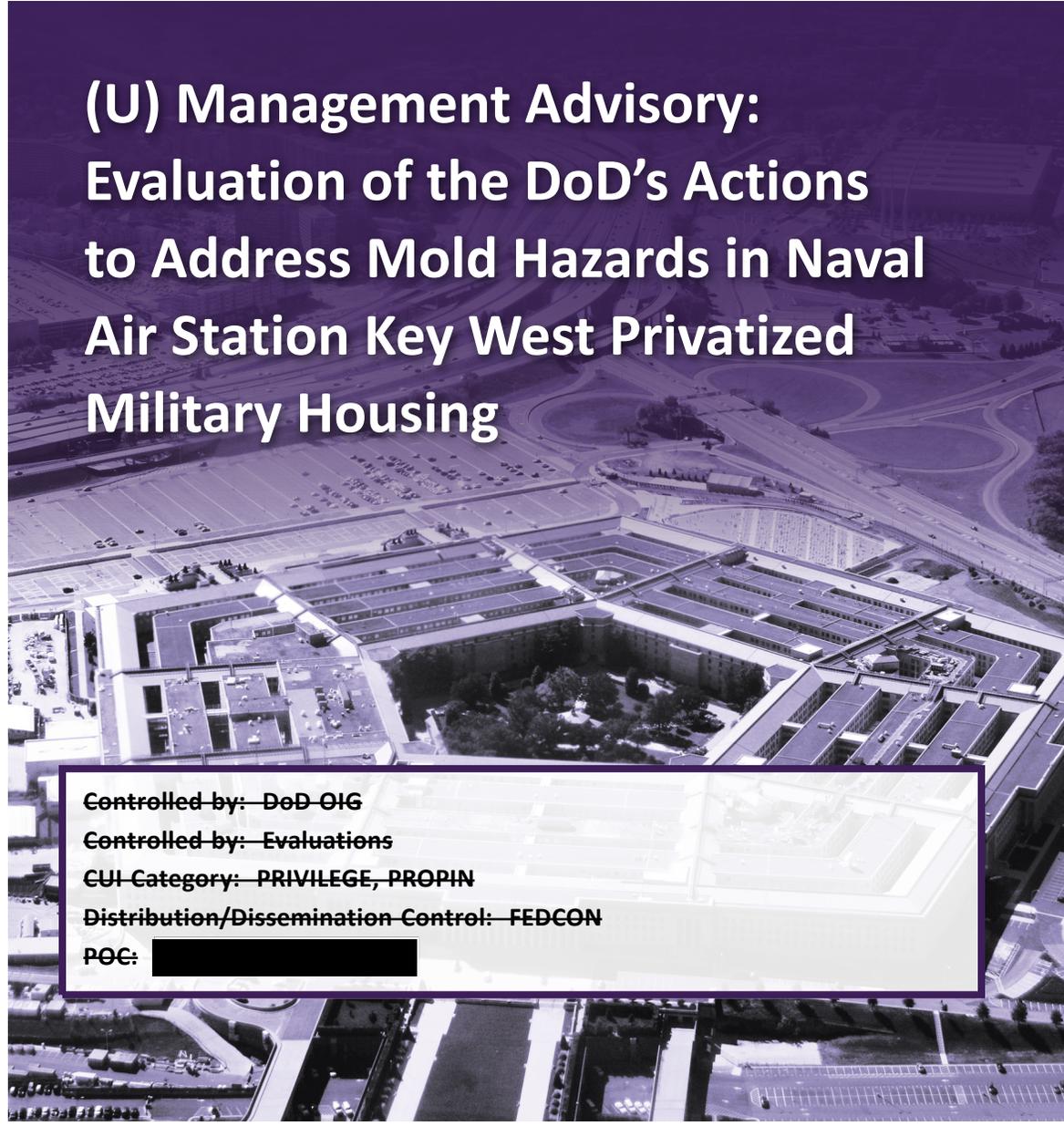


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INSPECTOR GENERAL

U.S. Department of Defense

FEBRUARY 10, 2026



(U) Management Advisory: Evaluation of the DoD's Actions to Address Mold Hazards in Naval Air Station Key West Privatized Military Housing

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INDEPENDENCE ★ INTEGRITY ★ EXCELLENCE ★ TRANSPARENCY

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OFFICE OF INSPECTOR GENERAL
DEPARTMENT OF DEFENSE
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February 10, 2026

MEMORANDUM FOR UNDER SECRETARY OF DEFENSE FOR ACQUISITION AND SUSTAINMENT
 SECRETARY OF THE NAVY
 COMMANDER, NAVY INSTALLATIONS COMMAND
 DIRECTOR, DEFENSE HEALTH AGENCY
 AUDITOR GENERAL, DEPARTMENT OF THE NAVY
 COMMANDER, NAVAL FACILITIES ENGINEERING SYSTEMS
 COMMAND SOUTHEAST
 COMMANDER, NAVAL AIR STATION KEY WEST

SUBJECT: (U) Management Advisory: Evaluation of the DoD's Actions to Address
 Mold Hazards in Naval Air Station Key West Privatized Military Housing
 (Report No. DODIG-2026-048)

(U) The purpose of this final management advisory is to inform DoD and Department of the Navy leadership of concerns identified at Naval Air Station (NAS) Key West during the evaluation of the DoD's actions to address mold hazards in privatized military housing.¹ We conducted this evaluation from March through July 2025 in accordance with the "Quality Standards for Inspection and Evaluation," published in December 2020 by the Council of the Inspectors General on Integrity and Efficiency.

(U) We previously provided copies of the draft management advisory and requested written comments on the recommendations. As discussed in more detail later in this advisory, we received comments from the Deputy Assistant Secretary of the Navy for Installations and Facilities [DASN(I&F)] and the Assistant Secretary of Defense for Energy, Installations, and Environment [ASD(EI&E)], who is the DoD Chief Housing Officer (CHO). We considered management's comments on the draft management advisory when preparing the final advisory. As a result of management's comments, we added additional recommendations to the ASD(EI&E) and Defense Health Agency (DHA) Director in the final advisory. We also revised and redirected a recommendation to the ASD(EI&E). This final management advisory includes eight recommendations—four are resolved and open, and four are unresolved. We request that the Under Secretary of Defense for Acquisition and Sustainment, the DHA Director, and the Secretary of the Navy provide comments on the unresolved recommendations, within 30 days of the issuance of the final advisory.

¹ (U) This report contains information that has been redacted because it was identified by the Department of Defense as Controlled Unclassified Information (CUI) that is not releasable to the public. CUI is Government-created or owned unclassified information that allows for, or requires, safeguarding and dissemination controls in accordance with laws, regulations, or Government-wide policies.

(U) We will track the recommendations until an agreement is reached on the actions to address them and we receive documentation showing that agreed-on actions are complete. Please provide comments on the final advisory and documentation showing agreed-on actions are complete to either [REDACTED] if unclassified or [REDACTED] if classified SECRET.

(U) In February 2025, we visited NAS Key West, where we walked through homes and held discussions with the NAS Key West Commanding Officer, residents, and officials from the Military Housing Office (MHO), Naval Facilities Engineering Systems Command (NAVFAC) Southeast, medical treatment facility, and privatized housing company.² Additionally, we reviewed and compared FY 2023 through FY 2024 enterprise Military Housing (eMH) database reports, work orders, inspection reports, supplemental payment documentation, and 2023 and 2024 performance incentive fee documentation. Finally, we reviewed November 2021 through December 2022 work order data for 24 selected homes.³

(U) We identified concerns that we believe require management's immediate attention.⁴ Specifically, we found that, in response to FY 2020 National Defense Authorization Act (NDAA) section 3051, an independent contractor conducted a 100-percent inspection of NAS Key West homes between November 2021 and June 2022 that identified significant mold and moisture that Navy Southeast Region privatized housing company officials did not properly address.⁵ Later, Navy officials conducted another inspection of NAS Key West homes between August 2024 and May 2025 that Navy officials told us identified mold and moisture.⁶ Additionally, Navy medical treatment facility officials did not perform medical assessments to determine whether an association existed between environmental factors and resident medical conditions. These medical assessments are required by DHA Administrative Instruction (DHA-AI) 6050.01, "Medical Assessments for Determination of Association Between Medical Condition and Environmental, Safety, and Health Issues in Housing Unit."⁷ Furthermore, despite indicators that we identified of a pattern of failing to remedy, or failing to remedy in a timely manner health or environmental hazards, Navy officials told us that, as of April 3, 2025, the Navy did not discuss or consider denying the entirety of the performance

² (U) Privatized military housing is owned, operated, and maintained by private-sector companies. Throughout this report, we use the term "privatized housing company" to describe the private-sector company that owns, operates, and maintains privatized military housing or the privatized housing property manager.

³ (U) We reviewed all 24 homes where mold and moisture were found during the inspections, discussed later in this advisory.

⁴ (U) We coordinated our draft concerns with the DASN(I&F) in May 2025.

⁵ (U) National Defense Authorization Act for Fiscal Year 2020, Pub. L. No. 116-92.

⁶ (U) The NAS Key West Commanding Officer stated that the Navy assessment team inspected 640 of 733 homes at NAS Key West. Of the remaining homes, 75 were down for HVAC issues and 18 were permanently offline.

⁷ (U) DHA-AI 6050.01, "Medical Assessments for Determination of Association Between Medical Condition and Environmental, Safety, and Health Issues in Housing Unit," October 9, 2021. This instruction defines administrative procedures for a medical assessment of individuals to determine the possibility that a specific medical condition was caused by unsafe and unsanitary conditions in a housing unit.

(U) incentive fee. This means that Navy officials might approve the payment of performance incentive fees despite indicators that we identified of a pattern of significant mold and moisture at NAS Key West.⁸

(U) As a result of Navy officials not providing sufficient oversight to ensure the privatized housing company properly addressed significant mold and moisture following the 100-percent inspection, the Navy expended an estimated \$702,000 on the FY 2020 NDAA-required inspection, and a number of NAS Key West residents were exposed to known mold and moisture from at least November 2021, possibly as early as 2011, through May 2025. Additionally, the DoD may not be able to pursue reimbursement for any costs incurred to provide medical evaluations and treatment to residents because the NAS Key West Commanding Officer did not refer residents for a medical assessment to determine association between an environmental factor and medical condition. Furthermore, Navy officials might approve performance incentive fees, that we estimated as \$3.95 million for the Navy Southeast Region, despite indicators we identified of a pattern of significant mold and moisture at NAS Key West.⁹

(U) In FY 2023 and FY 2024, MHO officials and residents identified the following indicators of significant mold and moisture at NAS Key West.

- (U) MHO officials recorded 348 resident mold complaints in the eMH database. The database showed that the time to resolve mold complaints ranged from less than 30 days to over 300 days. The table shows the number of complaints by the number of days the complaints were open.
- ~~(CUI)~~ Residents submitted [REDACTED] mold-related work orders in the privatized housing company's work order management system.¹⁰
- (U) MHO officials performed 397 environmental, health, and safety inspections and recorded 294 failures (74 percent) related to mold, water infiltration, and moisture.
- (U) MHO officials displaced at least 114 resident families because of mold.¹¹
- (U) Residents made 9 DoD Hotline complaints related to mold.

⁸ ~~(CUI)~~ Memorandum of Agreement, "Implementation of Revised Incentive Fee Metrics for Property Management Incentive Fees for Southeast Housing LLC," December 20, 2023. This memorandum of agreement required the privatized housing company to take necessary steps to, among other things, implement standard performance incentive fee criteria to "promote [REDACTED] housing to residents on Department of Navy installations."

⁹ (U) NAS Key West is one of 11 installations included in the Navy Southeast Region memorandum of agreement. The other 10 installations are NAS Jacksonville, Florida; Naval Station Mayport, Florida; Naval Support Activity Panama City, Florida; NAS Pensacola, Florida; NAS Whiting Field, Florida; Naval Submarine Base Kings Bay, Georgia; Naval Construction Battalion Center Gulfport, Mississippi; NAS Meridian, Mississippi; Naval Support Activity Charleston, South Carolina; and NAS Joint Reserve Base Fort Worth, Texas.

~~(CUI)~~ In 2021 and 2022, the total incentive fees available for award to the privatized housing company were [REDACTED] and [REDACTED] respectively. [REDACTED] and we estimated the performance incentive fees available to the privatized housing company would be \$1.976 million per year, or \$3.95 million total.

¹⁰ ~~(CUI)~~ The [REDACTED] mold work orders were included in the privatized housing company work order system in FY 2023 and FY 2024. These work orders are in addition to the section 3051 inspection work orders discussed below.

¹¹ (U) According to a NAVFAC official, more families may have been offered displacement at NAS Key West but did not accept the offer based on several factors, including the stress associated with a temporary or permanent relocation.

(U) Table. Number of Mold-Related eMH Complaints for NAS Key West in FY 2023 and FY 2024 (by Number of Days Open)

(U) Number of Days Complaints Were Open	Number of Mold-Related eMH Complaints
Less than 30	55
30 to 59	69
60 to 99	99
100 to 199	99
200 to 299	20
More than 300	6
Total Mold-Related eMH Complaints at NAS Key West:	348

(U)

(U) Source: The DoD OIG, compiled from eMH data.

(U) Navy Officials Did Not Provide Sufficient Oversight to Ensure the Navy Southeast Region Privatized Housing Company Officials Properly Addressed Significant Mold and Moisture

(U) In response to FY 2020 NDAA section 3051, independent contractors conducted a 100-percent inspection of NAS Key West homes between November 2021 and June 2022, which identified significant mold conditions.¹² Section 3051 required Military Department Secretaries to start conducting inspections and assessments of privatized military housing units to identify issues and ensure compliance with applicable housing codes. In a prior DoD Office of Inspector General report, we reported that the Military Departments established contracts with an independent contractor for inspections and assessments of privatized family housing in response to FY 2020 NDAA section 3051 requirements (section 3051 inspections) for approximately \$1,000 per military housing unit.¹³ According to eMH inspection reports, independent contractors performed section 3051 inspections at NAS Key West between November 30, 2021, and June 16, 2022.

¹² (U) Section 3051(c)(1) required Military Departments to start conducting inspections and assessments in accordance with the section 3051(b) plan to identify issues and ensure compliance with applicable housing codes, including the uniform code established in section 3051(a), no later than February 1, 2021.

¹³ (U) DoD Office of Inspector General Report No. DODIG-2025-045, "Evaluation of the DoD's Health, Safety, and Environmental Hazard Identification and Remediation in Military Housing," November 20, 2024. In this report, we determined that the CHO and Deputy Assistant Secretary of Defense for Housing (DASD[H]), on behalf of the Secretary of Defense, did not develop a uniform code of basic housing standards in accordance with FY 2020 NDAA section 3051(a). Additionally, the CHO and the DASD(H) did not submit to Congress a DoD plan to conduct thorough inspections and assessments before directing the Military Departments to begin contracting with qualified home inspectors, in accordance with FY 2020 NDAA section 3051(b). We also determined that contract requirements did not align with the minimum requirements for what constituted "qualified home inspectors," in accordance with FY 2020 NDAA section 3051(c)(1). Specifically, Navy and Air Force contracts required qualified home inspectors to hold credentials from the applicable state but did not define credentials for states or regions that have no requirements for credentials, such as Washington D.C. or Georgia. Ultimately, without an integrated DoD plan for the inspections and assessments or a uniform code of basic housing standards, we could not determine whether the Military Department-contracted inspections and assessments would align across the DoD or meet the NDAA requirements.

(U) In a prior DoD Office of Inspector General report, we reported that independent contractors were required to use the eMH inspection checklist for the section 3051 inspections. Figure 1 identifies the “Mold/Moisture Control” section of the eMH housing inspection checklist, which includes boxes for the inspector to identify temperature, dew point, and humidity readings in different areas of the home; five “Yes” or “No” questions for the inspector to complete; and a box for the inspector to provide details for any “No” responses.

(U) Figure 1. Mold and Moisture Section of the eMH Checklist

(U)								
Mold/Moisture Control								
Measurements and Readings (More than one reading may need to be taken to enable a representative reading for level)								
		Outdoor Readings	Main Floor Readings	Second Floor Readings	Third Floor / Basement Readings	Crawl Space Readings	Attic Readings	Comments
Temperature	68° F - 80° F (per comfort)							
Dew Point	< 55° F							
Relative Humidity	30% - 50%							

Yes	No	
<input type="checkbox"/>	<input type="checkbox"/>	Is the unit free of visible mold, water damages/stains, and persistent dampness/moisture on all surfaces and surface coverings?
<input type="checkbox"/>	<input type="checkbox"/>	Is the unit free of any visible signs of leaks at plumbing fixtures or appliances?
<input type="checkbox"/>	<input type="checkbox"/>	Is the unit free of any strong musty odors?
<input type="checkbox"/>	<input type="checkbox"/>	Does the unit have a drainage system or does the water drain away from the structure?
<input type="checkbox"/>	<input type="checkbox"/>	Is the unit free of any visible standing water against the foundation?
<i>If you answered "No" to any question above, please provide details:</i>		

(U)

(U) Source: eMH Checklist.

(U) In February 2023, the independent contractor for the section 3051 inspections provided the Navy with a report that included a “Fair” moisture control rating and identified visible mold, water damage, or stains in 378 units (54 percent) at NAS Key West, as shown in Figure 2. Additionally, the contractor’s inspection report stated that one of the most common life, health, and safety deficiencies was “unknown biological growth.”

(U) According to the contractor’s inspection report, the independent contractor inspected 702 of 733 homes at NAS Key West.¹⁴ We estimate that the cost of this effort was approximately \$702,000. According to Navy officials, the independent contractor worked closely with MHO and Navy region officials to provide daily reports to the privatized housing company of all life, health, and safety issues found for immediate response and

¹⁴ (U) NAS Key West has 733 homes. According to the contractor’s inspection report, only 702 homes were accessible for this 100-percent inspection at NAS Key West.

(U) action, if necessary.¹⁵ A Navy official also told us that the section 3051 inspections led to work orders related to the inspection findings.¹⁶ We reviewed work orders for 24 selected homes to determine the nature of work orders submitted in response to the section 3051 inspections.¹⁷ However, we found that Navy officials did not submit work orders related to the conditions identified in Figure 2 for 19 of 24 selected homes (79 percent).¹⁸

(U) Figure 2. Section 3051 Inspection Mold and Moisture Results for NAS Key West

(U)

Moisture Control			
The Moisture Control Rating is	Fair	Below is a summary of the top items identified by the inspection.	
Item Name	Code Compliant	Unit Count	% of Total Units
Visible mold/water damage/stains.		378	54%
Main floor greater than 60% relative humidity.		168	24%
Visible plumbing leak.		83	12%
Second floor greater than 60% relative humidity.		32	5%
Musty odor in the unit.		24	3%
Score Criteria: 100-88 GOOD , 87-60 FAIR , 59-0 POOR			

(U)

(U) Source: NDAA section 3051 contractor installation inspection report.

(U) According to Navy officials, ceiling collapses increased between Fall 2023 and May 2024 as a result of excessive moisture, which was identified as early as 2011.¹⁹ Subsequently, in August 2024, officials from the Navy and Office of the Deputy Assistant Secretary of Defense

¹⁵ (CUI) [Redacted]

¹⁶ (U) According to this Navy official, the privatized housing company categorized the work orders as internal in the work order system, and this official could not see the details for those work orders.

¹⁷ (U) We reviewed all 24 homes where mold and moisture were found during the inspections, discussed later in this section.

¹⁸ (U) For 5 of the 24 (21 percent) homes for which work orders were submitted in response to the section 3051 inspections, we determined that the work orders did not sufficiently address the concern of “visible mold, water damage/stains, and persistent dampness/moisture on all surfaces and surface coverings” because mold and moisture issues that were identified between December 2021 and April 2022 persisted, and we determined were identified again during the Navy assessment team inspection.

¹⁹ (CUI) According to documentation we reviewed from officials at the NAVFAC Southeast to the CNIC Commander, the privatized housing company added insulation in 2017 to NAS Key West homes “designed to better regulate temperatures.” However, this insulation clogged vents that were designed to control moisture, which led to saturated insulation falling through the ceiling. This documentation also states that NAS Key West housing experienced a combination of undercapitalized homes with failing internal and external elements since 2011. Furthermore, a NAVFAC official stated that some homes are cinder block homes that were built in the 1960s with ducts and layouts not conducive to proper moisture control. [Redacted]

(U) for Housing visited NAS Key West and were provided a presentation with photos from 12 homes with ceiling collapses and visible mold.²⁰ Figure 3 includes examples from this presentation of ceiling collapses in occupied homes and visible mold.



(U) Note: The image on the top left is of a home on Gilmore Drive and shows a ceiling collapsed in this occupied home. The image on the top right is of a home on Truxton Road and shows a ceiling collapsed in the occupied home. The images on the bottom left and right are of another home on Gilmore Drive and show visible mold on the walls and ceiling of this occupied home.

(U) After the August 2024 visit, the Navy created the Navy assessment team, composed of facilities, environmental, Naval Hospital Jacksonville, and Navy and Marine Corps Force Health Protection Command officials, who we determined performed inspections on 40 homes previously evaluated during the section 3051 inspections.²¹ According to Navy officials, “the team was surprised by the moisture and homes with mold,” stating that NAS Key West “was one of the worst places in terms of moisture” that they had seen.

²⁰ (U) Officials from the Office of the Deputy Assistant Secretary of Defense for Housing; DASN(I&F); Deputy Assistant Secretary of the Navy for Energy, Installations, and Environment; Director of Real Estate for the Deputy Assistant Secretary of the Navy; and the Commander of the Navy Region Southeast visited NAS Key West.

²¹ (U) The Navy assessment team was composed of rotational Department of the Navy facilities, environmental, and health officials who traveled to NAS Key West for 1 week each month to conduct inspections. Because these were Navy officials, the additional costs associated with this inspection included temporary duty travel to and from NAS Key West with lodging to perform the inspections, the salary of the government employees involved in the housing inspections, and the loss of work associated with the government employees’ time away from primary duties.

(U) Navy officials stated that, by the end of the first week of Navy assessment team inspections in August 2024, the CNIC Commander asked the Navy assessment team for a second inspection of all NAS Key West homes. The Navy assessment team completed this inspection in May 2025.²² According to the NAS Key West Commanding Officer, 72 homes (11 percent) were unacceptable during the inspections, and 47 families (7 percent) were relocated.

(U) We determined that Navy officials identified mold or moisture in all 40 homes inspected in August 2024. We reviewed the February 2023 section 3051 inspection results and we determined that 24 of 40 homes the Navy assessment team inspected in 2024 (60 percent) had mold and moisture that were also identified in the earlier section 3051 inspection. We determined that both inspections found mold and moisture; however, only five work orders related to mold and moisture were opened in response to the section 3051 inspections for the 24 homes.

(U) This occurred because Navy officials did not provide sufficient oversight to ensure that the Navy Southeast Region privatized housing company properly addressed the mold and moisture identified during the section 3051 inspections. Additionally, Navy officials told us that the notes describing the section 3051 inspection results were not added to eMH, and the inspections did not accomplish anything except “checking a requirement box.”²³

(U) As a result, the Navy expended an estimated \$702,000 on the section 3051 inspections identifying significant mold and moisture that were not properly addressed. Further, a number of NAS Key West residents were exposed to known mold and moisture from at least November 2021, possibly as early as 2011, through May 2025.

(U) Navy Military Treatment Facility Officials Did Not Perform Required Resident Medical Assessments to Determine Association Between Environmental Factors and Medical Conditions

(U) Officials from the NAS Key West Medical Treatment Facility did not perform medical assessments of residents pursuant to DHA-AI 6050.01 to determine whether an association existed between environmental factors and medical conditions. DHA-AI 6050.01 defines administrative procedures for a medical assessment of individuals to determine the possibility

²² (U) The NAS Key West Commanding Officer stated that the Navy assessment team inspected 640 of the 733 homes at NAS Key West. Of the remaining homes, 75 were down for HVAC issues, and 18 were permanently offline.

²³ (U) We reviewed eMH records for the 24 homes where mold and moisture were found during both inspections. We found that eMH records for the section 3051 inspections did not include notes with information related to the location or nature of the mold and moisture.

(U) that a specific medical condition was caused by unsafe and unsanitary conditions in a housing unit, which we refer to as a medical assessment throughout this advisory. According to the DHA instruction, prior to a medical assessment:

- (U) “[i]ndividuals evaluated according to this [instruction] would have previously undergone medical evaluations due to symptomatology or medical conditions developed presumably while they were, or as result of, living in a military housing unit,” and
- (U) “[e]nvironmental and housing unit engineering and safety evaluations may have identified a factor that could potentially explain the individual(s)’s symptomatology or medical conditions.”

(U) Therefore, the residents should have had a medical evaluation to identify a medical condition, and the residents’ homes should have had an environmental evaluation to support a medical assessment to determine whether an association existed between environmental factors and medical conditions. Furthermore, DHA-AI 6050.01 states that the medical assessment process begins when the medical treatment facility receives a request from the Military Department for a medical assessment of an individual. Then, health care providers should review all available information, including health records, and determine any association between the identified environmental factor and the resident’s medical condition.

(~~CUI~~) [REDACTED]

(U) During our site visit to NAS Key West in February 2025, 14 of 21 residents (66 percent) told us about health concerns, such as hospitalizations, increased respiratory concerns, and skin issues. Although Navy officials told us that they treated residents for symptoms related to mold, they did not perform a medical assessment of any residents at NAS Key West to determine whether an association existed between the environmental factors in the homes and medical conditions.²⁴ This occurred because the NAS Key West Commanding Officer did not refer residents to the NAS Key West Medical Treatment Facility for a medical assessment. However, we found that DoD guidance does not clearly define when installation commanders must refer patients to the DHA for a medical assessment.

²⁴ (U) According to an official from the Navy and Marine Corps Force Health Protection Command, the Navy developed procedures to query Military Health System GENESIS medical records using International Classification of Diseases, Tenth Revision (ICD-10) codes to identify residents who accessed the military treatment facility seeking treatment for symptoms and illness related to mold.

(U) DHA-AI 6050.01 states that the medical treatment facility director must implement procedures to complete assessments of patients referred by installation commanders. We asked officials from the Office of the Deputy Assistant Secretary of Defense for Housing for guidance related to installation commander responsibilities in the medical assessment process. They provided a February 2022 Assistant Secretary of Defense for Readiness memorandum that states that a resident with concerns about health symptoms they attribute to housing conditions should be evaluated by their health care provider.²⁵ This memorandum states that responding to environmental hazards in housing involves a team approach among the MHO; environmental staff; environmental health staff, including public health, preventative medicine, or bio-environmental engineering specialists; safety staff; and health care providers. Furthermore, this memorandum states that if a health care provider needs consultative support about housing conditions potentially contributing to a resident's health concerns, the health care provider may consult with their supporting environmental health expert, who will contact the MHO to collect any housing information. Although the February 2022 memorandum states that MHO officials, with support from environmental health and safety officials, are the lead for addressing resident concerns in DoD housing, it does not address referring residents to a medical treatment facility for a medical assessment.

(U) Section 2891 of the FY 2020 NDAA states that if the:

(U) Secretary concerned finds that a landlord fails to maintain safe and sanitary conditions for a housing unit under the contract and that, subject to paragraph (2), these conditions result in a tenant of the housing unit receiving medical evaluations and treatment, the landlord shall be responsible for reimbursing the Department of Defense for any costs incurred by the Department to provide the medical evaluations and treatment to the tenant, whether such evaluations and treatment are provided in a military medical treatment facility or through the TRICARE provider network.

(U) According to DHA-AI 6050.01, once a health care provider completes the medical assessment to determine whether an association exists between environmental factors and medical conditions, the medical treatment facility director reviews the package, and a memorandum is sent to the DHA Director for review and approval. Upon review and approval from the DHA Director, DHA officials take appropriate steps to obtain reimbursement from the privatized housing company for medical expenses.

(U) As a result, the DoD may not be able to pursue reimbursement for any costs incurred to provide medical evaluations and treatment to a resident because the NAS Key West Commanding Officer did not refer residents for a medical assessment to determine association between an environmental factor and medical condition.

²⁵ (U) Assistant Secretary of Defense for Readiness Memorandum, "Standards and Guidance for Environmental Health Hazards in Department of Defense Housing," February 1, 2022.

(U) The Navy Should Consider Whether to Deny Performance Incentive Fees That We Estimated As \$3.95 Million

(~~CUI~~) Navy officials should determine whether the Navy Southeast Region privatized housing company demonstrated a pattern of failing to remedy, or failing to remedy in a timely manner, health or environmental hazards, and then consider whether to deny performance incentive fees estimated as \$3.95 million. The FY 2020 NDAA states that an incentive fee is “any amount payable to the landlord for meeting or exceeding performance metrics specified in a contract with the DoD.” The December 2023 memorandum of agreement between the Navy and the Navy Southeast Region privatized housing company requires the privatized housing company to take necessary steps to execute agreements to, among other things: (1) implement standard performance incentive fee criteria and (2) “promote [REDACTED] housing to residents on Department of Navy installations.” This memorandum of agreement also states that the privatized housing company is eligible to receive an incentive fee payment [REDACTED] for achieving certain performance thresholds.

(U) According to 10 U.S.C. § 2893, the Secretary concerned shall not approve the payment of incentive fees otherwise authorized to be paid to a landlord that the Secretary determines has demonstrated a pattern of failing to remedy, or failing to remedy in a timely manner, health or environmental hazards at a housing unit.²⁶ Based on documentation we reviewed from officials at NAVFAC Southeast to the CNIC Commander, in 2017, the privatized housing company added insulation to NAS Key West homes “designed to better regulate temperatures.” However, this insulation clogged vents that were designed to control moisture, which led to saturated insulation falling through the ceiling. This documentation also states that NAS Key West housing experienced a combination of undercapitalized homes with failing internal and external elements since 2011.

(~~CUI~~) We identified indicators of a pattern of significant mold and moisture at NAS Key West, including 348 resident complaints related to mold; [REDACTED] mold-related work orders; 294 failed environmental, health, and safety inspections related to mold, water infiltration, and moisture; 114 displaced families; 9 DoD Hotline complaints; and 54 percent of homes identified during section 3051 inspections with visible mold, water damage, or stains. Furthermore, the Navy provided section 606(a)(2) payments to the Navy Southeast Region privatized housing company in 2023 and 2024, [REDACTED] for projects to remediate sub-standard life, health, and safety conditions, such as HVAC equipment, ductwork replacement with attic

²⁶ (U) Section 2893, title 10, United States Code, “Treatment of incentive fees for landlords of housing units for failure to remedy health or environmental hazards,” effective January 1, 2021.

~~(CUI)~~ insulation, and a ceiling inspection and bracing project at NAS Key West.²⁷ However, Navy officials did not determine whether a pattern existed of failing to remedy, or failing to remedy in a timely manner, health or environmental hazards in housing units at NAS Key West.

(U) This occurred because:

- (U) the Navy’s “Public-Private Ventures (PPV) Housing Handbook” (PPV Handbook), states that Navy officials may reduce only a portion of performance incentive fees based on a pattern of failing to remedy a health and environmental hazard,²⁸ and
- (U) the 2023 memorandum of agreement between the Navy Southeast Region privatized housing company and the Department of the Navy did not include the 10 U.S.C. § 2893 requirement to deny performance incentive fees based on a pattern of failing to remedy a health and environmental hazard.

~~(CUI)~~ According to Navy officials, as of April 3, 2025, the officials from the Navy Southeast Region privatized housing company requested performance incentive fees for [REDACTED] but did not request performance incentive fees for [REDACTED]. We asked Navy officials whether they considered denying performance incentive fees for NAS Key West. Navy officials told us that, as of April 3, 2025, the Navy did not discuss or consider denying the entirety of the performance incentive fee. According to the “Amended and Restated Limited Liability Company Operating Agreement of Southeast Housing LLC,” November 17, 2011, between the Department of the Navy and Navy Southeast Region privatized housing company, [REDACTED].²⁹ The Navy PPV Handbook states that the funds in the operating reserve account are used to fund future reinvestment in the project.

(U) As a result, the Navy might approve performance incentive fees that we estimated as \$3.95 million, that could be used to fund future reinvestment in the project despite indicators that we identified of a pattern of significant mold and moisture at NAS Key West.

²⁷ (U) The FY 2020 NDAA authorized additional government payments to privatized housing companies, referred to as section 606(a)(2) payments, for underfunded housing projects. In February 2022, the Principal Deputy Assistant Secretary of Defense for Sustainment, acting as the Secretary of Defense for Sustainment, issued business rules for section 606(a)(2) payments, stating that one of four criteria must be met for a housing project to be considered underfunded and receive payments.

(U) “Business Rules for Implementation of Section 606 of the John S. McCain National Defense Authorization Act (NDAA) for Fiscal Year 2019, as Amended by Sections 3036(a) and 3037 of the FY 2020 NDAA and Section 2811 of the FY 2021 NDAA,” February 11, 2022.

²⁸ (U) Department of the Navy, “Public-Private Ventures (PPV) Housing Handbook,” December 2024.

²⁹ (U) “The Amended and Restated Limited Liability Company Operating Agreement of Southeast Housing LLC,” November 17, 2011.

(U) Recommendations, Management Comments, and Our Response

(U) Revised, Redirected, and Added Recommendations

(U) As a result of management comments, we added Recommendations 3.a and 3.b for the DHA Director to coordinate with the CHO and update DHA-AI 6050.01 to clarify the nature of the actions needed to improve the medical assessment process. We also renumbered Recommendation 3 as Recommendation 3.c. Finally, we revised and redirected Recommendation 4.a to request that the ASD(EI&E) provide guidance to the Military Departments on how to interpret and implement 10 U.S.C. § 2893.

(U) Recommendation 1

(U) We recommend that the Commander of the Naval Facilities Engineering Systems Command Southeast review the February 2023 section 3051 inspection reports and require the Navy Southeast Region privatized housing company to address systemic life, health, and safety issues, such as mold and moisture.

(U) Deputy Assistant Secretary of the Navy for Installations and Facilities Comments

~~(U)~~ The DASN(I&F), responding for the Commander of NAVFAC Southeast, agreed and stated that NAVFAC and CNIC officials will continue to coordinate with the privatized housing company. [REDACTED]

[REDACTED]

(U) Our Response

(U) Comments from the DASN(I&F) addressed the specifics of the recommendation; therefore, it is resolved but open. We will close this recommendation when we verify that the agreed upon actions were taken.

(U) Recommendation 2

(U) We recommend that the Commander of Naval Air Station Key West refer residents with health concerns identified during the Navy assessment team inspections to a medical treatment facility for assessment to determine whether association existed between the environmental safety and health issues in military housing.

(U) Deputy Assistant Secretary of the Navy for Installations and Facilities Comments

(U) The DASN(I&F), responding for the Commander of NAS Key West, partially agreed and stated that the recommendation is not feasible as written. The DASN(I&F) stated that until causality can be appropriately defined or measured by health subject matter experts with consistency across the Services, the recommendation should be updated to provide for coordination among the DHA and Military Department Surgeon Generals to review DHA-AI 6050.01 for scientific appropriateness and relevancy in light of the Assistant Secretary of Defense for Readiness memorandum, “Standards and Guidance for Managing Environmental Health Hazards in Department of Defense Housing,” February 1, 2022.

(U) The DASN(I&F) stated that DHA-AI 6050.01 assumes medical providers have the necessary education, training, experience, patient test results, and environmental test results that exceed a health standard. However, the officials stated that these conditions cannot be met or even defined with the current state of medical and environmental health sciences. According to the DASN(I&F), no health standard exists to link mold exposure in housing to a health effect. They also stated that DoD policy recommends not sampling for mold and that the indoor environment is complex, containing multiple microorganisms and chemicals. The DASN(I&F) further asserted that focusing only on mold while ignoring airborne bacteria, volatile organic compounds, semi-volatile organic compounds, and allergens from pets and insects is not scientifically sound and that damp conditions can exacerbate many of these issues. Finally, the DASN(I&F) identified a concern with the use of the term “refer” and stated that physicians refer patients to other physicians, and that installation commanders should advise residents to seek evaluation by their health care provider.

(U) Our Response

(U) The comments from the DASN(I&F) partially addressed the recommendation; therefore, it is unresolved. As currently drafted, DHA-AI 6050.01 establishes activities that will take place when a resident “is referred” for assessment or evaluation and mandates that directors of military treatment facility direct compliance with the instruction’s communication processes, procedures, and business rules regarding assessment of patients “referred from installation commanders.” DHA-AI 6050.01 is the DoD policy for this process unless and until the instruction is amended to establish a different process. We added Recommendations 3.a and 3.b for the CHO and DHA Director to coordinate to define procedures to refer patients to a medical treatment facility for a medical assessment.

(U) The DASN(I&F) expressed concerns regarding whether Navy officials can implement DHA-AI 6050.01 and whether the instruction is consistent with a more recent DoD memorandum. As a result, we agree with the DASN(I&F) suggestion that Navy officials should raise these concerns to DHA and discuss whether changes to DHA-AI 6050.01 are appropriate.

(U) The DASN(I&F) comments did not address whether the NAS Key West Commanding Officer will refer residents identified during the Navy assessment team inspection to seek a medical assessment from a medical treatment facility. We request that the NAS Key West Commanding Officer provide additional comments within 30 days clarifying whether residents identified during the Navy assessment team inspections with diagnoses related to mold and damp environmental exposure will be referred to a medical treatment facility for a medical assessment pursuant to DHA-AI 6050.01.

(U) Recommendation 3

(U) We recommend that the:

- a. (U) DoD Chief Housing Officer and Defense Health Agency Director coordinate to define the procedures to refer patients to a medical treatment facility for a medical assessment.**
- b. (U) Defense Health Agency Director update Defense Health Agency Administrative Instruction 6050.01 to incorporate referral procedures.**
- c. (U) DoD Chief Housing Officer publish guidance, consistent with Defense Health Agency Administrative Instruction 6050.01, that establishes procedures to refer patients to a medical treatment facility for a medical assessment.**

(U) Assistant Secretary of Defense for Energy, Installations, and Environment Comments

(U) The ASD(EI&E), who is the CHO, partially agreed with Recommendation 3.c to publish guidance that defines procedures to refer patients to a medical treatment facility for a medical assessment. Specifically, the CHO proposed an alternative action and stated that they would establish procedures for installation commanders to advise tenants of affected housing units with substantiated environmental hazards to obtain a medical assessment from a preferred medical provider. However, the CHO's comments did not address the DHA-AI 6050.01 requirement to refer patients to a medical treatment facility for a medical assessment. The CHO stated that installation commanders are responsible for the overall well-being of the personnel and activities on their installation, but they do not typically refer residents to the medical treatment facility. The CHO also stated that, depending on specific circumstances and the military's emphasis on health care access and support, a commander may have a role in ensuring residents are aware of available resources and procedures for obtaining any necessary medical care.

(U) Deputy Assistant Secretary of the Navy for Installations and Facilities Comments

(U) The DASN(I&F) stated that the Navy uses the February 2022 Assistant Secretary of Defense for Readiness memorandum that describes the process for residents with health concerns to see their health care provider. The DASN(I&F) explained that on April 8, 2025, the Navy published “Standards and Guidance for Managing Environmental Health Hazards in Department of the Navy Housing,” which states that “if MHO staff are the first contacted by a resident with noted health concern they attribute to conditions involving their housing, the MHO staff should advise the resident to seek evaluation by their healthcare provider.”

(U) Our Response

(U) Based on the ASD(EI&E) comments and discussions with Navy and DHA officials, we added Recommendations 3.a and 3.b for the CHO and the DHA Director; therefore, we consider Recommendations 3.a and 3.b unresolved. We accept the CHO’s proposed alternative action and consider Recommendation 3.c resolved but open. The ASD(EI&E) proposed to establish procedures for installation commanders to advise tenants of affected housing units with substantiated environmental hazards to obtain a medical assessment from a preferred medical provider. We will close Recommendation 3.c when we verify that the agreed upon actions were taken.

(U) For the added recommendations, we request that the CHO and DHA Director coordinate to define the procedures to refer patients to a medical treatment facility for a medical assessment and for the DHA Director to update DHA-AI 6050.01 to incorporate the referral procedures. We request that the CHO and DHA Director provide additional comments on Recommendations 3.a and 3.b within 30 days, as well as a timeline for the coordination to update DHA-AI 6050.01 with referral procedures.

(U) Recommendation 4

(U) We recommend that the:

- a. (U) DoD Chief Housing Officer establish guidance for the Military Departments on how to interpret and implement 10 U.S.C. § 2893.**

(U) Deputy Assistant Secretary of the Navy for Installations and Facilities Comments

(U) The DASN(I&F), responding for the Secretary of the Navy, partially agreed and stated that the recommendation should be updated to say that the Navy will reevaluate the Assistant Secretary of the Navy for Energy, Installations, and Environment memorandum, “Standardized Incentive Fee Criteria for Navy and Marine Corps Military Housing Privatization Initiative Projects,” December 31, 2019, to address the FY 2020 and FY 2021 incentive fee requirements. The DASN(I&F) stated that the Navy PPV Handbook is a reference tool for staff and should not be considered authoritative or legally binding. According to the DASN(I&F), the Navy PPV Handbook is intended to be used as a job aid for staff, not formal policy or a policy-inducing document.

~~(CUI)~~ The DASN(I&F) also stated [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

the Navy applied the DASD(H) criteria to incentive fees. The DASN(I&F) stated that NAVFAC officials incorporated the failure to remedy health or environmental hazards into its discretionary scoring sheets for the Maintenance Management and Project Safety categories, fulfilling the requirements of 10 U.S.C. § 2893 through mutual agreements with the privatized house company.

~~(CUI)~~ [REDACTED]

Finally, the DASN(I&F) stated that Navy officials reviewed 10 U.S.C. § 2893 and take the position that the Navy is compliant based on their interpretation of the statute. According to the DASN(I&F), when a Navy attorney sought further guidance from Office of the ASD(EI&E) counsel, the counsel stated that the interpretation of the statute falls on the Military Department.

(U) Our Response

(U) The comments from the DASN(I&F) partially addressed the recommendation; therefore, it is unresolved. Section 2891(c), title 10, United States Code requires an annual assessment that must include the metrics used to determine the incentive fees and whether incentive fees were paid in full or were withheld in part or in full during the period. Section 2891(c) provides that any decision in favor of the tenant in the formal dispute resolution process must be considered in determining whether to pay or withhold “all or part of any incentive fees” for which a landlord may otherwise be eligible. Finally, 10 U.S.C. § 2893 requires the Secretary to not approve:

(U) the payment of incentive fees otherwise authorized to be paid to a landlord that the Secretary determines has demonstrated a pattern of failing to remedy, or failing to remedy in a timely manner, a health or environmental hazard at a housing unit provide by the landlord.

(U) The Navy PPV Handbook provides that the Navy may reduce “its Discretionary portions” of the incentive fee if a pattern exists of failing to remedy, or failing to remedy in a timely manner, health or environmental hazards, or a history of disputes found in the tenant’s favor. This statement supports the conclusion of Navy officials that they do not consider other portions of the incentive fee matrix in the determination of whether an incentive fee “otherwise authorized” should be withheld.

(U) Navy officials’ interpretation of 10 U.S.C. § 2893 does not appear consistent with implementation of this provision by other Military Departments. For example, the memorandum of agreement revising the performance incentive fee program between the Air Force and the same privatized housing company includes an exhibit related

(U) to 10 U.S.C. § 2893. The exhibit is the process for a payment denial decision including that the government will not approve the payment of the “full amount” of the property management incentive fee otherwise authorized to be paid. The Navy’s interpretation also seems to conflict with a plain reading of the statute that “fees otherwise authorized” must not be approved. We therefore revised and redirected Recommendation 4.a and request that the CHO provide guidance to all Military Departments on how to interpret and implement 10 U.S.C. § 2893. We request that the ASD(EI&E) provide comments within 30 days that identify a timeline for providing guidance on 10 U.S.C. § 2893 to the Military Departments.

- b. (U) Secretary of the Navy conduct a review to determine whether the Navy Southeast Region privatized housing company demonstrated a pattern of failing to remedy, or failing to remedy in a timely manner, health or environmental hazards.

(U) Deputy Assistant Secretary of the Navy for Installations and Facilities Comments

(~~CUI~~) The DASN(I&F), responding for the Secretary of the Navy, agreed and stated that the Navy will use discretionary scoring sheets from the Maintenance Management and Project Safety categories [REDACTED]

[REDACTED] Consistent with their interpretation of 10 U.S.C. § 2893, the DASN(I&F) stated that the Navy will withhold any “portions that were not earned under” any criteria and that, upon Navy senior leader approval, the Navy will authorize payment of “earned amounts.”

(~~CUI~~) According to the DASN(I&F), the Navy used the criteria published in the Assistant Secretary of Defense for Sustainment October 28, 2019 memorandum, which set four distinct criteria—Resident Satisfaction, Maintenance Management, Project Safety, and Financial Management—to create the Navy’s updated standard incentive fee criteria, [REDACTED]

[REDACTED] According to the DASN(I&F), officials from NAVFAC implemented 10 U.S.C. § 2893 by including failure to remedy health or environmental hazards as a component of the discretionary scoring for the Maintenance Management and Project Safety categories.

(~~CUI~~) The [REDACTED]
[REDACTED]
[REDACTED]

[REDACTED] The DASN(I&F) stated that if the privatized housing company’s performance shows a pattern of failing to remedy, or failing to remedy in a timely manner, a health or environmental hazard, the privatized housing company will not earn the portion of the performance incentive fee related to Project Safety [REDACTED], and the Navy will not compensate them for this unearned portion.

(U) Our Response

~~(CUI)~~ The comments from the DASN(I&F) addressed the recommendation; therefore, it is resolved but open. We will close the recommendation when we verify that NAVFAC and CNIC officials' agreed-upon reviews are complete. However, Navy officials should also review other indicators of a pattern of significant mold and moisture that we identified at NAS Key West, including 348 resident complaints related to mold; [REDACTED] mold-related work orders; 294 failed environmental, health, and safety inspections related to mold, water infiltration, and moisture; 114 displaced families; 9 DoD Hotline complaints; and section 606(a)(2) payments to the Navy Southeast Region privatized housing company in 2023 and 2024, [REDACTED] that were intended to be used for projects to remediate sub-standard life, health, and safety conditions at NAS Key West. We will address the Navy's statement regarding compensation of incentive fees in our response to Recommendation 4.c.

- c. **(U) Secretary of the Navy take appropriate corrective action in response to the review in Recommendation 4.b, including whether to deny unawarded performance incentive fees (that we estimated as \$3.95 million), in accordance with 10 U.S.C. § 2893.**

(U) Deputy Assistant Secretary of the Navy for Installations and Facilities Comments

~~(CUI)~~ The DASN(I&F), responding for the Secretary of the Navy, agreed and [REDACTED]
[REDACTED]
[REDACTED]

[REDACTED] The DASN(I&F) stated that NAVFAC officials implemented 10 U.S.C. § 2893 by including the failure to remedy a health or environmental hazard as part of the discretionary scoring sheets for Maintenance Management and Project Safety. [REDACTED]

[REDACTED]
[REDACTED]

~~(CUI)~~ The DASN(I&F) stated that if the privatized housing company demonstrates “a pattern of failing to remedy, or failing to remedy in a timely manner, a health or environmental hazard,” the privatized housing company will not earn the portion of the performance incentive fee related to the failure, such as that for Project Safety. [REDACTED]

[REDACTED]
[REDACTED]

(U) Our Response

(U) The comments from the DASN(I&F) addressed our recommendation; therefore, we consider it resolved but open. We will close this recommendation when the Navy demonstrates that it took corrective actions, such as denying performance incentive fees in accordance with the ASD(EI&E) policy requested in Recommendation 4.a and 10 U.S.C. § 2893.

(U) If you have any questions or would like to meet to discuss this management advisory, please contact [REDACTED]. We appreciate the cooperation and assistance received during the review.



Randolph R. Stone
Assistant Inspector General for Evaluations
Space, Intelligence, Engineering, and Oversight

(U) Management Comments

(U) Assistant Secretary of Defense for Energy, Installations, and Environment



ENERGY, INSTALLATIONS,
AND ENVIRONMENT

ASSISTANT SECRETARY OF DEFENSE
3400 DEFENSE PENTAGON
WASHINGTON, DC 20301-3400

August 12, 2025

MEMORANDUM FOR OFFICE OF THE DEPARTMENT OF DEFENSE INSPECTOR GENERAL

SUBJECT: Response to DoD Inspector General Draft Report “Management Advisory: Evaluation of the Department of Defense’s Actions to Address Mold Hazards in Naval Air Station Key West Privatized Military Housing,” Project No. D2025-DEV0SR-0011.001

This memorandum provides the Department’s response to the recommendation directed to the Assistant Secretary of Defense (Energy, Installations, and Environment) (ASD[EI&E]), in his capacity as the DoD Chief Housing Officer, and the Deputy Assistant Secretary of Defense for Housing (DASD[H]) contained in the subject draft report.

Recommendation 3: That the DoD Chief Housing Officer establish guidance that defines the procedures for installation commanders to refer patients to the Naval Air Station (NAS) Key West Medical Treatment Facility for a medical assessment.

Response: PARTIALLY CONCUR. The DoD Chief Housing Officer will establish procedures for installation commanders with DoD Housing, including the NAS Key West installation commander, to advise tenants of affected housing units with substantiated environmental hazards that they should obtain a medical assessment from a preferred medical provider.

Although installation commanders are responsible for the overall well-being of the personnel and activities on their installation, they do not typically refer residents to a Medical Treatment Facility for medical assessments or care as a licensed medical provider would. However, depending on the specific circumstances and the military’s emphasis on healthcare access and support, a commander may have a role in the ensuring residents are aware of available resources and procedures for obtaining any necessary medical care.

This guidance will be incorporated into the next update into the updated DoD Manual 4165.63, DoD Housing Management, as authorized by DoD Instruction 4165.63.

My office is working to issue guidance and anticipates obtaining my signature by August 29, 2025.

Please contact the Office of the DASD(H) at [REDACTED] if additional information is needed.

MARKS.DALE | Digitally signed by
MARKS.DALE R. [REDACTED]
R. [REDACTED] Date: 2025.08.12 17:42:48
-04'00'

Dale R. Marks
Chief Housing Officer

(U) Deputy Assistant Secretary of the Navy for Installations and Facilities



DEPARTMENT OF THE NAVY
OFFICE OF THE ASSISTANT SECRETARY
(ENERGY, INSTALLATIONS, AND ENVIRONMENT)
1000 NAVY PENTAGON
WASHINGTON, DC 20350-1000

10 September 2025

MEMORANDUM FOR THE OFFICE OF THE INSPECTOR GENERAL OF THE
DEPARTMENT OF DEFENSE
[REDACTED]

FROM: Brenda Johnson-Turner, Deputy Assistant Secretary of the Navy (Installations and Facilities)

SUBJECT: Official Management Response: Management Advisory: Evaluation of the Department of
Defense's Actions to Address Mold Hazards in Naval Air Station Key West Privatized
Military Housing, Project No. D2025-DEV0SR-0011.001, dtd July 16, 2025

The Department of the Navy comments on the subject report are attached. Thank you for the
opportunity to review and provide feedback. My point of contact is [REDACTED] which can be
reached via phone at [REDACTED] or via e-mail at [REDACTED]


BRENDA M. JOHNSON-TURNER
Deputy Assistant Secretary of the Navy
(Installations & Facilities)

Attachments:

- (1) Management
- (2) Comment Matrix

cc:

Navy and Marine Corps Force Health Protection Command
Commander, Naval Installations Command
Naval Facilities Engineering Systems Command Commander, Navy Region Southeast

(U) Deputy Assistant Secretary of the Navy for Installations and Facilities (cont'd)

OFFICE OF THE INSPECTOR GENERAL US DEPARTMENT OF DEFENSE
DRAFT REPORT DATED JULY 16, 2025
PROJECT NO. D2025-DEV0SR-0011.001

EVALUATION OF DOD ACTIONS TO ADDRESS MOLD HAZARDS IN NAVAL AIR STATION KEY WEST PRIVITIZED MILITARY HOUSING

DEPUTY ASSISTANT SECRETARY OF THE NAVY (INSTALLATIONS & FACILITIES) COMMENTS TO THE OFFICE OF THE INSPECTOR GENERAL ON MANAGEMENT ADVISORY DRAFT DOD RECOMMENDATIONS

(U) RECOMMENDATION 1: “We recommend that Commander of the Naval Facilities Engineering Systems Command Southeast review the February 2023 section 3051 inspection reports and require the Navy Southeast Region privatized housing company to address systemic life, safety, and health issues, such as unknown biological growth.”

~~(CUI)~~ **DON Response:** Concur. NAVFAC and CNIC will continue to work with the Public Private Venture (PPV) project owner and continue to coordinate on the way ahead. [REDACTED] that Life, Health and Safety (LHS) deficiencies identified by the independent inspection consultant (Jacobs) were promptly transmitted to the property manager (BBC) for action and response. While the “official” FY2020 NDAA section 3051 reports have not been released, the DON team continues to stay proactive; [REDACTED] These actions include increased Navy oversight.

Furthermore, [REDACTED] the DON conducted LHS assessments on 640 homes at NAS Key West between August 2024 and May 2025. These assessments found 72 homes in unacceptable condition. [REDACTED] Since the assessments, all of the affected homes have been repaired, and the residents have returned. Additionally, 111 homes were identified for repairs to address LHS issues. Funding has been secured for these repairs; to date, 52 homes have been completed, and 34 have been reoccupied.

Regarding the draft recommendation's wording, the DON supports the suggestion from the Navy and Marine Corps Force Health Protection Command (NMCFHPC) to clarify the meaning of “unknown biological growth.” This term has no scientific definition. A more accurate term as it applies to NAS Key West is to replace that with “visible mold and moisture”.

Estimated Completion: [REDACTED] to address any remaining LHS discrepancies based upon available resources; [REDACTED]

(U) Deputy Assistant Secretary of the Navy for Installations and Facilities (cont'd)

(U) RECOMMENDATION 2: “We recommend that the Commander of Naval Air Station Key West refer residents with significant health concerns identified during Naval Assessment Team inspections to the NAS Key West Medical Treatment Facility (MTF) for assessment to determine whether causality existed between the environmental safety and health issues in military housing.”

~~(CUI)~~ **DON Response:** Partial Concur. While the DON agrees with the spirit of this recommendation, it is not feasible as written. The DON believes until “causality” can be appropriately defined or measured by health subject matter experts (e.g., DHA and MILDEP Surgeon Generals) with consistency across services, the draft recommendation needs to be updated (based on DON Navy and Marine Corps Force Health Protection Command (NMCFHPC) feedback suggestion provided below):

“We recommend that the DoD Chief Housing Officer consult and coordinate with DHA and MILDEP Surgeon Generals, to review DHA Authoritative Instruction (AI) 6050.01 (9 October, 2020) for scientific appropriateness and relevancy in light of the more recent issuance of DoD (Readiness) Housing Memo (1 February 2022).”

The Defense Health Agency Instruction (DHA AI) 6050.01, dated October 9, 2020, requires a medical assessment to determine the cause of health issues. However, from a medical and scientific perspective, this instruction assumes that medical providers have the necessary education, training, experience, patient test results, and environmental test results that exceed a health standard. Unfortunately, these conditions cannot be met or even defined with the current state of medical and environmental health sciences.

For instance, no health standards exist to link mold exposure in housing to a health effect. For this reason, DoD policy recommends not to sample for mold. The indoor environment is complex, containing multiple microorganisms and chemicals. Focusing only on mold while ignoring airborne bacteria, volatile organic compounds (VOCs), semi-volatile organic compounds (SVOCs), and allergens from pets and insects is not scientifically sound. Damp conditions can exacerbate many of these issues.

Finally, from a medical standpoint, the usage of the verbiage “refer” in this recommendation is concerning; physicians “refer” patients to other physicians, not Installation Commanding Officers (ICO). Additionally, if healthcare concerns are brought to the attention of an ICO or a Military Housing Office (MHO), as directed per OSD and DON guidance, staff should advise the resident to seek evaluation by their healthcare provider (please see below response to Recommendation A3 for further detail on DOD and DON instructions).

(U) RECOMMENDATION A3: “We recommend that the DoD Chief Housing Officer establish guidance that defines the procedures for installation commanders to refer patients to the NAS Key West Medical Treatment Facility for a medical assessment.”

~~(CUI)~~ **DON Response:** While this Recommendation is directed at the Chief Housing Officer

(U) Deputy Assistant Secretary of the Navy for Installations and Facilities (cont'd)

(CHO), the DON utilizes guidance from ASD Readiness. ASD Readiness provided guidance (*Housing Memo dated 1 February 2022*) and described the process for residents (patients) with health concerns to see their health care provider. Consistent with the DOD policy, on 08 April 2025 the DON published policy on “Standards and Guidance for Managing Environmental Health Hazards in Department of the Navy Housing” stating, “if MHO staff are first contacted by a resident with noted health concern they attribute to conditions involving their housing, the MHO staff should advise the resident to seek evaluation by their healthcare provider.”

(U) RECOMMENDATION 4a: “Update the Navy’s “Public-Private Venture (PPV) Housing Handbook” to align the Incentive Fee Evaluation and Approval procedures with the FY 2020 and FY 2021 National Defense Authorization Acts’ requirement to deny performance incentive fees.”

~~(CUI)~~ **DON Response:** Partial Concur. From a DON perspective, recommend rewording the recommendation to:

“Reevaluate the ASN (EI&E) Standardized Incentive Fee Criteria for Navy and Marine Corps Military Housing Privatization Initiative Projects Memorandum of 31 December 2019 to address the FY2020 and FY2021 National Defense Authorization Acts’ incentive fee”

The December 2024 Public Private Venture Housing Handbook states that it is a reference tool for staff and should not be considered authoritative or legally binding. It is intended to be used as a job-aid to staff, not formal policy or a policy inducing document.

the DON applied the new DASD(H) criteria to incentive fees starting January 1, 2022. NAVFAC incorporated the failure to remedy health or environmental hazards into its discretionary scoring sheets for Maintenance Management and Project Safety, fulfilling the requirements of 10 U.S.C. § 2893 through mutual agreements with the MHPI partner.

The DON has reviewed 10 U.S.C. § 2893 and currently takes the position that we are compliant based on our interpretation of the statute. When DON counsel sought further guidance from OSD EI&E counsel on this matter to discuss our legal interpretation, OSD counsel stated that the interpretation of the statute falls on the MILDEP.

Estimated Completion:

The DON believes it is compliant with 10 U.S.C. § 2893. The DON appreciates DODIG sharing their thoughts on this matter and the DON will continue to coordinate with other MILDEP counsels/stakeholders on the DON’s interpretation of 10 U.S.C. § 2893.

(U) RECOMMENDATION 4b: “Conduct a review to determine whether the Navy Southeast (NSE) Region privatized housing company demonstrated a pattern of failing to remedy, or failing to remedy in a timely manner, health or environmental hazards”

(U) Deputy Assistant Secretary of the Navy for Installations and Facilities (cont'd)

~~(CUI)~~ **DON Response:** Concur. Action is partially complete. The DON considers this partially complete as of September 16, 2024, [REDACTED]

[REDACTED] The DON withholds any portions that were not earned under any criterion, and upon DON senior leader approval, authorizes payment of earned amounts.

The OSD policy on a common incentive fee framework published in 28 October 2019 set four distinct criteria: Resident Satisfaction, Maintenance Management, Project Safety, and Financial Management; in support, the DON policy published on 31 December 19 followed the framework of the OSD criteria, [REDACTED]

[REDACTED] In support of the set policy and statute, NAVFAC implemented 10 U.S.C. § 2893 by including a failure to remedy health or environmental hazards as a component of the discretionary scoring for Maintenance Management and Project Safety.

~~(CUI)~~ Awarded PMIF fees under the revised criteria effective as of 1 January 2022 support the implementation of the 10 U.S.C. § 2893 statute by including failure to remedy a health or environmental hazard as a component of Maintenance Management and Project Safety subjective criteria. [REDACTED]

[REDACTED] This package uses the new criteria, including the discretionary scoring sheets. If the NSE Property Manager performance shows "a pattern of failing to remedy, or failing to remedy in a timely manner, a health or environmental hazard," they would not earn the portion of the PMIF related to project safety [REDACTED]. The DON would not compensate them for this unearned portion.

(U) RECOMMENDATION 4c: "Take appropriate corrective action, including whether to deny \$3.95 million in unawarded performance incentive fees to the Navy Southeast Region privatized housing company for calendar years 2023 and 2024."

~~(CUI)~~ **DON Response:** Concur. [REDACTED] NAVFAC implemented the 10 U.S.C. § 2893 statute by including failure to remedy a health or environmental hazard as a component of Maintenance Management and Project Safety discretionary scoring sheets.

(U) Deputy Assistant Secretary of the Navy for Installations and Facilities (cont'd)

[REDACTED]

If the NSE Property Manager demonstrates "a pattern of failing to remedy, or failing to remedy in a timely manner, a health or environmental hazard," they will not earn the portion of the PMIF related to that failure (e.g., project safety).

[REDACTED]



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