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UNTIL RELEASED BY THE
SENATE COMMITTEE ON ARMED
SERVICES

STATEMENT OF

THE HONORABLE THOMAS B. MODLY,
ACTING SECRETARY OF THE NAVY

GENERAL DAVID H. BERGER,
COMMANDANT OF THE U.S. MARINE CORPS

ADMIRAL MICHAEL M. GILDAY,
CHIEF OF NAVAL OPERATIONS

DECEMBER 3, 2019

BEFORE THE
SENATE ARMED SERVICES COMMITTEE

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Chairman Inhofe, Ranking Member Reed, distinguished members of the committee, thank you for your continued attention to this critical issue. For the Navy/Marine Corps Team, our people will always be our greatest resource, and we prioritize the safety and well-being of our Sailors, Marines and their families. Trust and confidence are the bedrock of effective command, and the Sailors and Marines in our care must be confident their leadership will advocate tirelessly on their behalf. On top of the considerable demands of service, no military family should ever have to contend with chronic maintenance issues or concerns such as mold and pests in their on-base housing. This is commander's business, and we are committed to empowering our leaders to assess, monitor, and remediate issues of concern.

Since the Department of the Navy (DoN) last addressed this committee, we have diligently pursued three distinct lines of effort – reestablishing active and engaged leadership on this issue, reinforcing DoN oversight, and improving partnerships with privatized housing owners to help restore resident trust. While we have made steady progress over the past six months, we can never rest in our determination to provide safe, secure, and comfortable housing for all Sailors, Marines, and Sea Service families.

We also appreciate the committee's resolute concern on this matter. We would be remiss if we neglected mentioning the importance of the timely passage of the National Defense Authorization Act (NDAA) for Fiscal Year 2020 and the adverse impact of a potential lengthy Continuing Resolution. Our ability to maintain momentum relies on critical resources dependent on the enactment of the NDAA and Fiscal Year 2020 appropriations. Continuing Resolutions have a direct negative impact on our ability to address shortfalls and improve the responsiveness and enforcement of our partnerships.

Active & Engaged Leadership

In March, we stated that our primary focus was to engage our leaders as active participants in the privatized housing program. We cannot outsource this responsibility. Since that time, Navy and Marine Corps leaders achieved 100% contact with all Sailors and Marines to inquire about on-base housing concerns and offer a home visit. Every Navy and Marine Corps installation also held town halls with residents, and each installation now offers a combination of quarterly or monthly meetings to provide residents with information and access to installation and partner representatives.

Additionally, we have implemented structured training for all leaders to help them better understand the DoN privatized housing program, specific housing conditions, and local procedures available to assist their Sailors and Marines. However, their responsibility does not end there. We have tracked performance metrics and begun to spot trends and help identify areas of concern before they escalate. Active leadership is a pre-requisite to rectifying housing concerns.

DoN leadership also interacts weekly with the other military departments. We also maintain regular contact with our Public-Private Venture (PPV) partners at the CEO level to improve partnerships, enhance oversight initiatives, strengthen communications, and seek resolution for our Service members and their families. Navy and Marine Corps leadership also participated in two quarterly Tri-Service working groups chaired and attended by the Service Secretaries, and three Military Housing Privatization Initiative (MHPI) partnering sessions sponsored by the

Office of the Secretary of Defense (OSD) and an OSD-sponsored workshop with our partners focused on National Historic Preservation Act compliance to efficiently manage resources.

We also note that we are equally committed to improving housing for all Sailors and Marines in on-base and government-owned housing, not just those in PPV facilities under MHPI. Residents of unaccompanied housing and government-owned or government-leased family housing overseas also received command contact and Resident Satisfaction Surveys. Our Housing Offices will continue to track the completion of all maintenance work orders and safety concerns, regardless of whether those issues are in PPV housing, barracks, or government-owned or leased housing overseas.

All residents now have the ability to submit and track the status of their service requests via a mobile application provided by their PPV Partners. Key features of the app are the ability to take photos of maintenance issues and to receive up-to-the-minute updates on service status. Residents are also able to complete satisfaction surveys on the quality of repairs through the app.

To better track work order data and measure performance against benchmarks in real time, we developed a PPV Performance Dashboard Suite displaying family housing performance information for each echelon – from the installation and regional level to the enterprise level, as well as in alignment with project-specific requirements. DoN Leadership now has access to view data with the ability to drill down to the individual housing unit via an Electronic Data Warehouse (EDW), updated manually on a bi-weekly basis. Installation and Region Housing Offices can now pull work order data directly from partner maintenance systems in order to perform monthly review of electronic maintenance records, monitor performance by neighborhood, and to conduct spot-checks with residents to confirm work is complete. By the

end of January, 2020, we will transition to an automated process to allow leadership to view integrated Navy and Marine Corps data, refreshed on a daily basis.

Reinforce Department of Navy Oversight

The Navy and Marine Corps significantly improved project oversight over the last six months. DoN Military Housing Privatization Initiative (MHPI) partners are now assessing standardized metrics related to work order timeliness and quality, a primary area of concern highlighted by our residents. We are also re-evaluating Housing Condition Assessments and Program Review processes, updating policies, procedures, roles and responsibilities, and implementing lessons learned on an ongoing basis.

We've revised the PPV Project Performance Incentive Fee Structure in order to anticipate implementation at the end of the calendar year, consistent with OSD policy issued in October 2019. To ensure the incentive fee structure incorporates the voices of our Sailors, Marines, and their families, Resident Satisfaction will be weighted within the metric upon which the amount awarded is assessed. Resident satisfaction will be determined by resident move-in and out surveys and resident work order surveys, in addition to the annual resident satisfaction survey.

We are also focusing significant attention on the long-term financial health of our individual PPV transactions to ensure the sustainment of quality housing over the life cycle of the partnership. We are acutely aware that the actions being taken today by the partners to address immediate resident concerns will have a long-term impact on the ability of project revenue to support future investments in the homes. The DoN has dedicated an audit team to provide a fiscal assessment of the accounts needed to repair and modernize the inventory. Our goal with

this audit review is to ensure our partners will continue to be able to meet their commitments to sustain modern, safe, attractive housing for our residents.

The DoN continues to work with the Naval Audit Service, the Office of the Department of Defense Inspector General, and the Government Accountability Office to review PPV project performance and processes. In the wake of the fraud allegations brought to light at Tinker Air Force Base, Oklahoma, we are proactively assessing if and how Navy and Marine Corps projects are affected. On November 6, 2019, the Naval Audit Service completed a formal audit of maintenance records and provided twelve recommendations, all of which are being implemented.

In addition, we issued “Letters of Concern” to all of our partners requesting validation of all of their maintenance records and processes and have asked partners to report all anomalies or findings of interest. We directed Departmental Region and Installation Housing teams to conduct monthly reviews of electronic maintenance records and random spot-checks with families to confirm response and completion times reported by partners. We are also conducting historical reviews on partner maintenance data systems for anomalies that would indicate fraudulent data entry, such as unreasonably common service dates.

Furthermore, we conducted an independent review of PPV partner portfolios to evaluate housing maintenance records and their relationships to incentive fees, a summary of which was provided to the Office of the Assistant Secretary of Defense for Sustainment on September 16, 2019. We continue to provide information and updates to the Government Accountability Office to inform their report on Privatized Military Housing expected in February 2020. We anticipate that their recommendations will help us further improve our oversight efforts.

Restore Resident Trust

The DoN is committed to restoring the trust of residents. One of the best tangible demonstrations is by increasing the number of advocates. We are hiring additional staff for housing offices administrative support, home inspections, and maintenance to increase responsiveness and performance. We appreciate the Committee's support to fund an additional 183 personnel in Navy Housing offices and 114 in Marine Corps housing offices by including authorizations in the NDAA for Fiscal Year 2020.

Recognizing this issue is not limited to the DoN, we have reached out across the Joint Force to aggressively pursue solutions that benefit every American who wears the uniform today while providing the best value possible to the American taxpayer. We have worked extensively on the Air Force-led effort that produced a standard Resident Bill of Rights and a Resident Responsibilities document. The DoN has led the tri-Department effort that developed a list of Common Lease provisions for all Services and their PPV partners. It includes a list of specific resident responsibilities consistent with similar documents in the commercial sector to underscore common expectations for care of the home.

We expect to finalize Common Lease provisions soon after release of the NDAA to ensure consistency with congressional direction. We have also taken point on development of a formal Dispute Resolution Process. This is an extremely important initiative to get right, as it will be a tool the Services and their partners can use to resolve conflicts and give residents the assurance that their voices are being heard and issues are being independently adjudicated.

While this process is in development, we are renewing efforts to strengthen our existing informal issue resolution processes and ensure Housing Office engagement in resolving resident

concerns. When families have a maintenance or service-related issue, they are directed to first contact the PPV Property Management Office. The housing service center and installation commanding officer will advocate for Service members and families that are not satisfied with property manager results. Region Legal Service Offices and the Marine Corps Legal Support Sections are also available to provide free legal advice and consultation to military tenants and their families living in PPV housing.

While we have made significant progress, there is still work to be done. We are conducting Out-of-Cycle Resident Satisfaction Surveys across the Navy and Marine Corps, and we look forward to sharing the results. We are also monitoring the steps that our PPV partners are taking to regain trust. From Corrective Actions Plans to address premature work order closeouts or lack of follow-up, to realistically capturing the current condition of home offerings versus a model home, this forms the foundation of an honest and transparent relationship with residents.

We are enhancing partnerships with several military and veteran service organizations including the National Military Family Association, the Military Officers Association of America, the Fleet Reserve Association, Blue Star Families and the Military Family Advisory Network. These partnerships are focused on addressing communication difficulties, quality of maintenance work performed, government advocacy for residents, and environmental health concerns.

In order to equip our residents with the knowledge and information they need to ensure the upkeep of their homes, partners are now regularly including information in their monthly newsletters regarding changing of filters, what to expect when the heat comes on, etc. Additionally, our housing websites have resident related information including; but not limited to

Resident Energy Conservation Program, the 3 step process and the Exceptional Family Member Program. Additional information is expected to be added over the next year.

Commander, Navy Installations Command (CNIC) is revising training to reflect new guidance and lessons learned over the past several months. By March 30, 2020, CNIC will roll-out a revised Navy Privatized Housing Course, Housing Referral Training, and Issue Resolution and Dispute Resolution Training (pending NDAA passage). The Marine Corps Order (MCO) on housing is being revised and has incorporated a chapter to address health and safety concerns. We have also engaged with the Office of the Secretary of Defense on the development on the Bill of Rights, Resident Responsibilities, Universal Lease and Disputes Resolution policy. The Navy Bureau of Medicine and Surgery (BUMED) has also promulgated fact sheets on mold and mold sampling and directed health providers to be sensitive to housing-related health concerns and to participate in keeping residents informed.

Moving Forward

While we can never be satisfied as long as quality, safety, and health issues persist among any of our housing solutions, we are confident in the significant progress made on near-term efforts to advocate for service members and their families, increase awareness of the problem resolution process, and increase involvement of the DoN government housing team. The revelations over the past nine months resulted in more rigorous awareness and oversight by the Department to protect our personnel. We must maintain momentum by continuing to open the lines of communication and improve collaboration between residents, Service leadership, and our PPV partners.

Our PPV partners are demonstrating a commitment to restore resident trust, implement improved maintenance and quality assurance, and track metrics at higher levels. We continue to work with those partners to ensure issues are being addressed in a timely manner. This involves ensuring all levels of the partner organizations, down to neighborhood managers and repair technicians, are equally committed to providing outstanding customer service, quality workmanship, and accountability. We are particularly concerned with continued accounts of service discrepancies, particularly during the move-in process, that place a burden on the residents to resolve. We are aware that hiring a skilled workforce can be difficult in this competitive economy, and we remain committed to working with partners to resolve issues.

The men and women who wear our uniform rightfully expect quality workmanship in their homes and the quick resolution of problems directly impacting their families. Both they and our partner employees want to be treated with courtesy and professionalism. We encourage our residents to work with the partners collaboratively to address concerns with the services being offered to maintain homes. At every level of command, we are committed to ongoing improvement in our leadership, responsiveness, and oversight efforts when it comes to advocating for our Sailors, Marines, and families.

We appreciate the work of this Committee on this critical issue and your active involvement, oversight, and advocacy on behalf of our warriors. Thank you once again, and we look forward to your questions.