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June 25, 2019

Lieutenant General Sami D. Said, USAF
Inspector General
Office of the Secretary of the Air Force
1140 AF Pentagon
Washington, D.C. 20330-1140

Dear Lieutenant General Said:

I am writing to request that your office conduct an investigation into recent reports that Balfour Beatty Communities, LLC (Balfour), a private military housing provider, submitted falsified maintenance records to the Department of the Air Force (Air Force) in order to receive millions of dollars in unearned performance incentive fees. Balfour allegedly “systematically falsified” maintenance logs in order to “boost income” leaving families in unsafe and hazardous homes while an Air Force unit responsible for overseeing and evaluating the project blocked attempts to hold the company accountable.¹ It appears that while Balfour was failing to provide the “quality homes,” it assured Congress and the public it was offering to servicemembers,² the Air Force was allowing this to happen, and failing to use its oversight authority to protect residents and taxpayers.

After media reports late last year revealed that private military housing companies were failing to provide quality housing to our military personnel and their families, I launched an investigation into the Military Housing Privatization Initiative (MHPI). The investigation revealed significant failures with the privatized program that are resulting in members of our military and their families having to live in unsafe and unsanitary homes that fail to meet basic quality standards.³ It is especially frustrating to discover now that at least one of these private military housing companies “systematically falsified” maintenance logs – leaving families in unsafe conditions – in order to earn millions of dollars in bonuses, while the Air Force was looking the other way. These allegations deserve a thorough investigation.

According to the reports, Balfour management at Tinker Air Force Base in Oklahoma “kept two sets of maintenance books,” and regularly “backdated repair requests, filed paperwork

¹ Reuters, “Air Force landlord falsified records to boost income, documents show,” M.B. Pell, June 18, 2019, <https://www.reuters.com/investigates/special-report/usa-military-maintenance/>.

² Balfour Beatty Communities, “Written Statement,” February 13, 2019, https://www.armed-services.senate.gov/imo/media/doc/Williams_02-13-19.pdf.

³ Letter from Senator Elizabeth Warren to military housing developers and military services, February 6, 2019, <https://www.warren.senate.gov/oversight/letters/senator-warren-questions-military-housing-developers-on-defense-dept-partnership-agreements>; Reuters, “Ambushed at home: the hazardous, squalid housing of American military families,” <https://www.reuters.com/investigates/section/usa-military/>.

claiming false exemptions from response-time requirements, or closed out unfinished maintenance requests,” in order to mislead the Air Force about how quickly it was responding to maintenance requests.⁴ The company also reportedly “issued broad instructions to employees to alter the books” creating and sanctioning a culture of fraud in its local housing offices. Balfour claims, a “single employee acted inappropriately” and that the individual was fired in mid-2016. Yet, it appears the company continued to modify its response-time reports to the Air Force after the firing. In one instance – after the firing – Balfour informed the Air Force that “it completed between 96% and 98% of maintenance calls on time” when in fact “the company completed 12% of its maintenance calls late” – a failure rate that was three to six times higher than Balfour initially reported.⁵

These falsified documents allegedly went uncorrected and unchallenged for years because the Air Force Civil Engineering Center (AFCEC) – the unit tasked with overseeing and evaluating the Air Force’s privatized housing – blocked attempts to hold Balfour accountable and “sided” with the company. In the last few years alone, AFCEC officials allegedly ignored at least 18 specific warnings from local installation level Air Force housing employees, instead “giving the company high service marks and advising [the local officials] to drop their complaints.” The Air Force reportedly, “stopped paying incentive fees to Balfour Beatty at [two Balfour bases] late last year, pending a review ... [but] never clawed back incentive fees paid to Balfour Beatty ... nor has AFCEC audited the maintenance records of any other base managed by” Balfour.⁶ Moreover, “the Air Force has [never] completely withheld a performance fee from any privatized military housing provider,” including Balfour.⁷ This pattern of behavior raises concerns about whether the Air Force is effectively using its oversight authorities, authorities and its contractual authority to withhold incentive payments, and about whether Balfour’s profits – around \$33 million in annual net profits through its military housing projects,⁸ and “up to \$2 million in incentive fees” since 2008, at the Tinker Air Force Base⁹ – may have been earned in whole or in part through a pattern of fraudulent reporting.

According to recent reports, three installations under the management of Balfour (Fairchild Air force Base in Washington, Tinker Air Force Base in Oklahoma, and Travis Air Force Base in California – collectively known as the AMC West project) are now subject to “ongoing investigations” by the Federal Bureau of Investigations and the Air Force Office of Special Investigations for their “record keeping practices.”¹⁰ However, to my understanding, the

⁴ Reuters, “Air Force landlord falsified records to boost income, documents show,” M.B. Pell, June 18, 2019, <https://www.reuters.com/investigates/special-report/usa-military-maintenance/>.

⁵ *Id.*

⁶ *Id.*

⁷ Air Force, Response to Questions for the Record, May 28, 2019, [on file with the Office of Senator Warren].

⁸ Senate Committee on Armed Services, “Current Condition of the Military Housing Privatization Initiative,” February 13, 2019, <https://www.armed-services.senate.gov/hearings/19-02-13-current-condition-of-the-military-housing-privatization-initiative>.

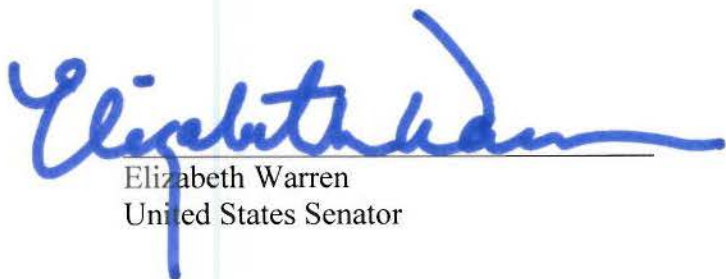
⁹ Reuters, “Air Force landlord falsified records to boost income, documents show,” M.B. Pell, June 18, 2019, <https://www.reuters.com/investigates/special-report/usa-military-maintenance/>.

¹⁰ CBS News, “Military housing contractor ignored dangerous filth and misled Air Force, investigation shows,” June 18, 2019, <https://www.cbsnews.com/news/balfour-beatty-mold-ant-infestations-and-leaks-inside-homes-managed-by-one-of-the-militarys-largest-housing/>; Reuters, “Air Force landlord falsified records to boost income, documents show,” M.B. Pell, June 18, 2019, <https://www.reuters.com/investigates/special-report/usa-military-maintenance/>.

AFCEC has never “audited the maintenance records of any other base managed by” Balfour.¹¹ I therefore request that you conduct a thorough investigation of the maintenance records provided by and the associated performance incentive fee payments paid out to all private military housing companies that have agreements with the Air Force to manage and operate housing for our Air Force servicemembers and their families and that this review include the following:

1. Whether any other Balfour projects or projects managed by other private military housing developers have used misleading recordkeeping and reporting practices.
2. What investigations if any AFCEC has conducted into the misleading recordkeeping and recording practices identified in the June 18 *Reuters* article at the AMC West Project, and all other Air Force MHPI projects.
3. Whether all private military housing companies responsible for the management and maintenance of Air Force housing installations make available, uniform standard operating procedure manuals – outlining processes for maintenance work, inspections, recordkeeping and reporting – to property management staff.
4. The Air Force “can engage project owners at corporate levels to withhold performance incentive fees, engage enforcement agencies, issue cure notices, and take other formal dispute actions.”¹² Which if any of these actions the Air Force has taken in the past ten years to address the allegations made in the June 18, 2019 *Reuters* article.
5. Does the Air Force have the ability, as a result of alleged use of false and misleading records by Balfour, to claw back any incentive or other fees, and if so, has the Air Force effectively used this authority?

Sincerely,



Elizabeth Warren
United States Senator

¹¹ Reuters, “Air Force landlord falsified records to boost income, documents show,” M.B. Pell, June 18, 2019, <https://www.reuters.com/investigates/special-report/usa-military-maintenance/>.

¹² Air Force, Response to Questions for the Record, May 28, 2019, [on file with the Office of Senator Warren].