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Highlights

Highlights of [GAO-04-111](#), a report to the Subcommittee on Military Construction, Committee on Appropriations, House of Representatives

Why GAO Did This Study

In 2000, Congress required the Department of Defense (DOD) to report quarterly on the services' expenditures for consultants in support of the military family housing privatization programs. GAO was asked to review the costs of the consultants DOD used to support privatizing housing for servicemembers and their families. This report discusses (1) the number of family housing units the services have privatized, particularly newly constructed or renovated units, and project to be privatized by fiscal year 2005; (2) the portion of privatization support costs used for consultants; (3) the services' consistency in the definition for privatization support and consultant costs; and (4) factors that limit an evaluation of how consultant fees for the military housing initiative compare among the services.

What GAO Recommends

GAO is recommending that DOD track the number of privatized units renovated and newly constructed and report this data to Congress. GAO is also recommending that DOD define housing privatization program support and consultant costs.

In written comments on a draft of this report, DOD agreed with the recommendations.

www.gao.gov/cgi-bin/getrpt?GAO-04-111.

To view the full product, including the scope and methodology, click on the link above. For more information, contact Barry W. Holman at (202) 512-8412 or holmanb@gao.gov.

MILITARY HOUSING

Better Reporting Needed on the Status of the Privatization Program and the Costs of Its Consultants

What GAO Found

Although DOD reported to Congress that the services plan to privatize most of their family housing by fiscal year 2005, DOD's reports do not provide decision makers with the number of privatized units that have been renovated or newly constructed. As of March 2003, the services had contracts privatizing about 28,000 family housing units and planned to privatize 140,000 units by fiscal year 2005. As a result of this privatization, about 7,600 units had been constructed or renovated. It can take developers several years to renovate existing housing or construct new units after they are privatized. As the program progresses, it will become increasingly important to have complete data on which to determine how quickly the privatization program is creating adequate family housing.

Costs for consultants are less than half of the services' privatization support costs. The services anticipate many privatization support and consultant costs to peak in fiscal year 2004 when the need for consultants diminishes once most privatization contracts are signed. Remaining support costs will then focus increasingly on managing the portfolio of the privatized housing.

The services are not consistent in their definitions for privatization support and consultant costs. The differences in the services' definitions for privatization support costs result in inconsistent budgeting for these costs. Also, the differences in the services' definitions for consultant costs result in inconsistent reporting of consultant costs in the department's quarterly housing privatization report to Congress. Further, the Office of the Secretary of Defense does not report its own program consultant costs in the quarterly report.

Several factors, such as differences in labor categories, hours, and skills mix that each consulting firm can use to accomplish work, limited our evaluation of how consultant fees for the military housing initiative compare among the services. Even though these factors hinder a comparative evaluation of consultant fees, service officials told us they believe that they have contracted with firms that provide the best value to the government based on their needs and that the consultants' fees are fair and reasonable.

Construction of Privatized Housing for Servicemembers and Their Families at Fort Meade, Maryland



Source: Photographs courtesy of Picerne Military Housing.