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**Analysis of Disclosures, Agency Investigation and Reports, Whistleblower Comments, and
Comments of the Special Counsel**

OSC File No. DI-05-1839

Summary

A whistleblower, who has requested anonymity, disclosed to the Office of Special Counsel (OSC) violations of regulation in connection with the storage of military equipment at the Department of Defense (DOD) Defense Logistics Agency (DLA), Defense Distribution Depot, Anniston, Alabama, (DDAA). Specifically, he alleged that 1) expensive military equipment stored at DDAA is often packaged and stored improperly, 2) DDAA employees are not conducting required inspections of incoming supply containers nor are they conducting timely inspections of inventory already in storage, and 3) DDAA employees fail to seek reimbursement from other agencies for packaging materials. According to the agency report, the DOD Office of the Inspector General (OIG) investigated the whistleblower's allegations and found them to be substantiated.

The Whistleblower's Disclosures

DDAA provides distribution and maintenance services for combat and wheeled weapons systems. Among other duties, DDAA is responsible for receiving, storing and issuing military supplies for worldwide distribution for all military services. The whistleblower alleged that DDAA employees are packaging and storing military equipment improperly, in violation of applicable regulations. First, he stated that DDAA employees have left numerous pieces of equipment that have been deemed unserviceable but repairable in an outside storage area known as "location P127."¹ He advised that some of the equipment, much of which is unpackaged, has been left outside since 2003. The whistleblower maintained that he has observed many of these items degrade over time, making them unsuitable for shipment into the field. According to the whistleblower, DDAA's practice of storing unpackaged equipment in location P127 violates Defense Logistics Agency Instruction (DLAI) 4145.4 E.4.d (Stock Readiness). This regulation sets a minimum packing level of A*** (Military Preservation with Level A Packing) for repairable material stored outside.²

¹ Location P127 is a fenced asphalt lot that does not have an overhead covering.

² The regulation defines "Level A packing" as "protection required to meet the most severe worldwide shipment, handling, and storage conditions. A 'Level A' pack must be in tandem with the applied preservation, be capable of protecting material from the effects of direct exposure to extremes of climate, terrain, and operational and transportation environments." The '***' notation in the instruction allows in the alternative that the items be stored indoors until such packaging containers are available.

The whistleblower provided OSC with a list of all inventory currently assigned to location P127. To illustrate the expensive nature of some of the equipment improperly stored in this location, the whistleblower researched and provided the monetary value for several items on the list: three diesel engines (valued at \$14,332; \$9,821; and \$9,437), a cannon cradle (\$27,706), a tank elevating mechanism (\$5,864), and a linear actuating cylinder piston (\$15,088). He estimated that a total of over \$4 million worth of equipment with inadequate packaging is currently stored outside in location P127.

Next, the whistleblower alleged that DDAA stores night vision scopes in a location that does not have the required intrusion protection system. According to the whistleblower, DOD regulations provide that level IV sensitive devices, such as night vision scopes, must be stored in an area that is monitored by sensors. He maintained that Warehouse 126, where the night vision scopes are currently stored, is not equipped with sensors. He also alleged that DDAA does not maintain "accountable records" on the location of the night vision scopes, thereby increasing their vulnerability to theft.

In addition, the whistleblower alleged that DDAA employees do not inspect sealed materials sent to DDAA from Military Services Organizations, to check their condition and confirm their contents. The whistleblower alleged that this omission violates DLAI 4145.4 E.2.d, which requires that employees open shipping containers upon arrival to inspect and identify their contents. The whistleblower stated that, on several occasions, he has seen employees place incoming containers in storage without first inspecting them. He stated that, as a result, tank commanders and other clients have called DDAA on a number of occasions to complain that DDAA sent them the wrong materials or materials that were not in the correct condition.

The whistleblower further alleged that DDAA employees are not performing requisite inspections on stored materials within mandatory timelines. DOD Shelf-Life Management Manual, 4140.27, provides for periodic inspections of many stored materials to determine their condition. The whistleblower provided OSC with documentation showing that numerous containers stored at DDAA were between 6 and 18 months overdue for inspection. Because stored materials are not being inspected within the correct time period, DDAA's clients do not know the true condition of many items stored at DDAA, which may negatively impact their ability to plan for, and obtain, necessary supplies.

Lastly, the whistleblower alleged that DDAA often does not request reimbursement from other DOD agencies for material and supplies it uses to pack and store items. Pursuant to DLAI 4145.4 E.5, DDAA may charge another agency for any material or supplies it uses to package or repackage items it stores for the agency. The whistleblower alleged that, over the past four years, the amount of reimbursement that DDAA has requested has declined significantly. For example, he stated that DDAA has not requested any reimbursement at all from the Air Force during the last several months. He asserted that, in this way, DDAA has passed up the opportunity to collect over \$100,000 from other agencies and, as a result, has experienced a budgetary deficit. The whistleblower stated that, due to the budgetary deficit,

DDAA ran out of packaging supplies on at least two occasions, and storage packaging was temporarily halted as a result.

Department of Defense Investigation and Report

According to the agency report, the OIG referred the allegations to DLA, and DLA, in turn, referred them to the Commander of the Defense Distribution Center (DDC). The Commander of the Defense Distribution Center (DDC) appointed Navy Commander Kent Vredenburg to investigate the allegations. Commander Vredenburg was assisted by Terry Seibert, DDC Logistics Operations, and Ben Danilowicz, DDC Financial Operations. The agency report states that the investigators conducted an on-site visit at DDAA, during which they visited warehouses, workshops, and offices relevant to the whistleblower's allegations. The investigators also observed depot operations and interviewed depot personnel. Lastly, the investigators reviewed documents provided by OSC and additional Distribution Standard System (DSS) reports.

The investigation substantiated the whistleblower's allegations. First, the investigators found that items at DDAA were not always stored in accordance with DLA regulations. In particular they found that Condition Code "F" items in location P127 are not stored properly.³ The investigators also found that DDAA personnel do not routinely inspect sealed containers of items in "F" condition for kind, count and condition as required by DLA regulation. DDAA employees reported, however, that they do check 100 percent of Condition Code "A" items.⁴ The investigators reviewed Supply Discrepancy Reports (SDRs), which are submitted by customers whenever they receive an incorrect item or an item in unserviceable condition. The agency report states that the SDRs do not indicate that there is any major problem with the quality of items issued to the field.

Based on random spot checks in DDAA warehouses and review of DSS records, the investigators also substantiated the whistleblower's allegation that DDAA personnel are not performing periodic inspections of items in storage, as required by DLA regulations. The investigation also confirmed that night vision devices are stored in warehouse 126, a facility that lacks the required intrusion detection system. In addition, the investigators found that DDAA personnel have failed to maintain accountable records for the night vision devices stored in warehouse 126.

The investigators reviewed records showing the amount of reimbursement DDAA has requested and received from other agencies for packaging supply expenses. The records revealed that the amount of reimbursement DDAA received declined slightly from FY03 to FY04, but increased from FY04 to FY05. However, the investigators did find that some DDAA personnel were not aware that they are supposed to keep track of packing supplies to obtain

³ The agency report explains that items labeled Condition Code "F" are unserviceable/reparable items that have been returned from field units, and are awaiting maintenance/refurbishment.

⁴ The agency report explains that Condition Code "A" items are those items that are ready to issue to combat troops in the field.

reimbursement; consequently, the agency report concludes that DDAA may not have recouped the full amount of reimbursement funds it was entitled to receive from other agencies. The investigators found that DDAA has in fact submitted a FY05 request for reimbursement of funds to the Department of the Air Force, and the amount of the request is consistent with FY04 levels. The investigators did not find evidence that storage packing had ever been halted due to a lack of funds.

Based on the findings of the investigation, the agency report concludes that DDAA employees failed to comply with DLA Instruction 4145.4, MIL-STD 2073-1D (DOD Standard Practice for Military Packaging), and DOD 5100.76M (Physical Security of Sensitive Conventional Arms, Ammunition and Explosives). The agency attributes the problems uncovered by the investigation to “a failure of the DDAA management to follow [regulations and procedures] and to adequately train and supervise the DDAA workforce.” The report enumerates several corrective actions that the agency has taken or plans to take in response to the findings of the investigation:

1. DDAA will immediately begin a 100% inspection of all items stored in location P127 for proper packaging/preservation and will properly package or process discrepant items in accordance with DLA regulations.

2. DDAA will immediately begin inspecting 100% of all material received from the military services as required by DLA regulation. DDAA will provide refresher training to appropriate personnel in receiving operations.

3. DDAA will immediately begin refresher training for appropriate members of the workforce on Receiving/Packing/Inspection procedures using DSS.

4. DDAA has already secured all night vision devices in accordance with DOD regulations. DDAA intends to develop and implement a method to provide accountability for night vision devices.

5. DDAA will remove collateral duties from the Stock Readiness Specialist and assign him full-time to Stock Readiness/COSIS duties.

6. DDAA will review Stock Readiness/COSIS procedures and update DDAA processes to comply with stock readiness requirements.

7. DDAA will perform a complete survey of all delinquent Stock Readiness/COSIS actions and devise a time-specific plan to correct them. DDAA will also provide monthly status reports to DDC Logistics Operations.

8. DDAA will review its current process for tracking packing materials and their allocation to customers. DDAA will update procedures to bring them into compliance with operations and financial regulations and train appropriate members of the DDAA workforce.

9. The DDAA Commander and DDC Logistics Operations will closely monitor the performance of DDAA managers and supervisors.

Conclusion

I have determined that the agency report contains all of the information required by statute and the findings appear to be reasonable.