



OIG

Office of Inspector General

U.S. Department of State • Broadcasting Board of Governors

AUD-MERO-18-33

Office of Audits

March 2018

Audit of the Administration and Oversight of Fuel Contracts at U.S. Embassy Amman, Jordan

MIDDLE EAST REGION OPERATIONS



OIG HIGHLIGHTS

AUD-MERO-18-33

UNCLASSIFIED

March 2018

OFFICE OF AUDITS

Middle East Region Operations

Audit of the Administration and Oversight of Fuel Contracts at U.S. Embassy Amman, Jordan

What OIG Found

OIG found that the Department did not implement adequate controls for the acquisition of fuel at Embassy Amman. Specifically, OIG found that embassy personnel engaged in unauthorized commitments, did not close purchase orders once they were completed, and inappropriately destroyed contract files. These contract administration deficiencies occurred, in part, because embassy personnel ordered fuel and added funds to the fuel card account before the award of formal contracts. Other improper contracting practices occurred because Embassy Amman did not implement procedures to ensure compliance with the Federal Acquisition Regulation (FAR). As a result, the Department lost the ability to use funds that were not deobligated from completed contracts and the embassy could not provide complete contract files to support procurement decisions.

OIG also found that oversight of fuel contractors needs improvement. For example, the Contracting Officer's Representatives (CORs) did not always (1) develop and implement quality assurance surveillance plans that ensured contract requirements were met, (2) implement effective procedures to accept fuel, (3) maintain complete COR files, and (4) obtain the required oversight certifications. These deficiencies primarily occurred because Embassy Amman did not comply with FAR requirements and Department policies for conducting proper contract oversight. As a result, Embassy Amman cannot be certain that the fuel received between October 2012 and January 2017 met the contract's quality requirements and may have paid for fuel that it did not receive during that period.

Finally, according to a sample of invoices reviewed, Embassy Amman officials did not follow Federal regulations and Department guidance when approving invoices submitted by fuel contractors from October 2012 through January 2017. This occurred because Embassy Amman did not implement effective procedures for reviewing invoices. OIG is therefore questioning \$8.3 million paid by Embassy Amman for fuel purchases from October 2012 through January 2017.

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What OIG Audited

U.S. Embassy Amman, Jordan, has grown in size over the last few years, leading to an increase in the number of leased residences requiring diesel fuel and the number of vehicles requiring gasoline. To procure diesel fuel and gasoline, Embassy Amman awarded three contracts in the last 5 years, two for residential diesel fuel and one for gasoline.

In July 2017, the Office of Inspector General (OIG) issued a report on inconsistent diesel fuel use at Embassy Amman and, in September 2017, issued a related report on controls over fuel storage and distribution at Embassy Amman. For this report, OIG's objective was to determine whether Department of State (Department) oversight personnel implemented adequate controls to ensure that the contractor provided fuel for Embassy Amman in accordance with contract terms, Federal regulations, and Department guidance.

What OIG Recommends

OIG made 28 recommendations to Embassy Amman and the Bureau of Administration, Office of the Procurement Executive (A/OPE) to improve contracting oversight procedures and determine if ratification is required for potential unauthorized commitments OIG identified. On the basis of responses received from Embassy Amman and A/OPE to a draft of this report, OIG considers all 28 recommendations resolved pending further action. A synopsis of management's comments and OIG's reply follow each recommendation in the Audit Results section of this report. Comments received from Embassy Amman and A/OPE are reprinted in their entirety in Appendices C and D, respectively.

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OBJECTIVE

The Office of Inspector General (OIG) conducted this audit to determine whether Department of State (Department) oversight personnel implemented adequate controls to ensure that the contractor provided fuel for U.S. Embassy Amman, Jordan (Embassy Amman), in accordance with contract terms, Federal regulations, and Department guidance. See Appendix A for the purpose, scope, and methodology of this audit.

In July 2017, OIG issued *Management Assistance Report: Additional Measures Needed at Embassy Amman to Safeguard Against Residential Fuel Loss* (AUD-MERO-17-50), which addressed concerns of inconsistent diesel fuel use at embassy residences. OIG concluded that oversight personnel had not implemented effective controls to safeguard residential fuel, making embassy residences susceptible to potential fuel theft or other loss. In September 2017, OIG issued *Management Assistance Report: Safety Infractions in Embassy Amman Motor Pool Area Require Immediate Attention* (AUD-MERO-17-59), which discussed controls over fuel storage and distribution.

BACKGROUND

Embassy Amman has become a strategic platform from which the United States can advance key national security objectives in the Middle East, transforming it from a midsize embassy to a large, frontline operation. This growth included an increase in the number of permanent American staff members working at the embassy, which, in turn, increased the number of leased residences required to house the staff in Amman from 270 to approximately 300 residences. Each leased residence has a fuel tank that supplies diesel fuel to an individual boiler, which provides heat and hot water to the residence.

In addition, Embassy Amman supports official visitors who require transportation during their visits. To do so, the motor pool at Embassy Amman maintains official vehicles, which operate with either gasoline or diesel fuel. For those vehicles that operate with gasoline, drivers can obtain gasoline from the retail fuel pump maintained in the motor pool area, which the embassy procures from a contractor. Drivers can also purchase gasoline with a fuel card (similar to a purchase card) at specified retail fueling stations throughout Jordan. For embassy vehicles that operate with diesel fuel, drivers must use fuel cards at specified retail fueling stations throughout Jordan because the embassy does not maintain diesel fuel for vehicles.

Diesel fuel and gasoline are both procured through contracts awarded by Contracting Officers located at the embassy.

Fuel Purchases at Embassy Amman

During the past 5 years, Embassy Amman purchased diesel fuel and gasoline for its leased residences and vehicles using multiple contracting methods. Between October 2012 and

January 2013, Embassy Amman purchased diesel fuel using individual purchase orders¹ issued directly to the contractor. In February 2013, the embassy changed its contracting method and awarded its first indefinite-delivery/indefinite-quantity (IDIQ)² contract for diesel fuel; a second contract was awarded in October 2016. The embassy also procured gasoline using individual purchase orders from October 2012 through March 2015, after which it awarded an IDIQ contract to purchase gasoline for the embassy's vehicles. The three IDIQ contracts are fixed-price with economic price adjustment,³ which includes the unit price per liter for the fuel and a fixed delivery price per liter. The unit price includes all labor, materials, overhead, and profit, among other costs, that are necessary to provide and deliver the fuel type specified in the contract. The contractor may request a unit price adjustment based on increases or decreases in fuel prices, which are mandated by the Government of Jordan.⁴ When Embassy Amman needed diesel fuel or gasoline for its operations, the Contracting Officers awarded purchase orders or delivery orders⁵ against the IDIQ contracts, as shown in Table 1.

Table 1: Fuel Contracts Awarded by Embassy Amman for Diesel Fuel and Gasoline

IDIQ Contract Number	Fuel Type	Award Date	Expiration Date	Maximum Quantity (liters)	Maximum Cost (U.S. Dollars) ^a
SJO10013D0001	Diesel	02/19/2013	02/18/2016	5,950,000	\$5,847,482
SJO10016D0017	Diesel	10/27/2016	10/26/2021	11,000,000	\$6,808,890
SJO10015D0003	Gasoline	04/20/2015	10/14/2017	1,200,000	\$1,554,102

^a Contracting Officers awarded the contracts in Jordanian dinar and OIG converted the value to U.S. dollars using a currency conversion rate of 1.41 dinar to 1 dollar.⁶

Source: Generated by OIG from data provided by Embassy Amman.

Fuel Cards

In January 2015, Embassy Amman began using fuel cards at retail fueling stations within Jordan to purchase diesel fuel and gasoline for its official vehicles. The embassy maintained funds in an

¹ Federal Acquisition Regulation (FAR) 13.302, "Purchase Orders," describes a purchase order as an order for commercial items that is generally issued on a fixed-price basis and that specifies the quantity of supplies and a determinable date for the delivery of supplies.

² FAR 16.5, "Indefinite-Delivery Contracts," states, "the appropriate type of indefinite-delivery contract may be used to acquire supplies and/or services when the exact times and/or exact quantities of future deliveries are not known at the time of contract award." Indefinite-quantity contracts permit flexibility in both quantities and delivery schedules and enable the Government to order supplies as requirements are identified.

³ FAR 16.203, "Fixed-Price Contracts with Economic Price Adjustment," states, "a fixed-price contract with economic price adjustment provides for upward and downward revision of the stated contract price upon the occurrence of specified contingencies" such as market stability. This contract type is suitable when there is serious doubt concerning the stability of market conditions during an extended period of the contract.

⁴ A government committee meets monthly to adjust fuel prices in conjunction with changes in oil prices on the international market.

⁵ FAR 16.5, "Indefinite-Delivery Contracts," defines a delivery order as "a contract for supplies that does not procure or specify a firm quantity of supplies...and that provides for the issuance of orders for the delivery of supplies during the period of the contract."

⁶ This report uses the same conversion rate for all transactions.

account to pay for fuel purchased through these fuel cards. The motor pool supervisor managed the fuel card program, which included controlling the 20 fuel cards available for use, disbursing cards to the drivers as needed, requesting additional funds to be added to the fuel card account, transferring funds to replenish individual fuel cards, and reconciling transactions recorded against the fuel card account with receipts provided by the drivers.

Contract Administration and Oversight Responsibilities

Embassy Amman's General Services Office is responsible for staffing Contracting Officers who award and administer contracts at the embassy. Over the course of a 5-year period, a total of nine Contracting Officers awarded the three IDIQ contracts and various purchase and delivery orders for the diesel fuel and gasoline that the embassy required. According to the Department's Overseas Contracting and Simplified Acquisition Guidebook,⁷ the Contracting Officer is the Department's authorized agent for working with contractors and has sole authority to solicit proposals and to negotiate, award, administer, modify, or terminate contracts. The Procurement Executive in the Bureau of Administration, Office of the Procurement Executive (A/OPE), appoints all Contracting Officers in the Department and provides them with a contracting "warrant," which contains signature authority dollar limits that are specific to each overseas post. Contracting Officers are required to complete the General Services Officer class (or equivalent) at the Foreign Service Institute to obtain a contracting warrant and are also required to complete 16 hours of additional training every 3 years to maintain their warrants.⁸ At Embassy Amman, most of the Contracting Officers were appointed with a \$250,000 warrant, which allowed them to award and modify contracts up to and including that limit.⁹

The Contracting Officer may designate a Contracting Officer's Representative (COR) to act as an authorized representative to assist in the technical monitoring or administration of a contract. Specifically, CORs serve as the eyes and ears of the Contracting Officer to ensure that the Department receives high-quality supplies and services on time, for the agreed-upon price, and in accordance with all contract requirements. In addition, a Contracting Officer may designate a Government Technical Monitor to assist the COR in performing oversight duties. CORs and Government Technical Monitors are required to obtain a Federal Acquisition Certification for Contracting Officer's Representatives¹⁰ (FAC-COR) and must possess sufficient technical

⁷ The *Department's Overseas Contracting and Simplified Acquisition Guidebook* (October 2016) provides guidance on how to award and administer contracts and simplified acquisitions within the Department.

⁸ According to the *Department's Overseas Contracting and Simplified Acquisition Guidebook*, Contracting Officers receiving a standard name warrant must complete the Foreign Service Institute's "GSO Course Acquisitions Module" (PA 221 ACQ) or equivalent (may include correspondence course or training from other agencies); this course must be the version revised in 1993 or later, which has been accredited by the Procurement Executive.

⁹ Of the nine Contracting Officers at Embassy Amman that awarded fuel related contracts between October 2012 and January 2017, two were issued contracting warrants for \$100,000 per action.

¹⁰ The Office of Management and Budget, Office of Federal Procurement Policy, "Revisions to the Federal Acquisition Certification for Contracting Officer's Representatives" (September 6, 2011), established Federal FAC-COR policy. The policy states, "The purpose of the FAC-COR is to establish general training, experience, and development requirements for CORs in civilian agencies that reflect the various types of contracts they manage." According to the policy, FAC-COR requirements are not limited to the COR but also extend to Government Technical Monitors.

expertise¹¹ on the subject matter of the contract to perform effective oversight. To be certified, oversight personnel must complete relevant training courses and meet experience requirements to be eligible for a COR appointment at one of three levels of certification. Embassy Amman designated a COR for each of the three IDIQ fuel contracts.

AUDIT RESULTS

Finding A: Contracting Practices at Embassy Amman Require Improvement

OIG found that the Department did not implement adequate controls for the acquisition of fuel at Embassy Amman and that the contracting practices employed at Embassy Amman were not in accordance with Federal requirements. Specifically, (1) embassy personnel engaged in unauthorized commitments during the execution of fuel contracts, (2) purchase orders were not closed and funds were not deobligated as orders were completed, and (3) Embassy Amman inappropriately destroyed contract files before the 6-year requirement for maintaining contract files.¹²

These contract administration deficiencies occurred, in part, because embassy personnel ordered fuel and added funds to the fuel card account before the award of formal contracts. Other improper contracting practices occurred because Embassy Amman did not implement procedures to ensure compliance with the Federal Acquisition Regulation (FAR) and Contracting Officers were not properly trained to correctly implement FAR requirements. As a result, the Department lost the ability to use the funds that the Contracting Officer did not deobligate from completed purchase orders. Moreover, premature destruction of the contract files could make it impossible for Embassy Amman to provide a complete history of transactions, including support for actions taken, information for reviews and investigations, and facts required in the event of litigation.

Unauthorized Commitments

Unauthorized commitments violate Federal law,¹³ Federal regulations, and Government-wide standards of conduct for Federal employees.¹⁴ The FAR defines an unauthorized commitment as "an agreement that is not binding solely because the Government representative who made it lacked the authority to enter into that agreement on behalf of the Government."¹⁵ Department policy further recognizes unauthorized commitments as "serious violations that usually

¹¹ According to the Foreign Affairs Handbook, 14 FAH-2 H-113, "Qualifying as a COR: Federal Acquisition Certification: Contracting Officer's Representative (FAC-COR)," CORs are required to have sufficient technical expertise in the contract subject matter to be able to provide technical direction and to determine whether the contractor is providing conforming goods and services.

¹² FAR 4.805, "Storage, Handling, and Contract Files."

¹³ Code of Federal Regulations, 48 C.F.R. § 2001.602-3, "Ratification of unauthorized commitments."

¹⁴ Executive Order 12731, "Principles of Ethical Conduct for Government Officers and Employees," October 17, 1990.

¹⁵ FAR 1.602-3(a), "Ratification of Unauthorized Commitments."

necessitate disciplinary action against the transgressor,” which could include the withdrawal of a Contracting Officer’s warrant or a COR’s delegation.¹⁶

Although unauthorized commitments are not binding on the Government, they may be approved using ratification procedures. The Department established ratification procedures in the Department of State Acquisition Regulations. In some cases, the ratification of an unauthorized commitment is necessary. For example, ratification should be exercised when an unauthorized person orders supplies that have been provided to and accepted by the Government. However, ratification should not be used in a manner that encourages Government employees to make unauthorized commitments.

At Embassy Amman, unauthorized commitments occurred between January 2014 and June 2016 when oversight personnel ordered and accepted fuel before the Contracting Officer awarded a purchase or delivery order. Such commitments also occurred between April 2015 and October 2016 when procurement staff requested to have funds added to the fuel card account before the Contracting Officer awarded a purchase order.

Fuel Deliveries Were Made and Funding For the Fuel Cards Was Obtained Prior to Obligating Funds

Procurement staff and oversight personnel at Embassy Amman engaged in unauthorized commitments by directing diesel fuel and gasoline contractors to deliver fuel before funds were obligated against a valid contract. In addition, procurement staff in the General Services Office directed that funds be added to the embassy’s fuel card account before the Contracting Officer obligated the funds. These conditions occurred because the procurement staff did not follow Federal and Department regulations that require funds to be obligated through an appropriate contracting vehicle before an authorized person requested either goods or services from a contractor.¹⁷

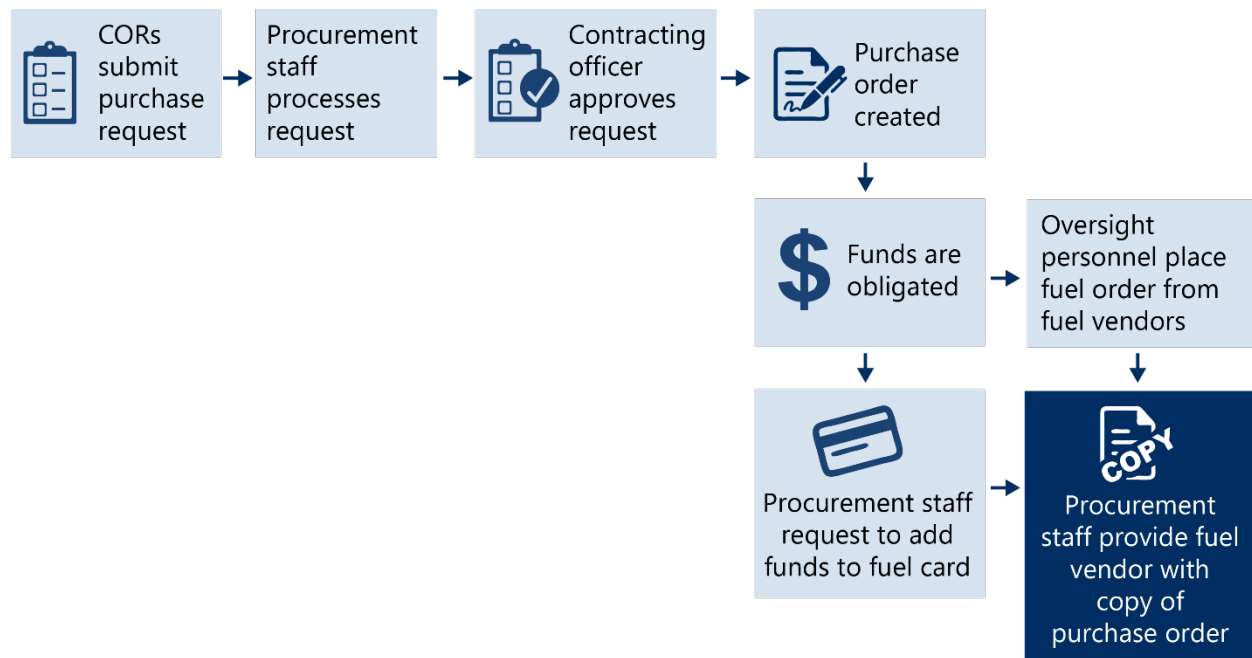
To properly procure diesel fuel and gasoline and add funds to the fuel card account, CORs should submit a purchase request to the procurement staff in the General Services Office through the Department’s procurement system. The procurement staff processes the request, which includes routing it to the Financial Management Office (FMO) staff, who adds the funding data.¹⁸ The Contracting Officer then approves the request, which creates the purchase order or delivery order and obligates the funds for the purchase. Finally, the COR contacts the fuel contractor to coordinate the fuel delivery. To add funds to the embassy’s fuel card account, the procurement staff contacts the fuel contractor and requests that it increase the funds in the fuel card account. Figure 1 shows the fuel ordering process that Embassy Amman should follow as described by procurement and financial management personnel.

¹⁶ Department of State Acquisition Regulations 601.602-3, “Ratification of Unauthorized Commitments.”

¹⁷ FAR 1.602-1, “Authority”; FAR 1.602-3(a), “Ratification of Unauthorized Commitments”; Department of State Acquisition Regulations 601.602-3, “Ratification of Unauthorized Commitments.”

¹⁸ Funding data includes appropriation information used to pay amounts owed by a Federal agency for goods and services received.

Figure 1: Proper Process for Purchasing Fuel



Source: Generated by OIG from information obtained by Embassy Amman contract administration personnel.

However, OIG found that these procedures were not consistently followed and, instead, oversight staff within the Facilities Maintenance and Motor Pool offices requested and received diesel fuel and gasoline between January 2014 and June 2016 before the Contracting Officer signed and awarded six purchase orders and one delivery order.¹⁹ These purchase and delivery orders were signed and awarded from 1 to 51 days after the diesel fuel and gasoline was received from the contractor. The resulting unauthorized commitments totaled at least \$36,509.²⁰ Table 2 provides details on the unauthorized commitments.

¹⁹ Embassy Amman Contracting Officers awarded 147 purchase and delivery orders between October 2012 and August 2016. SJO10016F0091 is a delivery order for gasoline, and the six purchase orders are for diesel fuel.

²⁰ OIG was only able to calculate the total value for three of the seven invoices because four of the invoices submitted for unauthorized commitments were in Arabic and were not translated into English as is required.

Table 2: Unauthorized Commitments for Diesel Fuel and Gasoline

Fuel Type	Purchase Order Number	Purchase Order Date (a)	Fuel Delivery Date (b)	Difference (a-b)	Invoice Number	Invoice Amount
Diesel	SJO10015M0771	05/27/2015	04/6/2015	-51	18704	x
Diesel	SJO10015M0346	01/13/2015	01/12/2015	-1	14291	x
Diesel	SJO10014M0317	2/19/2014	02/13/2014	-6	12051	\$11,539
Diesel	SJO10014M0317	2/19/2014	02/13/2014	-6	12052	\$7,693
Diesel	SJO10014M0242	1/15/2014	01/14/2014	-1	20154	x
Diesel	SJO10014M0242	1/15/2014	01/14/2014	-1	20157	x
Gasoline	SJO10016F0091	7/24/2016	06/23/2016	-31	20618361	\$17,277
Total						\$36,509

x - Denotes that OIG was not able to determine the values because the invoices were in Arabic.

Source: Generated by OIG from data provided by Embassy Amman.

Similarly, OIG found that a procurement official within the General Services Office directed that \$2,820 be added to the fuel card account on three separate occasions between April 2015 and October 2016. Each of these occasions occurred before the dates that the purchase orders were issued and resulted in unauthorized commitments totaling \$8,460. In one instance, the difference between the date funds were added to the fuel card account and the date the purchase order was signed was 46 days (see Table 3).

Table 3: Unauthorized Commitments for the Fuel Cards

Purchase Order Number	Purchase Order Date (a)	Date Money Added to Account (b)	Difference (a-b)	Purchase Order Amount
SJO10015M0659	6/04/2015	4/19/2015	-46	\$2,820
SJO10016M0914	7/12/2016	7/11/2016	-1	\$2,820
SJO10017M0001	10/23/2016	10/05/2016	-18	\$2,820
Total				\$8,460

Source: Generated by OIG from data provided by Embassy Amman.

By requesting that fuel contractors deliver fuel or that the fuel company add funds to the fuel card account prior to the purchase order being issued, embassy officials did not follow Federal and Department regulations.²¹ According to the senior General Services Officer, the embassy does not have a formal internal procedure for ordering fuel or adding funds to the fuel card account. Developing procurement procedures for implementation at the embassy could prevent unauthorized commitments from occurring when processing fuel purchase requests. As of March 2017, Embassy Amman had received, accepted, and used the fuel that was delivered and had expended the funds added to the fuel card account; therefore, these unauthorized commitments must be ratified.

²¹ FAR 1.602-3(a), "Ratification of Unauthorized Commitments"; Department of State Acquisition Regulations 601.602-3, "Ratification of Unauthorized Commitments."

Recommendation 1: OIG recommends that the Procurement Executive at the Bureau of Administration, Office of the Procurement Executive, examine fuel purchases to determine if ratification is warranted and, if so, implement ratification procedures in accordance with Department of State Acquisition Regulations 601.602-3-70, "[Ratification] Procedures," for purchase orders SJO10014M0242, SJO10014M0317, SJO10015M0346, and SJO10015M0771 and delivery order SJO10016F0091, which were used to purchase diesel fuel and gasoline between January 15, 2014, and July 24, 2016.

Management Response: A/OPE concurred with this recommendation, stating that it is "attempting to obtain required information in order to make a definitive decision regarding which are unauthorized commitments and which aren't."

OIG Reply: On the basis of A/OPE's concurrence with the recommendation and planned actions, OIG considers this recommendation resolved pending further action. This recommendation will be closed when OIG receives and accepts documentation demonstrating that A/OPE has reviewed fuel purchases to determine if ratification is warranted for purchase orders SJO10014M0242, SJO10014M0317, SJO10015M0346, and SJO10015M0771 and delivery order SJO10016F0091 and, if so, implements ratification procedures in accordance with Department of State Acquisition Regulations 601.602-3-70, "[Ratification] Procedures."

Recommendation 2: OIG recommends that the Procurement Executive at the Bureau of Administration, Office of the Procurement Executive, examine fuel purchases to determine if ratification is warranted and, if so, implement ratification procedures in accordance with Department of State Acquisition Regulations 601.602-3-70, "[Ratification] Procedures," for purchase orders SJO10015M0659, SJO10016M0914, and SJO10017M0001, which were used to purchase fuel through the fuel card program between June 4, 2015, and October 23, 2016.

Management Response: A/OPE concurred with this recommendation, stating that it "can confirm that purchase orders SJSJO10015M0659 and SJO10017M0001 are in fact unauthorized commitments, so it would be beneficial to change the action on this recommendation to Embassy Amman to submit ratification documentation to A/OPE for action. Additional information has been requested from post to provide a receiving report for SJO10016M0914 so that A/OPE can complete an assessment to determine if this is an unauthorized commitment."

OIG Reply: On the basis of A/OPE's concurrence with the recommendation and planned actions, OIG considers this recommendation resolved pending further action. As noted above, A/OPE has made the determination regarding unauthorized commitments for two of the purchase orders and has requested additional documentation from Embassy Amman so it can complete its assessment of the third purchase order. Additionally, Embassy Amman stated in its response that it sent the status of obligations reports for these purchase orders to A/OPE so it can complete its assessment. (Although Embassy Amman explained that purchase order SJO10017M0001 "remains outstanding," A/OPE has, as noted above, already made a determination that this was an unauthorized commitment.) Because Embassy

Amman took these actions, OIG did not redirect this recommendation to Embassy Amman as suggested by A/OPE. This recommendation will be closed when OIG receives and accepts documentation demonstrating that A/OPE has implemented ratification procedures in accordance with Department of State Acquisition Regulations 601.602-3-70, "[Ratification] Procedures," for purchase orders SJSJO10015M0659, SJO10017M0001, and SJO10016M0914, if warranted, once A/OPE's assessment is complete.

Recommendation 3: OIG recommends that Embassy Amman (1) review all purchase orders and delivery orders from October 1, 2012, to January 31, 2017, that relate to diesel fuel and gasoline purchases, as well as fuel card expenditures, to determine whether any additional unauthorized commitments occurred and (2) provide all results to the Procurement Executive at the Bureau of Administration, Office of the Procurement Executive, for review and possible ratification.

Management Response: Embassy Amman stated that it "plans to review all purchase orders and delivery orders from October 1, 2012, to January 31, 2017, that relate to diesel fuel and gasoline purchases, as well as fuel card expenditures to determine whether any additional unauthorized commitments occurred."

OIG Reply: On the basis of Embassy Amman's planned actions, OIG considers this recommendation resolved pending further action.²² This recommendation will be closed when OIG receives and accepts documentation demonstrating that Embassy Amman has reviewed purchase and delivery orders from October 1, 2012, to January 31, 2017, that relate to diesel fuel and gasoline purchases and fuel card expenditures and determined whether any additional unauthorized commitments occurred and, if so, provided all results to the Procurement Executive at A/OPE for review and possible ratification.

Recommendation 4: OIG recommends that the Procurement Executive at the Bureau of Administration, Office of the Procurement Executive, review all unauthorized commitments provided by Embassy Amman as a result of Recommendation 3 and, as needed, ratify the unauthorized commitments in accordance with Department of State Acquisition Regulations 601-602-3, "Ratification of Unauthorized Commitments."

Management Response: A/OPE concurred with this recommendation, stating that it "will review and ratify when appropriate any and all unauthorized commitments when Embassy Amman submits them." Embassy Amman also responded to this recommendation, stating that it "plans to provide all results from Recommendation 3 to A/OPE in the same manner as was done for Recommendations 1 and 2."

OIG Reply: On the basis of A/OPE's concurrence with the recommendation and planned actions, OIG considers this recommendation resolved pending further action. This recommendation will be closed when OIG receives and accepts documentation

²² OIG notes that Embassy Amman did not explicitly concur or express disagreement with any recommendation but instead described actions it has taken or intends to take.

demonstrating the A/OPE has reviewed all unauthorized commitments provided by Embassy Amman and ratified the unauthorized commitments, as needed, in accordance with Department of State Acquisition Regulations 601-602-3, "Ratification of Unauthorized Commitments."

Recommendation 5: OIG recommends that Embassy Amman develop and implement procedures that safeguard Embassy Amman against unauthorized commitments when processing all types of requests for fuel.

Management Response: Embassy Amman stated that it has "developed and implemented procedures to safeguard the embassy against unauthorized commitments when processing all types of requests for fuel." Embassy Amman stated generally that, at the beginning of 2017, supervision of the diesel fuel program moved from the General Services Office to the Facilities Department and, at that time, the Facilities Department implemented "new residential and compound diesel fuel program oversight procedures." More specifically, Embassy Amman stated that, beginning in May 2017, it developed and implemented a cloud-based purchase order tracking system that reconciles the fuel delivery against the quantity ordered on the purchase order and generates a report that allows oversight personnel to verify the quantity of fuel delivered. The embassy further explained that, to process payments on diesel fuel purchases, the report is then sent to the FMO along with the delivery ticket, the invoice from the diesel fuel vendor, and the purchase order. Embassy Amman stated that the voucher examiner "reviews the invoice received from the vendor against delivery tickets, the report from the COR and the [purchase order]," which allows the Facilities Department and the FMO "to verify the quantity of fuel purchased against the quantity of fuel delivered for each delivery."

For the fuel card program, Embassy Amman stated that it plans to begin matching fuel card transactions with corresponding purchase orders to provide "additional transparency." The embassy further stated that, though "the current software used by the Motor Pool Supervisor to track fuel card transactions provides safeguards against unauthorized commitments when replenishing fuel cards, identifying obligating [purchase orders] for every transaction will offer an additional check against accidentally entering into an unauthorized commitment."

OIG Reply: On the basis of Embassy Amman's actions taken and planned, OIG considers this recommendation resolved pending further action. This recommendation will be closed when OIG receives and accepts documentation demonstrating that Embassy Amman developed and implemented procedures that safeguard the embassy against unauthorized commitments when processing all types of requests for fuel.

Proper Contract Closeout Procedures Were Not Followed

Between October 2012 and August 2016, Contracting Officers at Embassy Amman issued 84 purchase orders for diesel fuel totaling \$6,504,084 and 39 purchase orders for gasoline totaling \$1,002,295. As of March 2017, all of the purchase orders remained open. According to

embassy officials, these purchase orders were also “physically complete,” meaning that all supplies or services procured under the purchase orders were received. However, according to the FMO, \$34,067 remained on physically completed diesel fuel purchase orders and \$225,564 remained on physically completed gasoline purchase orders as of March 2017, all of which should have been deobligated by the Contracting Officer. The Contracting Officer stated that the purchase orders were not closed because they had not had the opportunity to close them.²³

According to the FAR, contracts²⁴ should be considered closed when the Contracting Officer receives evidence supporting receipt of property and final payment.²⁵ During contract closeout, the Contracting Officer must deobligate any funds remaining on the purchase order. The Contracting Officers at Embassy Amman should implement contract closeout procedures for all pertinent purchase orders and deobligate all excess funds so that they can be put to better use for other allowable Department needs.²⁶ Because the Contracting Officers did not do so, funds remaining on these purchase orders could not be used elsewhere.

Recommendation 6: OIG recommends that Embassy Amman review all purchase orders for gasoline and diesel fuel awarded between October 2012 and August 2016 and follow the procedures outlined in Federal Acquisition Regulation, Part 4.804, “Closeout of Contract Files,” to close all purchase orders and deobligate all funds remaining on those purchase orders, including the \$259,631 OIG identified.

Management Response: Embassy Amman stated that it “plans to review all purchase orders for gasoline and diesel fuel awarded between October 2012, and August 2016, and follow appropriate FAR regulations” to close all purchase orders and deobligate all remaining funds.

OIG Reply: On the basis of Embassy Amman’s planned actions, OIG considers this recommendation resolved pending further action. This recommendation will be closed when

²³ OIG was unable to calculate the total amount that should have been deobligated from the purchase orders or verify the amounts calculated by the FMO because the Contracting Officers, the CORs, and the FMO did not match invoice payments to purchase orders. Purchase orders are the official documents awarded by the Contracting Officer to obligate funds to the contract. The amount to be deobligated should be the dollar amount obligated by the purchase order that is in excess of the amount paid.

²⁴ FAR 2.101, “Definitions,” states that a “Contract” is a mutually binding legal relationship obligating the seller to furnish the supplies or services (including construction) and the buyer to pay for them. It includes all types of commitments that obligate the Government to expend appropriated funds and that, except as otherwise authorized, are in writing. Contracts include orders (such as purchase orders) under which the contract becomes effective by written acceptance or performance, and bilateral contract modifications.

²⁵ FAR 4.804-1(a), “Closeout by the Office Administering the Contract.”

²⁶ According to the U.S. Government Accountability Office’s “A Glossary of Terms Used in the Federal Budget Process” (GAO-05-734SP), appropriations are said to “expire” for the purpose of obligating them at the end of the fiscal year for which they were appropriated. Both multi-year and single-year appropriations have an additional 5-year period beyond the original period during which the “expired” funds remain available for certain types of adjustments to obligations. At the end of the 5-year period, the remaining funds are returned to the Treasury.

OIG receives and accepts documentation demonstrating that Embassy Amman has closed all purchase orders for gasoline and diesel fuel awarded between October 2012 and August 2016 and deobligated all funds remaining on those purchase orders, including the \$259,631 OIG identified.

Recommendation 7: OIG recommends that Embassy Amman review its procedures within its procurement functions and immediately adopt and implement necessary changes so that all future contracts can be properly closed and funds timely deobligated in accordance with Federal Acquisition Regulation, Part 4.804, "Closeout of Contract Files."

Management Response: Embassy Amman stated that it "will continue to further review its procedures for properly closing contracts and deobligating funds in a timely manner." Additionally, Embassy Amman stated that it planned to hold an informational session and training on completing the forms necessary for closing contract files for all procurement services requestors, including CORs, Government Technical Monitors, and supervisors on all embassy fuel contracts.

OIG Reply: On the basis of Embassy Amman's planned actions, OIG considers this recommendation resolved pending further action. This recommendation will be closed when OIG receives and accepts documentation demonstrating that Embassy Amman has reviewed and updated its procedures within its procurement functions and implemented necessary changes so that all future contracts can be properly closed and funds timely deobligated in accordance with FAR, Part 4.804, "Closeout of Contract Files."

Contract Files Were Not Retained In Accordance With Federal Regulations

Embassy Amman destroyed eight contract files before the expiration of the retention period established in Federal and Department regulations.²⁷ The FAR states that contract files and associated documents must be retained for 6 years after final payment is made.²⁸ Furthermore, the Foreign Affairs Handbook (FAH) recommends that an electronic copy of the contract be kept on a shared drive for administrative ease.²⁹ Department guidance explains that doing so "is particularly important on programs where contract administration personnel rotate frequently such as in overseas contingency environments." Notwithstanding this guidance, according to the senior General Services Officer, Embassy Amman personnel destroyed the files prematurely because they were unaware of the requirement to maintain them.

²⁷ The Senior General Services Officer stated that contract files were destroyed at the end of 2014 or beginning of 2015 even though they should have been kept until at least October 2018.

²⁸ FAR 4.805, "Storage, Handling, and Contract Files."

²⁹ 14 FAH-2 H-573.3, "Government Contract Files."

According to the FAR, documentation in the contract files must be maintained to provide a complete background and to explain decisions made at each step during the acquisition, to support actions taken, to provide information for reviews and investigations, and to furnish essential facts in the event of litigation.³⁰ By destroying files before the 6-year retention period, the Department jeopardized its ability to do so.

Recommendation 8: OIG recommends that Embassy Amman develop and implement training on contract file retention requirements as defined in Federal Acquisition Regulation 4.805, "Storage, Handling, and Contract Files," and the Foreign Affairs Handbook (FAH), 14 FAH-2 H-573.3, "Government Contract Files," and provide this training annually to all personnel within the General Services Office.

Management Response: Embassy Amman stated that it "plans to work with A/OPE to develop and implement training on contract file retention requirements and to provide this training annually to all [General Services Office] personnel." Embassy Amman noted that it is one of the world's seven largest embassies and its management sections provide support services to more than 950 employees representing 44 Federal agencies. However, Embassy Amman stated that its support staffing levels have not kept pace with its transformation to a large, front-line operation and that management staff grew by less than 10 percent during the past 5 years. The embassy further stated that this growth "spurred a commensurate increase in physical files, many of which were moved to an off-site warehouse," and it is likely that the eight contract files that OIG questions in the report are in fact "located in this warehouse and were not destroyed."

OIG Reply: On the basis of Embassy Amman's planned actions, OIG considers this recommendation resolved pending further action. This recommendation will be closed when OIG receives and accepts documentation demonstrating that Embassy Amman has developed and implemented training on contract file retention requirements in accordance with FAR 4.805, "Storage, Handling, and Contract Files," and 14 FAH-2 H-573.3, "Government Contract Files," and will provide this training annually to all personnel within the General Services Office.

Recommendation 9: OIG recommends that Embassy Amman, to the extent practicable, identify and recreate all contract files that were destroyed prior to expiration of the 6-year retention requirement in accordance with Federal Acquisition Regulation 4.805, "Storage, Handling, and Contract Files," and also create an electronic copy of all recreated contracts on a shared drive for administrative ease according to the Foreign Affairs Handbook (FAH), 14 FAH-2 H-573.3, "Government Contract Files."

Management Response: Embassy Amman stated that it plans to "search the off-site warehouse for the eight contract files referenced in the draft report—and to locate any other fuel contract files from this time period. If these files are not located, to the extent practicable, Embassy Amman will attempt to recreate the files." In addition, Embassy Amman

³⁰ FAR 4.801(b), "General."

stated that, for recovered files, it “plans to create an electronic copy for storage on a shared drive for administrative ease and in accordance with 14 FAH-2 H-573.3, “Government Contract Files.”

OIG Reply: On the basis of Embassy Amman’s planned actions, OIG considers this recommendation resolved pending further action. This recommendation will be closed when OIG receives and accepts documentation demonstrating that, to the extent practicable, Embassy Amman identified and recreated all destroyed contract files in accordance with FAR 4.805, “Storage, Handling, and Contract Files,” and created an electronic copy of all recreated contracts in accordance with 14 FAH-2 H-573.3, “Government Contract Files.”

Finding B: Oversight of Fuel Contractors Needs Improvement

OIG found that oversight of fuel contractors needs improvement to ensure that the contractor is meeting contract requirements. Specifically, the CORs did not (1) develop and implement quality surveillance assurance plans that ensured contractual requirements were met, (2) implement proper procedures to accept fuel from the contractors, (3) maintain complete COR files, and (4) obtain the required certifications to perform oversight duties. These deficiencies occurred because oversight was not sufficiently staffed, CORs relied on the Jordanian Government’s regulations to ensure that fuel quality met contract requirements, and CORs did not comply with FAR requirements and Department policies when conducting oversight. As a result, Embassy Amman cannot be certain that the fuel received between October 2012 and January 2017 met the contract’s quality requirements and may have paid for fuel that it did not receive during that period.

Quality Assurance Surveillance Plans for Fuel Contracts Were Nonexistent or Inadequate

The quality assurance surveillance plan should detail how, when, and by whom the Department will survey, observe, test, evaluate, and document the results of contractor performance. According to the FAR, the quality assurance surveillance plans should be prepared in conjunction with the contract’s performance work statement.³¹ The performance work statement explains the contract’s purpose and intended goals so that the Department can effectively monitor and evaluate the progress and final outcome of the contract. Developing the quality assurance surveillance plan in conjunction with the performance work statement also ensures that the Department assigns enough staff and that those individuals have the proper certifications and technical expertise to effectively monitor the contract. In addition, the FAH defines the role of the COR regarding quality assurance. The FAH states that the COR “is responsible for developing quality assurance procedures, verifying whether the supplies or services conform to the contract’s quality requirements, and maintaining quality assurance records.”³²

³¹ FAR 46.401, “[Government Contract Quality Assurance] General.”

³² 14 FAH-2 H-523, “Quality Assurance.”

Quality assurance surveillance plans should be treated as living documents and should be periodically reviewed to ensure that they efficiently and effectively measure whether the contractor's performance meets contract requirements.³³ Quality assurance surveillance plans also assist with the transition from one COR to another by providing the incoming COR with a record of the activities that were performed by the preceding COR and ensuring that the incoming COR will better understand the oversight activities that should be performed.

Embassy Amman fuel contracts did not have quality assurance surveillance plans to verify that each of the fuel contractors met the performance standards established in the contracts. Specifically, contract SJO10013D0001 did not have a quality assurance surveillance plan and contracts SJO10015D0003 and SJO10016D0017 contained quality assurance surveillance plans that were incomplete. Also, OIG found that the quality assurance surveillance plans for contracts SJO10015D0003 and SJO10016D0017 were not developed in conjunction with the performance work statements and they did not require fuel quality inspections or fuel quantity verification as required by Federal regulations.

Quality Surveillance Assurance Plans Did Not Require Fuel Quality Inspections

Quality assurance surveillance plans should include steps to inspect fuel to ensure that it conforms to the technical requirements established in the contract. For the Embassy Amman fuel contracts, the quality assurance surveillance plans should have focused on the quality and quantity of fuel being delivered by the contractor and the methods that oversight personnel should have used to ensure that the contractor met contract requirements. Because quality assurance surveillance plans were not developed in conjunction with the performance work statements, oversight personnel lacked proficiency in conducting inspections of fuel quality. They were also unaware that the contractor was required to provide inspection results for the diesel fuel and gasoline that it delivered.

For example, CORs did not verify that the quality of diesel fuel and gasoline was "high grade,"³⁴ as required by the contracts. High grade fuel should not contain excessive amounts of water or visible impurities, such as sediment. The CORs for contracts SJO10015D0003 and SJO10016D0017 should have documented procedures in the quality assurance surveillance plans that required oversight personnel to observe, test, and document contractor performance to ensure that this was the case. For example, a method of testing fuel for water is to place a long stick that is coated with indicator paste into the fuel truck; the paste changes color when it comes in contact with water. Sediment can be tested by obtaining a fuel sample from the bottom of the tank and visually inspecting the fuel for sediment after the fuel has settled. However, notwithstanding the contractual requirements, the CORs stated that they did not perform any testing on the fuel because the Jordanian Government's regulations should have ensured that diesel fuel met those requirements. OIG brought this to the attention of the COR

³³ Department of Defense, *Defense Contingency COR Handbook*, ver.2, September 2012, pp. 152–153.

³⁴ "High grade" is the term used to describe fuel quality in contracts SJO10013D0001, SJO10015D0003, and SJO10016D0017. Only contract SJO10015D0003 had the additional specification of 95 octane as a contractual quality requirement for gasoline.

for the diesel fuel contract, who stated that on future deliveries he would instruct oversight personnel to test the diesel fuel for water and sediment impurities.

In the case of gasoline, the CORs did not obtain documentation from the contractor certifying that the gasoline was 95 octane, as required by the contract. The COR stated that he would begin requiring certification from the contractor with the next delivery. At the next delivery of gasoline, OIG observed that the fuel contractor did provide such a certification.

With regular rotations of oversight personnel for overseas assignments, it is important to document quality assurance procedures so that succeeding personnel assigned to conduct oversight can implement the same procedures to verify that contract requirements are met. Therefore, the quality assurance surveillance plans for the two fuel contracts should be updated to coincide with the performance work statements, and they should include the procedures that the oversight personnel deem necessary to ensure that the quality of fuel received meets the quality requirements established in the contracts.

Quality Surveillance Assurance Plans Did Not Require Fuel Quantity Verification

Embassy Amman oversight personnel did not independently verify the volume of diesel fuel and gasoline delivered by the contractors prior to accepting the deliveries. Instead, oversight personnel relied on the fuel contractors' flow meters³⁵ to measure the amount of fuel that the embassy received (see Figure 2).

³⁵ A flow meter measures the flow rate of liquid moving through a pipe; the meter can be used to accurately determine the quantity of fuel being delivered.

Figure 2: Flow Meter on Contractor's Delivery Truck



Source: OIG photograph taken at Embassy Amman, March 2017.

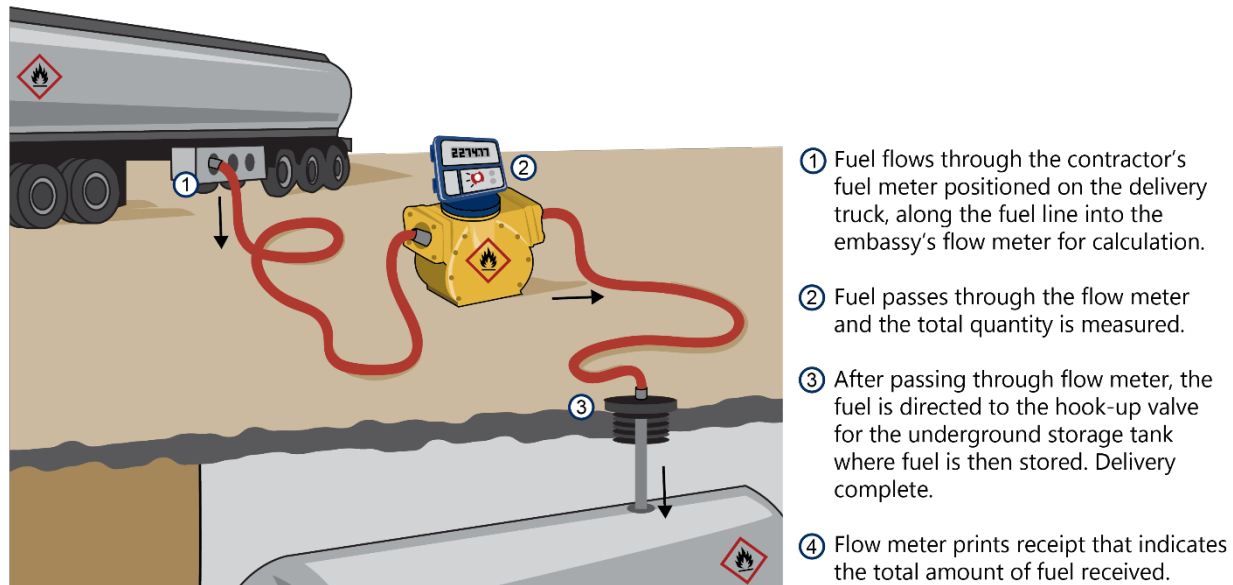
The Contracting Officer and the CORs for contracts SJO10015D0003 and SJO10016D0017 should have established and documented a procedure in the quality assurance surveillance plans to independently verify the quantity of fuel delivered using embassy-owned flow meters. Doing so is important to determine if the contractors' flow meters are reliable and accurate because variances between the contractors' and the embassy's flow meters may indicate that the contractors' flow meters are unreliable or, at least, prompt further inquiry. In addition, the quality assurance surveillance plan should specify the procedures that the COR would implement when discrepancies between the two flow meters occur. For instance, during a gasoline fuel delivery to the embassy that OIG observed, the contractor's flow meter measured 10,270 liters of fuel but the embassy's fuel tank meter³⁶ measured only 9,591 liters, resulting in a difference of 569 liters. Without knowing which meter was accurate, the embassy accepted the results of the contractor's flow meter and may have paid more than \$700³⁷ for fuel it did not receive.

³⁶ The motor pool's fuel tanks have internal meters that gauge the level of fuel in the underground tank; however, these meters do not measure the amount of fuel flowing into the tank. Instead, the internal meters are read two times: first, to measure the level of fuel before fuel is pumped into the tank, and then to measure the fuel level after fuel is pumped into the tank. The difference of the two readings is the embassy's estimate of the amount of fuel delivered.

³⁷ The price of 95 octane gasoline was 0.880 Jordanian dinars per liter on March 1, 2017. The value of the 569 liters of gasoline was 500.72 Jordanian dinars, or 706.02 in U.S. dollars using a conversion rate of 1.41 U.S. dollars to 1 Jordanian dinar ($569 \times 0.880 \times 1.41 = \706.02).

The CORs should update the quality assurance surveillance plans to include steps for positioning the embassy's flow meter between the contractor's flow meter on the fuel delivery truck and the point of fuel entry for the embassy's underground gasoline storage tank. Doing so will ensure that the contractor's flow meter is reliable. By using embassy-owned flow meters, the COR can help ensure that the embassy is paying for the correct amount of fuel received. Figure 3 shows the suggested fuel receiving process using the embassy's flow meter.

Figure 3. Suggested Fuel Receiving Process Using Embassy-Owned Portable Flow Meters



Source: OIG presentation of potential fuel receiving process at Embassy Amman.

Recommendation 10: OIG recommends that Embassy Amman develop and implement a quality assurance surveillance plan for contract SJO10015D0003 based on the contract's performance work statement and incorporate procedures to (1) test gasoline for water content and sediment and (2) require contractors to certify that delivered gasoline is 95 octane, as required in the contract.

Management Response: Embassy Amman stated that gasoline deliveries are accompanied by certifications from the Government of Jordan "attesting to the quantity and quality of fuel, including the octane level of the fuel." In addition, Embassy Amman stated that, in October 2017, it began using a portable density meter to test all diesel fuel deliveries for water content and a digital meter to measure the density of the fuel. Embassy Amman stated that it is currently using the meter to test all diesel fuel deliveries and that it plans to calibrate the meter to test gasoline deliveries and implement testing of gasoline for water and sediment.

OIG Reply: On the basis of Embassy Amman's actions taken and planned, OIG considers this recommendation resolved pending further action. OIG acknowledges the steps that Embassy Amman has taken to obtain certifications attesting to the quality and quantity of the fuel and to test fuel deliveries for water content and sediment. However, Embassy Amman also

needs to incorporate these procedures into a quality assurance surveillance plan to ensure that any new COR assigned to the contract can maintain consistent oversight of the contractor's performance and confirm that contract requirements are met through the use of the quality assurance surveillance plan. This recommendation will be closed when OIG receives and accepts documentation demonstrating that Embassy Amman developed and implemented a quality assurance surveillance plan for contract SJO10015D0003 and incorporated procedures to (1) test gasoline for water content and sediment and (2) require contractors to certify that delivered gasoline is 95 octane, as required in the contract.

Recommendation 11: OIG recommends that Embassy Amman develop and implement a quality assurance surveillance plan for contract SJO10016D0017 based on the contract's performance work statement and incorporate procedures to test diesel fuel for water content and sediment.

Management Response: Embassy Amman stated that in October 2017 it began using meters to test all fuel deliveries made to the embassy for water content and measure the density of the fuel as part of a quality assurance surveillance plan.

OIG Reply: On the basis of Embassy Amman's actions taken, OIG considers this recommendation resolved pending further action. OIG acknowledges the steps that Embassy Amman has taken to test fuel deliveries for water content and to measure the density of the fuel. However, although Embassy Amman states that these measures are "part of a quality assurance surveillance plan," Embassy Amman needs to incorporate these procedures formally into a written quality assurance surveillance plan to ensure that any new COR assigned to the contract can maintain consistent oversight of the contractor's performance and ensure that contract requirements are met through the use of the quality assurance surveillance plan. That is, these positive steps must be incorporated into ongoing procedures that are sustainable over time. This recommendation will be closed when OIG receives and accepts documentation demonstrating that Embassy Amman developed and implemented a quality assurance surveillance plan for contract SJO10016D0017, including the incorporation of procedures discussed in the embassy's response.

Recommendation 12: OIG recommends that Embassy Amman establish and implement procedures in the quality assurance surveillance plans for contracts SJO10015D0003 and SJO10016D0017 that require oversight personnel to (1) independently verify the quantity of fuel delivered using embassy-owned flow meters and (2) detail the process that should be followed if fuel does not meet quality standards or if the volume of fuel measured by the embassy's flow meters does not match the contractor's flow meters.

Management Response: Embassy Amman stated that in May 2017 it began independently verifying the fuel vendor's meter readings for quantities of fuel delivered to embassy residences by using embassy-owned fuel meters. The embassy further stated that current fuel contracts stipulate that invoices be generated from the vendor's meter readings but noted that, as the embassy "grows its capacity to record fuel meter readings independent of

vendor's, future fuel contracts may be modified to allow for billing to be generated" from the embassy's readings instead.

OIG Reply: On the basis of Embassy Amman's actions taken and planned, OIG considers this recommendation resolved pending further action. OIG acknowledges the steps that Embassy Amman has taken to procure fuel meters to independently verify the fuel contractor's meter readings for quantities of fuel delivered to embassy residences. As similarly noted with respect to recommendations 11 and 12, however, Embassy Amman needs to incorporate these procedures into each contract's quality assurance surveillance plan and to implement formal processes and procedures to meet the second part of the recommendation. This recommendation will be closed when OIG receives and accepts documentation demonstrating that the quality assurance surveillance plans for contracts SJO10015D0003 and SJO10016D0017 (1) include procedures that require oversight personnel to independently verify the quantity of fuel delivered using embassy-owned flow meters and (2) detail the process that should be followed if fuel does not meet quality standards or if the volume of fuel measured by the embassy's flow meters does not match the contractor's flow meters.

Unauthorized Personnel Accepted Fuel for the Embassy

For contracts SJO10015D0003 and SJO10016D0017, fuel was accepted³⁸ by Embassy Amman personnel who were not authorized.³⁹ According to the FAR, accepting supplies is the responsibility of the Contracting Officer unless the authority is delegated. At Embassy Amman, the Contracting Officers delegated acceptance authority to the CORs in their delegation letters; however, those letters state that CORs cannot re-delegate this authority.

OIG found that fuel deliveries to embassy residences and the embassy's motor pool were generally accepted by locally employed staff members rather than by the COR. For instance, the COR for the diesel fuel contract requested that non-delegated embassy personnel accompany the diesel fuel contractor and sign for the quantity of fuel delivered at each residential site. Similarly, the COR for the gasoline contract requested a staff member from the embassy's motor pool to sign the receipts for the gasoline deliveries. None of these individuals were delegated acceptance authority by the Contracting Officer.

OIG reviewed fuel receiving documents that supported information on contractors' invoices and found that, for 99 of 109 diesel fuel deliveries, someone other than the COR signed the delivery receipts.⁴⁰ In addition, the COR had not signed the delivery receipts for 24 of 28 gasoline deliveries.⁴¹ According to the CORs, they had other duties to perform related to their primary job and could not always be present to accept fuel deliveries. Therefore, the CORs requested

³⁸ FAR 46.5, "Acceptance," states, "Acceptance constitutes acknowledgment that the supplies or services conform to applicable contract quality and quantity requirements."

³⁹ Fuel delivered under contract SJO10013D0001 was also accepted by unauthorized personnel, but that contract has ended.

⁴⁰ The remaining 10 delivery receipts were illegible; therefore, OIG could not determine who signed them.

⁴¹ The remaining 4 delivery receipts were illegible; therefore, OIG could not determine who signed them.

that members of their staff receive Government Technical Monitor⁴² delegations so they could accept fuel on behalf of the embassy.⁴³

Unauthorized personnel accepting fuel at Embassy Amman increases the risk that the fuel program will be mismanaged and susceptible to fraud. Embassy Amman had no assurance that the unauthorized personnel performing COR duties had taken Federal procurement training, were FAC-COR certified, were familiar with contract terms and conditions, understood limitations placed on those receiving nonconforming goods,⁴⁴ and could provide the contractor technical direction, if needed. Once formal acceptance had occurred, the contractor was generally excused from further performance and, as a result, the embassy may have paid for fuel that did not meet contract terms and conditions.

Recommendation 13: OIG recommends that Embassy Amman assign Government Technical Monitors that are Level II Federal Acquisition Certification for Contracting Officer's Representatives certified to accept gasoline for contract SJO10015D0003 and to accept residential diesel fuel for contract SJO10016D0017 on behalf of the Contracting Officer's Representatives.

Management Response: Embassy Amman stated that, in November 2017, the Contracting Officer assigned three Government Technical Monitors to accept diesel fuel under contract SJO10016D0017. The embassy further stated that all Government Technical Monitors on this contract have completed the required training and will apply for their FAC-COR Level II certifications by March 31, 2018. In addition, Embassy Amman stated that it plans to assign Government Technical Monitors with FAC-COR Level II certifications to contract SJO10015D0003 by April 30, 2018.

OIG Reply: On the basis of Embassy Amman's actions taken and planned, OIG considers this recommendation resolved pending further action. This recommendation will be closed when OIG receives and accepts documentation demonstrating that Embassy Amman has assigned Government Technical Monitors who are Level II FAC-COR certified to accept gasoline for contract SJO10015D0003 and residential diesel fuel for contract SJO10016D0017.

⁴² Department of State Acquisition Regulation 642.271, "Government Technical Monitor," states that the Contracting Officer may appoint a Government Technical Monitor to assist the COR in monitoring a contractor's performance, because of physical proximity to the contractor's work site or because of special skills or knowledge necessary for monitoring the contractor's work. Other Department guidance states that the Contracting Officer can delegate responsibilities, including acceptance, to a Government Technical Monitor.

⁴³ Procurement Information Bulletin 2012-15 requires the Contracting Officer to appoint Government Technical Monitors that are at the same certification level of the COR if they are to be responsible for contract actions. Therefore, if the Contracting Officers appoint Government Technical Monitors to assist with oversight of fuel contracts at Embassy Amman, they must possess a FAC-COR Level II certification.

⁴⁴ According to FAR 52.246-2, "Inspection of Supplies – Fixed Price," only the Contracting Officer can receive nonconforming goods.

Contracting Officer's Representative Files Were Not Created or Incomplete for All Fuel Contracts

According to the FAR and the FAH, the COR must maintain a file for each contract assigned to them.⁴⁵ The purpose of the COR file is to provide easy access to technical contract information and to ease transition to a new COR. The FAH lists the documentation that must be maintained in the COR file, such as copies of the contract, modifications, technical reports, and invoices. To assist CORs in properly maintaining their files, A/OPE prepared a COR Contract File Checklist,⁴⁶ which includes further details and identifies four specific types of documentation to include in the COR file:

- Mandatory Documents – the COR appointment letter and other documents describing the COR's duties and responsibilities.
- Post Award Documents – the contract, task orders, delivery orders and related modifications, and the contractor's proposal.
- Monitoring Contract Performance Documents – acceptability of deliverables, payment log, invoices, reports to the Contracting Officer, and contract closeout information.
- General Correspondence – records of pertinent email and telephone conversations.

OIG found that Embassy Amman oversight personnel did not maintain COR files in accordance with the FAR and the FAH. Specifically, the COR assigned to contract SJO10013D0001 did not establish a COR file to document activities that occurred during the life of the contract. In addition, CORs assigned to contracts SJO10015D0003 and SJO10016D0017 did not maintain documentation that should have been included in the COR files. Table 4 shows the type of documentation missing from the COR files.

⁴⁵ FAR 1.604, "Contracting Officer's Representative (COR);" 14 FAH-2 H-517, "Standard Contracting Officer's Representative (COR) Working File."

⁴⁶ Office of the Procurement Executive Procurement Information Bulletin No. 2014-10, "Contract Files and COR File Checklist (Updated June 4, 2015)."

Table 4: Documentation Missing From Contracting Officer's Representative Files

Documentation	SJO10013D0001	SJO10015D0003	SJO10016D0017
Log of Invoiced Amount Against Contract Line Items	X	X	X
COR Acceptance Documents	X		
Copies of Invoices	X		X
Payment Log	X	X	X
Records of Pertinent Correspondence with Contracting Officer and Contractor	X	X	X
Quality Assurance Surveillance Plan	X		

An "X" denotes documentation that was missing from the COR files.

Source: Generated by OIG from its review of the COR files.

Well-maintained COR files provide a record of decisions made by the Contracting Officer and the COR that support decisions regarding the contract award, payments made, contract administration, contract close out, and audits of the programs.

No Contracting Officer's Representative File Created for Diesel Fuel Contract SJO10013D0001

The COR assigned to contract SJO10013D0001 for diesel fuel did not maintain a COR file. Although embassy staff provided some of the information that should have been included in the COR file, such as a copy of the contract and the COR delegation letter, not all required documentation could be found. Notable items that were missing from the file included notes on fuel loss experienced by embassy residences, steps taken to reduce fuel loss, and the results.⁴⁷ The COR did not have an explanation for why he did not establish a COR file but stated that the Contracting Officer did not request to see documentation from or to review the COR file. Because a COR file was not maintained, the succeeding COR for diesel fuel contract SJO10016D0017 could not draw on the historical record of events that occurred during the duration of the first diesel fuel contract. If a COR file from contract SJO10013D0001 had been available, the COR for contract SJO10016D0017 could have become familiar with the challenges of overseeing residential diesel fuel, such as concerns with fuel loss.⁴⁸

Contracting Officer's Representative Files Missing Required Documentation

The CORs for contracts SJO10015D0003 and SJO10016D0017 established COR files, but they did not have all the required documentation. For example, the COR file for contract SJO10015D0003 did not contain evidence that the COR was tracking fuel deliveries and invoiced amounts against the purchase orders. The description on the invoice should have been traced to an individual

⁴⁷ In *Management Assistance Report: Additional Measures Needed at Embassy Amman to Safeguard Against Residential Fuel Loss* (AUD-MERO-17-50, July 2017), OIG identified and reported on concerns of diesel fuel loss at Embassy Amman's residences.

⁴⁸ Contract SJO10013D0001 is complete. Therefore, OIG is not making a recommendation to Embassy Amman to establish a COR file for this particular contract.

contract line item to verify that the quantity and price were consistent with contract terms. However, OIG found discrepancies between purchase order prices, quantities on receiving reports, and the invoiced prices. These discrepancies could have been identified and addressed if the COR had regularly reconciled and maintained documentation in the COR file for the purchase orders, delivery receipts, and invoices. This shortfall is significant because Contracting Officers depend on CORs to track the amount of fuel received to ensure that the embassy did not exceed the contract value or violate contract terms.

Other documentation missing from the COR files included copies of email messages and records of telephone conversations. The documentation would have noted any concerns that the COR might have had with the contractor. In addition, the documentation maintained in the COR file would provide support for the overall evaluation of contractor performance at the end of the contract.

The COR file should be available for the Contracting Officer and other authorized personnel to review. In addition, because the COR is a representative of the Contracting Officer, the COR file is part of the official post-award contract file and must be forwarded to the Contracting Officer upon completion of the contract to be retained in the official contract file. Failure to comply with Federal regulations and Department guidance on maintaining an official COR file harms the Department in a variety of ways. For example, the Contracting Officer and COR may make uninformed decisions, may have difficulties transitioning to a new COR, and may not be able to readily verify that the Department received and paid for all supplies and services in accordance with the contract terms and conditions.

Recommendation 14: OIG recommends that Embassy Amman establish and implement procedures and corresponding checklists that require Contracting Officer's Representatives (CORs) to maintain all pertinent documentation in the COR files in accordance with the Bureau of Administration, Office of the Procurement Executive Procurement, Information Bulletin 2014-10, "Contract Files and COR File Checklist (Updated June 4, 2015)."

Management Response: Embassy Amman stated that, in May 2017, the Facilities Office developed and implemented "a cloud-based purchase order tracking program that reconciles the fuel delivery against the quantity ordered on the [purchase order] and generates a report to indicate the quantity remaining on that [purchase order]. The report allows the COR for the diesel fuel program or the [Government Technical Monitors] to verify the quantity of diesel fuel delivered against the [purchase order]." Additionally, Embassy Amman stated that, by March 31, 2018, the Facilities Office will include all purchase orders and delivery tickets from October 2016 to April 2017 in the COR files. Embassy Amman stated that it "will continue working with the COR to establish procedures and checklists to ensure all pertinent documentation in the COR files are in accordance with A/OPE Procurement Information Bulletin (PIB) 2014-10."

OIG Reply: On the basis of Embassy Amman's actions taken and planned, OIG considers this recommendation resolved pending further action. This recommendation will be closed when OIG receives and accepts documentation demonstrating that Embassy Amman has

established and implemented procedures and checklists that require CORs to maintain all pertinent documentation in the COR files in accordance with the A/OPE's Procurement, Information Bulletin 2014-10, "Contract Files and COR File Checklist (Updated June 4, 2015)."

Recommendation 15: OIG recommends that Embassy Amman direct its Contracting Officers to immediately review the Contracting Officer's Representatives' files for contracts SJO10015D0003 and SJO10016D0017 for completeness and include in the contract files the results for this review.

Management Response: Embassy Amman stated that "the Contracting Officer will review the COR files for contracts SJO10015D0003 and SJO10016D0017 for completeness by March 31, 2018, and include in the contract files the results of this review."

OIG Reply: On the basis of Embassy Amman's planned actions, OIG considers this recommendation resolved pending further action. This recommendation will be closed when OIG receives and accepts documentation demonstrating that Embassy Amman has completed a review of the COR files for contracts SJO10015D0003 and SJO10016D0017 for completeness.

Recommendation 16: OIG recommends that Embassy Amman establish and implement procedures to have its Contracting Officers review the Contracting Officer's Representatives' files for contracts SJO10015D0003 and SJO10016D0017 on an annual basis, including a requirement to annotate the results of the review, such as findings and recommended actions, in the file.

Management Response: Embassy Amman stated that it "will direct subsequent Contracting Officers to perform annual reviews of the COR files for contracts SJO10015D0003 and SJO10016D0017," and that its review "will include a requirement to include findings of the review and recommended actions in the corresponding COR file."

OIG Reply: On the basis of Embassy Amman's planned actions, OIG considers this recommendation resolved pending further action. This recommendation will be closed when OIG receives and accepts documentation demonstrating that Embassy Amman has established and implemented procedures requiring its Contracting Officers to conduct annual reviews of the COR files, including a requirement to annotate the results of the review, such as findings and recommended actions, in the file.

Recommendation 17: OIG recommends that Embassy Amman develop and implement procedures to obtain Contracting Officer's Representative (COR) files, including contracts SJO10015D0003 and SJO10016D0017, from the CORs upon completion or termination of the contracts to be retained in the Contracting Officer's official contract file.

Management Response: Embassy Amman stated that it "plans to develop and implement procedures to obtain COR files, including COR files corresponding to contracts

SJO10015D0003 and SJO10016D0017, from the CORs upon completion or termination of the contracts to be retained by the Contracting Officer in their files.”

OIG Reply: On the basis of Embassy Amman’s planned actions, OIG considers this recommendation resolved pending further action. This recommendation will be closed when OIG receives and accepts documentation demonstrating that Embassy Amman has developed and implemented procedures to obtain COR files from the CORs upon completion or termination of the contracts to be retained in the Contracting Officer’s official contract file, including for contracts SJO10015D0003 and SJO10016D0017.

Two Contracting Officer’s Representatives Were Not FAC-COR Certified

CORs for contracts SJO10013D0001 and SJO10015D0003 did not obtain their FAC-COR certifications as required by the Office of Federal Procurement Policy.⁴⁹ Moreover, the Contracting Officer had not obtained waivers to designate uncertified CORs to these contracts, as permitted by the FAH.⁵⁰

To ensure that CORs are appropriately trained and developed, the Office of Federal Procurement Policy issued guidance for Department officials in certifying CORs at the level commensurate with their training and experience.⁵¹ The purpose of the FAC-COR is to establish general training, experience, and developmental requirements that reflect the various types of contracts that the CORs manage for their agencies. The FAC-COR guidance contains a three-tiered structure (Levels I, II, and III). The Department’s Procurement Information Bulletin 2012-15⁵² implemented the FAC-COR requirements within the Department and provided guidance on certification requirements for each tier (see Table 5).

⁴⁹ Office of Management and Budget, Office of Federal Procurement Policy, “Revisions to the Federal Acquisition Certification for Contracting Officer’s Representatives,” (September 6, 2011).

⁵⁰ According to 14 FAH-2 H-143.1.i, “COR Training Requirements,” a Contracting Officer may delegate COR duties to an individual who has not taken the required training and who has never served as a COR but must receive specific approval from the Department’s Procurement Executive to do so.

⁵¹ Office of Management and Budget, Office of Federal Procurement Policy, “Revisions to the Federal Acquisition Certification for Contracting Officer’s Representatives,” (September 6, 2011).

⁵² Procurement Information Bulletin 2012-15, “The Revised Federal Acquisition Certification Program for Contracting Officer’s Representatives (CORs) and Government Technical Monitors (GTMs) (FAC-COR).”

Table 5: Contracting Officer's Representative Tier Structure and Associated Requirements as Defined by Procurement Information Bulletin 2012-15

COR Level	COR Work Effort	Initial Training Requirement
Level I	Appropriate for simple orders and contracts at or below the Simplified Acquisition Threshold ^a	8 hours of training and at least 6 months of U.S. Government experience
Level II	Appropriate for more complex orders or contracts	40 hours of training and 12 months of COR-related activities or appointed experience
Level III	Appropriate for use on any contract or order supporting a major investment, as defined by Office of Management and Budget Circular A-11	60 hours of training and 24 months of COR-related activities or appointed experience

^a For 2013, the Simplified Acquisition Threshold was defined by the FAR as \$150,000, except for acquisitions of supplies or services that, as determined by the head of the agency, are to be used to support a contingency operation or to facilitate defense against or recovery from a nuclear, biological, chemical, or radiological attack.

Source: Generated by OIG from information in Procurement Information Bulletin 2012-15.

Within the Department, A/OPE is responsible for issuing FAC-COR certifications. To apply for a Level I, II, or III certification, an individual submits an application to A/OPE through the online FAC-COR System. This System also maintains a database of all CORs within the Department, which includes the name and certification level of each COR. If A/OPE approves the application, the database lists the FAC-COR certification level assigned to that individual.

The diesel fuel and gasoline purchases exceeded the Simplified Acquisition Threshold. Accordingly, pursuant to Procurement Information Bulletin 2012-15, CORs assigned to contracts SJO10013D0001 and SJO10015D0003 must be at least a Level II with 40 hours of training and 12 months of COR-related experience. This bulletin specifically provides that all CORs must attain their certification before they are appointed as CORs on any contract. However, in August 2017, OIG searched the FAC-COR System and found that the CORs assigned to those contracts did not have FAC-COR certifications on file. OIG followed up with the two CORs and determined that the COR assigned to contract SJO10013D0001 did not have FAC-COR certification throughout his tenure as COR on the diesel fuel contract. OIG also found that the COR assigned to contract SJO10015D0003 did not have a FAC-COR certification during OIG's site visit, but the COR applied for and received the certification after OIG recommended doing so.

The CORs assigned to contracts SJO10013D0001 and SJO10015D0003 had obtained the required 40 hours of COR training through the Department's Foreign Service Institute, but neither COR had applied for their FAC-COR certification. Applying for FAC-COR certification is a significant step in appropriately delegating COR duties to an individual, and it is the Contracting Officer's responsibility to ensure that all CORs assigned to contracts under their purview have obtained the appropriate level of FAC-COR certification. If the Contracting Officers had performed a cursory review of A/OPE's FAC-COR System, they would have recognized that the CORs were not certified to perform the COR roles and would not have delegated the individuals as CORs on their respective contracts.

Recommendation 18: OIG recommends that Embassy Amman provide training to Contracting Officers regarding their obligations to verify that all Contracting Officer's Representative (COR) candidates are certified at the appropriate level of the Federal Acquisition Certification for Contracting Officer's Representatives prior to appointing candidates as a COR.

Management Response: Embassy Amman stated that all COR candidates are certified at the appropriate FAC-COR level prior to being appointed as a COR. The embassy further stated that, for contracts SJO10013D0001 and SJO10015D0003, "CORs require FAC-COR Level II certification—appropriate for more complex orders of contracts—requiring 40 hours of training and 12 months of COR-related activities or appointed experience."

OIG Reply: On the basis of Embassy Amman's response, OIG considers this recommendation resolved pending further action. OIG acknowledges Embassy Amman's statement that all CORs are certified at the appropriate FAC-COR level before being appointed as a COR and its recognition of the FAC-COR certification levels and corresponding training and experience requirements. However, OIG reiterates that Contracting Officers must be trained to verify CORs' certification levels before those individuals are appointed. This distinction is important, because OIG found that Contracting Officers did not always properly execute this duty; as a result, two individuals were not FAC-COR certified when appointed to their respective contracts. This recommendation will be closed when OIG receives and accepts documentation demonstrating that Embassy Amman has provided training to Contracting Officers regarding their obligations to verify that all COR candidates are certified at the appropriate level of the FAC-COR prior to appointing a candidate as a COR.

Recommendation 19: OIG recommends that Embassy Amman establish and implement procedures requiring Contracting Officer's Representative (COR) delegations to be reviewed by the Contracting Officer's supervisor to ensure that all COR delegations are executed in accordance with the Department's Procurement Information Bulletin 2012-15.

Management Response: Embassy Amman stated that, effective immediately, it "will require COR delegations to be reviewed by the Contracting Officer's immediate supervisor, the Deputy General Services Officer, to ensure all COR delegations are executed in accordance with [Procurement Information Bulletin] 2012-15."

OIG Reply: On the basis of Embassy Amman's actions taken, OIG considers this recommendation resolved pending further action. This recommendation will be closed when OIG receives and accepts documentation demonstrating that Embassy Amman has established and implemented procedures requiring COR delegations to be reviewed by the Contracting Officer's supervisor to ensure compliance with Procurement Information Bulletin 2012-15.

Finding C: Lack of Invoice Review Procedures Result in \$8.3 Million in Questioned Costs

Embassy Amman officials did not follow Federal regulations and Department guidance when approving invoices submitted by fuel contractors that were paid from October 2012 through January 2017. Specifically, OIG found that:

- The FMO did not verify that the invoices submitted by the fuel contractors included the information that is required by the FAR for a proper invoice.⁵³
- The FMO did not always ensure that invoices were paid within timelines established by the Prompt Payment Act.⁵⁴
- CORs did not always verify that prices complied with contract terms or maintain valid supporting documentation demonstrating contractor performance.

These conditions occurred because the embassy's FMO did not implement effective procedures to ensure that contractor invoices included all of the elements of a proper invoice prior to authorizing payment and did not track the dates that invoices were received and paid. In addition, the CORs involved did not establish and implement invoice review procedures to ensure invoices were accurate and supported, and they allowed unauthorized personnel to approve invoices on their behalf. OIG is therefore questioning \$8.3 million paid by Embassy Amman for fuel purchases from October 2012 through January 2017.

The Financial Management Office Did Not Always Ensure That Fuel Invoices Included Required Information

The FAR states that payment to a contractor is based on receipt of a proper invoice and satisfactory contract performance.⁵⁵ A proper invoice includes the contract number (delivery order or purchase order number); line items in the contract that are being billed; description, quantity, unit price, and extended price of supplies delivered; and contractor-specific information. Moreover, the FAH requires that the invoice be translated if it is submitted in a language other than English.⁵⁶ In addition, the FAM states that "the certifying officer may make payment only after having obtained approval of the voucher from an officer having knowledge of the receipt of the goods."⁵⁷ At Embassy Amman, the FMO is responsible for verifying that the invoices contain all of the elements required by the FAR, ensuring that it is translated into English, and verifying that CORs have certified that the fuel was received. If the invoice does not

⁵³ FAR 32.905, "Payment Documentation and Process," lists 10 elements of a proper invoice.

⁵⁴ According to the Code of Federal Regulations, 5 C.F.R. § 1315, "Prompt Payment," invoices are required to be paid within 30 days after receipt and acceptance of materials and/or services or after receipt of a proper invoice, whichever is later. It further states that when payments are not made timely, interest should be automatically paid. According to 4 FAM 422, "Invoices," the prompt payment requirements extend to all foreign vendors.

⁵⁵ FAR 32.905, "Payment Documentation and Process," lists 10 elements of a proper invoice.

⁵⁶ According to 4 FAH-3 H-422, "Invoices," a proper invoice includes the "translation of key words if the invoice is in a foreign language."

⁵⁷ 4 FAM 420, "Voucher Examination."

include all of the elements of a proper invoice, the FMO should return the invoice to the contractor within 7 days of receipt and list the reasons why it was rejected.

The FMO approved 912 payments⁵⁸ totaling \$8.3 million to fuel contractors from October 2012 through January 2017. OIG selected 137 payments totaling \$1.9 million for detailed analysis and found that none of the invoices approved for payment included all of the elements of a proper invoice.⁵⁹ Specifically, none of the sampled invoices included a purchase or delivery order number or referenced a contract line item. Furthermore, of the 137 payments that OIG reviewed, 38 (28 percent) were paid against invoices that were not translated to English. The FMO voucher examiners explained to OIG that they did not review the invoices to ensure that they contained all the elements of a proper invoice or that they were approved by an authorized person, and they did not ensure that key words of the invoices had been translated to English. The voucher examiners also stated that they did not verify that the CORs had checked the fuel prices invoiced by the contractors against the contract terms or that the CORs had certified that the fuel had been received.

On the basis of testing of a statistical sample of payments, OIG projects that the remaining 775 applicable payments in the universe that was not tested could contain approximately \$6.4 million in questioned costs, for a total of \$8.3 million in questioned costs.⁶⁰ See Appendix B of this report for a complete listing of payments reviewed and the corresponding reasons OIG questioned the invoice and Appendix A for the sampling methodology and resulting projections for the questioned costs identified by OIG.

Recommendation 20: OIG recommends that Embassy Amman review all invoices submitted by fuel contractors from October 2012 through January 2017 for contracts SJO10013D0001, SJO10015D0003, and SJO10016D0017 to (a) determine whether the \$1.9 million paid against those invoices and identified by OIG as unsupported costs are allowable, and (b) recover any costs determined to be unallowable.

Management Response: Embassy Amman stated that it “plans to review all invoices submitted by fuel contractors from October 2012, through January 2017, for contracts SJO10013D0001, SJO10015D0003, and SJO10016D0017 to determine whether identified and projected unsupported costs are allowable and to recover any costs determined to be unallowable.”

OIG Reply: On the basis of Embassy Amman’s planned actions, OIG considers this recommendation resolved pending further action. This recommendation will be closed when OIG receives and accepts documentation demonstrating that Embassy Amman has reviewed all invoices submitted by fuel contractors from October 2012 through January 2017 for

⁵⁸ A payment may include multiple invoices combined into a single payment to the contractor.

⁵⁹ The total sample was 143 payments; however, 6 out-of-scope payments were removed. See the “Purpose, Scope, and Methodology” section for further details.

⁶⁰ The \$8.3 million includes the \$1.9 million reviewed in OIG’s sample and the \$6.4 million projected to the universe of payments.

contracts SJO10013D0001, SJO10015D0003, and SJO10016D0017 and (a) determined whether the \$1.9 million paid against those invoices and identified by OIG as unsupported costs are allowable and (b) recovered any costs determined to be unallowable.

Recommendation 21: OIG recommends that Embassy Amman review all invoices submitted by fuel contractors from October 2012 through January 2017 for contracts SJO10013D0001, SJO10015D0003, and SJO10016D0017 to (a) determine whether the \$6.4 million paid against those invoices and projected by OIG as unsupported costs are allowable, and (b) recover any costs determined to be unallowable.

Management Response: Embassy Amman stated that it “plans to review all invoices submitted by fuel contractors from October 2012, through January 2017, for contracts SJO10013D0001, SJO10015D0003, and SJO10016D0017 to determine whether identified and projected unsupported costs are allowable and to recover any costs determined to be unallowable.”

OIG Reply: On the basis of Embassy Amman’s planned actions, OIG considers this recommendation resolved pending further action. This recommendation will be closed when OIG receives and accepts documentation demonstrating that Embassy Amman has reviewed all invoices submitted by fuel contractors from October 2012 through January 2017 for contracts SJO10013D0001, SJO10015D0003, and SJO10016D0017 and (a) determined whether the \$6.4 million paid against those invoices and projected by OIG as unsupported costs are allowable and (b) recovered any costs determined to be unallowable.

Recommendation 22: OIG recommends that Embassy Amman develop and implement invoice review procedures and corresponding checklists that require, at a minimum, voucher examiners to review submitted invoices for (1) all proper elements that are required by Federal Acquisition Regulation 32.905, “Payment Documentation and Process,” (2) the translation of key words if the invoice is in a foreign language as required by the Foreign Affairs Handbook (FAH) under 4 FAH-3 H-422, “Invoices,” and (3) evidence that the Contracting Officer’s Representatives certified the validity of the costs claimed and that the goods and/or services had been received.

Management Response: Embassy Amman stated that in May 2017 it “began using a new purchase order tracking program that reconciles the fuel delivery against the quantity ordered on the [purchase order] and generates a report to indicate the quantity remaining on that [purchase order].” The embassy further stated that the report allows the COR for the diesel fuel program to ensure that the quantity of diesel fuel delivered remains within the quantity ordered and that the report, along with the delivery tickets, is sent to the FMO. Embassy Amman explained that the voucher examiner reviews the invoice received from the vendor against delivery tickets, the report received from the COR, and the purchase order, which allows both the Facilities Department and the FMO to “verify the quantity of fuel purchased against the quantity of fuel delivered and to certify the validity of the costs.”

Additionally, the embassy stated that the FMO met with the fuel vendors to educate them on the elements required for a proper invoice and to explain that all invoices are required to

be translated into English. Finally, Embassy Amman stated that the FMO “re-trained all voucher examiners on proper voucher examining procedures to ensure all vendor invoices contain a contract or [purchase order] number, line items in the contract that are being billed, description, quantity, unit price, and extended price of supplies delivered, and contractor-specific information as required by Federal Acquisition Regulation (FAR) 32.905.”

OIG Reply: On the basis of Embassy Amman’s actions taken and planned, OIG considers this recommendation resolved pending further action. This recommendation will be closed when OIG receives and accepts documentation demonstrating that Embassy Amman has developed and implemented invoice review procedures and corresponding checklists that require, at a minimum, voucher examiners to review submitted invoices for (1) all proper elements that are required by FAR 32.905, (2) the translation of key words into English as required by 4 FAH-3 H-422, and (3) evidence that the CORs certified the validity of the costs claimed and that the goods and/or services had been received.

Invoices Not Always Paid in Accordance with Prompt Payment Act Requirements

Embassy Amman did not always pay invoices within timeframes required by the Prompt Payment Act. The Prompt Payment Act requires Government finance offices to date stamp all incoming invoices, make payments no earlier than 23 days and no later than 30 days from the invoice date, take discounts only within the terms offered, and pay interest when payment is late. Typically, invoices received by FMO are stamped with the date they are received, which starts the clock for prompt payment. However, because contracts SJO10013D0001, SJO10015D0003, and SJO10016D0017 included contradictory language on the process for contractors to submit invoices, the invoices for these fuel purchases were not provided directly to the FMO and, therefore, were not date stamped.⁶¹

Of the 137 payments in the sample, OIG found that 45 were made anywhere from 31 to 93 days after the fuel invoice was received, making these payments late. OIG notes that it could not determine when 50 of the remaining 92 payments were made because the dates of the invoices were not translated to English, the invoices were illegible because of their quality, or the invoices were missing altogether. As a result, OIG could not assess whether these 50 payments within the sample complied with Prompt Payment Act requirements.

Despite late payments to the contractors, Embassy Amman did not pay interest as required by the FAR.⁶² According to the FAR, the “designated payment office will pay an interest penalty automatically, without request from the contractor” when payment is made more than 30 days after the designated billing office receives the invoice. The Prompt Payment Act allows the contractor to waive interest, but Embassy Amman produced no such waivers. As a result,

⁶¹ The Statement of Work for each contract states that the driver of the fuel truck “must submit an invoice to the COR for approval at the time any delivery is made.” However, each of the contracts’ provisions and clauses section states that the contractor is required to submit an invoice to the FMO and provides a mailing address for sending those invoices. For fuel contracts, the contractor followed the language in the Statement of Work rather than the language in the contract itself.

⁶² FAR 32.907, “Interest Penalties.”

Embassy Amman should determine⁶³ whether the contractors are entitled to interest penalties in accordance with prompt payment regulations in the Code of Federal Regulations under 5 C.F.R. § 1315.⁶⁴

Recommendation 23: OIG recommends that Embassy Amman develop and implement invoice review procedures that require, at a minimum, all fuel contractor invoices to be (1) stamped with the date they are received, (2) tracked throughout the review and approval process, and (3) automatically paid, with the interest penalties due to the contractor if the invoice is paid late, so that contractor payments can be made consistent with the requirements of the Prompt Payment.

Management Response: Embassy Amman stated, "All invoices are submitted to FMO electronically by the vendors via the AmmanFMOBilling@state.gov email box. The 'date stamp' is the date the invoice is sent/received by FMO. It is current practice at Embassy Amman for all voucher examiners to track invoices throughout the review and approval process and for late penalty payments to be made when required."

OIG Reply: On the basis of Embassy Amman's response to this recommendation and to Recommendation 26, in which the embassy replied that it met with vendors and directed them "to submit invoices to the FMO," OIG considers this recommendation resolved pending further action. This recommendation will be closed when OIG receives and accepts documentation demonstrating that Embassy Amman developed and implemented invoice review procedures that require, at a minimum, all fuel contractor invoices to be (1) stamped with the date they are received, (2) tracked throughout the review and approval process, and (3) automatically paid, with the interest penalties due to the contractor if the invoice is paid late, so that contractor payments can be made consistent with the requirements of the Prompt Payment.

Recommendation 24: OIG recommends that Embassy Amman review all invoices paid against contracts SJO10013D0001, SJO10015D0003, and SJO10016D0017 and (a) determine the dates by which to start the prompt payment clock, (b) compare those dates to the dates the invoices were paid, (c) calculate interest penalties for those invoices that were paid after the 30-day requirement, and (d) determine if interest penalties should be paid to the contractors in accordance with prompt payment requirements in 5 Code of Federal Regulations § 1315.

Management Response: Embassy Amman stated that it "will review all invoices paid against contracts SJO10013D0001, SJO10015D0003, and SJO10016D0017 to determine that prompt payment requirements were met and to determine if interest penalties should be made to contractors."

⁶³ When invoices are not stamped, the date of the invoice or date of fuel acceptance, whichever is later, is used to start the clock for purposes of prompt payment.

⁶⁴ Code of Federal Regulations, 5 C.F.R. § 1315, "Prompt Payment."

OIG Reply: On the basis of Embassy Amman's planned actions, OIG considers this recommendation resolved pending further action. This recommendation will be closed when OIG receives and accepts documentation demonstrating that Embassy Amman has reviewed all invoices paid against contracts SJO10013D0001, SJO10015D0003, and SJO10016D0017 and performed the proper calculations to determine if interest penalties should be paid to the contractors in accordance with prompt payment requirements.

Recommendation 25: OIG recommends that Embassy Amman modify contracts SJO10015D0003 and SJO10016D0017 to (a) clarify procedures for contractors to submit invoices directly to the Financial Management Office according to the provisions and clauses section of those contracts, and (b) replace language that requires the contractor to provide Contracting Officer's Representatives with the invoices at the time of delivery with a requirement to provide bills of lading at the time of delivery.

Management Response: Embassy Amman stated that all invoices "are submitted electronically by vendors directly to FMO."

OIG Reply: On the basis of Embassy Amman's response to this recommendation and to Recommendation 26, in which the embassy replied that it met with vendors and directed them "to submit invoices to the FMO," OIG considers this recommendation resolved pending further action. Although OIG acknowledges the embassy's actions to direct vendors to submit all invoices to the FMO, OIG maintains that the contract language must be modified to clarify how invoices should be submitted to ensure consistency among the embassy's contract documentation and to avoid confusion by any future vendors. This recommendation will be closed when OIG receives and accepts documentation demonstrating that Embassy Amman has modified contracts SJO10015D0003 and SJO10016D0017 to (a) clarify procedures for contractors to submit invoices directly to the FMO according to the provisions and clauses section of those contracts and (b) replace language that requires the contractor to provide CORs with the invoices at the time of delivery with a requirement to provide bills of lading at the time of delivery.

Recommendation 26: OIG recommends that Embassy Amman issue letters to the fuel contractors for contracts SJO10015D0003 and SJO10016D0017 directing them to submit proper invoices to Embassy Amman's Financial Management Office in accordance with the clauses section of the respective contracts.

Management Response: Embassy Amman stated that it met with vendors to educate them "on the proper elements that need to be included in an invoice and directed them to submit invoices to FMO."

OIG Reply: On the basis of Embassy Amman's actions taken, OIG considers this recommendation resolved pending further action. This recommendation will be closed when OIG receives and accepts documentation demonstrating that Embassy Amman directed fuel contractors to submit proper invoices to the FMO in accordance with the clauses section of the respective contracts.

Contracting Officer's Representatives Did Not Always Review and Approve Invoices to Verify Contractor Performance and Fuel Costs

According to the FAH, CORs should review invoices to ensure that the information on the invoice and supporting documents is proper and correct, the invoice is for a valid contract, and the items on the invoice are in accordance with contract terms.⁶⁵ The FAH also requires CORs to review and approve contractor's invoices after verifying the costs against supporting documentation. In addition, the FAH requires all invoice payments to be supported by a receiving report or other Government documentation that authorizes the payment. The receiving report must, at a minimum, include the contract number (delivery order or purchase order number), the description and quantities of supplies received and accepted, and the signature of the Government official responsible for acceptance or approval. The FAM further notes that "the Department will hold the Approving or Receiving Officers responsible from an administrative standpoint for any GAO exceptions resulting from an improper approval or erroneous receiving report."⁶⁶ At Embassy Amman, the Contracting Officers for the fuel contracts delegated to the CORs the responsibility to review and approve the contractor's invoices and to certify the acceptance of fuel.

OIG found that the CORs did not consistently verify that the prices on the invoices matched the contract prices or that the quantities listed on the invoices matched the supporting documentation provided by the contractor. Of the 137 payments that OIG reviewed, 42 payments were paid against invoices with prices that did not match contractual terms.⁶⁷ For example, the purchase order attached to one invoice had a unit price of 0.365 Jordanian dinar per liter. However the contractor's invoice had a unit price of 0.452 Jordanian dinar, for a difference of 0.087 Jordanian dinar per liter. Additionally, 19 of 137 payments in OIG's sample were paid against invoices that contained fuel quantities that did not match the quantity of fuel on the invoice approval document that was attached.⁶⁸ Finally, none of the reviewed invoices included delivery fees, in accordance with contract terms.⁶⁹

In addition to improper prices and invalid supporting documentation, OIG also found that 123 of 137 sampled payments each contained at least 1 delivery ticket that was not signed by a Contracting Officer or a COR. Because acceptance of goods is a responsibility delegated by the

⁶⁵ 4 FAH-3 H-425, "Voucher Prepayment Examination."

⁶⁶ 4 FAM 424, "Voucher Approval."

⁶⁷ For the remaining 95 payments, OIG verified that 8 payments were executed against invoices with prices that matched contracted prices, but was unable to determine the unit prices on the invoices for 87 payments because the invoices were illegible, not translated to English, or missing. OIG notes, however, that its analysis may understate the deficiencies in invoice review.

⁶⁸ For the remaining 118 payments, OIG verified that 32 payments were executed against invoices with quantities that matched supporting documentation. OIG notes, however, that its analysis may understate the deficiencies in invoice review. OIG was unable to determine the fuel quantities on the invoices for 86 payments because the invoices were illegible, not translated to English, or missing.

⁶⁹ None of the invoices provided by the contractors included a contract number. Therefore, the COR or other approving officer arbitrarily assigned a contract number that the invoice was billed against.

Contracting Officer to the COR, any fuel received and accepted by anyone other than the Contracting Officer or COR was inappropriate and those invoices should not have been paid.

The CORs told OIG that they did not have invoice review procedures to verify fuel prices or contract terms. For example, one of the CORs stated that he reviewed the invoice only to validate the quantity of fuel delivered, but he did not review the unit price for fuel. Once he validated the quantity of fuel provided by the contractor, he forwarded the acceptance or receiving documentation to the FMO for payment without a signature. Forwarding unsigned acceptance or receiving documentation to the FMO demonstrated the COR's lack of understanding of his roles and responsibilities.

Because Embassy Amman did not establish procedures requiring the CORs to review and approve invoices, fuel invoices were improperly paid. In addition, it is unclear whether Embassy Amman overpaid or underpaid the contractors because the CORs did not always verify that invoices and supporting documentation were complete and accurate in accordance with Federal and Department regulations. In addition, CORs did not ensure that payments were made in accordance with contract terms.

Recommendation 27: OIG recommends that Embassy Amman establish and implement invoice review procedures and corresponding checklists for Contracting Officer's Representatives (CORs) assigned to contracts SJO10015D0003 and SJO10016D0017 that require the CORs to (1) verify quantities of fuel received, unit prices paid, and the total cost of the invoices against contractual terms and supporting documentation, in accordance with the Foreign Affairs Handbook (FAH) under 14 FAH-2 H-142, "Responsibilities of the Contracting Officer's Representative (COR)," and 4 FAH-3 H-425, "Voucher Prepayment Examination;" and (2) certify invoices with an authorized signature, in accordance with the Foreign Affairs Manual (FAM) under 4 FAM 424, "Voucher Approval."

Management Response: Embassy Amman stated that in May 2017 the Facilities Department "began using a new purchase order tracking program that generates a report after each delivery ticket that allows the COR for the diesel fuel program or the GTM to verify the quantity of diesel fuel delivered against the quantity of fuel ordered on the purchase order." The embassy further stated that the report, which is accompanied by the COR's or Government Technical Monitor's authorized signature, also tracks the unit prices paid and the total cost of the invoice and is sent to the FMO along with the delivery ticket. Embassy Amman concluded that the voucher examiner "reviews the invoice received from the vendor against the delivery ticket and the [purchase order]."

OIG Reply: On the basis of Embassy Amman's actions taken, OIG considers this recommendation resolved pending further action. This recommendation will be closed when OIG receives and accepts documentation demonstrating that Embassy Amman has implemented invoice review procedures and corresponding checklists for CORs assigned to contracts SJO10015D0003 and SJO10016D0017 that require the CORs to (1) verify quantities of fuel received, unit prices paid, and the total cost of the invoices against contractual terms

and supporting documentation, in accordance with 14 FAH-2 H-142 and 4 FAH-3 H-425 and (2) certify invoices with an authorized signature, in accordance with 4 FAM 424.

Recommendation 28: OIG recommends that Embassy Amman (1) perform a reconciliation of all invoices submitted and paid against contracts SJO10013D0001, SJO10015D0003, and SJO10016D0017 to determine whether the contractors were overpaid or underpaid, and (2) either pursue reimbursement or pay any additional amounts owed to the contractors.

Management Response: Embassy Amman stated that it "will perform a reconciliation of all invoices paid against contracts SJO10013D0001, SJO10015D0003, and SJO10016D0017 to determine whether the contracts were overpaid or underpaid" and pursue suitable actions.

OIG Reply: On the basis of Embassy Amman's planned actions, OIG considers this recommendation resolved pending further action. This recommendation will be closed when OIG receives and accepts documentation demonstrating that Embassy Amman has (1) performed a reconciliation of all invoices paid against contracts SJO10013D0001, SJO10015D0003, and SJO10016D0017 to determine whether the contractors were overpaid or underpaid and (2) either pursued reimbursement or paid additional amounts owed to the contractors.

RECOMMENDATIONS

Recommendation 1: OIG recommends that the Procurement Executive at the Bureau of Administration, Office of the Procurement Executive, examine fuel purchases to determine if ratification is warranted and, if so, implement ratification procedures in accordance with Department of State Acquisition Regulations 601.602-3-70, "[Ratification] Procedures," for purchase orders SJO10014M0242, SJO10014M0317, SJO10015M0346, and SJO10015M0771 and delivery order SJO10016F0091, which were used to purchase diesel fuel and gasoline between January 15, 2014, and July 24, 2016.

Recommendation 2: OIG recommends that the Procurement Executive at the Bureau of Administration, Office of the Procurement Executive, examine fuel purchases to determine if ratification is warranted and, if so, implement ratification procedures in accordance with Department of State Acquisition Regulations 601.602-3-70, "[Ratification] Procedures," for purchase orders SJO10015M0659, SJO10016M0914, and SJO10017M0001, which were used to purchase fuel through the fuel card program between June 4, 2015, and October 23, 2016.

Recommendation 3: OIG recommends that Embassy Amman (1) review all purchase orders and delivery orders from October 1, 2012, to January 31, 2017, that relate to diesel fuel and gasoline purchases, as well as fuel card expenditures, to determine whether any additional unauthorized commitments occurred and (2) provide all results to the Procurement Executive at the Bureau of Administration, Office of the Procurement Executive, for review and possible ratification.

Recommendation 4: OIG recommends that the Procurement Executive at the Bureau of Administration, Office of the Procurement Executive, review all unauthorized commitments provided by Embassy Amman as a result of Recommendation 3 and, as needed, ratify the unauthorized commitments in accordance with Department of State Acquisition Regulations 601-602-3, "Ratification of Unauthorized Commitments."

Recommendation 5: OIG recommends that Embassy Amman develop and implement procedures that safeguard Embassy Amman against unauthorized commitments when processing all types of requests for fuel.

Recommendation 6: OIG recommends that Embassy Amman review all purchase orders for gasoline and diesel fuel awarded between October 2012 and August 2016 and follow the procedures outlined in Federal Acquisition Regulation, Part 4.804, "Closeout of Contract Files," to close all purchase orders and deobligate all funds remaining on those purchase orders, including the \$259,631 OIG identified.

Recommendation 7: OIG recommends that Embassy Amman review its procedures within its procurement functions and immediately adopt and implement necessary changes so that all future contracts can be properly closed and funds timely deobligated in accordance with Federal Acquisition Regulation, Part 4.804, "Closeout of Contract Files."

Recommendation 8: OIG recommends that Embassy Amman develop and implement training on contract file retention requirements as defined in Federal Acquisition Regulation 4.805, "Storage, Handling, and Contract Files," and the Foreign Affairs Handbook (FAH), 14 FAH-2 H-573.3, "Government Contract Files," and provide this training annually to all personnel within the General Services Office.

Recommendation 9: OIG recommends that Embassy Amman, to the extent practicable, identify and recreate all contract files that were destroyed prior to expiration of the 6-year retention requirement in accordance with Federal Acquisition Regulation 4.805, "Storage, Handling, and Contract Files," and also create an electronic copy of all recreated contracts on a shared drive for administrative ease according to the Foreign Affairs Handbook (FAH), 14 FAH-2 H-573.3, "Government Contract Files."

Recommendation 10: OIG recommends that Embassy Amman develop and implement a quality assurance surveillance plan for contract SJO10015D0003 based on the contract's performance work statement and incorporate procedures to (1) test gasoline for water content and sediment and (2) require contractors to certify that delivered gasoline is 95 octane, as required in the contract.

Recommendation 11: OIG recommends that Embassy Amman develop and implement a quality assurance surveillance plan for contract SJO10016D0017 based on the contract's performance work statement and incorporate procedures to test diesel fuel for water content and sediment.

Recommendation 12: OIG recommends that Embassy Amman establish and implement procedures in the quality assurance surveillance plans for contracts SJO10015D0003 and SJO10016D0017 that require oversight personnel to (1) independently verify the quantity of fuel delivered using embassy-owned flow meters and (2) detail the process that should be followed if fuel does not meet quality standards or if the volume of fuel measured by the embassy's flow meters does not match the contractor's flow meters.

Recommendation 13: OIG recommends that Embassy Amman assign Government Technical Monitors that are Level II Federal Acquisition Certification for Contracting Officer's Representatives certified to accept gasoline for contract SJO10015D0003 and to accept residential diesel fuel for contract SJO10016D0017 on behalf of the Contracting Officer's Representatives.

Recommendation 14: OIG recommends that Embassy Amman establish and implement procedures and corresponding checklists that require Contracting Officer's Representatives (CORs) to maintain all pertinent documentation in the COR files in accordance with the Bureau of Administration, Office of the Procurement Executive Procurement, Information Bulletin 2014-10, "Contract Files and COR File Checklist (Updated June 4, 2015)."

Recommendation 15: OIG recommends that Embassy Amman direct its Contracting Officers to immediately review the Contracting Officer's Representatives' files for contracts SJO10015D0003 and SJO10016D0017 for completeness and include in the contract files the results for this review.

Recommendation 16: OIG recommends that Embassy Amman establish and implement procedures to have its Contracting Officers review the Contracting Officer's Representatives' files for contracts SJO10015D0003 and SJO10016D0017 on an annual basis, including a requirement to annotate the results of the review, such as findings and recommended actions, in the file.

Recommendation 17: OIG recommends that Embassy Amman develop and implement procedures to obtain Contracting Officer's Representative (COR) files, including contracts SJO10015D0003 and SJO10016D0017, from the CORs upon completion or termination of the contracts to be retained in the Contracting Officer's official contract file.

Recommendation 18: OIG recommends that Embassy Amman provide training to Contracting Officers regarding their obligations to verify that all Contracting Officer's Representative (COR) candidates are certified at the appropriate level of the Federal Acquisition Certification for Contracting Officer's Representatives prior to appointing candidates as a COR.

Recommendation 19: OIG recommends that Embassy Amman establish and implement procedures requiring Contracting Officer's Representative (COR) delegations to be reviewed by the Contracting Officer's supervisor to ensure that all COR delegations are executed in accordance with the Department's Procurement Information Bulletin 2012-15.

Recommendation 20: OIG recommends that Embassy Amman review all invoices submitted by fuel contractors from October 2012 through January 2017 for contracts SJO10013D0001, SJO10015D0003, and SJO10016D0017 to (a) determine whether the \$1.9 million paid against those invoices and identified by OIG as unsupported costs are allowable, and (b) recover any costs determined to be unallowable.

Recommendation 21: OIG recommends that Embassy Amman review all invoices submitted by fuel contractors from October 2012 through January 2017 for contracts SJO10013D0001, SJO10015D0003, and SJO10016D0017 to (a) determine whether the \$6.4 million paid against those invoices and projected by OIG as unsupported costs are allowable, and (b) recover any costs determined to be unallowable.

Recommendation 22: OIG recommends that Embassy Amman develop and implement invoice review procedures and corresponding checklists that require, at a minimum, voucher examiners to review submitted invoices for (1) all proper elements that are required by Federal Acquisition Regulation 32.905, "Payment Documentation and Process," (2) the translation of key words if the invoice is in a foreign language as required by the Foreign Affairs Handbook (FAH) under 4 FAH-3 H-422, "Invoices," and (3) evidence that the Contracting Officer's Representatives certified the validity of the costs claimed and that the goods and/or services had been received.

Recommendation 23: OIG recommends that Embassy Amman develop and implement invoice review procedures that require, at a minimum, all fuel contractor invoices to be (1) stamped with the date they are received, (2) tracked throughout the review and approval process, and (3) automatically paid, with the interest penalties due to the contractor if the invoice is paid late, so that contractor payments can be made consistent with the requirements of the Prompt Payment.

Recommendation 24: OIG recommends that Embassy Amman review all invoices paid against contracts SJO10013D0001, SJO10015D0003, and SJO10016D0017 and (a) determine the dates by which to start the prompt payment clock, (b) compare those dates to the dates the invoices were paid, (c) calculate interest penalties for those invoices that were paid after the 30-day requirement, and (d) determine if interest penalties should be paid to the contractors in accordance with prompt payment requirements in 5 Code of Federal Regulations § 1315.

Recommendation 25: OIG recommends that Embassy Amman modify contracts SJO10015D0003 and SJO10016D0017 to (a) clarify procedures for contractors to submit invoices directly to the Financial Management Office according to the provisions and clauses section of those contracts, and (b) replace language that requires the contractor to provide Contracting Officer's Representatives with the invoices at the time of delivery with a requirement to provide bills of lading at the time of delivery.

Recommendation 26: OIG recommends that Embassy Amman issue letters to the fuel contractors for contracts SJO10015D0003 and SJO10016D0017 directing them to submit proper invoices to Embassy Amman's Financial Management Office in accordance with the clauses section of the respective contracts.

Recommendation 27: OIG recommends that Embassy Amman establish and implement invoice review procedures and corresponding checklists for Contracting Officer's Representatives (CORs) assigned to contracts SJO10015D0003 and SJO10016D0017 that require the CORs to (1) verify quantities of fuel received, unit prices paid, and the total cost of the invoices against contractual terms and supporting documentation, in accordance with the Foreign Affairs Handbook (FAH) under 14 FAH-2 H-142, "Responsibilities of the Contracting Officer's Representative (COR)," and 4 FAH-3 H-425, "Voucher Prepayment Examination;" and (2) certify invoices with an authorized signature, in accordance with the Foreign Affairs Manual (FAM) under 4 FAM 424, "Voucher Approval."

Recommendation 28: OIG recommends that Embassy Amman (1) perform a reconciliation of all invoices submitted and paid against contracts SJO10013D0001, SJO10015D0003, and SJO10016D0017 to determine whether the contractors were overpaid or underpaid, and (2) either pursue reimbursement or pay any additional amounts owed to the contractors.

APPENDIX A: PURPOSE, SCOPE, AND METHODOLOGY

The Office of Inspector General (OIG) conducted this audit to determine whether Department of State (Department) oversight personnel implemented adequate controls to ensure that the contractor provided fuel for Embassy Amman in accordance with contract terms, Federal regulations, and Department guidance.

This report relates to the overseas contingency operation, Operation Inherent Resolve, and was completed in accordance with OIG's oversight responsibilities described in Section 8L of the Inspector General Act of 1978, as amended. OIG conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that OIG plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for the findings and conclusions based on the audit objectives. OIG believes that the evidence obtained provides a reasonable basis for the findings and conclusions based on the audit objectives.

OIG conducted fieldwork for this audit from March through November 2017 in Amman, Jordan, and Frankfurt, Germany. OIG's audit work focused on two indefinite-delivery, indefinite-quantity contracts (SJO10013D0001 and SJO10016D0017) and numerous purchase orders for diesel fuel; one indefinite-delivery, indefinite-quantity contract (SJO10015D0003) and numerous purchase orders for gasoline; and Embassy Amman's fuel card program. This audit was limited to fuel purchases paid to contractors between October 2012 and January 2017.

To obtain background information for this audit, OIG researched and reviewed Federal laws and regulations as well as internal Department policies, procedures, and other guidance. Specifically, OIG reviewed the Federal Acquisition Regulation; Office of Management and Budget procurement policy; the Foreign Affairs Manual; the Foreign Affairs Handbook; Department of State Acquisition Regulations; and the Bureau of Administration, Office of the Procurement Executive's Procurement Information Bulletins.

To determine whether contracting and oversight officials at Embassy Amman were administering and overseeing the fuel contracts in accordance with acquisition regulations and Department requirements, OIG coordinated with or interviewed officials from Embassy Amman; the Bureau of Administration, Office of the Procurement Executive; and Jordanian fuel contractors—Jordan Express Tourist Transport and Jordan Petroleum Products Marketing Company. OIG reviewed and analyzed the three fuel contracts and related modifications, fuel purchase orders, quality assurance surveillance plans, Contracting Officer's Representative (COR) files, and online fuel card account records. In addition, OIG reviewed and analyzed Contracting Officers' warrants, delegation letters, and Federal Acquisition Certification for Contracting Officer's Representatives certificates for individuals responsible for oversight activities, and fuel-related invoices dated from October 2012 through January 2017 paid against the three contracts.

Prior Reports

OIG recently issued two audit reports related to fuel acquisition, storage, and distribution at overseas posts. In the *Audit of the Oversight of Fuel Acquisition and Related Services Supporting Department of State Operations in Iraq* (AUD-MERO-17-16, December 2016), OIG reviewed oversight personnel's monitoring of fuel acquisition at multiple sites in Iraq. OIG concluded that the fuel provided by the contractor did not comply with contractual requirements and, as a result, questioned \$64 million in fuel costs. OIG also concluded that oversight of contractor performance was inadequate and review of fuel-related expenditures was incomplete. OIG issued 18 recommendations to the Department, 7 of which were open as of January 2018, including recommendations to seek adjustment for any nonconforming fuel purchased, develop and implement quality assurance surveillance plans, conduct monthly reviews of the COR files for sufficiency of oversight documents, and update invoice review procedures to ensure accuracy of pricing data.

In the audit *Improvements Needed to Strengthen Vehicle-Fueling Controls and Operations and Maintenance Contract at Embassy Kabul, Afghanistan* (AUD-MERO-16-35, April 2016), OIG reviewed fuel acquisition and services at the U.S. Embassy in Kabul, Afghanistan. OIG identified issues with the effectiveness of controls to safeguard and account for fuel throughout the receipt and distribution process at Embassy Kabul. OIG also identified issues with flow meters that were not calibrated and poor controls that enabled unauthorized access at the retail fueling station. OIG issued 10 recommendations to Embassy Kabul, 7 of which were open as of January 2018, including recommendations to improve the accuracy of the vehicle inventory system, update and eventually replace the vehicle-fueling system, designate a Government official to accept fuel, and relocate the fuel system computer.

OIG also issued two management assistance reports related to controls over fuel storage and distribution at Embassy Amman. *Management Assistance Report: Additional Measures Needed at Embassy Amman to Safeguard Against Residential Fuel Loss* (AUD-MERO-17-50, July 2017) addressed OIG concerns regarding inconsistent diesel fuel use at embassy residences. OIG concluded that oversight personnel had not implemented effective controls to safeguard residential fuel, making embassy residences susceptible to potential fuel theft or other loss. OIG issued three recommendations to procure, install, and implement procedures for a real-time fuel monitoring system and to adjust fuel levels in residential fuel tanks on the basis of seasonal needs. All three recommendations were open as of January 2018. OIG acknowledges that Embassy Amman included information regarding these issues in its response to this report. Although OIG appreciates this update, the status of these recommendations will be addressed through the formal compliance process. The second management assistance report, *Safety Infractions in Embassy Amman Motor Pool Area Require Immediate Attention* (AUD-MERO-17-59, September 2017), is a classified report.

Use of Computer-Processed Data

The Financial Management Office at Embassy Amman provided the audit team with copies of fuel invoices paid against fuel contracts that were dated from October 2012 through

January 2017 to perform testing of the fuel expenditures. The universe of fuel invoices included invoices for fuel purchased against the three indefinite-delivery, indefinite-quantity contracts, for individual purchase orders, and for the fuel card program. Because the detailed data for the embassy's invoices are not uploaded to the Department's accounting system, OIG validated the universe of invoices by observing the Embassy Amman financial analyst run a report that used the same parameters as OIG's initial request. OIG was able to verify that Embassy Amman provided the complete universe of invoices that were dated from October 2012 through January 2017. Several issues with the fuel invoices were identified and are detailed in the Audit Results section of this report. OIG concluded that the invoice data was sufficiently reliable to complete the testing of allowable fuel expenditures and to support the conclusions made in this report.

Work Related to Internal Controls

OIG performed steps to assess the adequacy of internal controls related to the management and oversight of contracts SJO10013D0001, SJO10016D0017, and SJO10015D0003, including the review of policies, procedures, and processes applicable to the areas audited. OIG gained an understanding of the contract procurement process to determine whether appropriate language was included in the contract. In addition, OIG reviewed contract oversight procedures and contract files to ensure that the Department held contractors accountable for performing fuel acquisition in accordance with contract terms and conditions as well as Federal requirements. OIG also gained an understanding of the process for reviewing invoices and expenditures and tested the controls to ensure that the Department approved expenditures on the basis of their allowability and supportability. OIG summarized internal control deficiencies and weaknesses found during the invoice reviews noted in the Audit Results section of this report.

Detailed Sampling Methodology

OIG's sampling objective was to determine if the acquisition of fuel at Embassy Amman was conducted in accordance with contract terms, Federal regulations, and Department guidance. To determine if the invoices for diesel fuel and gasoline at Embassy Amman met this sampling objective, OIG tested a stratified sample of fuel-related payments¹ from a universe of 980 payments totaling \$8.5 million from October 2012 to January 2017. Specifically, 931 diesel- fuel related payments totaled \$7,416,792 and 49 gasoline-related payments totaled \$1,097,198.

Table A1: Distribution of Payments and Dollar Totals by Fuel Type

Fuel Type	Payments	Dollar Total
Diesel	931	\$7,416,792
Gasoline	49	\$1,097,198
Total	980	\$8,513,990

Source: Generated by OIG from data provided by Embassy Amman.

¹ One fuel-related payment may include payments against multiple invoices.

The sample was selected using a partially dollar-weighted stratified sampling design. The strata were the fuel types: diesel fuel and gasoline. The monetary value of the payments was used to weight the sample, and the sample size was computed for each of the strata (fuel types). For the diesel fuel type, the computed sample size was 126, and for the gasoline, the computed sample size was 40. Each sample size was chosen in order to ensure a worst case precision of plus or minus 10 percent, given a 95-percent confidence level. To reduce bias in estimating the dollar unit projections, the sample was selected using sampling with replacement, resulting in some samples being selected more than once. After removing the duplicate selections, the final unique sample size was 143 payments (see Table A2).

Table A2: Selected Sample Sizes by Fuel Type

Fuel Type	Sample Size	Duplicates Drawn	Unique Samples
Diesel	126	11	115
Gasoline	40	12	28
Total	166	23	143

Source: Generated by OIG from data provided by Embassy Amman.

OIG performed a series of tests to meet its sampling objective. OIG reviewed supporting documentation, such as the purchase order request, delivery tickets, and the COR approval and fuel tracking template, obtained from the Financial Management Office at Embassy Amman to independently validate the allowability of fuel invoices. To determine allowability, OIG attempted to review the fuel unit prices on the invoices against the corresponding purchase orders, fuel types, and delivery receipts for proper acceptances. However, during testing, OIG noted that none of the invoices had the associated purchase order number. Instead, OIG compared the unit prices on the invoices to the purchase orders that the COR attached to the invoice. In addition, OIG tested invoices to determine whether (1) the invoices contained the applicable requirements, (2) key elements of the invoices were translated, (3) fuel quantity on the invoices agreed to supporting documentation, and (4) invoice payments were approved properly. See Appendix B for invoice review results.

Adjustments to the Sampling Frame

During the invoice review, OIG identified 6 payments² from the sample of 143 that were not applicable to the scope of the audit. These samples were projected to the sampling frame in both payments and dollars, and these projected estimates were removed from the sampling frame to develop an "in scope" sampling frame. From the original sampling frame of 980 valued at \$8,513,990, the estimated out-of-scope payments were 68, with a total value of \$167,289. These payments were removed from the applicable sampling frame, as shown in Table A3.

² Six payments from the original sample were removed because they related to fuel cards instead of diesel fuel or gasoline purchases.

Table A3: Distribution of Payments and Dollars After Removing Out-of-Scope Payments

Applicable Payments	Payments	Dollars
Sample Frame	912	\$8,346,700
Sampled Payments	137	\$1,895,848

Source: Generated by OIG from data provided by Embassy Amman.

Statistical Projections

The audit team provided the statistician with the results of all 143 sampled payments. The projections were computed on all the samples selected in the sample design, including the duplicate selections, totaling 166 payments.³ All the projections were conducted using the R statistical program.⁴

Attribute Projections

The sample results for audit tests were projected using the *svydesign()*⁵ function from the *survey()* library.^{6,7} Because the sample was selected using sampling weights, the sampling probability was accounted for by designating the field with the sampling weights in the “probs” parameter. The *svyglm()*⁸ function was used to compute the point estimate and standard error for each attribute test. The standard error and point estimate were transformed from the logit scale to the standard normal (0,1) scale using a custom function. The output from this function was the point estimate and the 95-percent confidence range as a percentage. These percentages were multiplied to the untested number of payments (775 payments).⁹

Variable Projections

The dollar projections were computed using the same method as above but with a few adjustments. The sampling probability was adjusted by dividing the dollar unit of the sample

³ The sample projections relied on the duplicate selection to reduce bias when estimating the point estimate. See Pfeffermann, D., “The Role of Sampling Weights When Modeling Survey Data. International Statistical Review,” 61(2), 317-337 (1993).

⁴ R Core Team (2015). “R: A language and environment for statistical computing ” (R Foundation for Statistical Computing, Vienna, Austria).

⁵ The function specifies a complex survey design.

⁶ Lumley, T. (2014). “Survey: Analysis of Complex Survey Samples” (R package version 3.30).

⁷ Lumley, T. (2004). “Analysis of Complex Survey Samples, Journal of Statistical Software,” 9(1), 1-19 (R package version 2.2).

⁸ The function fits a generalized linear model to data from a complex survey design, with inverse-probability weighting and design-based standard errors.

⁹ This total was the result of subtracting the 137 sampled payments from the applicable sample frame of 912.

into the sampling probability. This adjusted weight was accounted for in the "probs" parameter. The computed percentages were multiplied with the untested dollar total (\$6,450,858).¹⁰

¹⁰ This total was the result of subtracting the dollar total of the sample \$1,895,848 from the applicable sample frame total of \$8,346,700.

APPENDIX B: INVOICE REVIEW RESULTS

Item Number	Fuel Type	Payment Number	Payment Amount (USD)	Audit Test 1	Audit Test 2	Audit Test 3	Audit Test 4	Audit Test 5	Audit Test 6	Audit Test 7
1	Diesel	4404KL0331	15,235	X	X	X	?	X	✓	✓
2	Diesel	44014KL0444	22,382	?	?	?	?	?	?	?
3	Diesel	44013SB0512	17,415	X	✓	X	?	X	✓	✓
4	Diesel	4405SB0631	16,002	X	X	X	?	?	✓	✓
5	Diesel	44016SD0510	5,112	?	?	?	?	?	?	✓
6	Diesel	4404KL0303	11,548	X	II	X	?	✓	✓	✓
7	Diesel	44013SB0593	18,051	X	✓	X	X	X	✓	X
8	Diesel	4404KL0332	17,437	X	II	X	?	✓	✓	?
9	Diesel	44015SD0055	6,299	X	X	X	?	X	✓	✓
10	Diesel	4405SB0261A	9,927	X	X	X	?	X	✓	X
11	Diesel	44013SB0514	18,468	X	II	X	X	X	✓	X
12	Diesel	44013SB0441	17,415	X	✓	X	X	X	✓	X
13	Diesel	4404SB0744	970	X	X	X	?	?	✓	✓
14	Diesel	4404SB0614A	9,055	X	?	?	?	?	?	✓
15	Diesel	44014KL0437	4,686	X	II	?	?	✓	✓	✓
16	Diesel	4405SB0657	5,743	X	X	X	?	?	✓	✓
17	Diesel	4405SB0196	11,250	X	II	X	?	?	II	✓
18	Diesel	4404SB0960	5,389	X	X	X	?	?	II	✓
19	Diesel	4404SB0577	482	X	?	X	?	?	?	X
20	Diesel	44016SD031A	21,875	X	X	X	X	?	✓	✓
21	Diesel	44016SD0095	2,734	X	✓	X	?	?	✓	✓

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Item Number	Fuel Type	Payment Number	Payment Amount (USD)	Audit Test 1	Audit Test 2	Audit Test 3	Audit Test 4	Audit Test 5	Audit Test 6	Audit Test 7
22	Diesel	4406SB0220	8,467	X	✓	X	?	?	✓	✓
23	Diesel	4406SB0243	10,939	X	✓	X	?	?	?	✓
24	Diesel	4406SB0252	6,855	X	X	X	?	?	✓	✓
25	Diesel	4405SB0309	1,381	X	X	X	?	?	✓	✓
26	Diesel	44017SD0138	1,426	X	II	X	?	✓	✓	✓
27	Diesel	4405SB0431	13,694	X	X	X	?	?	✓	✓
28	Diesel	4405SB0338	7,800	X	X	X	?	?	✓	X
29	Diesel	4405SB0862	9,464	X	X	X	?	?	✓	✓
30	Diesel	44016SD0334	3,564	X	✓	X	X	?	✓	✓
31	Diesel	44014NM1609	46,685	X	X	X	X	✓	?	✓
32	Diesel	44013SB0734	3,634	X	✓	X	X	✓	✓	X
33	Diesel	44016SD0257	4,127	X	✓	X	X	?	✓	✓
34	Diesel	44016SD0452	778	X	✓	X	X	?	X	✓
35	Diesel	44013SB0286	16,907	X	✓	X	✓	✓	✓	X
36	Diesel	44014KL0420	16,453	X	II	X	?	?	✓	✓
37	Diesel	44014NM1116	7,608	X	II	X	?	?	✓	✓
38	Diesel	44014KL0418	21,491	X	X	?	?	?	✓	?
39	Diesel	44014KL0421	13,707	X	X	X	?	?	✓	✓
40	Diesel	4405SB0337	17,080	X	X	X	?	?	✓	X
41	Diesel	4405SB0389	14,106	X	X	X	?	?	✓	✓
42	Diesel	44013SB0275	16,907	X	✓	X	X	✓	✓	X
43	Diesel	44016SD0272	5,322	X	✓	X	X	?	✓	✓

UNCLASSIFIED

Item Number	Fuel Type	Payment Number	Payment Amount (USD)	Audit Test 1	Audit Test 2	Audit Test 3	Audit Test 4	Audit Test 5	Audit Test 6	Audit Test 7
44	Diesel	44014NM1115	8,552	X	II	X	?	✓	✓	✓
45	Diesel	4404SB0991	20,440	X	X	X	?	?	✓	✓
46	Diesel	4405SB0394	13,205	X	X	X	?	?	✓	✓
47	Diesel	44013SB0483	16,756	X	II	X	?	?	✓	✓
48	Diesel	44013SB0399	16,907	X	✓	X	?	✓	✓	X
49	Diesel	44013SB1011	8,627	X	X	X	?	?	✓	✓
50	Diesel	4405SB0558	7,157	X	X	X	?	?	✓	✓
51	Diesel	44017SD0099	4,259	X	✓	X	?	✓	✓	?
52	Diesel	44014SB0254	10,066	X	II	X	?	?	✓	?
53	Diesel	4405SB0077	6,412	X	X	X	?	?	✓	✓
54	Diesel	44013NM1328	19,124	X	II	X	?	?	?	?
55	Diesel	44014KL0497	2,023	X	II	X	?	✓	✓	✓
56	Diesel	4405SB0392	12,339	X	X	X	?	?	✓	✓
57	Diesel	44013SB0272	17,415	X	✓	X	X	?	✓	X
58	Diesel	4405SB0199	5,706	X	X	X	?	?	✓	✓
59	Diesel	44014NM1384	10,771	X	X	X	?	?	✓	✓
60	Diesel	44013SB0975	5,977	X	X	X	?	?	✓	✓
61	Diesel	44014NM1249	4,527	X	X	X	?	?	✓	✓
62	Diesel	44013SB0751	18,051	X	✓	X	✓	✓	✓	✓
63	Diesel	44014SB0253	23,090	X	X	X	?	✓	✓	X
64	Diesel	4405SB0770	6,238	X	X	X	?	?	?	✓
65	Diesel	44017SD0120	9,814	X	✓	X	?	✓	✓	?

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Item Number	Fuel Type	Payment Number	Payment Amount (USD)	Audit Test 1	Audit Test 2	Audit Test 3	Audit Test 4	Audit Test 5	Audit Test 6	Audit Test 7
66	Diesel	4405SB0391	16,369	X	X	X	?	?	✓	✓
67	Diesel	4405SB1016	57,837	X	?	X	?	?	✓	?
68	Diesel	44014SB0235	17,194	X	X	X	?	?	?	✓
69	Diesel	44014NM1414	5,264	X	X	X	?	?	✓	✓
70	Diesel	44016SD0730	1,975	X	✓	X	?	?	✓	?
71	Diesel	44013NM0553	18,051	X	✓	X	✓	✓	✓	✓
72	Diesel	44017SD0157	1,135	X	✓	X	?	?	✓	?
73	Diesel	44016SD0321	2,916	X	✓	X	X	?	✓	✓
74	Diesel	44017SD0146	1,358	X	✓	X	?	?	✓	?
75	Diesel	44013SB0509	16,907	X	II	X	X	X	✓	X
76	Diesel	44013SB1071	18,472	X	II	X	?	?	✓	✓
77	Diesel	44013SB0321	16,907	X	✓	X	X	X	✓	✓
78	Diesel	4405SB0541	16,035	X	X	X	?	✓	✓	✓
79	Diesel	44017SD0139	3,348	X	✓	X	?	✓	✓	X
80	Diesel	44014NM0852	19,266	X	✓	X	X	?	✓	X
81	Diesel	4404SB0587	11,848	X	?	X	?	?	?	✓
82	Diesel	44014NM1291	9,970	X	II	X	?	✓	✓	✓
83	Diesel	4404SB0982	7,158	X	X	X	?	?	✓	?
84	Diesel	4406SB0217	11,464	X	✓	X	X	X	✓	✓
85	Diesel	44016SD0537	1,085	X	✓	X	X	?	?	✓
86	Diesel	44014SB0306	1,477	X	II	X	?	✓	✓	✓
87	Diesel	44016SD0264	5,722	X	✓	X	X	?	✓	✓
88	Diesel	4404SB0861	9,681	X	X	X	?	?	?	✓

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Item Number	Fuel Type	Payment Number	Payment Amount (USD)	Audit Test 1	Audit Test 2	Audit Test 3	Audit Test 4	Audit Test 5	Audit Test 6	Audit Test 7
89	Diesel	4405SB0390	16,727	X	X	X	?	?	✓	✓
90	Diesel	44017SD0140	1,815	X	✓	X	?	✓	✓	?
91	Diesel	44017SD0076	4,518	X	✓	X	?	✓	✓	?
92	Diesel	44014SB0364	19,309	?	?	X	?	?	?	?
93	Diesel	4406SB0242	7,858	X	✓	X	X	?	✓	✓
94	Diesel	44014SB0365	4,159	X	II	X	?	✓	✓	✓
95	Diesel	44013SB0757	17,415	X	✓	X	X	X	?	✓
96	Diesel	44014SB0112	10,009	X	X	X	?	?	✓	✓
97	Diesel	44016SD0393	3,447	X	✓	X	X	?	?	✓
98	Diesel	44016SD0293	7,268	X	✓	X	X	?	✓	✓
99	Diesel	44016SD0738	3,033	X	?	X	?	?	?	?
100	Diesel	44013SB0381	11,763	X	✓	X	?	✓	✓	X
101	Diesel	44013SB0288	9,393	X	✓	X	?	X	✓	✓
102	Diesel	44013SB0087	13,093	X	✓	X	?	X	✓	X
103	Diesel	44014KL0525	5,298	X	✓	X	X	✓	✓	?
104	Diesel	4405SB0559	14,594	X	✓	X	?	?	✓	✓
105	Diesel	44016SD0325	4,610	X	✓	X	X	?	✓	✓
106	Diesel	44013SB0508	16,738	X	✓	X	X	X	✓	✓
107	Diesel	44014KL0523	12,532	X	✓	X	X	✓	✓	✓
108	Diesel	4405SB0244	12,238	X	X	X	?	?	✓	✓
109	Gasoline	44013SB0424	8,437	X	✓	X	X	X	✓	X
110	Gasoline	44015NH0040	18,666	X	II	X	✓	✓	✓	✓
111	Gasoline	4405NM0270	64,842	X	II	X	X	?	✓	?

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Item Number	Fuel Type	Payment Number	Payment Amount (USD)	Audit Test 1	Audit Test 2	Audit Test 3	Audit Test 4	Audit Test 5	Audit Test 6	Audit Test 7
112	Gasoline	4405NM0815	16,754	X	II	X	X	?	✓	✓
113	Gasoline	44013SB0083	45,783	X	II	X	?	X	✓	?
114	Gasoline	44016TZ0437	15,743	X	II	X	X	✓	✓	✓
115	Gasoline	4405NM1128	33,372	X	II	X	X	?	✓	?
116	Gasoline	4405NM0443	20,038	X	II	X	X	?	✓	?
117	Gasoline	44013SB0788	20,843	X	II	X	X	X	✓	✓
118	Gasoline	44013NM1299	21,885	X	II	X	✓	?	✓	✓
119	Gasoline	44017PSZ00542	17,511	X	II	X	?	?	✓	X
120	Gasoline	44016SD0620	17,307	X	II	X	X	✓	✓	X
121	Gasoline	44017PSZ00216	34,006	X	II	?	X	?	✓	?
122	Gasoline	44016SD0714	16,660	X	II	X	✓	✓	✓	✓
123	Gasoline	44016SD0022	16,424	X	II	X	X	✓	✓	?
124	Gasoline	44014NM0081	15,938	X	II	X	✓	X	✓	?
125	Gasoline	44013SB0550	23,136	X	II	X	?	?	✓	?
126	Gasoline	44017PSZ00488	18,035	X	II	X	?	?	✓	?
127	Gasoline	4405NM1577	38,975	?	?	X	?	?	✓	?
128	Gasoline	44016TZ1180	32,830	X	II	X	X	?	✓	?
129	Gasoline	4403MK0453	22,047	X	II	?	?	?	✓	?
130	Gasoline	4405AZ0589	21,702	X	II	X	?	?	✓	?
131	Gasoline	4405NM1343	17,822	X	II	X	X	?	✓	?
132	Gasoline	4406SB0097	16,179	X	II	X	✓	?	✓	?
133	Gasoline	4406AZ0626	17,212	X	II	X	X	?	✓	?

Item Number	Fuel Type	Payment Number	Payment Amount (USD)	Audit Test 1	Audit Test 2	Audit Test 3	Audit Test 4	Audit Test 5	Audit Test 6	Audit Test 7
134	Gasoline	44013NM064	43,777	X	II	X	?	?	✓	?
135	Gasoline	4405NM0877	14,716	X	II	X	X	?	✓	?
136	Gasoline	4403MK0278	22,525	X	II	X	X	✓	✓	✓
137	Gasoline	44013SB0527	22,101	X	II	X	?	X	✓	✓

TOTAL \$1,895,848

Source: Generated by OIG from data provided by Embassy Amman.

Audit Test Criteria:

- Test 1 Invoices included legally applicable requirements of an invoice
- Test 2 Key elements of the invoice were translated to English
- Test 3 Fuel acceptance official was delegated to accept the fuel
- Test 4 Purchase order unit price matches to invoice unit price
- Test 5 Quantity on invoice agrees to acceptance quantity
- Test 6 Payments approved by an official that had authority
- Test 7 Date of delivery is after "On or Before Date" of the purchase order

Test Results Legend:

- ✓ Yes
- X No
- ? Unresolved
- II Partial

APPENDIX C: EMBASSY AMMAN, JORDAN, RESPONSE



*Embassy of the United States of America
Amman, Jordan*

Amman, Jordan
March 1, 2018

Norman P. Brown
Assistant Inspector General for Audits
U.S. Department of State, Office of Inspector General
1700 N. Moore St.
Arlington, Virginia 22209
Norman.P.Brown@stateoig.gov

Subject: *U.S. Embassy Amman Response to Office of the Inspector General,
Office of Audits, Audit of the Administration and Oversight of Fuel
Contracts at U.S. Embassy Amman, Jordan Draft Report*

Dear Mr. Brown:

Please see as follows a written response to the draft report *Audit of the Administration and Oversight of Fuel Contracts at U.S. Embassy Amman, Jordan Draft Report* dated February 14, 2018. The Contracting Officer at the U.S. Embassy in Amman, Jordan has reviewed the draft report and included written comments on the draft report and information on actions taken and planned in response to the Office of the Inspector General's (OIG) Recommendations 3 through 28, as they appear in the draft report.

In reference to the OIG Audit Recommendation 1 and 2 from the draft report that the Procurement Executive at the Bureau of Administration, Office of the Procurement Executive (A/OPE) examine fuel purchases to determine if ratification is warranted, the Contracting Officer sent to A/OPE on February 12, 2018, the status of obligations reports corresponding to each purchase order (PO) listed in the draft report – except for SJO10017M0001 which is still outstanding. All POs – except for SJO10017M0001 – have been liquidated and/or deobligated.

In addition, the Contracting Officer also sent the transactions journal for our fuel card program to A/OPE on the same date. The Motor Pool Supervisor pulled the records on or around the date of the POs referenced in the draft report: SJO10015M0659 issued on June 4, 2015, SJO 10016M0914 issued on July 12, 2016, and SJO10017M0001 issued on October 26, 2016.

In reference to SJO10017M0001 which remains outstanding – and speaking to the fuel card program writ large – fuel card transactions are not tied to specific POs. The software notifies the Motor Pool Supervisor when the fund drops below 500 Jordanian Dinars

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(\$705 USD) at which time the Motor Pool Supervisor submits a procurement request (PR) in Ariba for 2,000 Jordanian Dinars (\$2,820 USD). Since the balance in the fuel card fund never reaches zero, it would not be possible for an unauthorized commitment to be made by replenishing a fuel card.

Recommendation 3: Embassy Amman plans to review all purchase orders and delivery orders from October 1, 2012, to January 31, 2017, that relate to diesel fuel and gasoline purchases, as well as fuel card expenditures to determine whether any additional unauthorized commitments occurred.

Recommendation 4: Embassy Amman plans to provide all results from Recommendation 3 to A/OPE in the same manner as was done for Recommendations 1 and 2.

Recommendation 5: Embassy Amman has developed and implemented procedures to safeguard the embassy against unauthorized commitments when processing all types of requests for fuel.

At the beginning of 2017, supervision of Embassy Amman's diesel fuel program moved from the General Services Office (GSO) to the Facilities Department (FAC). At that time, FAC implemented new residential and compound diesel fuel program oversight procedures.

Beginning in May, 2017, FAC developed and implemented the Facilities Fuel Delivery System (FFDS), a cloud-based purchase order tracking program that reconciles the fuel delivery against the quantity ordered on the PO and generates a report to indicate the quantity remaining on that PO. The report allows the Contracting Officer's Representative (COR) for the diesel fuel program or the COR's Government Technical Monitor (GTM) to verify the quantity of diesel fuel delivered against the PO, thus, protecting the COR and the GTM from entering into an unauthorized commitment. The COR or GTM must submit a new PR in the Integrated Logistics Management System (ILMS) Ariba module for diesel fuel to the Contracting Officer in order to generate a new PO, as well as any time there is a price change; the purchase order tracking program will not allow for delivery until the PO is generated.

To process payments on diesel fuel purchases, the report from the purchase order tracking program is sent to the Financial Management Office (FMO) along with the delivery ticket, the invoice from the diesel fuel vendor, and the PO. The voucher examiner reviews the invoice received from the vendor against delivery tickets, the report from the COR and the PO. This allows both FAC and FMO to verify the quantity of fuel purchased against the quantity of fuel delivered for each delivery.

In regards to the fuel card program, Embassy Amman plans to begin matching fuel card transactions with corresponding obligating POs to provide additional transparency in the

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fuel card program. Though the current software used by the Motor Pool Supervisor to track fuel card transactions provides safeguards against unauthorized commitments when replenishing fuel cards, identifying obligating POs for every transaction will offer an additional check against accidentally entering into an unauthorized commitment.

Recommendation 6: Embassy Amman plans to review all purchase orders for gasoline and diesel fuel awarded between October 2012, and August 2016, and follow appropriate FAR regulations to close all POs and deobligate all funds remaining on those POs.

Recommendation 7: Embassy Amman will continue to further review its procedures for properly closing contracts and deobligating funds in a timely manner.

An important part of closing contract files in ILMS Ariba is ensuring CORs and GTMs on fuel contracts are completing DS-127 Receiving and Inspection Reports. Embassy Amman GSO and FMO sections plan to hold an informational session and training on ILMS Ariba functions – including completing Form DS-127 – on March 5, 2018. The training will be for all procurement services requestors using ILMS Ariba – including CORs and GTMs with supervision on all embassy fuel contracts.

Recommendation 8: Embassy Amman is a Class V, High-Threat, High-Risk post (HTP) and now one of the world's seven largest embassies. The embassy's management sections are responsible for providing support services to over 450 U.S. direct-hire employees (USDH) and 500 Locally-Engaged staff members (LES) representing 44 federal agencies.

Embassy Amman's support staffing levels have not kept pace with the embassy's transformation over the past five years from a mid-sized embassy to a large, front-line operation, supporting programs in Syria, Iraq, Israel, the West Bank, and Gaza. Permanent USDH staff grew more than 60 percent between 2010 and 2015. Management staff grew less than 10 percent during the same period and is continually strained to support the embassy's ongoing operations. On most days, the number of additional temporary-duty (visiting) staff (TDY) equals that of permanent hires (Post's TDY invoices account for more than 25 percent of TDY invoices worldwide). The embassy hosts a high-level visiting delegation on average every three calendar days.

Management staff has been challenged keeping up with the rapid growth.. During this time, Embassy Amman also absorbed physical resources from Embassy Damascus. Growth in turn spurred a commensurate increase in physical files, many of which were moved to an off-site warehouse in the Al Sena'a neighborhood of Amman, approximately 2.5 miles from the embassy compound. It is likely the eight contract files in question are located in the off-site warehouse and were not destroyed.

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Embassy Amman plans to work with A/OPE to develop and implement training on contract file retention requirements and to provide this training annually to all GSO personnel.

Recommendation 9: Embassy Amman plans to again search the off-site warehouse for the eight contract files referenced in the draft report – and to locate any other fuel contract files from this time period. If these files are not located, to the extent practicable, Embassy Amman will attempt to recreate the files.

For recovered physical files pre-dating the implementation of the contracting module in ILMS, Embassy Amman plans to create an electronic copy for storage on a shared drive for administrative ease and in accordance with Foreign Affairs Handbook (FAH), 14 FAH-2 H-573.3, "Government Contract Files".

Recommendation 10: Gasoline deliveries to the embassy are supplied by JO Petrol, the Jordan Petroleum Refinery Company, the only oil refinery in Jordan. Each tanker truck is sealed upon arrival at the embassy and is accompanied by certifications from the Government of Jordan attesting to the quantity and quality of fuel, including the octane level of the fuel.

In October, 2017, FAC began using a digital DMA 35 Portable Density Meter to test all fuel deliveries made to the embassy for water content and a Multi-Fuel Mini Scan IRX digital meter to measure the density of the fuel. The meter is currently being used to test all diesel fuel deliveries and can be calibrated to test all gasoline deliveries. FAC and GSO plan to complete this calibration and implement testing of gasoline for water and sediment.

Recommendation 11: In October, 2017, FAC began using a digital DMA 35 Portable Density Meter to test all fuel deliveries made to the embassy for water content and a Multi-Fuel Mini Scan IRX digital meter to measure the density of the fuel as part of a quality assurance surveillance plan.

Recommendation 12: FAC purchased two LectroCount LCR II mobile, digital fuel meters in August, 2016, to independently verify the quantity of fuel delivered to embassy residences. The meters arrived in December, 2016, and required calibration outside of Jordan. Once the calibration was complete, metering began in May, 2017. Independent meter readings are currently used to verify vendor's meter readings.

Current fuel contracts stipulate embassy invoices will be generated off of vendor's meter readings. As the embassy grows its capacity to record fuel meter readings independent of vendor's, future fuel contracts may be modified to allow for billing to be generated off embassy's meter readings instead of vendor's meter readings.

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Recommendation 13: In November, 2017, three GTMs were assigned by the Contracting Officer to accept diesel fuel under contract SJO10016D0017. All GTMs on this contract have completed PA-296, "How to be a Contracting Officer's Representative", and will apply for the Federal Acquisition Certification for Contracting Officer's Representatives (FAC-COR) Level II by March 31, 2018.

The Motor Pool Supervisor is the COR on contract SJO10015D0003 and holds the FAC-COR Level II. Embassy Amman will assign with FAC-COR Level II to be GTM's on this contract by April 30, 2018.

Recommendation 14: At the beginning of 2017, supervision of Embassy Amman's diesel fuel program moved from GSO to FAC. At that time, new oversight of the diesel fuel program for embassy residences and the compound were implemented. Beginning in May, 2017, FAC developed and implemented the Facilities Fuel Delivery System (FFDS), a cloud-based purchase order tracking program that reconciles the fuel delivery against the quantity ordered on the PO and generates a report to indicate the quantity remaining on that PO. The report allows the COR for the diesel fuel program or the GTMs to verify the quantity of diesel fuel delivered against the PO.

Beginning in May, 2017, FFDS reports and delivery tickets are included in the COR file for every diesel fuel delivery under contract SJO10016D0017. By March 31, 2018, FAC will include all POs and delivery tickets from October, 2016, to April, 2017 in the COR files. Embassy Amman will continue working with the COR to establish procedures and checklists to ensure all pertinent documentation in the COR files are in accordance with A/OPE Procurement Information Bulletin (PIB) 2014-10.

Recommendation 15: The Contracting Officer will review the COR files for contracts SJO10015D0003 and SJO10016D0017 for completeness by March 31, 2018, and include in the contract files the results of this review.

Recommendation 16: Embassy Amman will direct subsequent Contracting Officers to perform annual reviews of the COR files for contracts SJO10015D0003 and SJO10016D0017. This review will include a requirement to include findings of the review and recommended actions in the corresponding COR file.

Recommendation 17: Embassy Amman plans to develop and implement procedures to obtain COR files, including COR files corresponding to contracts SJO10015D0003 and SJO10016D0017, from the CORs upon completion or termination of the contracts to be retained by the Contracting Officer in their files.

Recommendation 18: All COR candidates are certified at the appropriate level of the FAC-COR certification prior to appointing candidates as a COR. For the purposes of contracts SJO10013D0001 and SJO10015D0003, CORs require FAC-COR Level II

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certification – appropriate for more complex orders of contracts – requiring 40 hours of training and 12 months of COR-related activities or appointed experience.

Recommendation 19: Effective immediately, Embassy Amman will require COR delegations to be reviewed by the Contracting Officer's immediate supervisor, the Deputy General Services Officer, to ensure all COR delegations are executed in accordance with PIB 2012-15.

Recommendation 20 and 21: Embassy Amman plans to review all invoices submitted by fuel contractors from October 2012, through January 2017, for contracts SJO10013D0001, SJO10015D0003, and SJO10016D0017 to determine whether identified and projected unsupported costs are allowable and to recover any costs determined to be unallowable.

Recommendation 22: Beginning in May, 2017, FAC began using a new purchase order tracking program that reconciles the fuel delivery against the quantity ordered on the PO and generates a report to indicate the quantity remaining on that PO. The report allows the COR for the diesel fuel program to ensure the quantity of diesel fuel delivered remains within the quantity ordered on the purchase order. This report along with the delivery tickets are sent to FMO. The voucher examiner reviews the invoice received from the vendor against delivery tickets, the FFDS report from the COR and the PO. This allows both FAC and FMO to verify the quantity of fuel purchased against the quantity of fuel delivered for each delivery and to certify the validity of the costs claimed.

FMO met with the fuel vendors to educate them on all the elements required on a proper invoice and that all invoices are in English. FMO also re-trained all voucher examiners on proper voucher examining procedures to ensure all vendor invoices contain a contract or PO number, line items in the contract that are being billed, description, quantity, unit price, and extended price of supplies delivered, and contractor-specific information as required by Federal Acquisition Regulation (FAR) 32.905.

Recommendation 23: All invoices are submitted to FMO electronically by the vendors via the AmmanFMOBilling@state.gov email box. The "date stamp" is the date the invoice is sent/received by FMO.

It is current practice at Embassy Amman for all voucher examiners to track invoices throughout the review and approval process and for late penalty payments to be made when required.

Recommendation 24: Embassy Amman will review all invoices paid against contracts SJO10013D0001, SJO10015D0003, and SJO10016D0017 to determine that prompt payment requirements were met and to determine if interest penalties should be made to contractors.

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Recommendation 25: All invoices are submitted electronically by vendors directly to FMO.

Recommendation 26: Embassy Amman met with vendors to education them on the proper elements that need to be included in an invoice and directed them to submit invoices to FMO.

Recommendation 27: Beginning in May, 2017, FAC began using a new purchase order tracking program that generates a report after each delivery ticket that allows the COR for the diesel fuel program or the GTM to verify the quantity of diesel fuel delivered against the quantity of fuel ordered on the PO. The report also tracks the unit prices paid and the total cost of the invoice and informs the COR of the remaining quantity on the P.O.

The report from the purchase order tracking program, along with the delivery ticket is sent to FMO. The voucher examiner reviews the invoice received from the vendor against the delivery ticket and the PO. This report is accompanied by the COR's or GTM's authorized signature, in accordance with the Foreign Affairs Manual (FAM), 4 FAM 424, "Voucher Approval".

Recommendation 28: Embassy Amman will perform a reconciliation of all invoices paid against contracts SJO10013D0001, SJO10015D0003, and SJO10016D0017 to determine whether the contracts were overpaid or underpaid to determine if any over/under payments were made and what actions need to be pursued.

In addition to the recommendations made in the draft report, Embassy Amman has taken numerous actions in other areas to improve the efficiency and integrity of the embassy's fuel management program.

FAC has purchased 310 Gateway remote fuel monitoring system tank fuel sensors – one for every residential diesel fuel tank in the embassy housing pool – along with a corresponding Huawei SIM card Wi-Fi router. The fuel sensors – in conjunction with the routers – will send real-time alerts by text message or e-mail to a cloud-based application which can be accessed by the COR or GTM's desktop or mobile device, or other electronic devices when filling is in progress or when tank levels drop suddenly, as occurs during instances of fuel leaks or theft. The system will also alert the COR or GTM when fuel levels are low or when power to the system is lost. The system will also be able to generate reports of filling status and filling quantity. As of December 20, 2017, 169 sensors were installed and operational. All sensors are scheduled to be online by the end of March, 2018.

FAC has also ordered four closed-circuit Television (CCTV) cameras and four 500 GB Standalone HD DVR hard disk drives on February 7, 2018, to install on a sample of

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residential diesel fuel tanks to deter theft and record possible theft incidents. The cameras will be installed with support of the embassy's Regional Security Office (RSO).

Lastly, FAC has lowered the quantity of diesel fuel delivered to embassy residences to 500 to 750 liters (depending on the time of year) to limit potential loss.

Any questions or comments regarding the U.S. Embassy Amman response to the OIG, Office of Audits, *Audit of the Administration and Oversight of Fuel Contracts at U.S. Embassy Amman, Jordan* draft report should be addressed to Paul Hanna, Assistant General Services Officer, by e-mail to hannapm@state.gov.

Sincerely,



Paul Hanna
Assistant General Services Officer

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APPENDIX D: BUREAU OF ADMINISTRATION RESPONSE



United States Department of State

Washington, D.C. 20520

March 6, 2018

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MEMORANDUM**TO:** OIG/AUD – Norman P. Brown**FROM:** A/OPE – Paulette V. Donnelly, Acting *for***SUBJECT:** A/OPE Response to Draft Report: AUD-MERO-18-XX Audit of the Administration and Oversight of Fuel Contracts at U.S. Embassy Amman, Jordan

The A/OPE point of contact for these recommendations is Paulette Donnelly who can be reached at 703-516-1697 (donnellyvpv@state.gov). The following is the requested response to the draft report.

Recommendation 1: OIG recommends that the Procurement Executive at the Bureau of Administration, Office of the Procurement Executive, examine fuel purchases to determine if ratification is warranted and, if so, implement ratification procedures in accordance with Department of State Acquisition Regulations 601.602-3-70, “[Ratification] Procedures,” for purchase orders SJO10014M0242, SJO10014M0317, SJO10015M0346, and SJO10015M0771, and delivery order SJO10016F0091, which were used to purchase diesel fuel and gasoline between January 15, 2014, and July 24, 2016.

Management Response (3/6/2018): A/OPE concurs with recommendation 1. We are attempting to obtain required information in order to make a definitive decision regarding which are unauthorized commitments and which aren’t.

Recommendation 2: OIG recommends that the Procurement Executive at the Bureau of Administration, Office of the Procurement Executive, examine fuel purchases to determine if ratification is warranted and, if so, implement ratification procedures in accordance with Department of State Acquisition Regulations 601.602-3-70, “[Ratification] Procedures,” for purchase orders SJO10015M0659, SJO10016M0914, and SJO10017M0001, which were used to purchase fuel through the fuel card program between June 4, 2015, and October 23, 2016.

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Management Response (3/6/2018): A/OPE concurs with recommendation 2. We can confirm that purchase orders SJSJO10015M0659 and SJO10017M0001 are in fact unauthorized commitments, so it would be beneficial to change the action on this recommendation to Embassy Amman to submit ratification documentation to A/OPE for action. Additional information has been requested from post to provide a receiving report for SJO10016M0914 so that A/OPE can complete an assessment to determine if this is an unauthorized commitment.

Recommendation 4: OIG recommends that the Procurement Executive at the Bureau of Administration, Office of the Procurement Executive, review all unauthorized commitments provided by Embassy Amman as a result of Recommendation 3 and, as needed, ratify the unauthorized commitments in accordance with Department of State Acquisition Regulations 601-602-3, "Ratification of Unauthorized Commitments."

Management Response (3/6/2018): A/OPE concurs with recommendation 4. A/OPE will review and ratify when appropriate any and all unauthorized commitments when Embassy Amman submits them.

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ABBREVIATIONS

A/OPE	Bureau of Administration, Office of the Procurement Executive
COR	Contracting Officer's Representative
FAC-COR	Federal Acquisition Certification for Contracting Officer's Representatives
FAH	Foreign Affairs Handbook
FAR	Federal Acquisition Regulation
FMO	Financial Management Office
IDIQ	indefinite-delivery/indefinite quantity

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Middle East Region Operations
Office of Audits

Mike Vennemann, Audit Manager
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