

GAO@100 Highlights

Highlights of [GAO-21-389T](#), a testimony before the Subcommittee on Military Construction, Veterans Affairs, and Related Agencies, Committee on Appropriations, House of Representatives

Why GAO Did This Study

Congress enacted the Military Housing Privatization Initiative (MHPI) in 1996 to improve the quality of housing for servicemembers. DOD is responsible for general oversight of privatized housing projects. Private-sector developers are responsible for the ownership, construction, renovation, maintenance, and repair of about 99 percent of military housing in the United States. GAO has conducted a series of reviews of MHPI, following reports of hazards (such as mold) in homes, questions about DOD's process to determine the basic allowance for housing rates, which is a key revenue source for privatized housing, and concerns about how DOD ensures appropriate property insurance for privatized housing projects impacted by severe weather.

This statement summarizes 1) steps DOD has taken to strengthen oversight and management of its privatized housing program, and work remaining; 2) actions needed to improve DOD's BAH process; and 3) actions needed to enhance DOD's oversight of privatized housing property insurance. The statement summarizes two of GAO's prior reports, and a report to be issued, related to privatized housing. For this statement, GAO reviewed prior reports, collected information on recommendation implementation, and interviewed DOD officials.

What GAO Recommends

In prior reports, GAO recommended that DOD improve oversight of housing conditions; review its process for determining basic allowance for housing rates; and that the military departments update their housing insurance review oversight procedures.

View [GAO-21-389T](#). For more information, contact Elizabeth A. Field at (202) 512-2775 or fielde1@gao.gov.

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MILITARY HOUSING

DOD Has Taken Key Steps to Strengthen Oversight, but More Action Is Needed in Some Areas

What GAO Found

In 1996 Congress provided DOD with authorities enabling it to obtain private-sector financing and management to repair, renovate, construct, and operate military housing. DOD has since privatized about 99 percent of its domestic housing. The Department of Defense (DOD) has made progress in addressing weaknesses in its privatized housing program, and GAO has identified additional opportunities to strengthen the program. GAO reported in March 2020 on DOD's oversight and its role in the management of privatized housing. Specifically, GAO found that 1) the military departments conducted some oversight of the physical condition of privatized housing, but some efforts were limited in scope; 2) the military departments used performance metrics to monitor private developers, but the metrics did not provide meaningful information on the condition of housing; 3) the military departments and private developers collected maintenance data on homes, but these data were not captured reliably or consistently, and 4) DOD provided reports to Congress on the status of privatized housing, but some data in these reports were unreliable, leading to misleading results. GAO made 12 recommendations, including that DOD take steps to improve housing condition oversight, performance indicators, maintenance data, and resident satisfaction reporting. DOD generally concurred with the recommendations. As of February 2021, DOD fully implemented 5 recommendations and partially implemented 7 recommendations.

DOD should also take action to improve the process for setting basic allowance for housing (BAH)—a key source of revenue for privatized housing projects. In January 2021, GAO reported on DOD's process to determine BAH. GAO found that DOD has not always collected rental data on the minimum number of rental units needed to estimate the total housing cost for certain locations and housing types. Until DOD develops ways to increase its sample size, it will risk providing housing cost compensation that does not accurately represent the cost of suitable housing for servicemembers. GAO recommended that DOD review its methodology to increase sample sizes.

GAO has also determined, in a report to be issued this week, that DOD should improve oversight of privatized housing property insurance and natural disaster recovery. GAO assessed the extent to which the military departments and the Office of the Secretary of Defense exercise oversight of their projects' insurance coverage. GAO found that the military departments have exercised insufficient oversight, and that the Office of the Secretary of Defense has not regularly monitored the military departments' implementation of insurance requirements. Without establishing procedures for timely and documented reviews, the military departments cannot be assured that the projects are complying with insurance requirements and assuming a proper balance of risk and cost. The draft of this report, which GAO provided to DOD for official comment, included 9 recommendations, 2 of which DOD addressed in January 2021 by issuing policy updates. The final report's 7 remaining recommendations, including that the military departments update their respective insurance review oversight procedures, will help strengthen DOD's oversight of privatized housing, once implemented. DOD concurred with all of the recommendations.