

# CORD

## Mistreatment of Military Families in Privatized Housing

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*United States Senate*  
**PERMANENT SUBCOMMITTEE ON INVESTIGATIONS**  
*Committee on Homeland Security and Governmental Affairs*

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*Jon Ossoff, Chairman*  
*Ron Johnson, Ranking Member*

# **MISTREATMENT OF MILITARY FAMILIES IN PRIVATIZED HOUSING**

**STAFF REPORT**

**PERMANENT SUBCOMMITTEE  
ON INVESTIGATIONS**

**UNITED STATES SENATE**



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PERMANENT SUBCOMMITTEE ON INVESTIGATIONS  
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# *Mistreatment of Military Families in Privatized Housing*

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## **REPORT NAME ROSTER**

**FORMER BALFOUR FT. GORDON FACILITY MANAGER:** This manager was in charge of Balfour Beatty Community LLC's ("Balfour") Ft. Gordon facility department from 2019 until early October 2020.

**FORMER BALFOUR FT. GORDON EMPLOYEE #1:** This refers to a former Balfour resident engagement specialist at Ft. Gordon.

**FORMER BALFOUR FT. GORDON EMPLOYEE #2:** This refers to a former Balfour maintenance supervisor at Ft. Gordon.

**ARMY FAMILY #1:** The military spouse of this family had an immune condition that was reportedly exacerbated as a result of exposure to mold in a home they lived on at Ft. Gordon from October 2020 to July 2021. Balfour ignored requests over a nine-month period to conduct a mold inspection of this home. In addition, Balfour failed to log the family's requests to address the presence of "mold" in their home as "mold" complaints in its internal work order tracking system. Instead, the family's complaints about "mold" were incorrectly entered into this database as "preventative maintenance" issues. These actions effected the integrity of this critical data. The family was eventually moved out of this home.

**ARMY FAMILY #2 (The Choe Family)<sup>1</sup>:** This family's then eight-year old daughter began experiencing severe skin rashes soon after moving into their home at Ft. Gordon. The girl made one dozen visits to an allergy specialist on base who attributed her onset of severe atopic dermatitis or eczema as a likely consequence of her exposure to mold in the home and eventually advised the family to move. Balfour suggested its inspections of the home did not reveal mold. They also failed to document the Army Captain's repeated complaints about mold in their home in Balfour's internal work order tracking system. Eventually the family moved out. Soon after the Army Captain of this household received a "collection notice" from Balfour for several hundred dollars that Balfour finally admitted was a clerical error.

**ARMY FAMILY #3:** This family first complained to Balfour of a roof leak in May 2020. Balfour maintenance staff accessed the roof and said an outside contractor was needed to repair it, but Balfour failed to provide the family with a clear time line on the needed repairs. Despite repeated complaints about the ongoing roof leak, no repairs were made. In August 2020 the ceiling in an interior hallway collapsed from the leak, which the family captured on video. Still, even after the collapse and repeated messages to Balfour it took more than six weeks for Balfour to actually respond to the family. Balfour blamed their slow response on COVID-19 and difficulties getting contractors to complete multiple roof repairs at that time at Ft. Gordon.

**ARMY FAMILY #4:** In June 2020, this family noticed a roof leak over their bedroom and immediately reported it to Balfour. The company attempted initial repairs but the roof leak soon returned. By the end of September 2020, the service member in this home had made more than

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<sup>1</sup> The Choe Family entered into a settlement agreement with Balfour in March 2022 without any admission of liability by either side.

two dozen attempts to get Balfour to repair the roof leak and ongoing mold growth in their home that had resulted as a result of the leak. During this time period the service member's wife who suffered from a long-standing immune condition suffered increased respiratory symptoms she believed was due to her exposure to mold in the home. Balfour eventually addressed the leak and mold issues in the home in September 2020. However, while some of Balfour's own records indicate the presence of mold in the home, Balfour's internal work order database – used by the military to help access the company's 'award fees' – did not contain a single mold work order request for 2020 during the time period the family made multiple requests to have Balfour address mold in their home. In October 2020, Balfour also received information that the roof leak had disturbed asbestos-containing materials in the ceiling of the home, but did not inform the home owners about the presence of asbestos until four weeks later.

**ARMY FAMILY #5:** This family also encountered resistance by Balfour to treat their concerns about potential mold in the home seriously. The family noticed a "strong musty smell" and discoloration on the floor of one of their bathrooms and submitted repair requests to Balfour. However, Balfour employees that visited the home discounted the concerns. Finally, in September 2020, two months after the family informed Balfour about their concerns Balfour agreed to remove the bathroom floor to inspect it and repair it. The family took photos of the bathroom floor during this renovation that shows what appears to be excessive black mold on the floor. This family also had a teenage son with asthma and severe allergies, and prior to moving into the home was assured by Balfour that the home would **not** contain carpet, since that would exacerbate their son's medical condition. However, the house did contain carpet and Balfour refused to remove it from the home until after senior staff at Ft. Gordon's garrison command got involved.

**ARMY FAMILY #6:** Balfour's inability to promptly and thoroughly respond to requests also negatively affected this military service family. In response to repeated requests to investigate a water leak and the growth of mold in this home – that began in October 2021 – Balfour blamed the problem on a loose drain fixture in one of the bathrooms. However, the family noted that there was "moldy water" leaking from the shower, water leaking from behind the walls and bubbles of water in the floorboards. Eventually, in February 2022, Balfour moved the family out of the home for three weeks and cut open the walls to repair the leak. However, despite the fact that this family made specific request to address "mold" in the home, Balfour entered these requests into its internal work order database as "plumbing" and "painting" issues.

**ARMY FAMILY #7:** The husband and service member of this family and the family's four-year old boy both suffered from severe allergies to dogs. However, when the family first moved into the home the upstairs carpet in this house was reportedly covered in dog hair and pet stains. The family requested the carpet be removed but was frustrated that there was little follow-up from Balfour.<sup>2</sup>

**ARMY FAMILY #8:** In January 2022 this family raised concerns about the condition of their home when they moved in, including broken door frames, clear packing tape used to repair the floor in several areas, dirty carpets with dog hair, and mold growth in the ventilation ducts. The

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<sup>2</sup> The Subcommittee was unable to contact Army Family #7 because Balfour indicated that it could not locate this family's complaint in its email system.

family's middle and youngest daughters soon started to have respiratory symptoms the family believed was due to the environmental conditions in the home. The Subcommittee found that, according to Balfour's work order data, no repairs had been made and the house had not been cleaned as required prior to the family's move-in. Eventually, Balfour repaired these issues after consistent pressure and complaints from the family.

**U.S. AIR FORCE FAMILY #1 (The Torres Family<sup>3</sup>):** More than one thousand miles away from Ft. Gordon, this family at the Sheppard Air Force Base in Texas, suffered from very similar circumstances in their on-base, Balfour-maintained home. This family first moved into their home in August 2020. However, in March 2021 their water heater broke and they submitted a repair request to Balfour. But the repairs resulted not only in a gas leak, which was quickly turned off, but also in the flooding of one of the family's rooms and the mechanical room with the furnace. This led to mold growth in the home. The spouse in this family has asthma and believed the mold was having a negative effect on her respiratory issues. To address the family's complaints, not only did Balfour attempt to use an assessment from an industrial hygienist who had never visited the home and recommended very limited remediation, but Balfour inaccurately entered the family's complaints about "mold" into the company's internal tracking database as "plumbing" issues. The family was finally moved out of the home for one month, during which time Balfour made repairs to address the mold in the home. However, when they returned in September 2021, they noticed lingering mold in their home. When they entered new requests to have Balfour address these ongoing safety and health issues, Balfour entered the "mold" requests into its internal work order tracking system as "carpentry" issues.

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<sup>3</sup> The Torres Family is engaged in ongoing litigation with Balfour as of the date of the issuance of this report.

## I. EXECUTIVE SUMMARY

During service to the nation, America’s military service members and their families may live in on-base housing across the country. Nearly all of the family housing on military installations are operated by private companies, and service members pay rent to these companies with taxpayer dollars. The U.S. Senate Permanent Subcommittee on Investigations (“Subcommittee” or “PSI”) has uncovered ongoing mistreatment of these service members and their families and mismanagement by one of the largest private military housing companies — Balfour Beatty Communities, LLC (“Balfour”) — that has put the health and safety of military families at risk.

Balfour operates more than 43,000 on-base homes at 55 separate Army, Navy, and Air Force bases in 26 states serving approximately 150,000 residents.<sup>4</sup> PSI’s eight month-long inquiry found numerous instances between November 2019 and February 2022 where Balfour’s executives and managers failed to properly respond to both repairs and environmental hazards such as mold in homes on two military bases — the Fort Gordon Army Base in Georgia (“Ft. Gordon”), where Balfour operates approximately 1,000 homes, and Sheppard Air Force Base in Texas (“Sheppard AFB”), where Balfour operates an estimated 700 homes. The PSI review was a case study of these bases, particularly Ft. Gordon. Balfour’s failures in these instances exposed military service members and their families living on these bases to hazards that jeopardized their health and safety.

PSI’s inquiry found numerous examples since late 2019 of poor conditions in Balfour’s military housing and disregard of safety concerns and environmental hazards that put military families at risk, including:

- Failures to properly remediate mold growth in military housing subjected medically vulnerable spouses and children of U.S. service members at Ft. Gordon to mold exposure deemed by their physicians to pose significant health risks.
- One child of a service member living in Balfour housing at Ft. Gordon suffered from severe atopic dermatitis that her physician believed was likely caused by untreated mold growth in the service member’s home. Other families, including one with a child with a pre-existing medical condition, expressed frustration at Balfour’s lackluster response to concerns about their children’s mold exposure. The spouse of a service member at the Sheppard AFB also had asthma which she believed was exacerbated due to mold exposure in their home and their children suffered from respiratory issues they believed were also due to these exposures.
- Military families were moved into homes at Ft. Gordon with broken floor tiles held together by packing tape, clogged HVAC vents, carpets filled with pet hair, rusting pipes, and broken appliances — including a furnace leaking gas.

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<sup>4</sup> See Balfour Beatty Communities, *Find Your Home—Military*, <https://www.balfourbeattycommunities.com/find-your-home/military> (last visited Apr. 11, 2022).

- Military families at Ft. Gordon lived in Balfour housing where significant water leaks went unrepaired for months causing, in several cases, collapsed and punctured ceilings, warped walls, doorframes, and flooring, and damage to service members' belongings and appliances.
- According to a Balfour employee, Balfour's facility manager at Ft. Gordon stated that health concerns about asbestos are "overblown or overstated" and suggested that the employee should just "glue down" broken floor tiles that may contain asbestos without testing them for asbestos or attempting to remediate the issue.

These poor conditions persisted well after Richard Taylor, one of Balfour's two co-presidents, publicly pledged in testimony before Congress on December 5, 2019, to improve Balfour's ability to monitor repairs and responses to conditions such as mold, to prioritize the health and safety of residents, and to prepare homes for move-ins.<sup>5</sup>

Mr. Taylor's pledge came in response to Balfour learning that its military housing operations were the subject of a Department of Justice ("DOJ") fraud investigation initiated earlier that year.<sup>6</sup> In December 2021, Balfour pled guilty to committing major fraud against the United States from 2013 to 2019. Balfour's fraudulent activities included Balfour employees manipulating and falsifying its military housing work order data to obtain performance incentive fees from taxpayer funds that it had not earned.<sup>7</sup> Balfour was ordered to pay \$65.4 million in fines and restitution and was placed under an independent compliance monitor for three years.<sup>8</sup>

In announcing the guilty plea, Deputy Attorney General Lisa O. Monaco said, "Instead of promptly repairing housing for U.S. service members as required, [Balfour] lied about the repairs to pocket millions of dollars in performance bonuses. This pervasive fraud was a consequence of [Balfour's] broken corporate culture, which valued profit over the welfare of service members."<sup>9</sup>

Despite Balfour's awareness of the DOJ investigation, PSI uncovered multiple instances after 2019 — even after Balfour's guilty plea in December 2021 — where Balfour employees

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<sup>5</sup> See House Armed Services Committee, Subcommittee on Readiness, Written Testimony of Richard C. Taylor at 3-6, Hearing on Privatized Housing: Are Conditions Improving for Our Military Families, 116th Congress (Dec. 5, 2019) ("2019 Taylor HSAC Testimony"). According to Balfour's leadership directory, Mr. Taylor's military housing responsibilities include "preventative maintenance, optimal utilities management, quality assurance, and above all, Zero Harm, the Balfour Beatty safety pledge." See "Our Leadership," Balfour Beatty Communities, <https://www.balfourbeattycommunities.com/get-to-know-us/leadership> (last visited Apr. 10, 2022).

<sup>6</sup> See 2019 Taylor HSAC Testimony at 2.

<sup>7</sup> See U.S. Department of Justice: *Justice Department Announces Global Resolution of Criminal and Civil Investigations with Privatized Military Housing Contractor for Defrauding U.S. Military* (Dec. 22, 2021) ("DOJ Balfour Guilty Plea Press Release"). See: <https://www.justice.gov/opa/pr/justice-department-announces-global-resolution-criminal-and-civil-investigations-privatized>. According to DOJ's press release, Balfour was eligible for performance incentives for managing and maintaining military housing if it "satisfied performance objectives related to, among other things, maintenance of the housing[.]" When "Balfour employees altered or manipulated [work order] data," this "falsely inflated" Balfour's performance metrics and, ultimately, "fraudulently induce[d] the [military] service branches to pay performance incentive fees which [Balfour] had not earned." See *id.*

<sup>8</sup> *Id.* DOJ also specifically noted that Balfour's compliance program and internal controls were not yet fully implemented or tested to ensure prevention and detection of similar conduct in the future, and Balfour agreed to be subject to independent compliance monitoring for at least three years as part of its guilty plea. See *id.*

<sup>9</sup> See DOJ Balfour Guilty Plea Press Release.

recorded inaccurate and incomplete housing work order data for repair requests in its internal work order tracking system—named Yardi—which could lead to Balfour receiving improper performance fees from taxpayers’ funds.<sup>10</sup> For example:

- Contrary to company policy, Balfour employees repeatedly failed to record military families’ complaints about mold in their home in Balfour’s Yardi internal data management software, and also inaccurately entered the complaints about mold on multiple occasions referring to them instead as issues involving “interior repairs,” “painting,” “carpentry,” or “plumbing” issues.
- According to a former Balfour employee, two successive Balfour facility managers at Ft. Gordon routinely directed maintenance staff to advise military families to contact them directly, instead of submitting repair requests online.<sup>11</sup> However, the families’ verbal repair requests often would not be logged into Balfour’s internal work order tracking system. Further, when a service member followed up on his repeated verbal requests for mold remediation in his home, Balfour staff cited the lack of such a record in Yardi to allege that the service member had not been complaining about mold in his home, which the service member adamantly denies;
- Another former Balfour supervisor informed the Subcommittee that due to pressure from the Balfour facility manager, Balfour’s maintenance staff at Ft. Gordon prematurely closed out mold work orders after only making superficial repairs and without trying to fix the root cause of the mold growth; and
- A senior Balfour executive acknowledged to the Subcommittee that she was made aware of concerns of inaccurate and incomplete work order data at Ft. Gordon after 2019, but failed to ensure that Balfour took any action to investigate or correct these problems, thus highlighting structural oversight deficiencies that remain at Balfour.

The types of improper behavior uncovered by PSI at Balfour after 2019 bear striking similarities to the types of conduct which Balfour admitted to in its December 2021 guilty plea for actions it took between 2013 and 2019.

### **The Subcommittee’s Inquiry**

In August 2021, the Subcommittee initiated its inquiry into Balfour’s military housing operations after Chairman Ossoff received multiple housing complaints from residents when he

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<sup>10</sup> The Subcommittee was not able to determine the extent to which Balfour received improper payments due to the inaccurate work order data discussed in this report.

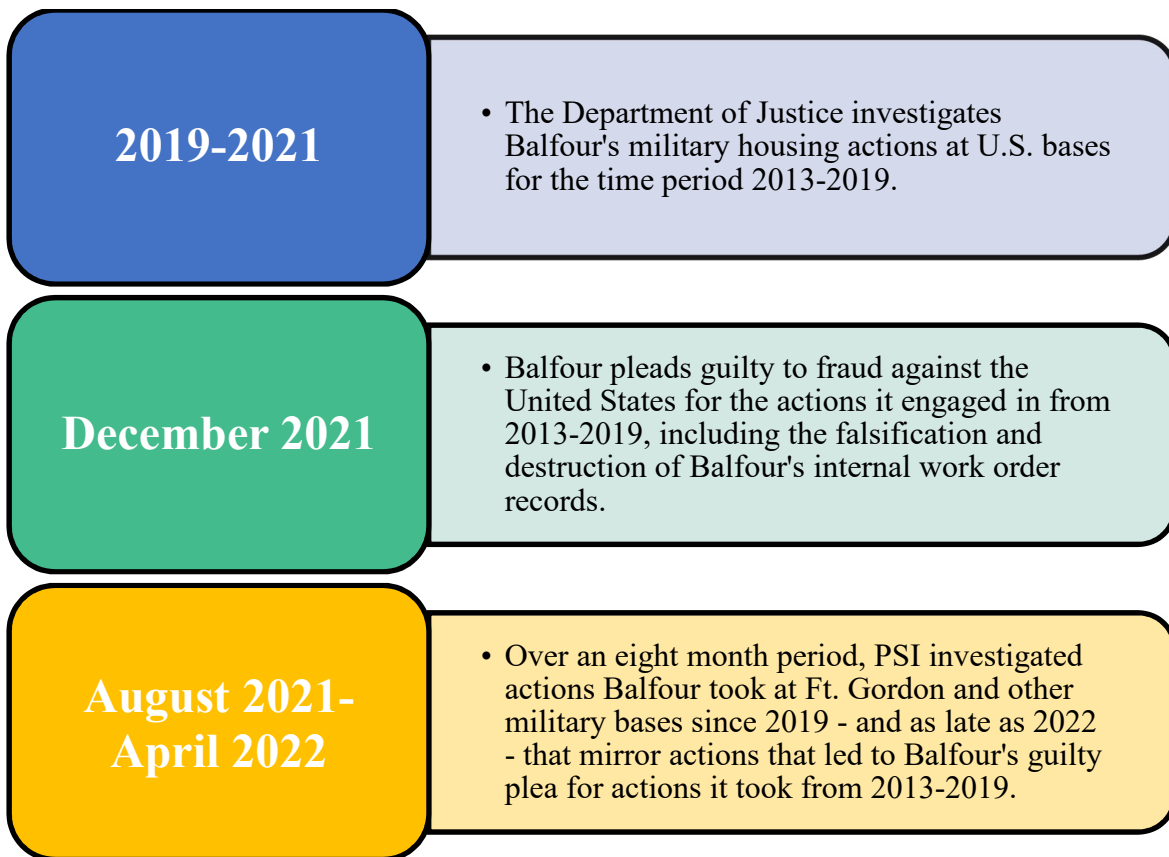
<sup>11</sup> From 2019 to present, Balfour has had three facility managers at Ft. Gordon — 1) the manager who was in charge of the Ft. Gordon facility department from 2019 until early October 2020 (“Former Balfour Facility Manager”); 2) Tom Rodriguez, who took over in October 2020 and remained in charge until November 2021, and 3) the current facility manager. The two successive managers referenced above are the Former Balfour Facility Manager and Mr. Rodriguez.

visited Ft. Gordon the previous month. Examining homes at Ft. Gordon, the Subcommittee sought to determine whether Balfour has fulfilled the public pledge that its co-president, Richard Taylor, made in December 2019 to improve how the company responds to mold and other significant environmental issues, how it addresses residents' health and safety concerns and basic repairs, and how it prepares homes prior to move-in.

Given Balfour's December 2021 guilty plea for fraud connected to its compliance and internal controls practices, and that Balfour is eligible to collect incentive payments from taxpayer dollars for completing timely repairs, the Subcommittee further sought to assess whether Balfour has improved its compliance controls and internal procedures. The Subcommittee also sought to determine whether Balfour's work order data is now more accurate and complete than it had been between 2013 and 2019, the time period DOJ examined in its fraud investigation of Balfour.

The Subcommittee received and reviewed more than 11,000 pages of records from Balfour. These records included Balfour's written policies and procedures, work order data and records, e-mails and internal memos concerning the presence of mold and asbestos and other potentially unsafe conditions in the homes that Balfour manages for the U.S. military. The Subcommittee also received internal complaints, reports, and analyses regarding the poor conditions of some of these homes.

**Figure 1: Balfour Investigative Timelines**



In addition, the Subcommittee received and reviewed documents provided by military families and former Balfour employees. These records included those families' correspondence with Balfour, the maintenance requests the families filed, and medical records of their consultation with physicians concerning the potential effect of environmental hazards, such as mold, on the health and safety of family members.

Beyond reviewing records, the Subcommittee interviewed more than one dozen military family members and former Balfour employees. The Subcommittee secured testimony from eleven executives, managers, and employees from Balfour — ranging from maintenance supervisors to Balfour's co-president. Finally, the Subcommittee received briefings from the U.S. Department of Defense ("DoD"), the U.S. Army, the Government Accountability Office, and advocacy groups for military families.

### **The Subcommittee's Key Findings**

**Balfour's staff at Ft. Gordon frequently ignored or delayed responding to urgent requests from military families to address conditions such as mold and roof leaks that threatened the families' health and safety.** A former Balfour employee at Ft. Gordon ("Former Balfour Ft. Gordon Employee #1") described to the Subcommittee how military families often contacted him multiple times each week because other Balfour employees were not responding properly to those families' repair requests, including requests involving potentially serious health issues.<sup>12</sup> The Subcommittee's inquiry found numerous corroborating examples:

- From October 2020 until July 2021, Balfour failed to address water leaks and mold growth in the home of a military family at Ft. Gordon. According to a Balfour internal memo – the unrepaired water leak resulted in a “[h]ole in the ceiling of the master bedroom” and left the bathroom wall “wet and squishy.”<sup>13</sup> The mold in the home exposed the military spouse in this family – who has a serious immune disorder – to risks of “significant health consequences,” according to her doctor.<sup>14</sup>
- In 2020, Balfour's failure to respond to mold in the Ft. Gordon home of an U.S. Army officer likely caused that officer's 8-year daughter to suffer from severe atopic dermatitis, a serious skin condition, according to the girl's physician.
- Balfour's months-long failure in the summer of 2020 to repair a roof leak in another military family's home at Ft. Gordon led to mold growth that required the military spouse to seek treatment from an infectious disease specialist for her respiratory symptoms.

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<sup>12</sup> See Former Balfour Ft. Gordon Employee #1, Balfour Beatty Communities, Interview with PSI.

<sup>13</sup> See Balfour Document Production to PSI with production number BBCPSI-011021 (hereafter, references to documents produced by Balfour to PSI will be identified by their production numbers, *i.e.*, BBCPSI-xxxxxx).

<sup>14</sup> See BBCPSI-007427.

- For six weeks in 2020, Balfour’s facility manager at Ft. Gordon did not return “multiple” calls from a military family even after their hallway ceiling caved in due to a roof leak that had gone unrepaired for months.
- As recently as February 2022, Balfour failed to promptly repair a water leak, which a military family reported in October 2021, or to remediate mold that had formed as a result of the leak until a hole appeared in the military family’s bathroom ceiling months after the leak first began.<sup>15</sup>

**Balfour repeatedly failed to clean or to make basic repairs to homes at Ft. Gordon prior to move-ins.** Balfour failed to clean or remove carpets, including when it was requested to accommodate concerns about exacerbation of asthma and severe allergies, for three of the eight Ft. Gordon military families whose experiences are detailed in this report. Information provided to PSI by former Balfour employees and military families, as well as Balfour’s records, further show that Balfour’s failure to clean or make basic repairs prior to move-ins at Ft. Gordon was widespread. For example, a former Balfour employee told the Subcommittee that he received multiple complaints in a typical week from new residents about conditions such as mold, clogged HVAC vents, rusting pipes, broken appliances, and leaks that had not been repaired or addressed while the homes were vacant.<sup>16</sup>

**The Subcommittee uncovered numerous examples of inaccuracies and omissions in Yardi, Balfour’s internal work order data tracking system after 2019, when the company initially vowed to correct these problems.** In December 2021, Balfour pled guilty for having knowingly obtained incentive fees from 2013 to 2019 based on inaccurate and incomplete work order data. Balfour misrepresented that “maintenance issues raised by residents were being addressed in a timely manner,” according to the criminal charges filed against Balfour.<sup>17</sup> The Subcommittee found that inaccurate and incomplete work order data has persisted at Ft. Gordon since 2019.

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<sup>15</sup> As noted above, this PSI inquiry primarily focused on Ft. Gordon and Sheppard AFB as a case study of Balfour’s operational, management, and work order data recording practices. This report details the specific experiences of nine military families due to Balfour’s failures to make timely and thorough repairs to their homes on these two bases, to repair and clean homes prior to move-ins and to fully and properly address environmental hazards in these homes. These nine military families represent a small percentage of residents served by Balfour at Ft. Gordon and Sheppard AFB.

However, the Subcommittee’s interviews of former Balfour employees, information provided to PSI by military housing advocates, and Balfour’s own records together show that many other families – particularly at Ft. Gordon – experienced similar housing issues due to failures on Balfour’s part. As noted above, a former Balfour employee described receiving multiple calls each week from frustrated Ft. Gordon military families. Further, a tracking chart that Balfour produced to PSI with summaries of Ft. Gordon residents’ written comments contain dozens of complaints after 2019 from military service members and veterans – who are not from the nine families detailed in this report – concerning Balfour’s delays and failures to address conditions like water leaks and mold hazards in these homes. *See generally* BBCPSI-011019. Lastly, just since May 2021, the advocacy group Armed Forces Housing Advocates (AFHA) has helped 350 families deal with problems due to Balfour’s housing operations at military bases in seven states across the United States: California (119), Colorado (6), Texas (30), Florida (23), Georgia (124), South Carolina (1), and Oklahoma (47).

<sup>16</sup> *See* Former Balfour Ft. Gordon Employee 1 PSI Interview.

<sup>17</sup> *U.S. v. Balfour Beatty Communities, LLC*, 1:21-cr-742-EGS (D.D.C.), Information ¶ 9, Dkt. 1.

Specifically, the Subcommittee found numerous instances where Balfour’s internal records show that military families at Ft. Gordon and Sheppard AFB reported mold in their homes, yet Balfour’s internal work order database did not reflect those repair requests nor did it cite “mold” as the issue reported. Instead, they described these requests as being related to “internal repairs,” “carpentry” and “painting,” for instance. Further, former Balfour employees described to the Subcommittee the practices in 2020 and 2021 by two successive facility managers at Ft. Gordon — that included telling staff to encourage military families to verbally request repairs and then frequently not entering those verbal requests into Balfour’s internal tracking system — that likely undermined the data integrity of this system.<sup>18</sup>

**A senior Balfour executive acknowledged to the Subcommittee that she was made aware of concerns of inaccurate and incomplete work order data at Ft. Gordon after 2019, but failed to ensure that Balfour took any action to investigate or correct these concerns, highlighting ongoing internal oversight weaknesses at Balfour.** Paula Cook, a Balfour vice president with “executive leadership responsibility for the Army military housing portfolio,”<sup>19</sup> admitted in an interview with the Subcommittee that she knew that the Balfour facility manager who was in charge at Ft. Gordon from 2019 to early October 2020 (“Former Balfour Ft. Gordon Facility Manager”), was not implementing repairs that he promised to make for residents.<sup>20</sup> Ms. Cook did not directly supervise this employee. However, as a senior Balfour executive she failed to ensure that Balfour took steps to investigate or correct these issues at Ft. Gordon.<sup>21</sup>

Further, in February 2021, an Army officer at Ft. Gordon presented Ms. Cook with allegations of missing mold work orders for his home in 2020.<sup>22</sup> A day earlier, Ms. Cook had received an email in which Tom Rodriguez, Former Balfour Ft. Gordon Facility Manager’s successor at Ft. Gordon, wrote that when he “arrived on site [on] October 5, 2020[,] words could not describe the total Chaos that was the Facilities Department.”<sup>23</sup> Yet, Ms. Cook told the Subcommittee that she “did not ask anyone anything” in order to investigate the Army officer’s allegations of missing work orders in 2020 despite being aware of concerns raised by Balfour’s own staff about the chaotic state of the facility department at Ft. Gordon at that time.<sup>24</sup>

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<sup>18</sup> See Former Balfour Ft. Gordon Employee #1 PSI Interview.

<sup>19</sup> See “Our Leadership,” Balfour Beatty Communities, <https://www.balfourbeattycommunities.com/get-to-know-us/leadership> (last visited Apr. 10, 2022). In 2019, Balfour restructured its military housing business and “split the roles of Community Management, which is responsible for customer service and support and community leasing activities, and Facilities Management, which is responsible for maintenance.” See Taylor 2019 HSAC Testimony at 3. Since 2019, Ms. Cook has been one of three Community Management vice presidents and is responsible for the 17 Army bases where Balfour operates housing. The other two Community Management vice presidents oversee Balfour’s housing operations on U.S. Navy and U.S. Air Force bases, respectively.

<sup>20</sup> Paula Cook, Balfour Beatty Communities, Interview with PSI.

<sup>21</sup> See *id.*

<sup>22</sup> See BBCPSI-000994.

<sup>23</sup> See BBCPSI-008394.

<sup>24</sup> Paula Cook PSI Interview. Ms. Cook was not directly responsible for Balfour’s work order data and records, but, as she acknowledged in her interview, she had access to these data and records and she often was informed of concerns that military families expressed about delayed or inadequate repairs. Similarly, while Ms. Cook did not directly supervise Facilities Management staff like Tom Rodriguez or Former Balfour Facility Manager, she had direct access to senior Facility Management executives like Richard Taylor. See *id.*; see also, e.g., BBCPSI-009598. Ultimately, regardless of whom she supervised directly, Ms. Cook is a senior Balfour executive. As a result, once she was made aware of critical data integrity issues regarding problems with Balfour’s work order data she had a responsibility to follow up and to ensure that these issues were addressed by the appropriate Balfour staff.

**The Subcommittee identified significant gaps that remain in Balfour’s compliance procedures.** Balfour admitted that its “inadequate controls [from 2013 to 2019] contributed to the misconduct” relevant to its December 2021 guilty plea.<sup>25</sup> However, the Subcommittee found that as of late 2021, significant gaps in compliance procedures continued to exist at Balfour. For example, Balfour’s compliance staff were kept in the dark for months about two internal complaints submitted by departing facility employees at Ft. Gordon — including one that specifically stated that the way Tom Rodriguez, Balfour’s facility manager at Ft. Gordon from October 2020 to November 2021 “handles asbestos needs to be investigated.”<sup>26</sup>

The Subcommittee uncovered numerous specific instances where Balfour’s housing practices since 2019 put military families’ health and safety at risk. The Subcommittee further found that Balfour’s practices since 2019 at the bases it examined mirror Balfour’s practices between 2013 and 2019 that led to its December 2021 guilty plea for fraud. The chart on the next page provides a comparison between Balfour’s conduct from 2013 to 2019 and the actions the Subcommittee discovered that Balfour was engaged in after 2019:

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<sup>25</sup> *U.S. v. Balfour Beatty Communities, LLC*, 1:21-cr-742-EGS (D.D.C.), Statement of Facts at A-10, Dkt. 5-1 (“*U.S. v. Balfour* Statement of Facts”).

<sup>26</sup> See Richard Taylor, Balfour Beatty Communities, Interview with PSI; see also BBCPSI-008033.

<b>Figure 2: Balfour’s Post-2019 Conduct Mirrored Its 2013–2019 Conduct Relevant to Its Guilty Plea</b>		
<b>Issue</b>	<b>2013–2019 Conduct That Balfour Admitted to In Its 2021 Guilty Plea</b>	<b>Balfour’s Post-2019 Conduct Uncovered by the Subcommittee</b>
Prematurely closing work orders to give the false appearance of timely resolution of repair requests	Intentionally misleading the military into thinking that repairs were being done “in a timely manner. On multiple occasions Balfour “opened work orders in response to resident complaints about acute ( <i>e.g.</i> , leaks) and long-term ( <i>e.g.</i> , warped floors) maintenance issues, and then closed the work orders prior to completing the required work.”  <i>U.S. v. Balfour</i> Stmt. of Facts, ¶¶ 24-25.	Due to pressure from one facility manager to close out mold work orders, Balfour’s facility staff at Ft. Gordon prematurely closed out mold work orders after only making superficial repairs without making an effort to find or resolve the root causes of the problem.  <i>PSI Interview of Former Balfour Ft. Gordon Employee #2.</i>
Undermining the integrity of the data in the work order tracking system data to misrepresent Balfour’s performance	Former Balfour vice president “[Rick] Cunefare gave instructions to community managers and others that resulted in the community managers and others manipulating and falsifying information in Balfour’s internal work order tracking system in order to give “the effect of falsely inflating” Balfour’s performance.  <i>U.S. v. Balfour</i> Stmt. of Facts, ¶ 33.	In 2020 and 2021, Balfour managers at Ft. Gordon instructed staff to advise military families to verbally request repairs to get quicker responses, and then frequently did not log the verbal requests into its work order tracking system, thereby undermining the system’s accuracy and integrity.  <i>PSI Interviews of Capt. Samuel Choe and Former Balfour Ft. Gordon Employee #1.</i>
Failing to investigate or take corrective action after being made aware of data discrepancies and data integrity concerns	Balfour’s “regional personnel were aware of data discrepancy and data falsification allegations and failed to take corrective action;” and its senior executives “were aware of warning signs of Performance Incentive Fee-related misconduct,” but “failed to take immediate action to investigate the allegations and correct any misconduct.”  <i>U.S. v. Balfour</i> Stmt. of Facts, ¶¶ 46, 48.	Paula Cook, a vice president at Balfour, was aware of work order data discrepancies and data integrity concerns in 2020 and 2021, but she did not ensure that the issues were properly investigated or that appropriate corrective actions were taken, pointing to ongoing structural oversight issues at Balfour that may impact the health and safety of military service members and their families.  <i>PSI Interview of Paula Cook.</i>

## II. RELEVANT BACKGROUND

### A. The Military Housing Privatization Initiative

In 1996, Congress enacted the Military Housing Privatization Initiative (“MPHI”), which gave the Department of Defense (“DoD”) the statutory authority to collaborate with private housing developers to manage, operate, renovate, and construct military housing.<sup>27</sup> Today, private housing companies like Balfour operate 99 percent of the family homes on military bases in the United States.<sup>28</sup>

One key feature of the MPHI is that the military did not enter into traditional defense procurement contracts with the housing companies. Instead, the Army, Navy, and Air Force established approximately 80 “privatized military housing projects,” according to the Government Accountability Office. Each involved the creation of “a separate and distinct [corporate] entity governed by a series of [specific] legal agreements” in which the housing company and the military each holds a membership interest.<sup>29</sup> The military service branches then “leased land to [the project entity] for a 50-year term and conveyed existing homes located on the leased land to the [entity] for the duration of the lease [*i.e.*, 50 years].”<sup>30</sup>

Another key feature of the MPHI is the typical availability of incentive fees if the housing companies can meet certain performance goals established by the military.<sup>31</sup> For example, Balfour can earn performance incentive fees on most of its military housing projects by satisfying specific performance objectives.<sup>32</sup>

Finally, despite these unique features, federal defense appropriations remain the key revenue source for these privatized military housing projects.<sup>33</sup> Specifically, defense appropriations provide military service members stationed in the United States with Basic Allowance for Housing (“BAH”) to cover their housing costs, which service members must then turn over to housing operators like Balfour to cover rent and other fees associated with their on-base housing.<sup>34</sup>

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<sup>27</sup> See Pub. L. No. 104-106, §§ 2801-2802 (1996), *codified as amended at* 10 U.S.C. §§ 2871-885. At its core, the MPHI is intended to attract private sector financing, expertise, and innovation to provide necessary housing for military service members and their families in a faster and more efficient manner than traditional military construction processes previously allowed. *See id.* at 5.

<sup>28</sup> See Government Accountability Office, *Military Housing Privatization: DOD Should Take Steps to Improve Monitoring, Reporting, and Risk Assessment* (GAO-18-218) (March 2018) at 6, <https://www.gao.gov/products/gao-18-218>.

<sup>29</sup> *See id.* at 7.

<sup>30</sup> *Id.* at 7.

<sup>31</sup> *See id.* at 7-8.

<sup>32</sup> *U.S. v. Balfour* Stmt. of Facts ¶¶ 11-12.

<sup>33</sup> See Government Accountability Office, *Military Housing: Actions Needed to Improve the Process for Setting Allowances for Servicemembers and Calculating Payments for Privatized Housing Projects* (GAO-21-137) (Jan. 2021) at 10, <https://www.gao.gov/products/gao-21-137>.

<sup>34</sup> See GAO-18-218 at 20-24; *see also* BBCPSI-000046.

## B. Balfour's Involvement in Military Housing

Balfour's involvement in military housing began in 2002, when it was called GMH Military Housing and operated as a subsidiary of the real estate firm GMH Communities Trust.<sup>35</sup> In 2008, Balfour Beatty PLC – a London-based multinational construction firm and Balfour's corporate parent – acquired GMH Military Housing from GMH Communities Trust and renamed it Balfour Beatty Communities LLC.<sup>36</sup>

Richard Taylor and Christopher Williams, who had led GMH Military Housing since its inception in 2002, remained with Balfour after the 2008 acquisition.<sup>37</sup> They currently serve as the co-presidents of Balfour — with Mr. Taylor having the title of “President, Facility Operations, Renovation & Construction for Balfour Beatty Communities with overall responsibility for the direct oversight of the facilities management function of the company's military housing portfolio focusing on preventive maintenance, optimal utilities management, quality assurance, and above all, Zero Harm, the Balfour Beatty safety pledge.”<sup>38</sup> Mr. Williams, President of Balfour Beatty Communities, in turn, has responsibility for Balfour's “strategic direction of its residential business, long-term development and oversight of investments, management and operations.”<sup>39</sup>

Contractually, Balfour has structured its military housing operations as 20 separate projects.<sup>40</sup> Some projects — such as the one at Ft. Gordon — involve homes on a single military base, while others involve homes across multiple bases. Regardless of the corporate structure, all of Balfour's military housing projects share the same basic structure — including the creation of a special purpose entity to hold the 50-year ground lease from the military, to own the on-base homes, and to finance constructions and renovations by issuing bonds to lenders.<sup>41</sup>

In 2003, Balfour (through its predecessor GMH-MH) established Fort Gordon Housing, LLC, which Balfour manages through a subsidiary, as the corporate entity responsible for its military housing operations at Ft. Gordon.<sup>42</sup> Specifically, Balfour operates over 1,000 on-base homes at Ft. Gordon.<sup>43</sup> The majority of these are “legacy homes” built in the 1950s and 1960s<sup>44</sup>

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<sup>35</sup> See “Our Story,” Balfour Beatty Communities, <https://www.balfourbeattycommunities.com/get-to-know-us/our-story>.

<sup>36</sup> Richard Taylor PSI Interview.

<sup>37</sup> See *id.*

<sup>38</sup> See “Our Leadership,” Balfour Beatty Communities, <https://www.balfourbeattycommunities.com/get-to-know-us/leadership>. According to Balfour, Mr. Taylor's responsibilities also “extend to the execution of all construction activity associated with the renovation of homes, grounds, roads and infrastructure at on-base military housing communities across the United States.”

<sup>39</sup> See *id.*

<sup>40</sup> Balfour Beatty PLC 2020 annual report at 227.

<sup>41</sup> Balfour presentation to PSI.

<sup>42</sup> See BBCPSI-000035. According to Fort Gordon Housing, LLC's 2020 audited financial statement, Balfour Military Housing - Fort Gordon, LLC is the Balfour subsidiary that manages the Ft. Gordon SPE. *Id.*

<sup>43</sup> Balfour presentation to PSI (August 6, 2021). Further, as a Balfour supervisor at Ft. Gordon noted in her interview with the Subcommittee, the “legacy homes” at Ft. Gordon often have asbestos-containing materials because they were constructed before 1980. See Jessica Hartmann, Balfour Beatty Communities, Interview with PSI.

<sup>44</sup> *Id.*

As noted above, BAH, which is determined by defense appropriations, is the “primary source of revenue” for Balfour’s military housing projects.<sup>45</sup> Balfour’s Assurance Plan for Military Housing Incentive Management Fee recognizes, “the incentive management fee is designed to provide an ‘incentive’ for good performance” by Balfour under the terms of each of its projects, and “common incentivized categories are customer service, maintenance performance and timely/accurate financial reporting.”<sup>46</sup> Further, because correct computation of incentive fees depends on the accuracy of Balfour’s internal work order data, “accuracy in the recording of work order data” is of “paramount” importance.

### C. The Yardi Program Used by Balfour to Track Military Housing Work Orders

Balfour utilizes a private sector computer program called Yardi to manage its military housing operations for purposes of “creating, updating, and closing work orders.”<sup>47</sup> When military families report housing issues like a water leak to Balfour, the information is supposed to be entered into Yardi, which generates a work order that is used to track the repair request. Once the work is completed, Balfour is supposed to “‘close out’ the work order.”<sup>48</sup>

Yardi allows Balfour to enter and track the company’s repair work orders by assigning a unique identification number to each work order and then associating that work order number with various data fields and repair records. Every Balfour repair work order has the following fields: i) CallDate, *i.e.*, when a resident first contacted Balfour to report a needed repair; ii) Priority, *i.e.*, if the repair is an emergency, urgent, or routine request; iii) Category, *i.e.*, what type of conditions (*e.g.*, mold, plumbing, or leak) is involved; and iv) Sub-category, *e.g.*, whether the request implicated a health or safety concern.<sup>49</sup>

Having accurate and complete Yardi work order data is critical for ensuring the correct calculation of Balfour’s performance incentive fees.<sup>50</sup> Balfour admitted this fact in its December 2021 guilty plea and Balfour executives, including Richard Taylor, confirmed that it is important to have accurate and complete work order data entered into Yardi.<sup>51</sup> Accurate and complete Yardi work order data also is needed to help the military exercise effective oversight of Balfour and to enable military families to make informed housing decisions. Specifically, the military

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<sup>45</sup> See, *e.g.*, BBCPSI-000046 (acknowledging that BAH is the “primary source of revenue” for Balfour’s project for Ft. Gordon); BBCPSI-000026 (acknowledging that BAH is the “primary source of revenue” for Balfour’s project that encompasses Sheppard AFB). As the financial statement for Fort Gordon Housing, LLC indicates, Balfour and its corporate affiliates have had multiple roles at Ft. Gordon. See BBCPSI-000044-45. As a result, Balfour not only is entitled to a share of Fort Gordon Housing, LLC’s profits, but also receives payments for providing maintenance and repairs, development services, and property management services through its corporate affiliates. *Id.* at 000044. Further, “incentive management fee” has made up a significant majority of what Balfour earned for property management — whereas Balfour has been entitled to a “base management fee of 0.78% of effective gross revenue” at Ft. Gordon, it could earn “up to 2.5% of effective gross revenue” in incentives by “meeting specific performance hurdles.” *Id.* For the year 2020, for example, Balfour’s total property management fees at Ft. Gordon (including the incentives) was \$326,899. *Id.*

<sup>46</sup> BBCPSI-011026.

<sup>47</sup> BBCPSI-000890-891.

<sup>48</sup> *U.S v. Balfour Stmt. of Facts* ¶ 14.

<sup>49</sup> Tom Rodriguez, Balfour Beatty Communities, Interviews with PSI.

<sup>50</sup> See *id.* ¶¶ 14-19.

<sup>51</sup> See *id.* ¶¶ 14-19. Taylor, Duggan, Rodriguez interviews.

relies on Yardi work order data to identify trends and issues in Balfour’s housing operations, and military families rely on maintenance histories generated from Yardi work order data to ascertain current or past problems with potential homes they are considering moving into.<sup>52</sup>

Since at least late 2019, Balfour has maintained written policies on Yardi work order data. For example, Balfour’s mold management policy specifies how Balfour staff are to enter Yardi work order data for any report of suspected mold in military housing:

**Figure 3: Balfour’s Mold Management Policy<sup>53</sup>**

**Initiation of Work Order in Yardi**

1. After receipt of a report from a resident of suspected mold, open a work order in Yardi under Priority = Urgent, Category = Mold, Sub-category = Life, Health & Safety. Also refer to **Work Order Management**.

Further, Balfour’s work order management policy instructs Balfour staff that military families can make repair requests online, by phone calls, or in-person and that work orders must be opened in Yardi irrespective of how the repair request is made, stating that:

**Figure 4: Balfour’s Work Order Opening Processes<sup>54</sup>**

- Residents have the option of submitting work orders
  - Online through the Resident Portal (for Routine Work Orders)
  - Calling the facilities management office, in which case an employee will enter the work order on the resident's behalf.
  - Visiting the facilities management office in person, in which case an employee will enter the work order on the resident's behalf.

D. Balfour’s Military Housing Operations, Including Its Operations at Ft. Gordon, Have Been the Subject of Public Scrutiny for More Than One Decade

The public scrutiny of the quality of housing services that Balfour provides to military families, including at Ft. Gordon, has been ongoing for more than one decade. In May 2011, for example, the investigative reporting team from an Augusta-area TV station — *WRDW* — highlighted concerns about mold in homes at Ft. Gordon operated by Balfour.<sup>55</sup> In addition to reporting on the experience of military families at Ft. Gordon who alleged serious health effects from mold in their homes, *WRDW* also interviewed the duct-cleaning contractor hired by Balfour, who described seeing HVAC ducts with “years [worth] of painted on mold, dust, [and] debris” due to lack of periodic cleaning.<sup>56</sup>

<sup>52</sup> Regional Community Manager and Daniel LaFrance, Balfour Beatty Communities, Interviews with PSI.

<sup>53</sup> See BBCPSI-000604.

<sup>54</sup> See BBCPSI-000610; see also Balfour Regional Community Manager PSI Interview.

<sup>55</sup> See *Special Assignment: Mold at Fort Gordon Part 2*, *WRDW* (May 25, 2011) (available at: [www.wrdw.com/content/news/Special\\_Assignment\\_Mold\\_at\\_Fort\\_Gordon\\_Part\\_two\\_122626054.html](http://www.wrdw.com/content/news/Special_Assignment_Mold_at_Fort_Gordon_Part_two_122626054.html)).

<sup>56</sup> *Id.*

In August 2019, the investigative reporting team at *WRDW* issued a follow-up report on mold at Ft. Gordon. In this report, a former Balfour maintenance staff at Ft. Gordon told *WRDW* that “a lot of homes” at Ft. Gordon had problems with mold and that she would not recommend for anyone “to live on Fort Gordon.”<sup>57</sup> *WRDW* also quoted Colonel Jim Clifford, the Army’s garrison commander at Ft. Gordon, stating that he was “aware of some serious problems [that Balfour] had not been addressing,” including “gas issues, electrical issues, [and] black mold.” Col. Clifford added there were “73 moisture/mold complaints” at Ft. Gordon.

Congress also scrutinized the performance of private military housing companies, including Balfour. At a February 2019 Senate committee hearing, for example, a military spouse from Tinker Air Force Base in Oklahoma testified that Balfour had “neglected” to address “numerous ongoing issues in [her family’s] home.”<sup>58</sup> This witness described how her husband discovered “black mold covering the walls, floor to ceiling,” of the mechanical room in their home and was told by a Balfour maintenance staff that he was not “allowed [] in this room.”<sup>59</sup> Balfour’s neglect, according to this military spouse, “ultimately resulted in making [her] family very sick.”<sup>60</sup>

#### E. After Being Under Investigation for Fraud Since 2019, Balfour Pled Guilty in December 2021 to Major Fraud in Its Military Housing Operations

In late 2019, Balfour disclosed that it had received a subpoena from DOJ as part of a fraud investigation.<sup>61</sup> The DOJ fraud investigation continued into 2020 and 2021 and ended with Balfour’s December 2021 guilty plea.<sup>62</sup>

In April and June 2021, DOJ filed criminal fraud charges against two former Balfour employees — Stacy Cabrera, Balfour’s community manager for the Lackland Air Force Base located near San Antonio, Texas, and Rick Cunefare, a Balfour regional manager who oversaw military housing operations in Texas as well as California, Oklahoma, and Washington.<sup>63</sup> Cunefare and Cabrera both pled guilty to those fraud charges and are awaiting sentencing.<sup>64</sup> In connection with their guilty pleas, Cunefare and Cabrera admitted that they each had “conspired with” numerous other Balfour employees “to manipulate and falsify information in Yardi,” to

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<sup>57</sup> See *8 Years After Reports of Mold at Ft. Gordon Homes, We Find that the Problems May Still Exist*, *WRDW*, (available at: <https://www.wrdw.com/content/news/I-TEAM-8-years-after-reports-of-mold-at-Ft-Gordon-homes-we-find-the-problems-may-still-exist-558467611.html>).

<sup>58</sup> Senate Armed Services Committee, Joint Subcommittee on Personnel & Readiness and Management Support, Testimony of “Family Member #4,” *Hearing on Current Condition of the Military Housing Privatization Initiative*, 116th Congress (Feb. 13, 2019).

<sup>59</sup> *Id.*

<sup>60</sup> *Id.*

<sup>61</sup> See, e.g., 2019 Taylor HASC Testimony at 2 (acknowledging 2019 DOJ subpoena).

<sup>62</sup> See DOJ Balfour Guilty Plea Press Release.

<sup>63</sup> See Department of Justice, “Former Managers at Major Property Management Firm Plead Guilty to Defrauding U.S. Air Force,” June 9, 2021, <https://www.justice.gov/opa/pr/former-managers-major-property-management-firm-plead-guilty-defrauding-us-air-force> (last visited Apr. 11, 2022).

<sup>64</sup> *Id.* Specifically, Cunefare faces a maximum of 10 years in prison and a \$250,000 fine, and Cabrera faces a maximum of five years in prison and a \$250,000 fine.

falsely show that Balfour “had met Performance Maintenance Objectives” — and thus qualified for incentive payments from the Air Force — when “it had not.”<sup>65</sup>

On December 22, 2021, DOJ charged Balfour itself with major fraud against the United States.<sup>66</sup> Balfour pled guilty to that charge on the same day and was ordered to pay \$65.4 million in fines and restitutions and agreed to be subject to independent compliance monitoring for at least three years.<sup>67</sup>

As part of its guilty plea, Balfour also admitted to a lengthy set of facts regarding its misconduct, including that a number of its executives and employees manipulated and falsified military housing work order data and records so that Balfour could obtain incentive management fees to which it was not entitled.<sup>68</sup> For example, Balfour admitted that one type of work order data manipulation and falsification involved “‘closing’ work orders early[] or marking work orders ‘complete’ prior to maintenance work actually being performed.”<sup>69</sup>

Further, Balfour also admitted that its “inadequate internal controls contributed to the misconduct,” including “widespread failures at the regional and Balfour corporate and executive levels.”<sup>70</sup> Specifically, Balfour admitted that its “regional personnel were aware of data discrepancy and data falsification allegations and failed to take corrective action” and that its senior executives, including its former Chief Operating Officer, “were aware of warning signs of” misconduct, “but failed to take immediate action to investigate the allegations and correct any misconduct.”<sup>71</sup>

Finally, although Balfour’s press release about the guilty plea claimed that it had made substantial improvement to its compliance procedures and internal controls,<sup>72</sup> DOJ noted in its announcement of the Balfour plea that the plea terms were based, in part, on “the fact that Balfour’s compliance program and internal controls have not been fully implemented or tested to demonstrate that they would prevent and detect similar misconduct in the future.”<sup>73</sup>

### **III. DESPITE BALFOUR’S PUBLIC PLEDGE TO IMPROVE ITS HOUSING SERVICES, BALFOUR CONTINUED TO PROVIDE DEFICIENT SERVICES TO MILITARY FAMILIES AT FT. GORDON**

Balfour’s co-president Richard Taylor publicly “apologize[d]” on behalf of Balfour in December 2019 before a House committee for “having fallen short” of providing housing

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<sup>65</sup> Cunefare Statement of Offense ¶ 27; Cabrera Statement of Offense ¶ 27.

<sup>66</sup> See DOJ Balfour Guilty Plea Press Release.

<sup>67</sup> See *id.*

<sup>68</sup> *U.S. v. Balfour* Stmt. of Facts ¶¶ 21-42.

<sup>69</sup> *Id.* ¶ 40.

<sup>70</sup> *Id.* ¶¶ 46, 48.

<sup>71</sup> *Id.* ¶¶ 47–48.

<sup>72</sup> “Resolution reached between Balfour Beatty Communities, LLC and the U.S. Department of Justice,” Press Release, Balfour Beatty, December 22, 2021, <https://www.balfourbeatty.com/news/resolution-reached-between-balfour-beatty-communities-llc-and-the-us-department-of-justice/>.

<sup>73</sup> DOJ Balfour Guilty Plea Press Release.

services at a level that “military families deserve[d].”<sup>74</sup> Mr. Taylor also pledged to make the health and safety of residents Balfour’s “top priority” and to “make improvements” to how Balfour monitored and responded to mold and other significant housing conditions and how it prepared homes for military families to move into.<sup>75</sup>

At Ft. Gordon, however, the Subcommittee’s inquiry determined that, since 2019, Balfour has continued to fail to respond to environmental hazards such as mold and major leaks in a timely and thorough manner or adequately prepare homes for move-ins in a number of circumstances. As a result, Balfour has failed to provide a number of military families with acceptable living conditions and protections from health hazards — especially those families with immunocompromised family members and children.

A. Since 2019, Balfour Has, In Numerous Instances, Failed to Respond Promptly or Appropriately to Conditions Like Mold and Major Leaks That Threatened Residents’ Health and Safety at Ft. Gordon.

In interviews with the Subcommittee, former Balfour employees at Ft. Gordon described frequent failures by the company to respond promptly or appropriately to conditions such as the presence of mold and leaks. For example, a former Balfour resident engagement specialist – Former Balfour Ft. Gordon Employee #1 – was often contacted multiple times a week by Ft. Gordon military families because other Balfour employees were not responding properly to their repair requests.<sup>76</sup> Further, a former maintenance supervisor ( “Former Balfour Ft. Gordon Employee #2”) disclosed to the Subcommittee that due to pressure from Balfour’s facility manager at Ft. Gordon to close out mold work orders quickly, there likely were cases where Balfour’s facility staff only made superficial repairs without trying to tackle the root cause of the mold problem.<sup>77</sup>

The Subcommittee interviewed military families and reviewed Balfour records, and found numerous families – including the six specific examples detailed below – whose experiences corroborate the former Balfour employees’ statements.

ARMY FAMILY #1

Between October 2020 and July 2021, a military family then living at Ft. Gordon (“Army Family #1”) repeatedly alerted Balfour about mold in their home, including by raising their concerns directly with the facility manager, Tom Rodriguez.<sup>78</sup> Mold was a serious concern for Army Family #1 because the spouse in this family had an immune condition that put her at serious health risk if she was exposed to mold.<sup>79</sup> Further, as Balfour’s maintenance history shows, this family’s home not only had two documented reports of mold in 2020 — on January 3, 2020 and again on October 12, 2020 — but also had flooded four times in 2020 and 2021.<sup>80</sup>

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<sup>74</sup> 2019 Taylor HASC Testimony a 1.

<sup>75</sup> *Id.* at 3-6.

<sup>76</sup> Former Balfour Ft. Gordon Employee #1 PSI Interview.

<sup>77</sup> Former Balfour Ft. Gordon Employee #2, Interview with PSI interview.

<sup>78</sup> *See* Army Family #1 PSI Interview; *see also* BBCPSI-011021.

<sup>79</sup> *See* BBCPSI-0007427.

<sup>80</sup> *See* BBCPSI-009727-9728.

Under Balfour’s mold management policy, for each suspected mold report, maintenance staff were required to perform a thorough mold inspection – including to check for sources of water and moisture that are not immediately visible – and submit a mold inspection report.<sup>81</sup>

At Army Family #1’s home, however, Balfour failed to conduct a mold inspection in response to their mold report on October 12, 2020.<sup>82</sup> Further, over the nine-month period from October 2020 to July 2021, there is no record of Balfour’s maintenance staff ever having completed a single mold inspection at this family’s home.

On July 22, 2021, Army Family #1 went to Balfour’s Community Management office at Ft. Gordon with two other service members and a family friend, and were able to convince a group of Balfour managers and staff to visit this family’s home with them. By that time, the signs of excess moisture, mold growth, and Balfour’s failure to perform repairs were unmistakable. According to a memo that a Balfour employee entered into Yardi that day:

**Figure 5: Balfour Memo in Yardi About Mold in Army Family #1’s Home**<sup>83</sup>

7/22/21 Home visit at [REDACTED] Family. Visit attendees included Mr. and Mrs. [REDACTED] residents of home) (Mrs. [REDACTED] family friend), (Mr. [REDACTED] Mr. [REDACTED] who are members of Mr. [REDACTED] command), [REDACTED], and [REDACTED] of RCI. [REDACTED] of BBC. Upon entry of the home entryway vent was visibly dirty and what appeared to be dust was on the ceiling near vent. Water damage to the floor on the right hand corner of the living room. Dust on the ceiling near the vent in the living room above the tv. Big sloping hill behind house which is contributing to flooding in the home. Broken baseboard on the landing of staircase. Hole in the ceiling of the master bedroom on the left hand side, damage to the nightstand below hole in ceiling. Master bedroom left closet door is broken. Hallway bathroom wall near tub is wet and squishy, caulking is coming off of the tub. [REDACTED]

As noted above, the military spouse in Army Family #1 had an immune condition — according to a July 23, 2021 letter written by her physician at the National Institutes of Health (“NIH”), she had “Common Variable Immunodeficiency (CVID) with significant autoimmune involvement of kidney and liver.”<sup>84</sup> Army Family #1 provided this letter from the NIH physician

<sup>81</sup> See BBCPSI-000604-605. Specifically, this policy states that “Mold Inspections should be documented using the Mold Work Order Visual Inspection Checklist” and that:

1. If not visible signs of mold exists [sic], a moisture meter must be used to help determine whether a material is wet, even when it appears dry and can therefore help locate a moisture source or reservoir[.]

...

2. If visible mold or atypical moisture reading exists, the root cause of any moisture must be located and addressed. (Emphasis added).

<sup>82</sup> Tom Rodriguez PSI Interview. According to Balfour’s records, its facility staff identified and removed less than 1 square foot of mold near a vent, but did not conduct an inspection to identify the root cause of the mold. See BBCPSI-007190.

<sup>83</sup> BBCPSI-011021.

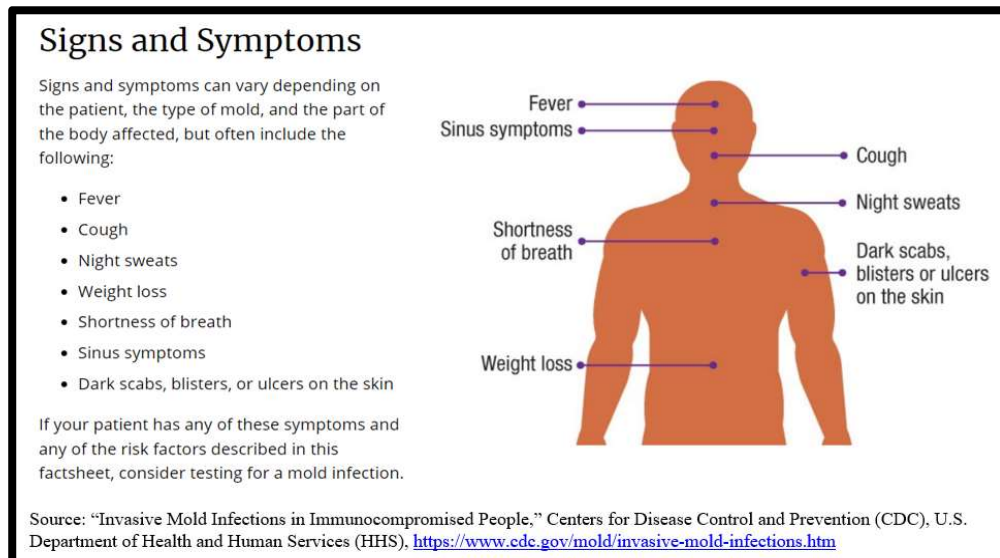
<sup>84</sup> See BBCPSI-0007427. According to the American Academy of Allergy Asthma and Immunology, CVID is “an antibody deficiency that leaves the immune system unable to defend against bacteria and viruses, resulting in recurrent and often severe infections primarily affecting the ears, sinuses, and respiratory tract (sinopulmonary infections). In the majority of cases, the diagnosis is not made until the third to fourth decade of life. Permanent damage to the respiratory tract (bronchiectasis) may occur due to severe and repeated infections.” See “Common

to Balfour on July 26, 2021. In the letter, the NIH physician noted that the military spouse’s COVID had resulted in “chronic kidney disease” and, among other conditions, “hepatopulmonary syndrome (HPS).”<sup>85</sup> As a result of these medical conditions, the NIH physician went on to state that the spouse from this military family,

is on a significant amount of immunosuppressive medications that place her at risk if she comes in prolonged contact with fungal microorganisms. She cannot be exposed for prolonged periods of time to these types of organism[s]. It is my understand[ing] her present home has been determined to be infected with mold. Patient[s] with issues such as these cannot be subjected to surroundings containing mold or having known prior mold existence. Prolonged mold exposure in a patient such as [REDEACTED] can result in significant health consequences.<sup>86</sup>

This physician’s concerns about the potential health consequences of mold exposure align with Centers for Disease Control and Prevention (“CDC”) guidance. As summarized in the chart on the next page, according to CDC, while mold infections can be difficult to diagnose, they may also present potential health risks to those with compromised immune systems.

**Figure 6: CDC Guidance on Effects of Mold on Immunocompromised People**



Variable Immunodeficiency,” American Academy of Allergy Asthma and Immunology, <https://www.aaaai.org/conditions-treatments/primary-immunodeficiency-disease/common-variable-immunodeficiency> (last visited Apr. 11, 2022). Further, according to the Centers for Disease Control and Prevention (“CDC”), “[p]eople, especially those with weakened immune systems, can develop invasive mold infections days to weeks after exposure to fungi that live in the environment. Exposure to indoor mold that grows as a result of water damage may increase this risk.” See “Invasive Mold Infections in Immunocompromised People,” Centers for Disease Control and Prevention, <https://www.cdc.gov/mold/invasive-mold-infections.htm> (last visited Apr. 11, 2022).

<sup>85</sup> See BBCPSI-0007427. HPS is a rare lung complication of liver disease that impacts respiratory health often resulting in severe shortness of breath among other health consequences. See Hepatopulmonary Syndrome (HPS), National Organization for Rare Disorders, <https://rarediseases.org/rare-diseases/hepatopulmonary-syndrome/>.

<sup>86</sup> BBCPSI -007427.

After the visit to Army Family #1's home on July 22, 2021, Balfour agreed to move this family into a hotel immediately and to start "duct cleaning" and "drywall repairs" the next day.<sup>87</sup> Soon thereafter, Balfour agreed to relocate Army Family #1 to a different house at Ft. Gordon.<sup>88</sup>

### ARMY FAMILY #2 - THE CHOE FAMILY

Balfour records and witness interviews with the Subcommittee revealed a similar set of experiences for the family of U.S. Army Captain Samuel Choe (the "Choe family" or "Army Family #2"), who moved into a home in the Lakeview neighborhood at Ft. Gordon in the fall of 2019. Captain Choe and his wife had a 12-year old son and an eight-year old daughter when they arrived at Ft. Gordon.<sup>89</sup>

Within two months of moving into the Lakeview home, Captain Choe's eight-year-old daughter began experiencing severe skin rashes and hives.<sup>90</sup> Soon after moving in, the Choe



family also discovered mold in various places in a bathroom.<sup>91</sup> In the meantime, their daughter's skin condition progressively worsened, and Captain Choe was told by his daughter's doctor that her condition was in response to exposure to mold and mildew.<sup>92</sup>

The Choe family repeatedly asked Balfour to assess and remove the mold in their home due to their daughter's mold allergy.<sup>93</sup> According to Captain Choe, Balfour's facility staff removed visible mold growth from the bathroom in late February 2020 and returned a few days later to conduct a series of moisture tests.<sup>94</sup>

Balfour's repair records from late February 2020 also noted that Captain Choe's daughter was "diagnosed with severe mold allergy."<sup>95</sup> According to those records,

Balfour's facility staff conducted a mold inspection in the Choe family's home, but did not

<sup>87</sup> See BBCPSI-007444.

<sup>88</sup> See BBCPSI -001085.

<sup>89</sup> Capt. Samuel Choe, U.S. Army, Interview with PSI.

<sup>90</sup> *Id.*

<sup>91</sup> *Id.*

<sup>92</sup> *Id.*; see also BBCPSI-000994 (Captain Choe summarizing his understanding of his daughter's medical diagnosis in a February 2021 email to Paula Cook at Balfour). As Captain Choe further explained in this email, his daughter "is allergic only to cats, dogs, and mold," but his family "did not, and never have had, any pets," nor was his daughter "exposed to cats or dogs during her stay in the [Lakeview] home." *Id.*

<sup>93</sup> Capt. Samuel Choe PSI Interview; see also BBCPSI-000994 (February 22, 2021 email from Captain Choe to Paula Cook detailing his efforts in the summer and fall of 2020 to get Balfour to remediate mold in his home).

<sup>94</sup> Capt. Samuel Choe PSI Interview.

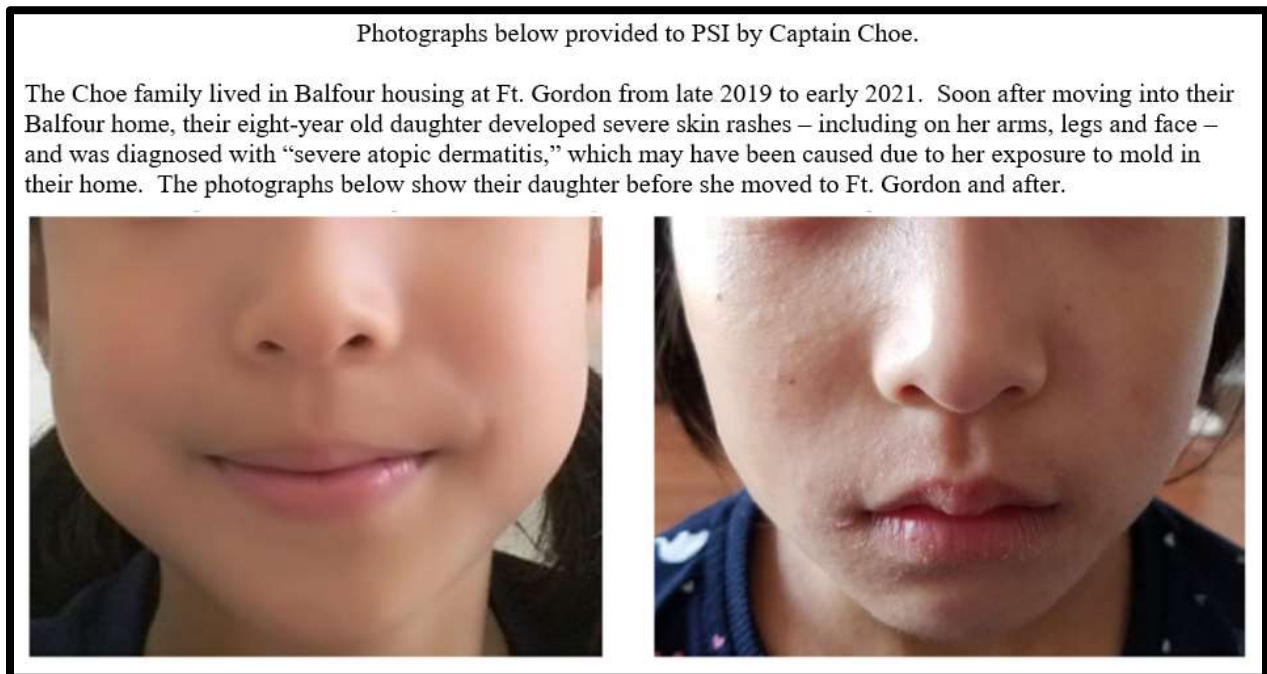
<sup>95</sup> BBCPSI -002355.

identify any issues of concern or any remaining mold in the home.<sup>96</sup> According to Captain Choe, Balfour’s Community Manager at Ft. Gordon advised him at that time that if he noticed mold growth again, he should approach Balfour staff in-person to ask for assistance.<sup>97</sup>

As photographs that Captain Choe provided to the Subcommittee (on the previous page) show, he soon found mold in the bathroom again, and his daughter’s skin rashes became even more severe.<sup>98</sup> Her rashes extended to her arms, legs, knees, neck, and face, and she made more than one dozen visits to an allergy and immunology specialist at the on-base medical center at Ft. Gordon over the ensuing months.<sup>99</sup>

In a June 25, 2020 letter that the allergy specialist provided to the Choe family, he diagnosed Captain Choe’s daughter with “allergic eczema” or “severe atopic dermatitis.” This specialist recommended the Choe family’s home be thoroughly and professionally cleaned and that if “this strategy was not successful” in terms of alleviating the daughter’s severe skin condition, then the family should move to a new home with “no moisture issues [and] no dust or molds....”<sup>100</sup>

The photographs below demonstrate Captain Choe’s daughter’s severe skin condition:<sup>101</sup>



<sup>96</sup> See *id.*

<sup>97</sup> Capt. Samuel Choe PSI Interview.

<sup>98</sup> *Id.*

<sup>99</sup> *Id.*

<sup>100</sup> See June 25, 2020 Letter from Allergy & Immunology Clinic at the Eisenhower Army Medical Center (on file with PSI).

<sup>101</sup> PSI received written permission from Capt. Choe to include images of his daughter’s condition in this report.

As Captain Choe noted in his February 2021 email to Ms. Cook, Balfour’s vice president, he made several in-person requests to both Balfour’s facility staff and community management staff in 2020 about the recurring mold growth in his family’s home.<sup>102</sup> According to Captain Choe, he made those requests in-person – rather than submitting them online – because he was following the advice he received from Balfour’s Community Manager.<sup>103</sup> Yet, those facility staff did not make additional efforts to identify the root cause of the mold or conduct additional tests on the mold.<sup>104</sup>

In September 2020, frustrated with the lack of response from Balfour, and concerned about their daughter’s health and safety, the Choe family decided to leave their Lakeview home and move to either a different on-post home at Ft. Gordon or an off-base home.<sup>105</sup> Balfour, however, was resistant to these requests.<sup>106</sup> It only agreed to allow the Choe family to terminate their lease early, in February 2021, after the garrison leadership at Ft. Gordon and the service member’s chain of command intervened.<sup>107</sup>

In his February 2021 email to Ms. Cook, Captain Choe also adamantly denied a suggestion from Tom Rodriguez, Balfour’s then-facility manager at Ft. Gordon, that Captain Choe was to blame for any mold issue at his home because he had denied service that Balfour’s facility staff had reportedly offered to remove the mold from his home.<sup>108</sup> Specifically, Captain Choe wrote in the email that:

These mistakes and falsehoods are indicative of the incompetency and apathy in which my family has patiently endured. Even when informed in-person of our home’s issues, your Fort Gordon management team did not send anyone to remove the mold in our home. .... It is this treatment which absolutely infuriates us. ....



<sup>102</sup> See BBCPSI-000994.

<sup>103</sup> Capt. Samuel Choe PSI Interview.

<sup>104</sup> See BBCPSI-000994.

<sup>105</sup> Capt. Samuel Choe PSI Interview.

<sup>106</sup> See BBCPSI-000974.

<sup>107</sup> Capt. Samuel Choe PSI Interview.

<sup>108</sup> See BBCPSI-000994.

I am /just a soldier, husband, and father attempting to reconcile why this had to take place. My family and I were not aware that we were at the mercy of executive decisions made at [Balfour] which were detrimental to my daughter's health.<sup>109</sup>

The Choe family terminated their lease early. A few weeks after the Choe family moved out, they received a letter from Balfour via certified mail. It was a "collection letter" demanding \$383.60 in payment supposedly "due to back rent and/or damages occurred upon cleaning the quarters" and threatening to send this family's account to Balfour's "Collection Agency for further action."<sup>110</sup> When the Choe family disputed the basis for the collection letter, Balfour acknowledged that it had been sent in error and retracted the letter.<sup>111</sup>

### ARMY FAMILY #3

Email records obtained by the Subcommittee show that for several months in 2020, Former Balfour Facility Manager – who was then in charge of the facility department at Ft. Gordon – ignored the health and safety risks that a major roof leak posed to a military family living at Ft. Gordon ("Army Family #3").

As this family explained to Balfour in a September 2020 email, they first noticed the roof leak and reported it to Balfour in May 2020.<sup>112</sup> After Balfour's maintenance staff decided that an outside contractor was needed to make the necessary repairs for the leak, this family waited for months without any repairs occurring or a clear response from the Former Balfour Facility Manager.<sup>113</sup>

In the meantime, the roof leak continued — eventually causing a section of the ceiling in a hallway in Army Family #3's home to collapse on August 14, 2020.<sup>114</sup> Despite the obvious risk this posed to the health and safety of Army Family #3, Former Balfour Facility Manager continued to ignore their calls and questions for more than six weeks **after** the ceiling collapsed.<sup>115</sup>

On September 29, 2020, the military spouse in Army Family #3 wrote to Balfour. She explained that she placed a work order for the leaking roof in May 2020. "Four months later and still no contractors have yet to be sent to my home," she wrote. Her email continued:

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<sup>109</sup> *Id.*

<sup>110</sup> See "COLLECTION LETTER – FINAL NOTICE," dated March 3, 2021 from Fort Gordon Family Homes to Captain Samuel Choe. As Paula Cook admitted at her interview, Balfour did not have basis for sending this collection letter to Army Family #2 and eventually retracted it.

<sup>111</sup> Paula Cook PSI Interview. According to Balfour's counsel, the collection notice was never reported to any credit agencies and the Choe family's credit was not affected.

<sup>112</sup> See Sept. 29, 2021 email from Army Family #3 to Balfour's Community Manager at Ft. Gordon (copy provided by a former Balfour employee on file with PSI).

<sup>113</sup> *See id.*

<sup>114</sup> *See id.*

<sup>115</sup> *See id.*

On August 14<sup>th</sup> after calling again that the ceiling was leaking/ bubbling, it caved in. See attached video. We are now 30+ days into having the ceiling cave in, and as you can see in the attached picture nothing has been done about it to date. I have yet to hear from the facilities manager in any capacity. I have called him multiple times and sent the video to him and the supervisor the night it happened. **A leak is a life, health, and safety issue in and of itself**, so I am pretty confident this hole falls into the same category. Any help in resolving this issue would be greatly appreciated.<sup>116</sup>

According to Paula Cook, Balfour’s vice president, there were roofs on several residential buildings on Ft. Gordon that needed repairs during this time period, and Balfour obtained the Army’s approval to expend funds to pay for those repairs.<sup>117</sup> Ms. Cook further noted that the COVID-19 pandemic presented challenges in getting contractors to complete those roof repairs in 2020 due to lockdown protocols at Ft. Gordon.<sup>118</sup>

#### ARMY FAMILY #4

For another family that lived at Ft. Gordon (“Army Family #4”), Balfour’s delay and non-responsiveness required the military service member’s wife to seek treatment in late 2020 for respiratory symptoms that she believed were made worse by the mold in their home. Specifically, according to the service member in this family, she and her wife first noticed a roof leak over their bedroom in mid-June 2020 and immediately reported it to Balfour.<sup>119</sup> While Balfour attempted initial repairs in June 2020, the leak had returned by early July 2020 and was causing mold to grow in the ceiling.<sup>120</sup>

After not getting any timely response from Balfour, this service member was advised by her Army supervisor in late August or early September 2020 to document her contacts with Balfour to ensure she had a detailed record of her requests and Balfour’s response.<sup>121</sup> Based on that advice, this service member compiled a log of her interactions with Balfour. According to the log, between July 9 and September 23, 2020, this service member made more than two dozen attempts — including by enlisting the help of one of her Army supervisors — to get Balfour to fix the leak and treat the mold in her home.<sup>122</sup> But it took until September 24, 2020 for Balfour to visit this family’s home to examine the mold growth on the ceiling.<sup>123</sup>

In the meantime, the family believed the untreated mold had caused this service member’s wife — who already had a long-standing immune condition — to suffer severe respiratory symptoms and required her to seek medical treatment from an infectious disease

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<sup>116</sup> *See id.* (Emphasis added).

<sup>117</sup> Paula Cook PSI Interview.

<sup>118</sup> *See id.*

<sup>119</sup> *See* BBCPSI-001139.

<sup>120</sup> Army Family #4, Interview with PSI.

<sup>121</sup> *Id.*

<sup>122</sup> Army Family #4 “Housing Log Issue.”

<sup>123</sup> Army Family #4 “Housing Log Issue.”

specialist.<sup>124</sup> Further, even after Balfour received test results in early October 2020 indicating that asbestos-containing materials in the ceiling of this home was disturbed by the leak, Balfour managers repeatedly delayed notifying this military family about the water impact to these asbestos-containing materials in the ceiling for another four weeks.<sup>125</sup> According to Balfour’s counsel, the company delayed notifying this family because it was waiting for a report from an industrial hygienist. As the service member told the Subcommittee in her interview, while her family was able to move into a new home in late 2020, Balfour’s delay and lack of transparency regarding the asbestos tests have left her and her spouse with lingering concerns about the potential health consequences their exposure to asbestos may have on them.<sup>126</sup>

### ARMY FAMILY #5

As part of its inquiry, the Subcommittee interviewed a fifth military family (“Army Family #5”) that encountered a similar unwillingness by Balfour to take mold concerns seriously. Shortly after this family moved into their home at Ft. Gordon in July 2020, they began noticing a



“strong musty smell” and discoloration on the floor of the hall bathroom and submitted a repair request to Balfour.<sup>127</sup> In August 2020, two Balfour employees came to Army Family #5’s home to investigate that mold report, but claimed that they did not find evidence of mold growth or notice any smell.<sup>128</sup>

However, Army Family #5 continued to notice the smell and their concerns about mold

persisted. They continued to contact both Balfour and the garrison command at Ft. Gordon to request inspection of the area under the bathroom floor.<sup>129</sup>

<sup>124</sup> See BBCPSI-001139.

<sup>125</sup> See BBCPSI-007374–7377; BBCPSI-001565; BBCPSI-001139; see also Livingston PSI Interview.

<sup>126</sup> Army Family #4 PSI Interview.

<sup>127</sup> Army Family #5, Interview with PSI. Further, according to the U.S. Department of Housing and Urban Development, identifying potential mold in a home should involve “search[ing] for moisture areas that have a damp or moldy smell, especially in basements, kitchens, and bathrooms” and “inspect[ing] kitchens, bathrooms, and basements for [] water stains and patches of out-of-place color.” See “About Mold and Moisture,” Office of Lead Hazard Control and Healthy Homes, Healthy Homes for Healthy Families, U.S. Department of Housing and Urban Development (“HUD”), [https://www.hud.gov/program\\_offices/healthy\\_homes/healthyhomes/mold](https://www.hud.gov/program_offices/healthy_homes/healthyhomes/mold) (last visited Apr. 11, 2022).

<sup>128</sup> Army Family #5 PSI Interview. See also BBCPSI-000070 (Yardi entry concerning this visit).

<sup>129</sup> See BBCPSI-000070; Army Family #5 PSI Interview.

Eventually, in September 2020, Balfour agreed to remove the floor and repair the bathroom in Army Family #5's home.<sup>130</sup> While the repairs were under way, the service member in this family and his wife went to the home and took photos of the wood board underneath the bathroom floor which indicated the presence of black mold, as the photograph on the previous page shows.<sup>131</sup>

### ARMY FAMILY #6

Balfour continued its pattern of providing only superficial repairs to significant leaks and mold in the homes of Ft. Gordon military families into late 2021 and even early 2022. For example, between October 2021 and late January 2022, Balfour failed to properly investigate or fix a water leak that was causing mold growth in the home of an Army Sergeant's family ("Army Family #6) at Ft. Gordon.

/Specifically, Army Family #6, which includes the service member, his wife, and their 1-year old son, moved into their home at Ft. Gordon in September 2021.<sup>132</sup> Within a few weeks, and as they informed Balfour in a repair request on October 21, 2021, they noticed the "floor board [in their bathroom] are forming bubbles behind [the] paint," that "walls of [the] shower are leaking moldy water," and that they "suspect [a] water leak behind [the] walls."<sup>133</sup> For over three months, however, Balfour ignored this family's concern about a leak behind the walls and, instead, treated the moisture and mold in this home as a case of loose drain fixtures.<sup>134</sup>

Due to Balfour's failure to promptly and properly investigate the leak, excess moisture continued to accumulate in Army Family #6's home.

By late January 2022, and as the photograph above shows, the ceiling of this family's master bathroom had rotted to such an extent that it started rupturing.<sup>135</sup> In early February 2022,

The photograph below was provided to PSI by Army Family #6.



<sup>130</sup> See BBCPSI-000070.

<sup>131</sup> Army Family #5 PSI Interview.

<sup>132</sup> Army Family #6, Interview with PSI.

<sup>133</sup> See BBCPSI-011722-723.

<sup>134</sup> Army Family #6 PSI Interview.

<sup>135</sup> Army Family #6 informed Balfour that the cracks in their bathroom ceiling were due to the water leakage behind the walls and resulting mold growth in their home. See BBCPSI-011818. Balfour's facility staff claimed that the cracks in the bathroom ceiling were only due to humidity resulting from the small size of the bathroom. See *id.*; see also Apr. 20, 2022, e-mail from Army Family #6 to PSI. Balfour, however, did not provide any documentation to show that the cracks developed solely as result of the size of the bathroom instead of water leakage and mold growth. See Apr. 20, 2022, e-mail from Army Family #6 to PSI.

Balfour finally recognized the severity of the situation and moved Army Family #6 out of their home for over three weeks so that it could cut open the walls to repair the leak.<sup>136</sup>

B. Since 2019, Balfour Has Continued to Place Military Families into Homes That Were Not Properly Repaired or Cleaned Prior to Move-in

As detailed in Balfour's Operations Assurance Plan for Military Housing Facility Management states, Balfour is responsible for making repairs and cleaning vacant homes before the incoming military families arrive.<sup>137</sup> At move-in, broken fixtures like floor tiles and appliances should have been repaired and in working condition, and homes should be clean and free of known environmental hazards like mold.<sup>138</sup> However, despite the 2019 pledge by Balfour's co-president, Richard Taylor, to improve the move-in process, military families



arriving at Ft. Gordon since late 2019 have continued to experience substandard conditions in their homes at move-in.

For example, in a typical week from late 2019 to early 2021, Balfour's then-resident engagement specialist for Ft. Gordon – Former Balfour Ft. Gordon Employee #1 – received multiple complaints from new residents about discovering safety,

maintenance and environmental hazards in their homes.<sup>139</sup> The complaints included the presence of black mold, clogged HVAC vents, rusting pipes, broken appliances, and leaks that had not been repaired or addressed.<sup>140</sup>

In response to the complaints, the former resident engagement specialist often went to the homes to verify those resident concerns about the poor conditions of their homes and to take photographs to document those conditions.<sup>141</sup>

<sup>136</sup> Army Family #6 PSI Interview.

<sup>137</sup> See BBCPSI-000903-05.

<sup>138</sup> Tom Rodriguez PSI Interview.

<sup>139</sup> Former Balfour Ft. Gordon Employee #1 PSI Interview.

<sup>140</sup> See *id.*

<sup>141</sup> Several military families at Ft. Gordon informed the Subcommittee that Former Balfour Ft. Gordon Employee #1 was often the only Balfour employee who was responsive to their health and safety concerns.

Further, records obtained by the Subcommittee highlight Ft. Gordon military families' concerns that the poor conditions of their homes at move in threatened their health and safety.

The photographs below were provided to PSI by Balfour's former resident engagement specialist.



#### ARMY FAMILY #5

In August 2020, Army Family #5 had difficulty getting Balfour to address basic accommodations for their health needs at move-in when they first moved to Ft. Gordon from the Scott Air Force Base in Illinois the previous month. In advance of the move, the military spouse in this family contacted Balfour to explain that her teenage son was enrolled in the Army's Exceptional Family Member Program,<sup>142</sup> which provides support to military families "to help Soldiers and their Families with special needs" which may include medical conditions that requires "special treatment" or therapy.<sup>143</sup>

In Army Family #5's case, their son had asthma and severe allergies.<sup>144</sup> To avoid exacerbating those medical conditions, the military spouse in this family had explained to Balfour before they made the move to Ft. Gordon that their new home should not have carpets and obtained assurance from Balfour's leasing staff that they would have a home without carpeting when they arrived at Ft. Gordon.<sup>145</sup> However, when they arrived at Ft. Gordon in July 2020, Balfour informed them that a home was not available right away and placed Army Family #5 into temporary housing.<sup>146</sup>

After a two-week wait, this family went to the house Balfour assigned them and saw that there was carpet throughout the home.<sup>147</sup> When this family asked Balfour to remove the carpet

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<sup>142</sup> Army Family #5 PSI Interview.

<sup>143</sup> See "Exceptional Family Medical Program," U.S. Army Medical Department. <https://efmp.amedd.army.mil/> (last visited Apr. 17, 2022).

<sup>144</sup> Army Family #5 PSI Interview.

<sup>145</sup> *Id.*

<sup>146</sup> *Id.*

<sup>147</sup> *Id.*

in consideration of their son’s medical needs and as leasing staff had originally promised, the immediate response from Balfour was to refuse the request.<sup>148</sup> It was only after this family submitted multiple follow-up requests and sought assistance from senior staff at the Army’s garrison command at Ft. Gordon that Balfour finally agreed in late August or early September 2020 to remove carpet from their home.<sup>149</sup>

### ARMY FAMILY #7<sup>150</sup>

Just a few months earlier, Balfour was notified by e-mail by the garrison housing office at Ft. Gordon regarding a similar experience from another military household — Army Family #7.

Specifically, the spouse from this family filed a complaint in early December 2019 regarding the state of her home when she and her family arrived in mid-November 2019.<sup>151</sup> According to this military spouse, her family had notified Balfour that it needed to “have the carpet changed” before their moving into their new home because her “husband ... and our youngest child who is 4 years old both hav[e] severe allergies to dogs.”<sup>152</sup> However, when Army Family #7 arrived at the Balfour-provided home at Ft. Gordon, they found the “upstairs carpet was covered in dog hair and pet stains.”<sup>153</sup>

According to this family’s complaint, they shared photos of the carpet with a Balfour employee who visited their home. They also believed that Balfour’s community and facility managers at Ft. Gordon were both “aware of this [situation],” yet neither had contacted this family to explain how Balfour planned to address this situation.<sup>154</sup> In addition to the concern about the carpet in their home exacerbating allergies, Army Family #7 also reported another safety risk in their complaint. According to this family, even though Balfour had been made aware since mid-November that their furnace had malfunctioned multiple times and was possibly leaking gas, Balfour’s facility staff had not “contacted us to even update us on the issue.”<sup>155</sup>

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<sup>148</sup> *Id.*

<sup>149</sup> *Id.*

<sup>150</sup> *Id.* Army Family #6, whose experiences with leaks and mold are discussed above, did not report move-in issues to Balfour.

<sup>151</sup> See December 5, 2019 e-mail from Ft. Gordon garrison housing office to Paula Cook *et al.* re. FW: Response Requested: DISSATISFIED comment card (copy provided by former Balfour employee on file with PSI).

<sup>152</sup> *Id.*

<sup>153</sup> *Id.*

<sup>154</sup> *Id.*

<sup>155</sup> *Id.* Army Family #7’s complaint, which was forwarded to Paula Cook and three other Balfour employees, does not include the family’s contact information. The Subcommittee inquired with Balfour about this complaint, which was not included in a tracking chart of resident complaints that Balfour compiled in response to the PSI investigation. See BBCPSI-011019. Balfour advised PSI that it could not locate this complaint in its employees’ active email folders and acknowledged that it did not track this and other resident complaints prior to PSI’s request. See Mar. 23, 2022 email from Counsel to Balfour, to PSI. As a result, PSI was not able to contact Army Family #7 to determine how their housing situation was resolved.

## ARMY FAMILY #8

Finally, in late January 2022, yet another military family, which had moved into a house at Ft. Gordon in November 2021 (“Army Family #8”), raised concerns about the poor conditions of their home at move-in. In an e-mail to Balfour executives, the Army’s garrison command at Ft. Gordon, and PSI, the military spouse in this family described how Balfour had failed to clean out “the vent system” and left it with extensive mold growth, had used “clear packing tape [] to repair [both] the floor in several areas” and a broken door frame, and had failed to clean the carpet leaving it “full [of] dirt and [] dog hair.”<sup>156</sup> The photos below show some of the issues this family documented regarding their home.

In her e-mail, this military spouse also voiced “concern and fear [] for the health and safety of [her] family especially [her] children.”<sup>157</sup> Specifically, Army Family #8’s middle and youngest daughters were having respiratory symptoms and fevers, which required those children to take prescription antibiotics for respiratory infections.<sup>158</sup> The military spouse in this family believed these health issues were directly related to the mold growth in the ventilation ducts of their Ft. Gordon home.<sup>159</sup>

The Subcommittee’s review of Balfour’s work order history found no evidence that Balfour performed any repairs or cleaning prior to placing Army Family #8 into their home on November 15, 2021.<sup>160</sup> Instead, three months after their initial move-in, and after this family sought help from the Army’s garrison commander at Ft. Gordon, as well as the Subcommittee, Balfour finally agreed to address this family’s concerns by undertaking, among other tasks, “duct cleaning,” “carpet repair,” and “door repair.”<sup>161</sup>

Additionally, through interviews with current and former Ft. Gordon residents, the Subcommittee received information and records further corroborating Balfour’s ongoing failure to repair and clean homes prior to move-ins. For example, in the fall of 2021, several military

The photograph below was provided to PSI by Army Family #8.



<sup>156</sup> January 25, 2022 email from Army Family #7 to Paula Cook *et al.* re. Our Home in McNair (copy sent directly to PSI on file with PSI).

<sup>157</sup> *Id.*

<sup>158</sup> *See id.* (attaching photograph of bottles of generic ZPAK — an antibiotic prescribed for respiratory infections).

<sup>159</sup> *See id.*

<sup>160</sup> *See* BBCPSI-009707.

<sup>161</sup> *See* February 16, 2022 email from Balfour Community Manager at Ft. Gordon to Army Family #7 re. Ducts (copy sent directly to PSI on file with PSI).

spouses established a private Facebook group to help military families at Ft. Gordon to obtain assistance with housing issues because they were frustrated that health, safety and housing maintenance issues were not being appropriately addressed by Balfour.<sup>162</sup>

The photographs below were provided to PSI by Army Family #8.

The took these photographs when they moved into their Balfour-provided home at Ft. Gordon to document issues, such as mold growth in the home.



Within weeks of this Facebook group being started, dozens of military families had joined to report issues and seek help. As the organizers of the Facebook group informed the Subcommittee, and as the photographs below show, the lack of repairs before move-in was a common complaint on this forum:<sup>163</sup>

The photographs below were posted on a Facebook group started at Ft. Gordon that highlight the poor “move-in” condition of some Balfour homes.



<sup>162</sup> Jana Wanner Interview with PSI.

<sup>163</sup> *See id.*

C. The Pattern of Balfour Failing to Prioritize Health and Safety Concerns at Ft. Gordon Extended Beyond Residents' Homes

The failures by Balfour to respond in a timely and appropriate fashion to Ft. Gordon military families' health and safety concerns, as described above, fit a clear pattern.<sup>164</sup> The Subcommittee identified that these management and performance failures extended beyond the company's responses to resident complaints to include the upkeep of Balfour offices and storage facilities at Ft. Gordon. In June 2020, Balfour's co-president in charge of facilities operations, Richard Taylor, and several other executives at Balfour's Facilities Management division received an internal email warning that the roof of the maintenance shop at Ft. Gordon, which Balfour uses to store supplies and equipment used for making repairs is "deteriorating and [] badly in need of repair[.]"<sup>165</sup> According to this e-mail, "the roofs leak and you can see daylight from various portions of the building."<sup>166</sup>

In October 2020, Mr. Taylor and the other Balfour Facilities Management executives were further notified that after inspecting the maintenance shop, an Army Safety Officer had issued a report warning that there was "[e]xcessive water damage to the original and drop down ceilings due to the roof leaks," that there was "[o]bvious mold on ceilings[.]" and that continuing to "stor[e] materials and supplies" in the building presents "risk of water and water damage."<sup>167</sup> The Army Safety Officer's report also concluded that the roof of the building "needs to be replaced" because putting "tarp on roof is not adequate to prevent leakage."<sup>168</sup>

In an October 14, 2020 internal email, a Balfour executive estimated that it would cost "approximately \$13,000 to \$15,000" to replace the roof of the maintenance shop.<sup>169</sup> Yet, Balfour has not expended those funds to replace the maintenance shop roof over the past **16** months,<sup>170</sup> even after heavy rain in February 2021 resulted in rainwater "pouring through" into the building

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<sup>164</sup> While the eight military families whose experiences are detailed above represent a small percentage of the residents served by Balfour at Ft. Gordon, the Subcommittee uncovered ample evidence that many other military families at Ft. Gordon had their health and safety concerns ignored by Balfour. This not only included information shared by former Balfour employees like Former Balfour Ft. Gordon Employee #1 and by housing advocates like Jana Wanner, it also included Balfour's own records. To give just one example, a complaint tracking chart that Balfour produced to PSI included dozens of complaints from Ft. Gordon military families about Balfour's inadequate response to leaks and mold. *See* BBCPSI-011019. One veteran who had "recently retired after 21 years of combined service," for instance, described how he "had mold [] under the vin[y]l floors, in the walls, behind our cabinets, and in the vents," how his "roof leaked and sheetrock fell in the closet," and how Balfour "forced [him] to move from one house to another while physically disabled" to make repairs, yet "did not work on the house" during that time. *Id.*

<sup>165</sup> *See* BBCPSI-009598.

<sup>166</sup> *Id.*

<sup>167</sup> *See* BBCPSI-009614. According to an industry group—Electrical Safety Foundation International, using water-damaged electrical parts like circuit breakers and outlets can result in hazards like electrical fire. *See* "Water Damaged Electrical Equipment," Electrical Safety Foundation International (ESFI), <https://www.esfi.org/water-damaged-electrical-equipment/> (last visited April 11, 2022).

<sup>168</sup> *See* BBCPSI-009614.

<sup>169</sup> *See* BBCPSI-009609.

<sup>170</sup> Richard Taylor PSI Interview.

through “at least six areas” of leaks in the roof.<sup>171</sup> Instead, Balfour has repeatedly re-tarped it,<sup>172</sup> which – as the Army Safety Officer noted – is not an adequate solution.<sup>173</sup>

In his interview with the Subcommittee, Mr. Taylor explained that the Army’s ownership of the maintenance shop building affected Balfour’s ability to replace the roof.<sup>174</sup> Mr. Taylor also noted that once it was determined that the building should not be used for day-to-day office space and was recommended for storage of supplies/equipment only, Balfour moved its staff to an alternative office location and no Balfour employees have been stationed in the maintenance shop since October 2020.<sup>175</sup> However, as of the date of that interview which took place in February 2022, Mr. Taylor admitted that Balfour had not even tried to obtain permission from the Army to repair the maintenance shop roof.<sup>176</sup>

It is unclear if this episode may have indirectly impacted homes of military service members. This episode nonetheless shows that even senior executives at Balfour failed to act with any sense of urgency to prevent potential water damage to parts stored in the Ft. Gordon maintenance shop.

**IV. BALFOUR FAILED TO ENSURE THE ACCURACY OF ITS YARDI DATA AT FT. GORDON, EVEN WHILE UNDER DOJ INVESTIGATION FOR THE SAME FAILURES AT OTHER BASES**

As noted above, in 2020 and 2021, Balfour was under investigation by DOJ for manipulating and falsifying its Yardi work order data from 2013-2019.<sup>177</sup> Balfour ultimately pled guilty to fraud for these practices. The Subcommittee uncovered numerous cases in 2020 and 2021 while the DOJ investigation was ongoing where Balfour’s Yardi work order data for military families’ homes at Ft. Gordon and Sheppard AFB were inaccurate or incomplete. Moreover, the Subcommittee’s interviews of current and former Balfour employees revealed a troubling pattern of Balfour staff engaging in behavior in 2020 and 2021 that mirror several key aspects of the misconduct that Balfour admitted to as part of its December 2021 guilty plea.

**A. In 2020 and 2021, Balfour Continued to Have Incomplete and Inaccurate Yardi Work Order Data at Ft. Gordon and Sheppard AFB**

The Subcommittee interviews with former Balfour employees described practices at Ft. Gordon that likely resulted in incomplete and inaccurate data being entered into the Yardi work order database. For example, the former resident engagement specialist, Former Balfour Ft. Gordon Employee 1, explained that two successive facility managers at Ft. Gordon in 2020 and 2021 — Former Balfour Facility Manager and Tom Rodriguez — frequently told Balfour’s facility staff to advise military families that to get quicker responses, they should contact facility

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<sup>171</sup> See BBCPSI-008418.

<sup>172</sup> Tom Rodriguez PSI Interview.

<sup>173</sup> See BBCPSI-009614.

<sup>174</sup> Richard Taylor PSI Interview.

<sup>175</sup> *Id.*

<sup>176</sup> *Id.* According to Balfour’s counsel, the company obtained approval in April 2022 to use funds to replace the maintenance shop roof. See April 22, 2022 email from Bradford Ellison, counsel to Balfour, to PSI.

<sup>177</sup> See DOJ Balfour Guilty Plea Press Release.

staff directly, instead of submitting work orders online.<sup>178</sup> But when military families followed that advice, their verbal repair requests often would never be logged into Yardi.<sup>179</sup> As a result, Yardi data at Ft. Gordon, in at least some instances examined by the Subcommittee, fails to accurately reflect the history of issues reported by military families.<sup>180</sup>

The Subcommittee's review of specific cases at Ft. Gordon uncovered a number of instances where Balfour failed to enter suspected mold cases into Yardi and also failed to accurately designate work orders in Yardi as involving mold. As discussed above, Balfour records and the Subcommittee's interviews show that Army Family #1 (who were ultimately able to move out of their mold-infested home in July 2021 after convincing a group of Balfour staff to do a home visit), the Choe family (*i.e.*, Army Family #2), and Army Family #4 (who had to wait for months before Balfour would fix their roof leak) repeatedly contacted Balfour's staff about mold in their homes at Ft. Gordon in 2020 and 2021.

However, Balfour's Yardi work order data does not reflect most of these mold reports. For example, a Balfour memo shows that on July 22, 2021, both the service member from Army Family #1 and his spouse told a group of Balfour managers and supervisors that "Tom Rodriguez [Balfour's then-facility manager for Ft. Gordon] was aware of the issues in the[ir] home," *i.e.*, mold and excess moisture, and they had made multiple such repair requests.<sup>181</sup> Mr. Rodriguez was asked at his interview with the Subcommittee if he had any basis to dispute Army Family #1's statement regarding his awareness of these issues at their home, and he did not offer any basis to dispute that statement<sup>182</sup>

Balfour's Yardi work order data, however, does not contain any mold work orders in 2021 at Army Family #1's home on Story Drive.<sup>183</sup> Instead, with the exception of an urgent plumbing issue in January 2021, Balfour's Yardi work order data gives the appearance that Army Family #1's home only had issues in the "routine" and "preventative maintenance" categories throughout the first seven months of 2021:<sup>184</sup>

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<sup>178</sup> Former Balfour Ft. Gordon Employee #1 PSI Interview.

<sup>179</sup> *Id.*

<sup>180</sup> *Id.*

<sup>181</sup> *See* BBCPSI-011021.

<sup>182</sup> Tom Rodriguez PSI Interview.

<sup>183</sup> *See* BBCPSI-009726-28 (compilation of work orders for Army Family #1's home).

<sup>184</sup> *See id.*

**Figure 7: Yardi Work Order History of Army Family #1 Home January – July 2021**

WO#	Priority	Category	Brief Desc	Date Completed
6831982	6-Internal	Grounds and Landscaping	Leak In living room coming from out	1/12/2021
6854507	2-Urgent	Plumbing	Water leak	1/12/2021
6884833	3-Routine	Carpentry	Wall; Interior; Repair	3/15/2021
7012297	3-Routine	Plumbing	Commode; Repair	2/16/2021
7025447	3-Routine	Plumbing	Commode; Repair	2/25/2021
7050828	8-Prevent Maint	Preventative Maint	Annual PM	3/9/2021
7050831	6-Internal	Environmental	LBP Visual Survey	3/8/2021
7134968	6-Internal	Renovations	Replace Siding	11/6/2015
7222466	6-Internal	Grounds and Landscaping	Tree; Prune	6/2/2021
7282273	8-Prevent Maint	Preventative Maint	QUARTERLY PM 1	6/8/2021
7294469	3-Routine	HVAC	Filter; HVAC; Change	6/10/2021
7323713	3-Routine	Pest Control	General Pest Control	7/1/2021
7323718	3-Routine	Electrical	Electrical; Light Bulb; Replace	7/6/2021
7511742	3-Routine	HVAC	HVAC; General; Repair	7/19/2021
7529737	3-Routine	Flooring	Flooring; General; Repair	7/21/2021

The reality, however, was very different — as discussed above, a Balfour employee’s notes from a visit that she and other Balfour staff made to Army Family #1’s house on July 22, 2021, revealed a home with unmistakable signs of excess moisture and mold like “bathroom wall [that was] wet and squishy” and a “[h]ole in the ceiling of the master bedroom.”<sup>185</sup> Looking at the work order history in Yardi for this home, the reader would have no idea that there was mold present in this home throughout early 2021.

Mold work orders are similarly missing from Balfour’s Yardi data for the Choe family, whose 8-year old daughter suffered from severe skin rashes in 2020 and 2021 likely as a result of an allergic reaction to mold. As discussed above, Captain Choe emailed Paula Cook at Balfour in February 2021 to say that he “had made several in-person requests to [Balfour’s] resident specialists and repairmen to remove the mold in [his] home” after a moisture test took place in March 2020.<sup>186</sup> Yet, according to Captain Choe, Balfour’s facility staff “never addressed or acknowledged” his concerns “that [his] home had mold” after March 2020.<sup>187</sup>

Further, Balfour’s Yardi work order history for the Choe family’s home in the Lakeview neighborhood at Ft. Gordon does not show a single repair request involving mold after March 2020, only a series of routine maintenance actions and repairs.<sup>188</sup>

<sup>185</sup> See BBCPSI-011021.

<sup>186</sup> See BBCPSI-000994.

<sup>187</sup> *Id.*

<sup>188</sup> See BBCPSI-001044-45.

In addition, the Subcommittee found the same pattern of missing mold work orders in Balfour’s Yardi data in relation to the mold growth in Army Family #4’s home on Hill Drive at Ft. Gordon. As discussed above, this family first found a roof leak in the bedroom of their home on June 15, 2020.<sup>189</sup> After Balfour’s initial repair attempt failed, this family began noticing, and notifying Balfour, about signs of mold growth — such as “black spotting on paint” — in July and August 2020.<sup>190</sup>

According to a log maintained by the service member in this family to track her efforts to get Balfour to respond to the mold and leak in her home,<sup>191</sup> Balfour finally visited to “probe[] home for moisture” on September 24, 2020, when they found mold growth in the ceiling.<sup>192</sup>

**Figure 8: Army Family #4 Log of Interactions with Balfour<sup>193</sup>**

1030	24-Sep-20	Engagement Specialist	Probed home for moisture and took notes of "growth" on ceiling, expressed the need for this to be resolved due to my wife's health conditions and upcoming surgeries that require her to be upstairs in bed (where the ceiling issues are)
		Government Contractor	
		Maintenance Manager	
		Field Manager	
		Roofing Contractor	

Further, records prepared by Balfour’s Community Management staff similarly reflect the discovery of mold at this home — according to a “memo” that the Subcommittee received from Balfour, Army Family #4 “was informed [by Balfour staff] that there was **mold growth in ceiling area**” during a meeting on September 24, 2020.<sup>194</sup>

However, Balfour’s Yardi work order history for Army Family #4’s home contains not a single mold work order from 2020.<sup>195</sup> As a result, once Army Family #4 moved out of this home in October 2020, the military family that next moved into this home could not see from Balfour’s internal maintenance history report that it had a history of mold.<sup>196</sup>

These incidents appear to point to corporate oversight weaknesses where various parts of the business may not be adequately, effectively or accurately entering critical data into the Yardi database therefore exposing military families to environmental health and safety threats.

The Subcommittee also found evidence that at Ft. Gordon, incomplete and inaccurate Yardi work order data was likely more widespread than the specific cases of missing mold work orders discussed above. For example, Tom Rodriguez admitted to the Subcommittee at his interview that he had concerns about how his predecessor at Ft. Gordon – Former Balfour

<sup>189</sup> Army Family #4 PSI Interview.

<sup>190</sup> Army Family #4 “Housing Log Issue” (copy provided by Army Family #4 on file with PSI).

<sup>191</sup> Army Family #4 PSI Interview.

<sup>192</sup> *Id.*

<sup>193</sup> Army Family #4 “Housing Log Issue.”

<sup>194</sup> See BBCPSI-009722, (Emphasis added). It is worth noting that Balfour managers informed the Subcommittee that – due to Balfour’s decision in 2019 to bifurcate its Community Management and Facility Management Divisions – most of the facility staff at Ft. Gordon would not have had access to records like this memo that were entered into Yardi by Balfour’s Community Management staff at Ft. Gordon.

<sup>195</sup> See BBCPSI-009710-11.

<sup>196</sup> See *id.*

Facility Manager – had managed Yardi work order data in late 2019 and 2020.<sup>197</sup> Indeed, Mr. Rodriguez said that the missing mold work orders for Army Family #4’s home may have been due to his predecessor’s mismanagement of the work order data in Yardi.<sup>198</sup>

Further, Former Balfour Ft. Gordon Employee 2, who had worked in the facility department under Mr. Rodriguez, informed the Subcommittee that Mr. Rodriguez routinely pressured Balfour’s facility staff at Ft. Gordon to close out mold work orders as quickly as possible.<sup>199</sup> As a result, according to this former Balfour facility employee, there likely were cases where Balfour prematurely closed out mold work orders after only making superficial repairs without making an effort to find or address the root causes of the problem.<sup>200</sup>

Finally, as recently as January 2022, Balfour continued to log mold complaints at Ft. Gordon as “painting.” For example, Army Family #6 submitted four separate repair requests to Balfour between October 2021 and February 2022 about the water leak and mold growth in their home.<sup>201</sup> This family’s first repair request, which was submitted on October 21, 2021, specifically informed Balfour that the “walls of [their] shower are **leaking moldy water**.”<sup>202</sup> Despite Army Family #6’s specific reference to mold, and contrary to its own written policy, Balfour did not log any of these requests into Yardi as mold-related. Instead, it characterized them as requests related to “plumbing” and “painting” issues.<sup>203</sup> In other words, the Subcommittee has found that Balfour’s failure to accurately record military families’ repair requests did not end when it pled guilty to fraud in December 2021.

#### AIR FORCE FAMILY #1 – THE TORRES FAMILY

In addition, Balfour’s inaccuracies in Yardi data were not isolated to Ft. Gordon alone. The Subcommittee found additional errors in Yardi work order data relating to the home of Technical Sergeant Jack Fe. Torres and his family at Sheppard AFB in Texas—as discussed below.<sup>204</sup> The Torres family – Sergeant Torres and his wife and three young children (aged two, five and nine) – moved into a 4-bedroom home on Polaris Street at the Sheppard AFB in early August 2020.<sup>205</sup>

On March 4, 2021, the Torres family submitted a repair request for a broken water heater. The next day, on March 5, 2021, a Balfour facility employee came to do the repairs, but failed to turn off the water and gas valve during the repair, resulting in a substantial leak that saturated the

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<sup>197</sup> Tom Rodriguez PSI Interview.

<sup>198</sup> *Id.*

<sup>199</sup> Former Balfour Ft. Gordon Employee #2 PSI Interview.

<sup>200</sup> *Id.*

<sup>201</sup> See BBCPSI-011818.

<sup>202</sup> *Id.* (Emphasis added). Army Family #6’s subsequent requests to Balfour dated November 12, 2021, and January 18, 2022, highlighted other well-known signs of mold like “an unknown leak causing moisture and discoloration to grow on the wall” and “ceiling paint is bubbling.” See BBCPSI-011727-28, 011782.

<sup>203</sup> See BBCPSI-011818.

<sup>204</sup> As discussed above, Balfour operates approximately 700 homes at Sheppard AFB. Unlike Ft. Gordon, Sheppard AFB was not the main focus of this review, and the Subcommittee only examined records relating to less than a handful of specific homes there. Even that narrow review, however, yielded significant findings vis-à-vis the Torres family.

<sup>205</sup> Sgt. Jack Fe. Torres, U.S. Air Force, Interview with PSI.

carpet in the Torres family’s home as well as strong smell of gas.<sup>206</sup> While the Balfour facility employee turned off the gas once the Torres family noticed the smell, he did not vacuum up all the water on the floor and left it for Sergeant Torres to deal with when he got at home.<sup>207</sup>

According to the Torres Family, they contacted Balfour about mold due to the water damage.<sup>208</sup> In response, Balfour’s facility staff visited their home on March 23, 2021, but did not check the space underneath the mechanical room for excess moisture or mold growth.<sup>209</sup> Instead, a Balfour maintenance supervisor told the service member’s spouse there was no need to worry about mold growing in that space because the only material there is concrete.<sup>210</sup>

The Balfour supervisor was wrong. By May 2021, the Torres family had serious mold and moisture issues in their home, with moisture rising to a level that it caused wooden doors to warp to the point where the doors could not be properly closed.<sup>211</sup> Mrs. Torres also had concerns that the mold and excess moisture in her home was exposing her to health risks due to the fact that she suffered from asthma. On May 27, 2021, Mrs. Torres made an urgent request for Balfour to address the mold and moisture in her home.<sup>212</sup>

On May 28, a Balfour maintenance supervisor visited the Torres family’s home to conduct a mold inspection.<sup>213</sup> As this Balfour supervisor admitted to the Subcommittee, while he initially thought it was only a toilet leak, a subsequent inspection by a professional mold inspector found extensive areas of mold growth and excess moisture at several areas in this home.<sup>214</sup> The professional found “significant dust, visible [mold] growth, condensate water accumulation, and water staining” in the space under the mechanical room, “water damage and wood rot” in the master bathroom, and “elevated moisture content” in a section of the “sheetrock wall ... in the master bedroom.”<sup>215</sup>

As noted above, the Torres family informed Balfour they had an urgent issue with mold and moisture on May 27, 2021.<sup>216</sup> Indeed, Balfour’s facility staff knew mold was involved because they completed a mold inspection report when they visited the Torres home on May 28, 2021.<sup>217</sup>

However, Balfour did not enter the May 27, 2021 repair request into Yardi as either an “urgent” request or in the “mold” category as required by Balfour policy. Instead, as Balfour’s

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<sup>206</sup> *Id.*

<sup>207</sup> *Id.*

<sup>208</sup> *Id.*

<sup>209</sup> See BBCPSI-006515.

<sup>210</sup> Sgt. Jack Fe. Torres PSI Interview.

<sup>211</sup> See June 11, 2021 e-mail from Mrs. Torres to Balfour Community Manager at Sheppard AFB et al. (copy provided by the Torres family to PSI).

<sup>212</sup> See *id.*; see also Sgt. Jack Fe. Torres PSI Interview.

<sup>213</sup> See BBCPSI-005695; see also John Lezark, Balfour Beatty Communities, Interview with PSI.

<sup>214</sup> Lezark PSI Interview.

<sup>215</sup> See BBCPSI-006470 (in total, this professional mold inspector found over 175 square feet of water- or moisture-impacted wall and floor surfaces in this home).

<sup>216</sup> Sgt. Jack Fe. Torres PSI Interview.

<sup>217</sup> See BBCPSI-005695-98 (mold inspection report for the Torre home dated May 28, 2021).

maintenance history records obtained by the Subcommittee show, that request was put into Yardi as a “routine” work order in the “plumbing” category.<sup>218</sup>

It was not until June 24, 2021 — a day after the Torres family called a Balfour corporate hotline to voice concerns about lack of clear answers from the on-site staff<sup>219</sup> — that Balfour opened up a new and different “urgent” work order in Yardi in the category of mold.<sup>220</sup> Further, when the Subcommittee asked a Balfour regional manager with responsibility for the Sheppard AFB about this data discrepancy, that regional manager could not explain why Balfour did not enter a mold work order on May 27, 2021, in accordance with its written policies.<sup>221</sup>

The Torres family was displaced for a full month from early August to early September 2021 due to mold remediation.<sup>222</sup> When they finally returned home on September 3, 2021, they checked for signs of mold and were surprised to find mold under the mechanical room, on the floor behind the hall bathroom, and in the kitchen.<sup>223</sup> Sergeant Torres promptly submitted mold repair requests online — which they shared with PSI and two of which are reproduced below:

**Figure 9: Torres Mold Repair Requests**

<b>REQUEST #</b> 7645187	<b>REQUEST #</b> 7645190
<b>REQUESTED</b> 9/3/2021	<b>REQUESTED</b> 9/3/2021
<b>CATEGORY</b> Web Entered	<b>CATEGORY</b> Web Entered
<b>DESCRIPTION</b> Mold on floor behind hall bathroom	<b>DESCRIPTION</b> Mold under mech room
<b>STATUS</b> Web	<b>STATUS</b> Web
<b>DATE COMPLETED</b>	<b>DATE COMPLETED</b>
<b>MAINTENANCE NOTES</b> Mold on floor behind hall bathroom	<b>MAINTENANCE NOTES</b> Mold under mech room
<b>TECHNICIAN NOTES</b>	<b>TECHNICIAN NOTES</b>
<b>ORIGINATOR</b> Jack Fe Torres	<b>ORIGINATOR</b> Jack Fe Torres

<sup>218</sup> Cheryl Sutton, Balfour Beatty Communities, Interview with PSI; *see also* BBCPSI-008422.

<sup>219</sup> *See* BBCPSI-004841.

<sup>220</sup> *Compare* BBCPSI-000458 (a mold work order dated June 24, 2021, with Yardi number 7325320) with BBCPSI-004841 (a carpentry work order May 27, 2021, with Yardi number 7273746).

<sup>221</sup> Cheryl Sutton PSI Interview.

<sup>222</sup> Sgt. Jack Fe. Torres PSI Interview.

<sup>223</sup> *Id.*

Balfour’s staff at Sheppard AFB, however, did not classify these requests — which were assigned Yardi numbers 7645187 and 7545190 — as either mold or having “urgent” priority as required by Balfour’s written policies. Instead, Balfour’s maintenance history records show that those mold requests were logged into Yardi as “routine” work orders in the “carpentry” category:

**Figure 10: Yardi Work Order Entries for Torres Mold Complaints<sup>224</sup>**

7645187	3-Routine	Carpentry	Carpentry; General; Repair
7645190	3-Routine	Carpentry	Carpentry; General; Repair

As a regional manager at Balfour admitted to the Subcommittee, the Yardi work order data for these repair requests is incorrect.<sup>225</sup> This and other examples raise serious questions about the ongoing integrity deficiencies of Balfour’s internal work order data across multiple military bases.

**B. Due to Balfour’s Bifurcated Structure and Its Lack of Clear Compliance Guidelines, Balfour Executives Failed to Investigate or Take Corrective Action After Being Aware of Warning Signs of Work Order Data Discrepancies at Ft. Gordon**

In 2020 and again in 2021, senior and regional executives at Balfour were aware of warning signs of work order data discrepancies and repair service failures at Ft. Gordon. However, they did not investigate, identify, or correct these troubling issues and they did not ensure that others at Balfour took appropriate steps to address these issues either.<sup>226</sup>

For example, Paula Cook, the vice president in Balfour’s Community Management division, acknowledged in her interview with the Subcommittee that, in 2019 and 2020, she became aware of issues with the performance of Former Balfour Facility Manager in his management of the facility department at Ft. Gordon. Specifically, Ms. Cook described having had a “concern” that Former Balfour Facility Manager was not actually implementing the kinds of repairs that he had promised to make.<sup>227</sup>

Failing to make promised repairs directly impacts the quality of Balfour’s housing services they were providing to military families, and it should have also raised concerns as to whether Balfour’s Ft. Gordon facility department was prematurely closing work orders in Yardi — a type of potentially fraudulent conduct that formed a basis for Balfour’s December 2021

<sup>224</sup> See BBCPSI-008422.

<sup>225</sup> Cheryl Sutton PSI Interview. Notably, Balfour also did not promptly agree to conduct a comprehensive mold remediation at the Air Force Family’s home. Instead, as this family learned on July 19, 2021, Balfour arranged to have an industrial hygienist produce a report on July 9, 2021, in which the hygienist contended that “removal of moisture impacted sheetrock and other building materials is premature” and “not ... in need of immediate attention[.]” The hygienist never visited the Torres home. Instead, he reviewed tests, photographs, and consultation with the licensed mold inspector who had inspected the home. Balfour only agreed to conduct a comprehensive remediation after the service member in this family firmly demanded that Balfour follow the remediation protocol recommended by the professional mold inspector. See BBCPSI-006411.

<sup>226</sup> Richard Taylor PSI Interview.

<sup>227</sup> Paula Cook PSI Interview.

guilty plea.<sup>228</sup> These issues should have led to a vigorous response by Balfour to investigate and correct the situation. But they did not.

In her interview with the Subcommittee, Ms. Cook admitted that while she “may” have forwarded individual complaints or email chains raising concerns about Former Balfour Facility Manager to that manager’s superiors at the Facilities Management division, she did not inquire into whether the Facilities Management Division took any action to address those concerns or the former manager’s conduct.<sup>229</sup> It appears that Ms. Cook viewed this as the extent of her compliance responsibility under Balfour’s bifurcated corporate structure of having separate Community Management and Facility Management divisions.<sup>230</sup>

Further, in late February 2021, Ms. Cook was made aware of both specific allegation of work order data discrepancies at Ft. Gordon as well as broader concerns regarding the mismanagement in Balfour’s Ft. Gordon facility department. Specifically, on February 22, 2021, Captain Choe — the service member from Army Family #2 — emailed Ms. Cook in response to Balfour’s assertion that he had failed to report mold in his home in summer and fall of 2020.<sup>231</sup>

In his email, the service member stated that he “had made several in-person requests to [Balfour’s] resident specialists and repairmen to remove the mold in [his] home.”<sup>232</sup> As Ms. Cook admitted in her interview with the Subcommittee, “it [did] not matter” under Balfour’s policy whether this Army officer made his mold repair requests in-person or online — in either case, such requests should have been entered into Yardi.<sup>233</sup> However, Balfour had no work orders in its Yardi system of Captain Choe making those requests after March 2020.<sup>234</sup>

On the same day that Captain Choe emailed Ms. Cook to alert her to the missing work orders for his home, a regional manager in Balfour’s Community Management Division shared a separate email with Ms. Cook from Tom Rodriguez, who had succeeded Former Balfour Facility Manager at Ft. Gordon.<sup>235</sup> Mr. Rodriguez wrote that when he arrived at Ft. Gordon in October 2020 “words could not describe the total Chaos [sic] that was the Facilities Department.”<sup>236</sup> As Ms. Cook admitted to the Subcommittee, she had reviewed this email at the time, and she understood it to represent Mr. Rodriguez’s view that the way Balfour’s facility department at Ft. Gordon was operating in October 2020 was “highly deficient.”<sup>237</sup>

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<sup>228</sup> See *U.S. v. Balfour* Statement of Facts ¶ 40.

<sup>229</sup> Paula Cook PSI Interview.

<sup>230</sup> *Id.* Due to Balfour’s 2019 corporate reorganization of its military housing operations into two separate divisions, Ms. Cook not only did not directly supervise Former Balfour Facility Manager – even though he was in charge of facility management at an Army base in her portfolio, but reported through a wholly separate reporting chain to a different co-president. Specifically, Ms. Cook reported to Chris Williams, while Former Balfour Facility Manager reported ultimately up to Richard Taylor. See *id.*

<sup>231</sup> See BBCPSI-000994.

<sup>232</sup> *Id.*

<sup>233</sup> Paula Cook PSI Interview.

<sup>234</sup> See BBCPSI-001044-45 (compilation of work orders for the Choe family’s home at Ft. Gordon).

<sup>235</sup> See BBCPSI-008394.

<sup>236</sup> *Id.*

<sup>237</sup> Paula Cook PSI Interview.

Having been made aware of those warning signs should have prompted Ms. Cook to demand an investigation into the integrity of Yardi work order data at Ft. Gordon. According to Balfour’s Chief Compliance Officer Daniel LaFrance, Balfour managers should investigate situations where residents’ verbal reports are not entered into Yardi as work orders.<sup>238</sup> Likewise, Richard Taylor, one of Balfour’s co-presidents, admitted in his interview with the Subcommittee both that it is critically important to maintain accurate and complete work order data in Yardi and that he “absolutely” believed all executives and managers at Balfour had a responsibility to respond if they learned of issues or discrepancies with the integrity of Yardi data.<sup>239</sup>

The Subcommittee asked Ms. Cook at her interview if she or anyone else from Balfour investigated the allegations in Captain Choe’s February 2021 email regarding the in-person mold repair requests he said he had made that were not entered into Yardi. Ms. Cook claimed that she met with Captain Choe in-person and that “I did not ask anyone anything other than review his history with him.”<sup>240</sup> However, as Balfour acknowledged after Ms. Cook’s interview, no such “in-person” meeting between Ms. Cook and Captain Choe actually occurred.<sup>241</sup>

In other words, Ms. Cook did not make any effort to look into the missing work order allegations in Captain Choe’s February 22, 2021 email herself and did not ask anyone else at Balfour to investigate those issues. Again, Ms. Cook’s inaction appears to be based on the view she expressed to the Subcommittee that under Balfour’s bifurcated corporate structure, it was not her role as a Community Management executive to inquire into whether the Facilities Management division investigated facility concerns or took corrective actions.<sup>242</sup> Instead, she saw her role as being limited to, at most, making the Facilities Management aware of specific facility concerns.<sup>243</sup>

That view may point to a serious structural deficiency that currently exists at Balfour and that may lead to exposing military service members and their families to unnecessary environmental hazards and safety risks. However, Balfour’s 2021 guilty plea makes clear that it should have trained its executives – irrespective of which division they worked in – to know that they were each responsible for ensuring that the company took steps to investigate warning signs of data integrity problems.<sup>244</sup> Balfour’s failure to ensure that Ms. Cook – one of its senior leaders – understands the full extent of her compliance responsibilities thus appears to be a direct continuation of the lack of adequate internal controls identified by the DOJ. It also underscores the DOJ’s concern that Balfour’s controls and compliance procedures may not yet be sufficient

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<sup>238</sup> Daniel LaFrance PSI Interview.

<sup>239</sup> Richard Taylor PSI Interview.

<sup>240</sup> Paula Cook PSI Interview.

<sup>241</sup> See Feb. 16, 2022 email from Balfour’s counsel to PSI. Captain Choe also advised the Subcommittee that Ms. Cook never met with him in-person. Balfour’s records show that Balfour, and Ms. Cook specifically, had discussions with Captain Choe about a potential settlement in early 2021. See, e.g., BBCPSI-001346. However, the Subcommittee found no evidence that Balfour or Ms. Cook investigated Captain Choe’s allegations about the missing mold reports for his home in particular or the Yardi data integrity it raised more broadly.

<sup>242</sup> Paula Cook PSI Interview.

<sup>243</sup> *Id.*

<sup>244</sup> See *U.S. v. Balfour* Stmt. of Facts at 10-11 (Specifically, Balfour admitted as part of its plea that when its executives failed to investigate “warning signs” of misconduct and “failed to take corrective action” after becoming “aware of data discrepancy ... allegations,” those reflected “inadequate controls.”).

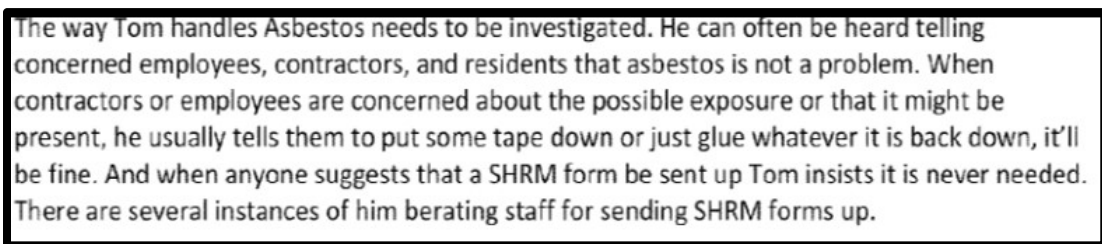
to prevent and detect data integrity concerns in the future.<sup>245</sup> The Subcommittee believes that the compliance monitor established under the settlement agreement with DOJ should further ensure accountability on this important flaw in Balfour’s business model and practices.

C. Balfour Continued to Have Significant Gaps in Compliance Procedures in Late 2021

While Balfour admitted as part of its guilty plea that its “inadequate controls contributed to the misconduct [from 2013 to 2019],”<sup>246</sup> it also has, since late 2019, touted improvements to compliance and controls for its military housing operations.<sup>247</sup> The Subcommittee, however, found significant gaps in Balfour’s compliance procedures as of late 2021.

For example, Balfour’s Human Resources (“HR”) department collects voluntary “exit interview” responses from departing employees.<sup>248</sup> In September 2021, a facility employee at Ft. Gordon submitted an exit interview expressly stating that Mr. Rodriguez’s handling of asbestos “needs to be investigated” because he downplayed the risk of asbestos exposure and berated staff for requesting asbestos testing by using Balfour’s Safety, Health, and Risk Management (SHRM) forms, which were formally required at Balfour beginning in November 2021.<sup>249</sup>

**Figure 11: Former Balfour Employee Exit Interview Response – September 2021**<sup>250</sup>



The way Tom handles Asbestos needs to be investigated. He can often be heard telling concerned employees, contractors, and residents that asbestos is not a problem. When contractors or employees are concerned about the possible exposure or that it might be present, he usually tells them to put some tape down or just glue whatever it is back down, it'll be fine. And when anyone suggests that a SHRM form be sent up Tom insists it is never needed. There are several instances of him berating staff for sending SHRM forms up.

In February 2022, the Subcommittee interviewed a Balfour maintenance supervisor still working at Ft. Gordon, and she corroborated the September 2021 exit interview in several respects. She recalled Mr. Rodriguez saying things “to the effect that asbestos concerns were overblown or overstated,” him calling the supervisor and telling her “to glue [broken tiles that may contain exposed asbestos] down,” and him “react[ing] negatively” when he learned that she had insisted on having the broken floor tiles tested for asbestos.<sup>251</sup>

<sup>245</sup> See DOJ Balfour Guilty Plea Press Release.

<sup>246</sup> *U.S. v. Balfour* Stmt. of Facts at 10.

<sup>247</sup> See 2019 Taylor HSAC Testimony at 3-6; see also “Resolution reached between Balfour Beatty Communities, LLC and the U.S. Department of Justice,” Press Release, Balfour Beatty, <https://www.balfourbeatty.com/news/resolution-reached-between-balfour-beatty-communities-llc-and-the-us-department-of-justice/>.

<sup>248</sup> According to Balfour’s attorneys, the purpose of this process is to “try to improve” by obtaining “open” and “honest” feedback from its departing employees. See Jessica Hartmann PSI Interview (Cohn and Turner objections at 2:35 and 2:52).

<sup>249</sup> “SHRM” is the acronym for Balfour’s Safety, Health, and Risk Management Department. Facility staff at Balfour commonly refer to the requests for environment testing – including asbestos tests – as “SHRM forms.” Jessica Hartmann PSI Interview.

<sup>250</sup> See BBCPSI-008033-34.

<sup>251</sup> Jessica Hartmann PSI Interview.

Balfour’s compliance staff, however, were not made aware of the allegations in these two exit interviews until January 2022 — after the Subcommittee had brought them to Balfour’s attention.<sup>252</sup> Following that notification, Balfour’s compliance and legal staff did begin to investigate the allegations against Mr. Rodriguez in the September 2021 exit interview.<sup>253</sup> On March 9, 2022, the Subcommittee learned from Balfour that Mr. Rodriguez was no longer employed there as of late February 2022.<sup>254</sup> While Balfour has failed to give a clear explanation for the extended delay before it began investigating the allegations regarding Mr. Rodriguez in the September 2021 exit interview, its executives admitted in interviews with the Subcommittee that Balfour does not have a policy requiring the HR department to share complaints of significant policy violations with the compliance staff — only an unwritten expectation.<sup>255</sup>

## V. CONCLUSION

The Subcommittee found numerous cases where Balfour failed to respond properly to significant conditions such as mold and leaks and failed to ensure the completeness and accuracy of its work order data after 2019 and as recently as early 2022. Moreover, beyond the individual examples the Subcommittee has uncovered management failures at Balfour where executives and managers — from on-site supervisors and managers at individual military bases to several of Balfour’s senior executives — did not appear to prioritize health and safety concerns or take steps to investigate or correct inaccurate work order data despite Balfour’s having been under active DOJ investigation for similar types of previous behavior.

These ongoing management failures by Balfour are deeply concerning because they are entirely contrary to the pledges that Balfour publicly made in late 2019 about providing housing services at a level that military families deserve. They also are troubling because there are striking similarities between key aspects of Balfour’s misconduct from 2013 to 2019 that led to its guilty plea and fine in December 2021 and the behavior that the Subcommittee found Balfour exhibited in 2020 and 2021, when it was under active DOJ investigation. In addition, the Subcommittee identified cases of potential Balfour misconduct as recently as early 2022, and the Subcommittee continues to receive a steady stream of new complaints and allegations against Balfour from military service members and their families on a regular basis. At a minimum, the

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<sup>252</sup> Daniel LaFrance PSI Interview.

<sup>253</sup> Daniel LaFrance PSI Interview. It is also worth noting that in February 2021, Former Balfour Ft. Gordon Employee #2 also submitted a written exit interview to Balfour asserting that Mr. Rodriguez “is not following policy—operational policies” and that Mr. Rodriguez brushed aside the former employee’s compliance concerns by saying that he was being “the thorn in his [Mr. Rodriguez’s] side.” See BBCPSI-007897. Balfour’s compliance staff were similarly unaware of this exit interview until after PSI brought it to Balfour’s attention.

<sup>254</sup> See March 9, 2022, email from Jeffrey Turner, counsel to Balfour, to PSI.

<sup>255</sup> See, e.g., Daniel LaFrance PSI Interview. The Subcommittee uncovered other gaps in Balfour’s compliance procedures. For instance, starting in 2021, Balfour implemented a series of on-site operations assurance reviews at the bases where it operates military housing. However as, Patrica Duggan, a Balfour vice president overseeing these reviews, admitted to the Subcommittee, the Balfour staff who conduct these on-site reviews never look at the complaints that military families file with Balfour to report maintenance issues and never speak with either military families or the garrison housing office staff. As a result, the on-site reviews at Ft. Gordon failed entirely to engage with actual issues like risk of water damage due to the maintenance shop roof leak or the problems experienced by Army Family #7 at move-in in November 2021. See Patrica Duggan, Balfour Beatty Communities, Interview with PSI (Mar. 2, 2022).

federal agencies with responsibility for overseeing Balfour's military housing operations will need to conduct more robust oversight to ensure that military families receive the level of on-base housing services that they deserve.