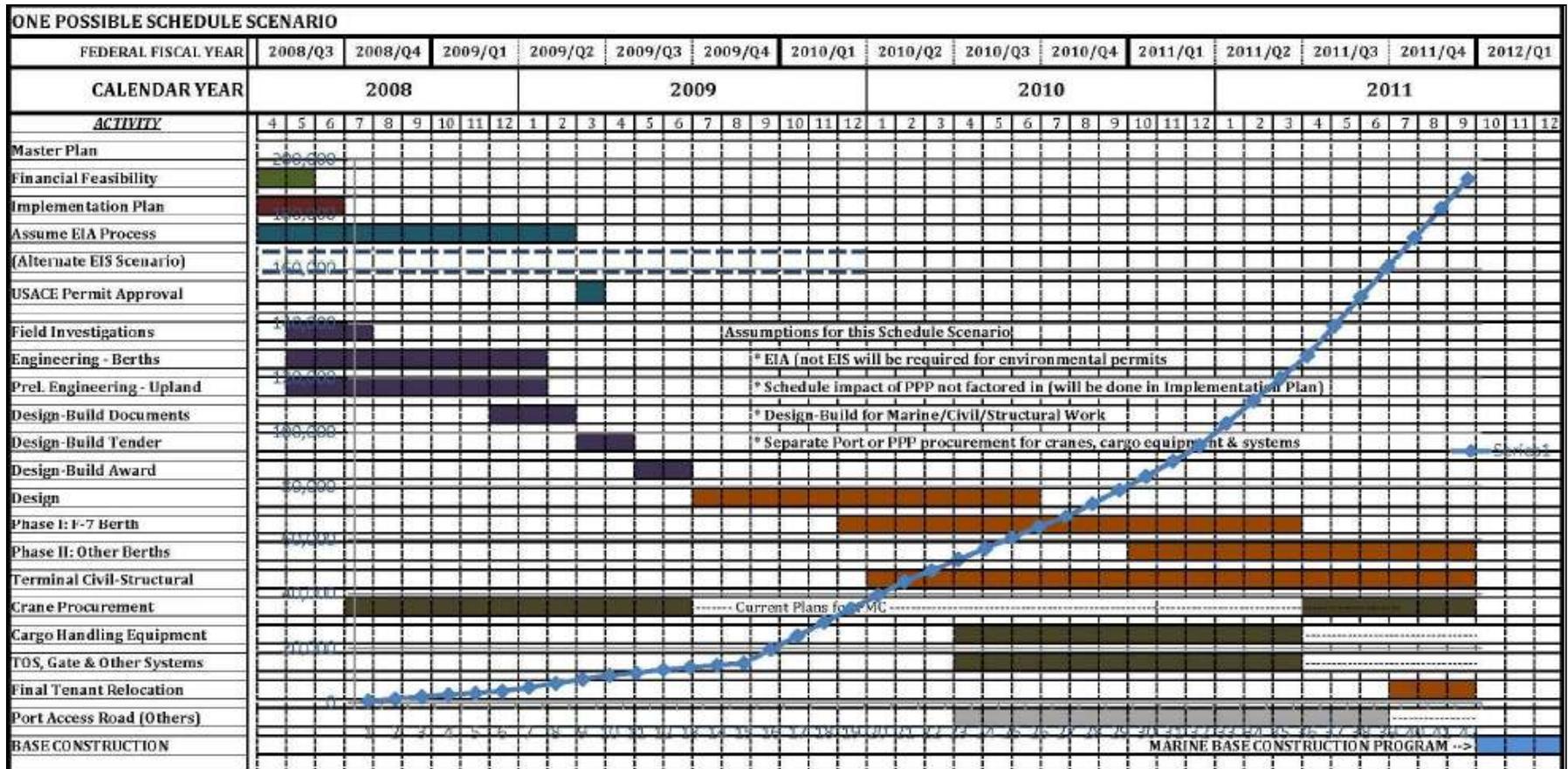
Exhibit E:**Activities Visited and/or Contacted**

ACTIVITY	LOCATION
Deputy Assistant Secretary of the Navy, Environment*	Arlington, VA
Office of Secretary of Defense, Plans, Analysis, and Evaluation*	Arlington, VA
United States Pacific Command*	Honolulu, HI
Headquarters Marine Corps*	Arlington, VA
Marine Forces Pacific*	Honolulu, HI
Command Navy Marianas*	Guam
Naval Facilities Engineering Command Headquarters*	Washington, DC
Naval Facilities Engineering Command Pacific*	Honolulu, HI
Joint Guam Program Office*	Arlington, VA
Anderson Air Force Base - 36th Wing Division*	Guam
Port Authority of Guam*	Guam
Guam Department of Public Works*	Guam
Guam Environmental Protection Agency*	Guam
Guam Department of Transportation*	Guam
Guam Department of Commerce*	Guam
Guam Bureau of Statistics*	Guam
Marianas Energy Co.*	Guam

* Activities Visited

Exhibit F:

Port Modernization Schedule – Notional-Original Plan*

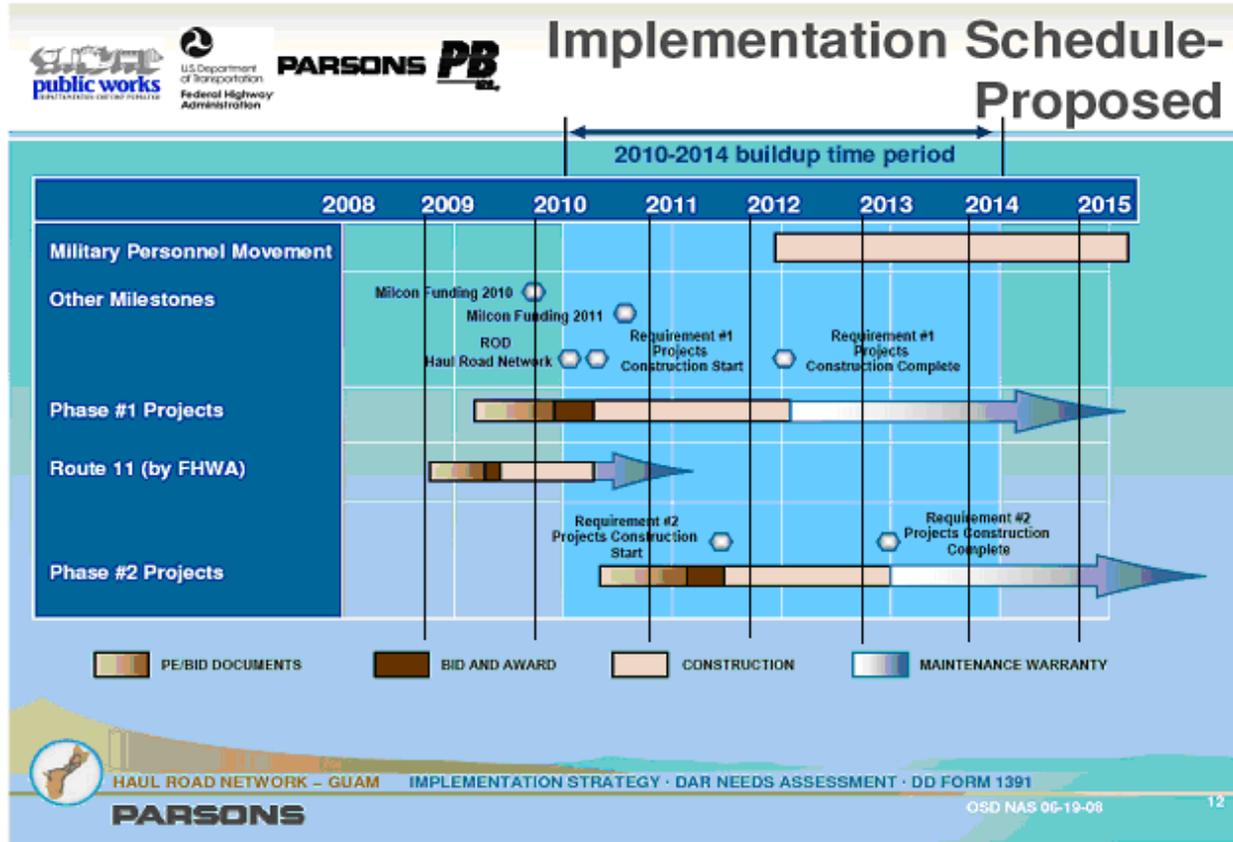


Blue line depicts cumulative execution of planned \$195M cost for the port modernizations

*Provided by the Port Authorities of Guam

Exhibit G:

Haul Road Network Implementation Schedule – Proposed*



*"Route 11 (by FHWA)" line item represents the \$50 million in initial improvement projects to establish a primary haul route

**Provided by Department of Public Works

***Vertical black lines were added to depict Fiscal Years while white vertical lines depict Calendar Years.

Appendix:

Joint Management Response from Assistant Secretary of the Navy for Installations and Environment, and Joint Guam Program Office



DEPARTMENT OF THE NAVY
THE ASSISTANT SECRETARY OF THE NAVY
(INSTALLATIONS AND ENVIRONMENT)
1000 NAVY PENTAGON
WASHINGTON, D.C. 20380-1000

5200
JGPO/fis
07 Apr 09

MEMORANDUM FOR ASSISTANT AUDITOR GENERAL FOR INSTALLATION AND ENVIRONMENT

SUBJECT: Verification of an Acquisition Strategy for the United States Marine Corps Relocation Effort (Draft Audit Report N2008-NIA000.0065.001)

- Ref: (a) Draft Audit Report N2008-NIA000-0065.001 dated 11 Feb 09
(b) SECNAV Instruction 7510.7F, "Department of the Navy Internal Audit"
(c) SECNAV Instruction 5000.2C
(d) Defense Acquisition Guide (DAG)
(e) NAVAUDSVC memo 7510 N2008-NIA000.0065.000, dated 9 October 2007

Encl: (1) Recommendations Concerning Release of Final Report Information under FOIA

1. This memo is forwarded as feedback on the draft audit report provided under reference (a). In general, we concur with the audit findings and recommendations and will comply by taking the following corrective actions:

Recommendation 1: Develop and promulgate policy that defines the roles and responsibilities of JGPO, USMC, and NAVFAC, and establishes clear lines of authority for project management, including efforts related to establishment and implementation of an official acquisition strategy.

ASN I&E response: Concur. An ASN (I&E) roles and responsibilities policy is being drafted by JGPO and will be sent out for coordination with other stakeholders prior to approval. The policy will define the roles and responsibilities of JGPO, the USMC, and NAVFAC, and will establish clear lines of authority for project management. It will specifically address roles and responsibilities for establishing and implementing an official acquisition strategy as well as financial management and oversight of Government of Japan funds. The estimated completion date is 31 May 09.

Recommendation 2: Immediately employ personnel with expertise and experience within acquisition program management, which includes ensuring the development of an official Acquisition (Program) Strategy that addresses the core elements of cost, schedule, performance, and an assessment of risks to achieving program goals and objectives.

JGPO response: Concur. JGPO has on staff two personnel who are members of the Acquisition Professional Community that will be responsible for the oversight of the

Enclosure (1) is being withheld from this report under Exemption (b)(5) of the Freedom of Information Act.

execution and maintenance of the strategy discussed under Finding 1.3. They arrived at JGPO approximately eight months ago. JGPO considers this recommendation closed.

Recommendation 3: Ensure a complete Acquisition (Program) Strategy is developed, implemented, and maintained using DoD Instruction 5000.2, SECNAV Instruction 5000.2C, and DAG concepts as a guide.

JGPO response: Concur. JGPO is establishing a Memorandum of Agreement with the Defense Acquisition University (DAU) to conduct a Program Review Board that will review the Program and help shape our Acquisition (Program) Strategy. The Program Review Board has been approved by ASN (I&E) with DAU as the lead and is scheduled to complete their evaluation and provide the draft report by July 2009. The evaluation will be based on the criteria as it is established in DoD Instruction 5000.02 (which replaced DoD Instruction 5000.2), SECNAV Instruction 5000.2C, and Defense Acquisition Guide (DAG). The Acquisition (Program) Strategy uses these instructions as the bedrock of acquisition strategy development; however, it will be shaped based on the findings of the Program Review Board report. The initial formal Acquisition (Program) Strategy will be promulgated by 15 September 2009.

Recommendation 4: Develop and implement procedures to track costs for all projects associated with the USMC relocation effort, and reassess cost estimates as changes in scheduling occur.

JGPO response: Concur. As a result of the audit, a process has since been developed and procedures implemented to track costs for all projects associated with the USMC relocation effort by Naval Facilities Engineering Command (NAVFAC). Within six months, JGPO will incorporate the existing processes and business practices to keep track and reassess cost estimates as changes in scheduling occur. Due to the size and constantly changing nature of the spreadsheet, a hard copy has not been included in this response, but is available for review by Naval Audit Service in JGPO's offices.

Recommendation 5: Develop, implement, and maintain a comprehensive schedule that incorporates a critical path analysis consistent with the DoD IMP and IMS Preparation and User Guide that incorporates, tracks progress, and accounts for slippages of USG, GoJ, GovGuam, and other critical milestones.

JGPO response: Concur. As a result of this audit, JGPO has since established a Master Program Schedule (MPS) that incorporates critical path analysis for critical milestones of all related activities being performed by DoD, GoJ, GovGuam, U.S. Congress, and Industry. This MPS is used at several levels of program management to maintain overall Program awareness as well as "by exception" management of key program elements that present high risk to Program execution. Due to the size of the MPS, a hard copy has not been included in this response, but it is available for review by Naval Audit Service in JGPO's offices. JGPO considers this recommendation closed.

Recommendation 6: Develop, implement, maintain, and document a formal risk management process to conduct risk identification, analysis, mitigation planning, mitigation plan implementation, and tracking of all risks associated with the USMC relocation effort.

JGPO response: Concur. As a result of this audit, JGPO has since developed a formal risk management process. In connection with the overall MIC Program Implementation Plan, JGPO will implement, and maintain a formal risk management process to conduct risk identification, analysis, mitigation planning, mitigation plan implementation, and tracking of all risks associated with the USMC relocation effort. JGPO will continue to identify internal and external risks that may prevent the organization from meeting its objectives and consider relevant interactions within and outside JGPO. In identifying risks, management considered internal and external audit findings, internal management review issues, and instances of non-compliance with laws and regulations. JGPO will review a broad spectrum of control activities to assess the risk of misstatement(s) in financial statements. JGPO's Goals and Objectives were developed in March 2009 and are updated regularly. JGPO considers this recommendation closed.

Recommendation 7: Ensure that the acquisition strategy, IMP and IMS, and risk assessment, when completed, are used to re-baseline the cost, schedule, and risks of the Guam relocation project and obtain necessary approvals for the changes to cost, schedule, and performance.

JGPO response: Concur. As part of the overall MIC Program Implementation Plan, JGPO will coordinate and integrate the acquisition strategy, integrated master plan and schedule, and risk assessment by 15 September 2009 to reestablish the cost, schedule and risks of the Guam move project and obtain necessary approvals for the changes to cost, schedule, and performance. In June 09 the acquisition strategy, master program schedule, risk assessment will be integrated into MIC Program Implementation Plan.

2. Recommendations concerning withholding release of certain elements of the Final Report under the Freedom of Information Act are contained in Enclosure (1).
3. If you have any questions regarding this correspondence, please contact: [REDACTED] JGPO CFO at [REDACTED] or [REDACTED] or e-mail: [REDACTED]

FOIA (b)(6)

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