



INSPECTOR GENERAL
DEPARTMENT OF DEFENSE
400 ARMY NAVY DRIVE
ARLINGTON, VIRGINIA 22202-4704

U.S. OFFICE OF
SPECIAL COUNSEL
WASHINGTON, D.C.

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NOV 29 2005

Scott J. Bloch
The Special Counsel
U.S. Office of Special Counsel
1730 M Street, N.W., Suite 300
Washington, D.C. 20036-4505

Dear Mr. Bloch:

This is in response to your letter of August 5, 2005, referring a whistleblower disclosure to the Secretary of Defense for investigation. The disclosures concern the Defense Distribution Depot, Anniston, Alabama (DDAA), an element of the Defense Logistics Agency (DLA). It is your file number DI-05-1839. An anonymous whistleblower contacted your agency with the following allegations:

- DDAA employees package and store military equipment improperly. Specifically, many items deemed unserviceable but repairable are stored without proper packaging in an outside storage area called "P127."
- DDAA stores night vision scopes in a location that does not have the required intrusion protection system and some of these items are not on the accountable records at DDAA.
- DDAA employees do not always inspect sealed materials received from military services for kind, count, and condition.
- DDAA employees are not performing requisite inspections on stored materials within mandatory timelines.
- DDAA often does not request reimbursement from other Department of Defense agencies for materials and supplies it uses to pack and store items. As a result, DDAA is operating under a budget deficit and has exhausted its available packaging supplies on at least two occasions.

My office referred these allegations to DLA for investigation. The Commander of the Defense Distribution Center (DDC), who has responsibility for DDAA, appointed

Navy Commander (CDR) Kent Vredenburg, to investigate the allegations. Enclosed, you will find a copy of CDR Vredenburg's Report of Investigation (ROI). CDR Vredenburg's ROI has been reviewed by the Commander of the DDC and the Director of DLA.

I have been delegated authority by the Secretary of Defense to reply to you. I have reviewed the ROI and am satisfied that it meets the requirements of 5 U.S.C. §1213(d). The ROI addresses each of the allegations made by the whistleblower, confirms the validity of the disclosures, and lays out how DDC has implemented changes to correct the deficiencies noted by the whistleblower.

If you believe additional investigation is warranted, please let me know and I will ensure that it is completed.

Sincerely,



Thomas F. Gimble
Acting

Enclosures:
As stated



DEFENSE LOGISTICS AGENCY
HEADQUARTERS
8725 JOHN J. KINGMAN ROAD
FORT BELVOIR, VIRGINIA 22060-6221

NOV 28 2005

IN REPLY
REFER TO

DG

MEMORANDUM FOR DEPARTMENT OF DEFENSE, OFFICE OF THE INSPECTOR
GENERAL

SUBJECT: Report of Investigation for OSC File No. DI-05-1839

Enclosed for your forwarding to the Office of Special Counsel is the Report of Investigation related to allegations against Defense Distribution Center Anniston.

If you need to discuss this, please call Richard Saviet or John Harms, DLA Office of General Counsel, (703) 767-6060.

A handwritten signature in black ink, appearing to read "K. Lippert".

KEITH W. LIPPERT
Vice Admiral, SC, USN
Director





DEFENSE LOGISTICS AGENCY

DEFENSE DISTRIBUTION CENTER
2001 MISSION DRIVE
NEW CUMBERLAND, PA 17070-5000

OCT 07 2005

IN REPLY
REFER TO DDC-D

MEMORANDUM FOR HQ DLA
ATTN: J-3

SUBJECT: Office of Special Counsel Report, Defense Distribution Center Anniston Alabama
(DDAA)

Attached is the Report of Investigation related to the Office of Special Counsel
whistleblower disclosure at DDAA.

A handwritten signature in cursive script that reads "Michael J. Lally".

MICHAEL J. LALLY
Brigadier General, USA
Commander

Attachment

**REPORT OF INVESTIGATION FOR
OSC FILE NO. DI-05-1839**

A. SUMMARY OF INFORMATION PROVIDED:

This case originated from an anonymous whistleblower at Defense Distribution Depot, Anniston, Alabama (DDAA). By letter dated August 5, 2005 the Special Counsel referred the Report of Disclosure to the Secretary of Defense for a response. The whistleblower disclosure makes five allegations about operations at DDAA:

1. DDAA employees package and store military equipment improperly. Specifically, many items deemed unserviceable but reparable are stored without proper packaging in an outside storage area called "P127". This causes item degradation, thus making them unsuitable for future use.
2. DDAA stores night vision scopes in a location that does not have the required intrusion protection system, and that some of these items are not on the accountable records at DDAA.
3. DDAA employees do not always inspect sealed materials received from military services for kind, count and condition.
4. DDAA employees are not performing requisite inspections on stored materials within mandatory timelines.
5. DDAA often does not request reimbursement from other DOD agencies for material and supplies it uses to pack and store items.

In addition to a description of the improper practices included in the OSC report, the disclosure report from OSC included computer reports from the Distribution Standard System (DSS) to substantiate the allegations.

B. DESCRIPTION OF THE INVESTIGATION.

At the direction of the Commander, Defense Distribution Center (DDC), a Field Activity of the Defense Logistics Agency, Navy CDR Kent Vredenburg from the DDC staff was appointed to conduct an investigation of the whistleblower's disclosures. He was assisted by two functional experts: Mr. Terry Seibert (DDC Logistics Operations) and Mr. Ben Danilowicz (DDC Financial Operations). The investigation was conducted in the following manner:

- Reviewed documentation provided by the OSC.
- Generated additional DSS reports to ascertain baseline of the whistleblower's disclosure.

--Performed an on-site visit to DDAA. Visited various warehouses, workshops and offices relevant to the whistleblower's disclosure. Observed depot operations and interviewed depot personnel.

C. SUMMARY OF FINDINGS:

1. A review of the storage practices at DDAA, in particular the area known as location P127, revealed that items were not always being stored in accordance with Defense Logistics Agency regulations, confirming the whistleblower's disclosure. The items stored in this location were unserviceable/reparable returns from field units. These unserviceable items, known as Condition Code 'F' materials, are stored by DDAA until they are ready for transfer to the Anniston Army Depot for maintenance/refurbishment and subsequent return to 'A' condition. It is the ready for issue 'A' condition materials that are issued to combat troops.

2. Investigation confirmed the whistleblower's disclosure that night vision devices were being stored in warehouse 126, a facility that did not have the required intrusion detection systems activated. Additionally, accountable records for those night vision devices in building 126 were not being maintained by DDAA personnel.

3. As reported by OSC and the whistleblower, DDAA personnel are not routinely inspecting sealed containers of material for kind, count and condition as required by DLA regulation. Rather, depot personnel are only checking a small percentage of 'F' condition returns. Although unable to observe directly, DDAA personnel contend that 100% of 'A' condition materials are checked. When a customer receives a wrong item or the item is not in a serviceable condition, Supply Discrepancy Reporting (SDR) procedures are used to inform the issuing depot. A review of SDRs submitted to DDAA indicates no major problem with the quality of issues made.

4. DLA regulations dictate the periodic inspection of materials in storage. DSS makes tracking and recording these inspections simpler for storage and stock readiness personnel. Random spot checks in DDAA warehouses and careful review of DSS records indicate, as pointed out by the disclosure, that DDAA personnel are not accomplishing required inspections.

5. We cannot determine how uniform recoupment of packing supply expenses is, but we will take action to make it uniform (see E.9., below). As a Defense Working Capital Fund organization, DDAA is required to collect reimbursement for both labor and non-labor expenses in performing non-mission work. A review of the records from DDAA revealed the amount of reimbursement that DDAA has received in the past three years declined slightly from FY03 to FY04, but increased from FY04 to FY05. With specific reference to the Air Force, request for reimbursement has been made for FY05 and the amount is in line with FY04 levels. We did determine that not all DDAA personnel on the floor are aware of the requirement to track amounts of supplies used so that reimbursement for supplies could be sought. Therefore, although not intentional, it is possible that DDAA did not recoup all of the reimbursement for packing supplies it was

entitled to as identified by the disclosure. We could not find evidence to substantiate, after speaking with numerous DDAA personnel, that storage packing had to be halted due to a lack of funds. Additionally, the method of budgeting and funding for packing supplies is independent of the reimbursement process. The ability of a depot to procure packing materials is not predicated on the amount of revenue collected for reimbursable jobs.

D. REGULATORY VIOLATIONS.

The primary regulations governing the proper receipt, storage and inspection of material is DLA Instruction 4145.4 (Stock Readiness Instruction) and MIL-STD 2073-1D (DoD Standard Practice for Military Packaging). Most of the whistleblower's disclosure deals with violations of the requirements of these two regulations. The special security requirements for storing sensitive items like night vision devices is governed by DoD 5100.76M (Physical Security of Sensitive Conventional Arms, Ammunition and Explosives). The investigation confirmed that these regulatory requirements were not always being followed at DDAA.

E. AGENCY ACTIONS TO ADDRESS THESE VIOLATIONS.

No violations of law appear to have occurred. However, the whistleblower's disclosures, largely supported by DDC's investigation, confirm problem areas in the operations of DDAA. The regulations and procedures for DDC depot operations appear to be sound. The problems mentioned by the whistleblower, OSC, and substantiated by DDC's investigation appear not to be a result of inadequate regulations or procedures, but rather a failure of the DDAA management to follow them and to adequately train and supervise the DDAA workforce. Specific actions being undertaken by DDC/DDAA to correct these deficiencies include:

1. Immediately begin a 100% inspection of all items stored in location P127 for proper packaging/preservation. Properly package or process discrepant items in accordance with DLA regulations. (Finding 1)

2. Immediately begin refresher training for appropriate members of the DDAA workforce on Receiving/Packing/Inspection procedures using DSS. (Finding 1, 3, 4)

3. Secure all night vision devices in accordance with DOD regulations. This action has already been accomplished by depot personnel. (Finding 2)

4. In concert with DDC Logistics Operations, DLA Information Operations and DLA Financial Operations, develop and implement a method to provide accountability for night vision devices. (Finding 2)

5. Remove collateral duties from DDAA's Stock Readiness Specialist and assign him full time to COSIS/Stock Readiness duties. (Finding 1, 3, 4)

6. Immediately commence inspecting 100% of all material received from the military services as required by DLA regulation. Provide refresher training to appropriate personnel in receiving operations. (Finding 3)

7. Review Stock Readiness/COSIS procedures and update DDAA processes to comply with stock readiness requirements. (Finding 4)

8. Perform a complete survey of all delinquent stock readiness/COSIS actions and devise a time specific plan to correct. Provide monthly status to DDC Logistics Operations. (Finding 4)

9. Review current DDAA process to track usage of packing materials and allocation to customer. Update procedures to comply with operations and financial regulations and train appropriate members of the DDAA workforce. (Finding 5)

The lapses in proper distribution and sound stock readiness practices revealed by this disclosure at DDAA arose over the course of several years. DDAA has a new Commander who just took command in June 2005. The previous Commander is retired. In addition to the specific corrective actions mentioned above, the DDAA Commander and DDC Logistics Operations will closely monitor the performance of the managers and supervisors at DDAA.