



Highlights of [GAO-06-438](#), a report to congressional committees

## Why GAO Did This Study

The Department of Defense (DOD) intends to privatize about 87 percent of the military-owned housing in the United States by 2010. As of December 2005, it had awarded 52 projects to privatize over 112,000 family housing units and had plans to award 57 more projects to privatize over 76,000 more units over the next 4 years. The program, begun in 1996, has become DOD's primary means to improve family housing and to meet its housing needs when communities near installations do not have enough suitable, affordable housing.

Because of expressed interest related to the oversight responsibilities of several committees, GAO assessed (1) whether opportunities exist to improve DOD's oversight of awarded housing privatization projects, and (2) to what extent projects are meeting occupancy expectations.

## What GAO Recommends

GAO recommends that DOD take five actions to improve the oversight of awarded housing privatization projects. In commenting on a draft of this report, DOD generally agreed with our recommendations.

[www.gao.gov/cgi-bin/getrpt?GAO-06-438](http://www.gao.gov/cgi-bin/getrpt?GAO-06-438).

To view the full product, including the scope and methodology, click on the link above. For more information, contact Barry W. Holman at (202) 512-5581 or [holmanb@gao.gov](mailto:holmanb@gao.gov).

# MILITARY HOUSING

## Management Issues Require Attention as the Privatization Program Matures

### What GAO Found

Although DOD and the individual services have implemented program oversight policies and procedures to monitor the execution and performance of awarded privatized housing projects, GAO identified three opportunities for improvement. First, the Navy's methods for overseeing its awarded projects have not been adequate to identify and address operational concerns in some projects or to ensure accurate reporting of project information. As a result, there is less assurance that Navy management could become aware of project performance issues in a timely manner in order to plan needed actions to mitigate the concerns. For example, contrary to project agreements, funds from one project had not been deposited to a Navy reserve account to provide for future project needs, and the Navy had not been reimbursed for police and fire protection services provided to another project. Compared to the Navy, the Army and Air Force had more robust and comprehensive methods for overseeing awarded projects and GAO did not find similar oversight concerns in the Army and Air Force projects it reviewed. Second, the value of DOD's primary oversight tool—the semiannual privatization program evaluation report—has been limited because the report lacks a focus on key project performance metrics to help highlight any operational or financial concerns, has not been issued in a timely manner, and does not ensure data accuracy by requiring periodic independent verification of key report elements. Third, data collected on servicemember satisfaction with housing, which is important for benchmarking and tracking of satisfaction levels over time as well as for making service-to-service comparisons, are inconsistent and incomplete because DOD has not issued guidance to the services for standardized collection and reporting of satisfaction information for all servicemembers.

Sixteen, or 36 percent, of 44 awarded privatization projects had occupancy rates below expectations with rates below 90 percent, as of September 30, 2005. In an attempt to increase occupancy and keep rental revenues up, 20 projects had begun renting housing units to parties other than military families, including 2,077 units rented to single or unaccompanied servicemembers, retired military personnel, civilians and contractors who work for DOD, and civilians from the general public. Still, rental revenues in some projects are not meeting planned levels, resulting in signs of financial stress. If lower than expected occupancy and rental revenues continue in the long term, the result could be significantly reduced funds available to provide for future project needs and renovations or, in the worst case, project financial failures. Factors contributing to occupancy challenges include increased housing allowances, which have made it possible for more military families to live off base thus reducing the need for privatized housing, and the questionable reliability of DOD's housing requirements determination process, which could result in overstating the need for privatized housing. DOD has yet to implement some previous GAO recommendations to improve the reliability of the requirements assessments supporting proposed projects.