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Whistleblower Revealed \$32 Million in Missing Navy Equipment, Mishandled Classified Material

FOR IMMEDIATE RELEASE

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WASHINGTON, D.C./May 7, 2018 – The Office of Special Counsel (OSC) today sent [a letter](#) to the President and Congress notifying them of mismanagement at the U.S. Department of the Navy (Navy) after a whistleblower, a former supply systems analyst at the Naval Sea Logistics Center at Port Hueneme, CA, revealed more than \$32 million in missing equipment, in addition to mishandling of classified materials.

The whistleblower [alleged](#) that Port Hueneme warehouse employees failed to properly maintain and record inventory over a number of years and that classified inventory items were not identified and stored in a secure manner in accordance with Department of Defense and Navy regulations. The agency [substantiated](#) the majority of the whistleblower’s allegations. Specifically, the Navy found that inventory totaling approximately \$32,250,000 was unaccounted for because employees failed to properly maintain and record it as required by agency instructions.

The agency also substantiated the allegation that classified materials were stored improperly in the Port Hueneme warehouses. The agency determined that the whistleblower had identified a number of improperly stored items while employed at Port Hueneme. The agency investigation included a complete inventory of all items identified as classified or “SubSafe” in 2017 and accounted for all 402 individual items. Of those 402 items, approximately 26 items were improperly stored. At the time of the agency’s report, all classified material was stored appropriately, and personnel were informed of the issues related to storage of classified material.

The agency also reported that after the Naval Sea Logistics Center (NSLC) took control of two of the Port Hueneme warehouses in 2016, the number of unaccounted-for line items began to decrease significantly, indicating that its inventory oversight has become effective. The agency noted that NSLC completed a full inventory of all material and equipment in one of the Port Hueneme warehouses in November 2017, resulting in updated records for all items and new records for all previously unaccounted-for items. The NSLC also hired additional employees to conduct warehouse operations and entered into contracts to increase contractor support.

“A whistleblower exposed the sloppy handling of millions of dollars’ worth of military equipment, along with the mishandling of classified information,” said **Special Counsel Henry J. Kerner**. “This case resulted in new policies to ensure more accountability, demonstrating the kind of good-government reforms that can result when whistleblowers see a problem and speak up.”

The U.S. Office of Special Counsel (OSC) is an independent federal investigative and prosecutorial agency. Our basic authorities come from four federal statutes: The Civil Service Reform Act, the Whistleblower Protection Act, the Hatch Act, and the Uniformed Services Employment & Reemployment Rights Act (USERRA). OSC’s primary mission is to safeguard the merit system by protecting federal employees and applicants from prohibited personnel practices, especially reprisal for whistleblowing, and to serve as a safe channel for allegations of wrongdoing. For more information, please visit our website at www.osc.gov.