

GAO Highlights

Highlights of [GAO-18-218](#), a report to congressional committees

Why GAO Did This Study

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 99 percent of its domestic housing.

The Senate Report accompanying a bill for the National Defense Authorization Act for 2017 included a provision that GAO review privatized military housing projects and the effect of recent changes in the basic allowance for housing on long-term project sustainability. This report examines the extent to which DOD has (1) assessed and reported the financial condition of each privatized housing project; (2) assessed the effects of recent reductions in the basic allowance for housing on privatized housing; and (3) defined notification requirements for project changes and risk tolerances relative to privatized housing goals. GAO reviewed policies, project oversight reports, and financial statements, and interviewed DOD officials and privatized housing developers.

What GAO Recommends

GAO is making eight recommendations, including that DOD improve the consistency and timeliness of the information reported on the financial condition of its privatized housing projects, fully assess the effects of the reductions in basic allowance for housing on the projects, clarify when project changes require notice, and define tolerances for project risks. DOD concurred with each of our recommendations and identified actions it plans to take to implement them.

View [GAO-18-218](#). For more information, contact Brian J. Lepore at (202) 512-4523 or leporeb@gao.gov.

March 2018

MILITARY HOUSING PRIVATIZATION

DOD Should Take Steps to Improve Monitoring, Reporting, and Risk Assessment

What GAO Found

The Department of Defense (DOD) has regularly assessed the financial condition of its privatized housing projects; however, it has not used consistent measures or consistently assessed future sustainment (that is, the ability to maintain the housing in good condition), or issued required reports to Congress in a timely manner. Specifically:

- Some data used to report on privatized housing across the military services are not comparable. For example, there are inconsistencies among the projects in the measurements of current financial condition (for example, the ability to pay debts and maintain quality housing). These differences have not been identified in reports to Congress.
- The military departments vary in the extent to which they use measures of future sustainment, and information regarding the sustainment of each of the privatized housing projects has not been included in the reports to Congress.
- DOD's reporting to Congress has not been timely. DOD is statutorily required to report to Congress the financial condition of privatized housing projects on a semiannual basis, but it has not reported on any fiscal year since 2014.

By taking steps to improve the consistency of the information provided and meet the reporting requirement, DOD would provide decision makers in Congress with useful, timely information about the financial condition of the privatized housing projects as they provide required oversight.

DOD has not fully assessed the effects of reductions, relative to calculations of market rates for rent and utilities, in servicemembers' basic allowance for housing payments on the financial condition of its privatized housing projects. In August 2015, DOD required the military departments to review their privatized housing portfolios and outline any effects of the reductions. Each military department reported that the reductions would decrease cash flows to their long-term sustainment accounts. However, the reports did not specify the significance of the reductions on each project's future sustainment or identify specific actions to respond to shortfalls at individual projects. If DOD fully assesses the effects of the basic allowance for housing reductions on privatized housing and identifies actions to respond to any risks, DOD and Congress will be better informed to make decisions affecting the projects.

DOD has not defined when project changes require prior notice to the Assistant Secretary of Defense for Energy, Installations, and Environment or its tolerance for risk relative to its goal of providing servicemembers with quality housing, including the risk from reduced sustainment funding. Specifically, the military departments had different understandings of when project changes, such as financial restructurings, required prior notice. Additionally, DOD has not required the military departments to define their risk tolerances—the acceptable level of variation in performance relative to the objectives—regarding the future sustainability of the projects. By clearly defining the conditions that require advance notification and developing risk tolerance levels, DOD would have consistent information that would improve its oversight of privatized housing and inform its response to any future sustainment challenges.