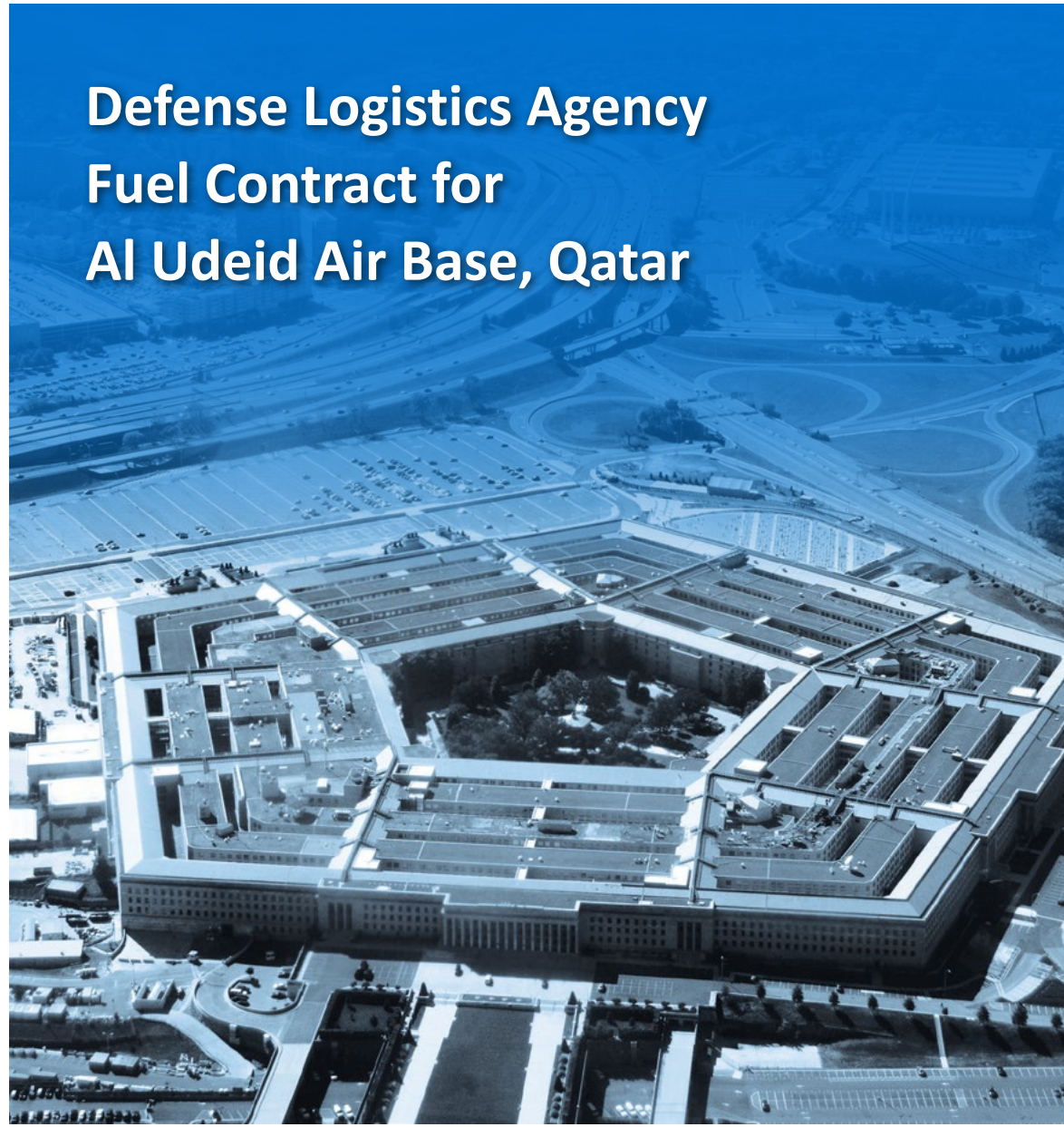




INSPECTOR GENERAL

U.S. Department of Defense

SEPTEMBER 5, 2017



Defense Logistics Agency Fuel Contract for Al Udeid Air Base, Qatar

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Results in Brief

Defense Logistics Agency Fuel Contract for Al Udeid Air Base, Qatar

September 5, 2017

Objective

We evaluated the effectiveness and oversight of the Defense Logistics Agency (DLA) Energy 2016 aviation fuel (JA1) contract, valued at \$754.8 million.¹ Specifically, we evaluated the effectiveness of the Al Udeid Air Base (AUAB) fuel requirements process and oversight of the JA1 fuel contract payment process.

Findings

Air Force and DLA Energy officials effectively managed the AUAB fuel requirements process. Specifically, Air Force and DLA Energy officials followed the DoD and Air Force guidance to properly develop fuel requirements and contracted for up to 390.6 million gallons of fuel for January through December 2016. In addition, Air Force fuel service center officials properly collected and stored daily AUAB fuel consumption data in the Fuels Manager Defense and the Joint Chiefs of Staff Bulk Petroleum Contingency and Capabilities Report systems. As a result, fuel delivered from January through December 2016 was sufficient to sustain AUAB mission operations. In addition, Air Force and DLA Energy officials maintained realistic fuel consumption data to continue developing future fuel requirements for AUAB.

¹ JA1 is a kerosene grade cut fuel that is suitable for most turbine aircraft.

Findings (cont'd)

However, DLA Energy officials did not provide effective oversight of the contract payment process. Specifically, for 6 of the 22 contractor invoices submitted from January through December 2016:

- DLA Energy quality assurance representatives (QARs) improperly certified three of the invoices because the QARs did not verify that JA1 fuel quantities listed on the DD Forms 250 matched the invoiced fuel quantities.
- DLA Energy officials did not ensure valid and timely payments were made for three of the invoices because the contracting officer did not ensure the payment period was restarted once the contractor submitted corrected invoices and accurate banking information.

As a result, DLA Energy improperly paid \$58,816 in interest charges. Without effective oversight of the contract payment process for the JA1 fuel contract, DLA Energy will continue to make incorrect payments.

Recommendations

As a result of discussions with the DLA, we redirected the recommendations to the Director, DLA, who has the authority to implement the recommendations.

We recommend that the Director, DLA, direct the contracting officer to:

- direct the QARs to verify that the JA1 fuel delivery quantities stated on the contractor invoices match the amounts stated on the DD Forms 250 before invoices are submitted for payment, and
- recoup the \$58,816 in interest paid to the contractor for delivery orders 0002, 0009, and 0013, and adjust the payment period when a payment is delayed because of contractor error.



Results in Brief

Defense Logistics Agency Fuel Contract for Al Udeid Air Base, Qatar

Management Comments and Our Response

The Director, DLA Acquisition, responding for the Director, DLA, agreed with the recommendation to ensure the QARs verify the JA1 fuel delivery quantities before invoices are submitted for payment. The Director, DLA Acquisition, stated that the QARs will receive training on all elements that must be inspected and accepted by QARs in the Invoice, Receipt, Acceptance, and Property Transfer web-based application, which the contractors use to create and submit electronic invoices and DD Forms 250. Therefore, the recommendation is resolved and will be closed once we receive training completion certificates for the QARs.

The Director, DLA Acquisition, also agreed with the recommendations to recoup the \$58,816 in interest paid to the contractor and to adjust the payment period when a payment is delayed because of contractor error. Therefore, the recommendations are resolved and will be closed once DLA officials provide documentation to verify the \$58,816 was recouped and documentation detailing the process for working with DLA Finance to ensure that the corrected invoice receipt date is recorded in the DLA Finance Enterprise Business System.

Recommendations Table

Management	Recommendations Unresolved	Recommendations Resolved	Recommendations Closed
Director, Defense Logistics Agency	None	B.1.a, B.1.b, B.1.c	None

Note: The following categories are used to describe agency management’s comments to individual recommendations.

- **Unresolved** – Management has not agreed to implement the recommendation or has not proposed actions that will address the recommendation.
- **Resolved** – Management agreed to implement the recommendation or has proposed actions that will address the underlying finding that generated the recommendation.
- **Closed** – OIG verified that the agreed upon corrective actions were implemented.



**INSPECTOR GENERAL
DEPARTMENT OF DEFENSE
4800 MARK CENTER DRIVE
ALEXANDRIA, VIRGINIA 22350-1500**

September 5, 2017

MEMORANDUM FOR DIRECTOR, DEFENSE LOGISTICS AGENCY

SUBJECT: Defense Logistics Agency Fuel Contract for Al Udeid Air Base, Qatar
(Report No. DODIG-2017-116)

We are providing this report for information and use. Air Force and Defense Logistics Agency (DLA) Energy officials effectively managed the Al Udeid Air Base aviation fuel requirements process. However, DLA Energy officials did not provide effective oversight of the contract payment process. Specifically, DLA Energy officials improperly certified 3 of the 22 invoices and did not ensure valid and timely payments were made for 3 of the 22 invoices reviewed. As a result, DLA Energy officials improperly paid \$58,816 in interest charges for delayed payments. We conducted this audit in accordance with generally accepted government auditing standards.

We considered management comments on a draft of this report when preparing the final report. Comments from the Director, Defense Logistics Agency Acquisition, addressed all of the recommendations and conformed to DoD Instruction 7650.03. Therefore, no written response to this report is required.

We appreciate the courtesies extended to the staff. Please direct questions to me at (703) 699-7331 (DSN 499-7331).

A handwritten signature in cursive script, reading "Carol N. Gorman", is positioned above the typed name.

Carol N. Gorman
Assistant Inspector General
Readiness and Cyber Operations

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Introduction

Objective

We evaluated the management and oversight of fuel operations at Al Udeid Air Base (AUAB), Qatar. Specifically, we evaluated the effectiveness of the AUAB fuel requirements process and oversight of the Defense Logistics Agency (DLA) Energy contract payment process for the 2016 aviation fuel (JA1) contract (JA1 fuel contract) SPE600-16-D-0457.

Background

AUAB supports multiple theaters of operation across the U.S. Central Command area of responsibility, including Iraq and Afghanistan. U.S. Air Forces Central Command (USAFCENT) is the air component of U.S. Central Command and is responsible for air operations and the movement of supplies and equipment within the U.S. Central Command area of responsibility. At AUAB, the 379th Air Expeditionary Wing (AEW) supports a wide range of air operations, including bomber, airlift refueling, aeromedical evacuation, intelligence, surveillance, and reconnaissance. Air Force and DLA Energy officials work together to order and deliver mission-critical fuel to support those operations.

DoD Directive 5101.8 designates the DLA as the bulk petroleum executive agent responsible for acquiring, storing, and distributing bulk fuel for DoD customers.² As the executive agent, the DLA delegated implementation responsibilities to DLA Energy. In that role, DLA Energy coordinates with the DoD and other authorized customers to define fuel requirements and oversee fuel transactions, from identifying sources of supply through customer delivery. DLA Energy also manages the DoD's bulk fuel inventory and ensures fuel is distributed to meet all DoD operational requirements. DLA Energy Demand Planning, in collaboration with the Air Force, establishes fuel requirements for AUAB.

On November 6, 2015, DLA Energy awarded the JA1 fuel contract with a period of performance from January 1, 2016, through December 31, 2016, plus a 30-day carryover period. The contract was a fixed-price,³ indefinite quantity⁴ contract valued at \$754.8 million. Payment terms on the JA1 fuel contract were 15 days after the contractor submitted a proper invoice.

² DoD Directive 5101.8, "DoD Executive Agent (DoD EA) for Bulk Petroleum," August 11, 2004. An executive agent is the head of a DoD Component assigned by the Secretary of Defense or the Deputy Secretary of Defense with specific responsibilities, functions, and authorities to provide defined levels of support for operational missions, administrative, or other designated activities involving two or more DoD Components.

³ Fixed-price contracts allow price adjustment upon occurrence of specified contingencies, such as a change in market.

⁴ Indefinite quantity contracts are used to acquire supplies, services, or both when the exact quantities are not known at the time of contract award.

Fuel Requirements Process

Air Force and DLA officials are responsible for the fuel requirements process. DoD Manual 4140.25 requires DLA Energy officials to obtain essential and realistic fuel requirements data, such as annual consumption by fuel grade, location, projected refinery changes, and inventory levels, to develop fuel requirements at the beginning of a contract period.⁵ Air Force Instruction 23-201 requires the fuels service center⁶ to use the Fuels Manager Defense (FMD) System to collect, store, and monitor fuel consumption data.⁷ The Instruction also requires the use of the Joint Chiefs of Staff Bulk Petroleum Contingency and Capabilities Report (JCS REPOL) to report bulk petroleum contingency status for all fuel activities.⁸

Fuel Delivery and Payment Process

DLA Energy contracting officials issue delivery orders as required to obtain JA1 fuel from a contractor refinery in Bahrain. Each delivery order specifies the fuel quantity and a unit price. Contractor personnel load the fuel on ships for shipment to the Defense Fuel Support Point storage facility in Qatar. DLA Energy quality assurance representatives (QARs) monitor the loading of fuel in Bahrain, and the offloading in Qatar. The JA1 fuel contract contains specific contractor and QAR responsibilities and procedures for testing fuel quality, and preparing DD Forms 250.⁹ The QARs accept JA1 fuel deliveries by certifying receipt of fuel quality and quantities listed on the DD Forms 250. Once the fuel is stored at the Defense Fuel Support Point in Qatar, DLA Energy officials work with the 379th AEW officials to order and deliver fuel to AUAB using trucks or pipelines. The fuel is then stored in fuel tanks as shown in Figure 1.



⁵ Department of Defense 4140.25-M-V2, Chapter 1, "Petroleum Product Requirements," June 28, 2013.

⁶ The fuels service center is the 379th Expeditionary Logistics Readiness Squadron in control of the Fuels Management Flight operations at AUAB.

⁷ Air Force Instruction 23-201, "Materiel Management-Fuels Management," June 20, 2014.

⁸ Joint Chiefs of Staff Bulk Petroleum Contingency and Capabilities Report is a web-based application located on the Secret Internet Protocol Router Network that provides information on bulk petroleum supplies, such as types of fuel and fuel inventory. It is used by decision makers to make recommendations on petroleum resupply actions.

⁹ DD Form 250, "Material Inspection and Receiving Report," documents the inspection, acceptance, receipt, and delivery of services or products. See Appendix B for an example of a DD Form 250.

The Defense Federal Acquisition Regulation Supplement 232.70 requires contractors to submit payment requests electronically through the Invoice, Receipt, Acceptance, and Property Transfer (iRAPT) application.¹⁰ The web-based iRAPT application allows contractors to create and submit electronic invoices and DD Forms 250 for Government review, acceptance, and electronic payment. In addition, the contract requires the contractor to submit the DD Form 250 for payment. The QARs are required to review and certify the accuracy of fuel quantity, shipment date, and fuel quality data listed on the invoices and DD Forms 250. Once the QAR certifies an invoice and DD Form 250, the invoice is routed for payment through the Enterprise Business System.¹¹ According to the contract, payments are due 15 days after the contractor submits a proper invoice and DD Form 250 into the iRAPT application. A proper invoice requires, among other things, the name and address of the contractor, invoice date, invoice number, account number, contract number, quantity shipped, unit price, and shipment number. See Appendix C for a complete list of invoice requirements.

Review of Internal Controls

DoD Instruction 5010.40 requires DoD organizations to implement a comprehensive system of internal controls that provides reasonable assurance that programs are operating as intended and to evaluate the effectiveness of the controls.¹² We identified internal control weaknesses within DLA Energy's invoice certification and payment process for the JA1 fuel contract. We will provide a copy of the report to the senior official responsible for internal controls in DLA Energy.

¹⁰ Defense Federal Acquisition Regulation Supplement 232.70, "Electronic Submission and Processing of Payment Requests and Receiving Reports," July 31, 2014.

¹¹ The Enterprise Business System is the DLA's payment system. The contractor input invoices into the Enterprise Business System for payment. The Enterprise Business System generates a payment voucher after the system pays the invoice.

¹² Department of Defense Instruction 5010.40, "Managers' Internal Control Program Procedures," May 30, 2013.

Finding A

Air Force and DLA Energy Officials Effectively Managed the AUAB Fuel Requirements Process

Air Force and DLA Energy officials effectively managed the fuel requirements process for AUAB.

- Air Force and DLA Energy officials followed the DoD and Air Force guidance to properly develop fuel requirements and contracted for up to 390.6 million gallons of fuel for January through December 2016.¹³
- Air Force fuel service center officials properly collected and stored daily AUAB fuel consumption data in the Fuels Manager Defense (FMD) and the Joint Chiefs of Staff Bulk Petroleum Contingency and Capabilities Report (JCS REPOL) systems.

As a result, fuel delivered from January through December 2016 was sufficient to sustain AUAB mission operations. In addition, Air Force and DLA Energy officials maintained realistic fuel consumption data to continue developing future fuel requirements for AUAB.

Fuel Requirements Process Was Effectively Managed

Air Force and DLA Energy officials effectively managed the fuel requirements process for AUAB. Specifically, Air Force and DLA Energy officials properly developed fuel requirements and contracted for up to 390.6 million gallons of fuel for January through December 2016. In addition, the 379th AEW officials properly collected and stored daily AUAB fuel consumption data in the FMD and JCS REPOL systems.

Air Force and DLA Energy Officials Properly Developed Fuel Requirements

Air Force and DLA Energy officials properly developed the fuel requirements for 2016. DoD Manual 4140.25 requires DLA Energy officials to develop fuel requirements by obtaining and reviewing annual fuel consumption data and to consider variables including location, inventory levels, projected refinery changes, and mission requirements. Table 1 illustrates the fuel consumption from 2013 through 2015 at AUAB.

¹³ The JA1 fuel contract required DLA Energy to purchase a minimum of 75 percent of the total contract quantity (390.6 * 75% = 292.95 U.S. gallons).

Table 1. AUAB Fuel Consumption From 2013 Through 2015

Year	Total Consumption (U.S. Gallons)
2015	355,490,250
2014	283,859,243
2013	206,020,924

Source: AUAB Fuel Service Center.

To determine the 2016 fuel requirement baseline, DLA Energy officials:

- reviewed and analyzed historical fuel consumption data for 2013 through 2015;
- generated a projected forecast and provided the forecast to their customers at AUAB for review and input;
- updated the forecast based on customer feedback; and
- generated a Long Term Purchase Request, which shows the fuel requirements baseline created from the 2013 through 2015 forecast and the on-hand inventory position.

To generate the Long Term Purchase Request, DLA Energy used the Constant Model¹⁴ within the Enterprise Business System,¹⁵ to create a 12-month projected fuel demand. The Long Term Purchase Request generated a fuel requirement baseline for AUAB of 360 million gallons, which DLA Energy officials used to develop the 2016 contract requirement. DLA Energy officials added 21 million gallons of fuel to the baseline to refill a fuel tank that was taken out of service for inspection and cleaning. DLA Energy officials also recognized that fuel consumption increased considerably from 2014 to 2015 and as a result, projected fuel consumption to increase in 2016. Therefore, DLA Energy officials added 9.6 million gallons of fuel to the 2016 fuel requirement because of the potential increase in mission operations at AUAB, bringing the total 2016 fuel requirement to 390.6 million gallons.

On November 6, 2015, DLA Energy officials awarded the JA1 fuel contract for 390.6 million gallons, with a minimum purchase of 293 million gallons of JA1 fuel.¹⁶ At the time of procurement, DLA Energy officials stated that they would meet the minimum purchase requirement of 293 million gallons.

¹⁴ The Constant Model takes the future estimate of demand and projects it evenly over every month into the future.

¹⁵ Consumption data in the FMD System feeds into the Enterprise Business System.

¹⁶ The JA1 fuel contract establishes that the Government must purchase at least a quantity no less than 75 percent of the original contract volume during the period of this contract.

As of December 31, 2016, fuel consumed at AUAB totaled 240 million gallons, leaving 53 million gallons for delivery to meet the minimum contractual requirement.

As of December 31, 2016, fuel consumed at AUAB totaled 240 million gallons, leaving 53 million gallons (18 percent) for delivery to meet the minimum contractual requirement.¹⁷ According to Air Force and DLA Energy officials, the 53 million gallons of fuel was stored for future use.

Although the fuel used at AUAB in 2016 was less than the requirement, Air Force and DLA Energy officials stated that the reduction was the result of a significant mission operation transfer from AUAB to Incirlik Air Base, Turkey, in July 2016, which was not known when the requirement was determined.

379th AEW Officials Properly Collected and Stored Fuel Consumption Data

The 379th AEW officials properly collected and stored fuel consumption data at AUAB. According to Air Force Instruction 23-201, the fuels service center is responsible for managing fuel inventory levels, reconciling and submitting daily transactions, and maintaining fuels documentation.¹⁸ At AUAB, the 379th AEW officials managed and tracked all fuel received and consumed at AUAB.

Specifically, the 379th AEW officials:

- obtained the DD Forms 1348-7 (fuel receipts for pipeline orders and truck orders);
- maintained a detailed inventory of fuel tanks to track fuel levels; and
- manually entered the fuel receipts into the FMD and JCS REPOL systems daily to manage and track how much fuel was ordered, received, and consumed at AUAB.

In addition, the 379th AEW officials developed a consolidated weekly activity report to document and compare the daily fuel ordered, received, and consumed with the pipeline and truck order receipts to ensure the information in the FMD and JCS REPOL systems were accurate. According to 379th AEW officials, USAFCENT and DLA Energy officials can access the data consumption stored in the FMD and JCS REPOL systems in real time for review.

¹⁷ Fuel purchased that is not used during the 12-month period is stored at the Defense Fuel Support Point in Qatar and at AUAB.

¹⁸ Air Force Instruction 23-201, "Materiel Management-Fuels Management," June 20, 2014.

We verified that the 379th AEW officials were properly tracking and maintaining the fuel quantities by comparing the fuel quantities on the 2016 DD Forms 1348-7 to the quantities recorded in the FMD System. Specifically, we randomly selected and analyzed 78 DD Forms 1348-7 to determine whether the information on the receipts was accurately recorded in the FMD System. We identified that 77 of 78 DD Forms 1348-7 were accurately recorded in the FMD System.¹⁹ We verified that the 2016 fuel consumption data was stored in the FMD and JCS REPOL systems at AUAB, USAFCENT, and DLA Energy. We also verified that USAFCENT and DLA Energy officials had access to that information. Based on our review and verification, we determined that the 379th AEW officials properly collected and stored fuel consumption data in the FMD and JCS REPOL systems.

Fuel Requirements Were Sufficient to Sustain AUAB Operations

The fuel requirements for contract SPE600-16-D-0457 were sufficiently developed to sustain the AUAB operations for 2016. As a result, fuel delivered from January through December 2016 adequately supported AUAB's mission-essential air operations. In addition, 379th AEW, USAFCENT, and DLA Energy officials maintained realistic fuel consumption data to continue forecasting and developing future fuel requirements for AUAB.

¹⁹ One DD Form 1348-7 did not have the supporting documentation necessary to determine whether it was accurately recorded in the FMD system.

Finding B

DLA Energy Officials Did Not Effectively Manage the Contract Payment Process

DLA Energy officials did not provide effective oversight of the contract payment process for the JA1 fuel contract. Specifically, for 6 of the 22 contractor invoices submitted from January through December 2016:

- DLA Energy quality assurance representatives (QARs) improperly certified three of the invoices because the QARs did not verify that JA1 fuel quantities listed on the DD Forms 250 matched the invoiced JA1 fuel quantities; and
- DLA Energy officials did not ensure valid and timely payments were made for three of the invoices because the contracting officer did not ensure the payment period was restarted once the contractor submitted corrected invoices and accurate banking information.

As a result, DLA Energy officials improperly paid \$58,816 in interest charges.²⁰ Without effective oversight of the contract payment process for the JA1 fuel contract, DLA Energy will continue to make incorrect payments.

Officials Did Not Provide Effective Oversight of the Contract Payment Process

DLA Energy officials did not provide effective oversight of the JA1 fuel contract payment process. Specifically, for 6 of the 22 contractor invoices paid from January through December 2016, DLA Energy improperly certified 3 invoices and did not ensure that valid and timely payments were made for 3 invoices.

QARs Did Not Always Properly Certify Contractor Invoices

DLA Energy QARs improperly certified three of the contractor invoices submitted for payment. We reviewed and analyzed contractor invoices and supporting documentation for 22 delivery orders awarded against the JA1 fuel contract. According to the JA1 fuel contract, DLA Energy QARs are required to document and certify JA1 fuel quantities received on a DD Form 250 when the JA1 fuel

²⁰ An improper payment is any payment that should not have been made or that was made in an incorrect amount (including overpayments and underpayments) under statutory, contractual, administrative, or other legally applicable requirements.

is loaded at the contractor refinery in Bahrain.²¹ DLA Energy QARs are also required to verify that JA1 fuel quantities on the DD Forms 250 match quantities on the contractor invoices before approving the invoices for payment. However, JA1 fuel quantities listed on contractor invoices did not match the quantities on the DD Form 250 for 3 of 22 invoices reviewed. Table 2 identifies the differences between the fuel quantities listed on the DD Forms 250 and the fuel quantities on the invoices.

JA1 fuel quantities listed on contractor invoices did not match the quantities on the DD Form 250 for 3 of 22 invoices reviewed.

Table 2. Differences Between the DD Forms 250 and the Contractor Invoices

Delivery Order	DD Form 250 (U.S. Gallons)	Invoice (U.S. Gallons) ¹	Difference (U.S. Gallons)	Amount
0009	8,279,292	8,271,228	(8,064)	\$(9,360)
0010	4,156,236	4,166,778	10,542	11,837
0011	12,165,762	12,196,338	30,576	36,196
Total	24,601,290	24,634,344	49,182²	\$57,393²

Source: DLA Energy.

¹ Contractor invoice amount is the amount paid.

² Total gallons and amount reflects the absolute value of the difference between the DD Forms 250 and contractor invoices.

Note: Values in parenthesis represent negative amounts.

We informed DLA Energy QARs that delivery orders 0009, 0010, and 0011 were certified with incorrect JA1 fuel quantities. DLA Energy QARs agreed and manually changed the JA1 fuel quantities on the DD Forms 250 to match the fuel quantities on the invoices. However, the JA1 fuel contract states that when a discrepancy exists between the invoiced quantity of fuel and the DD Form 250, the contractor will be paid based on the quantity of fuel received as stated on the DD Form 250. Although we subsequently determined that the quantity of fuel on the invoices was correct, the DLA Energy officials should have resolved the discrepancy before certifying the DD Forms 250 and paying the contractor. The contracting officer needs to ensure accurate fuel quantities are certified by QARs before invoices are submitted for payment.

²¹ SPE600-16-D-0457, JA 1 Fuel Contract, November 6, 2015.

DLA Energy Did Not Ensure Valid and Timely Contract Payments Were Made

DLA Energy did not ensure that valid and timely payments were made for three contractor invoices. The three invoices were paid an average of 25 days after the payment due date. Table 3 identifies the interest payments by invoice.

Table 3. Invoices With Late Payment and Interest Paid

Delivery Order	Invoice Received	Payment Date	Days Late	Interest Paid
0002	3/22/2016	4/7/2016	2	\$726
0009	4/18/2016	6/9/2016	38	14,001
0013	4/20/2016	6/9/2016	36	44,089
Total				\$58,816

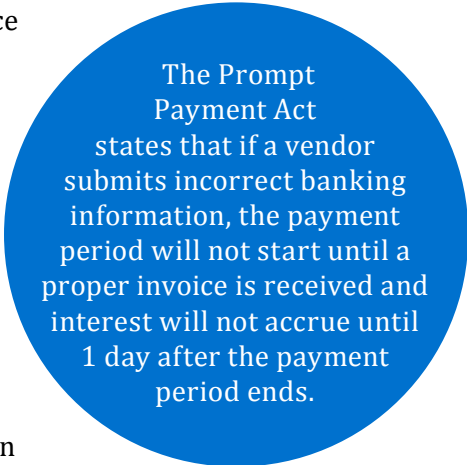
Source: DLA Energy.

The invoices for delivery orders 0002, 0009, and 0013 were not timely paid because the contracting officer did not ensure the payment period restarted after receiving corrected invoices and accurate banking information from the contractor. For delivery order 0002, DLA Energy received the original invoice on March 22, 2016. The Invoice, Receipt, Acceptance, and Property Transfer (iRAPT) application rejected the original invoice because the line item number was incorrect. The corrected invoice was submitted on March 31, 2016, and was paid on April 7, 2016. The payment included interest for one day. However, the contracting officer should have ensured that the submission date was revised to March 31, 2016, the date the “proper” invoice was received. Had the date been revised, DLA Energy would have had until April 15, 2016, to disburse the payment without an interest penalty.

For delivery orders 0009 and 0013, DLA Energy received the original invoices on April 18, 2016, and April 20, 2016, respectively. The iRAPT application rejected the original invoice for delivery order 0009 because the shipping date was incorrect; the contractor submitted a corrected invoice on May 5, 2016. In addition, the contractor’s bank rejected payments for both delivery orders because the international bank account number provided by the contractor was incorrect.²² The contractor submitted the correct banking information on May 26, 2016, and both invoices were paid on June 9, 2016. DLA Energy improperly paid the contractor interest for 38 days on delivery order 0009 and 36 days on delivery order 0013.

²² An international bank account number is a number attached to international accounts made up of a code that identifies the country, the account holder’s bank, and the account number.

According to Defense Finance and Accounting Service personnel, the initial payments for delivery orders 0009 and 0013 successfully cleared the U.S. Federal Reserve Bank but were rejected when attempting to clear the contractor's bank. The Prompt Payment Act states that if a vendor submits incorrect banking information, the payment period will not start until a proper invoice is received and interest will not accrue until 1 day after the payment period ends.²³ Because the contractor submitted correct banking information on May 26, 2016, the contracting officer should have ensured the payment period restarted. Had the contracting officer done so, DLA Energy would have had until June 9, 2016, to process both payments without any interest penalty.²⁴ However, because the payment period was not restarted, the Defense Finance and Accounting Service paid interest based on the original invoice date.²⁵ In accordance with the Federal Acquisition Regulation, the contracting officer should recoup the \$58,816 in interest payments improperly paid to the contractor.²⁶ The contracting officer should recoup the \$58,816 in interest paid to the contractor for delivery orders 0002, 0009 and 0013. Additionally, the contracting officer should coordinate with the Defense Finance and Accounting Service to ensure the payment period starts when a proper invoice and accurate banking information is received.



The Prompt Payment Act states that if a vendor submits incorrect banking information, the payment period will not start until a proper invoice is received and interest will not accrue until 1 day after the payment period ends.

DLA Energy Interest Charges Could Have Been Avoided

DLA Energy improperly paid \$58,816 in interest charges. Without effective oversight of the contract payment process for the JA1 fuel contract, DLA Energy will continue to make incorrect payments. By implementing the report recommendations, the contracting officer can ensure that contract oversight is effectively performed and that future contract payments are valid and processed in a timely manner.

²³ Title 5 Code of Federal Regulations section 1315, subsection 10 (1999).

²⁴ The payment due date would have been June 9, 2016 (15 days after receipt of corrected information); however, Office of Management and Budget guidance gives agencies an additional 7 days to process a payment (June 16, 2016).

²⁵ Federal Acquisition Regulation Part 32, "Contract Financing," Subpart 32.9, "Prompt Payment," 32.907, "Interest Penalty."

²⁶ Federal Acquisition Regulation Part 52, "Solicitation Provisions and Contract Clauses," Subpart 52.212, "Acquisition of Commercial Items Provisions and Clauses," 52.212-4, "Contract Terms and Conditions."

Recommendations, Management Comments, and Our Response

Redirected Recommendations

As a result of discussions with the DLA, we redirected Recommendations B.1.a, B.1.b, and B.1.c to the Director, DLA, who has the authority to implement the recommendations.

Recommendation B.1

We recommend that the Director, Defense Logistics Agency, direct the contracting officer to:

- a. Direct the quality assurance representatives to verify that the JA1 fuel delivery quantities stated on the contractor invoices match the amounts stated on the DD Forms 250 before invoices are submitted for payment.**

Defense Logistics Agency Comments

The Director, DLA Acquisition, responding for the Director, DLA, agreed, stating that the contracting officer will recommend additional Wide Area Workflow iRAPT training be conducted at the DLA Energy Middle East office for all QARs. The training will be conducted by Government officials from the DLA Energy Bulk Products Technical Team and will include a refresher on all elements that must be inspected and accepted by QARs in iRAPT and in accordance with contract terms and conditions. The Director also stated that the Regional Quality Manager will provide training on proper completion of DD Forms 250 at fuel delivery locations with regional QARs. The Director stated that the training will be completed no later than March 31, 2018.

Our Response

Comments from the Director, DLA Acquisition, addressed all specifics of the recommendation; therefore, the recommendation is resolved. Providing the QARs with additional iRAPT and DD Form 250 training will ensure that the QARs can identify all elements needing verification on the contractor invoices and DD Forms 250. We will close the recommendation once the DLA provides training completion certificates for the QARs.

- b. Recoup the \$58,816 in interest paid to the contractor for delivery orders 0002, 0009, and 0013.**

Defense Logistics Agency Comments

The Director, DLA Acquisition, responding for the Director, DLA, agreed, stating that the contracting officer will work with DLA Finance and the Defense Finance and Accounting Service to recoup the \$58,816 by November 30, 2017.

Our Response

Comments from the Director, DLA Acquisition, addressed all specifics of the recommendation; therefore, the recommendation is resolved. We will close the recommendation once the DLA provides documentation supporting the receipt of the \$58,816 in interest payments from the contractor.

- c. Coordinate with the Defense Finance and Accounting Service to ensure that the payment period is adjusted when a payment is delayed because of contractor error.**

Defense Logistics Agency Comments

The Director, DLA Acquisition, responding for the Director, DLA, agreed, stating that the contracting officer will ensure the contractor's banking account information is properly submitted and accurate within 5 days of contract award. The contracting officer will also inform the contractor of its responsibility to submit banking information changes in writing. Furthermore, the contracting officer will use the DLA Finance daily report and the Invoice Failure Report to identify contractor invoice failures and suggest corrections to the vendor's invoice. Once a failed invoice is corrected, the contracting officer will work with DLA Finance to ensure the corrected invoice receipt date is recorded in the DLA Finance Enterprise Business System.

Our Response

Comments from the Director, DLA Acquisition, addressed all specifics of the recommendation; therefore, the recommendation is resolved. Although the Director stated that the contracting officer will work with DLA Finance instead of the Defense Finance and Accounting Service to ensure the payment period is adjusted, DLA Finance coordinates with the Defense Finance and Accounting Service to process payments for the DLA; therefore, the action meets the intent of our recommendation. We will close the recommendation once the DLA provides documentation detailing the process for working with DLA Finance to ensure that the corrected invoice receipt date is recorded in the DLA Finance Enterprise Business System.

Appendix A

Scope and Methodology

We conducted this performance audit from February 2016 through July 2017 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We interviewed personnel at the following organizations:

- DLA Energy, Director, Supplier Operations, Alexandria, Virginia;
- DLA Energy Middle East, Commander, Bahrain;
- U.S. Air Forces Central Command, Director, Shaw Air Force Base, South Carolina; and
- 379th Expeditionary Logistics Readiness Squadron, Fuels Superintendent, AUAB, Qatar.

We collected, reviewed, and analyzed documents dated January 2014 through December 2016. In addition, we reviewed the JA1 fuel contract, DD Forms 250, contractor invoices, payment vouchers, JA1 fuel consumption reports, fuel forecast reports, and DD Forms 1348-7.

To determine whether DLA Energy provided effective oversight of payments for the procurement contract, we compared the DD Forms 250 to the contractor invoices and payment vouchers. In addition, to determine whether DLA Energy effectively established JA1 fuel requirements, we compared JA1 fuel consumption reports to JA1 fuel forecast reports.

Furthermore, we calculated the minimum JA1 fuel requirement by multiplying the total forecasted amount by the 75 percent contract requirement to determine the minimum JA1 fuel requirement for the contract period. We then identified the remaining 25 percent that could be used for any unexpected missions needs at AUAB.

Computer-Processed Data

We used the Electronic Document Access database to obtain the base contract, solicitation, amendments, delivery orders, and modifications for the JA1 fuel contract. The Electronic Document Access database is a web-based system that provides secure online access, storage, and retrieval of contracts and contract modifications to authorized users throughout the DoD.

To test the reliability of the FMD System, we randomly selected a statistical sample of 78 transactions from the system to compare to DD Forms 1348-7. The control test passed and; therefore, we conclude with 90-percent confidence that the error rate in the FMD System is less than or equal to 5 percent. Therefore, the JA1 fuel consumption data from FMD was sufficiently reliable to support the finding for fuel requirements.

In addition, we used energy receiving reports from iRAPT to identify the events that caused the DLA Energy to pay interest. We compared the energy receiving reports from iRAPT to the DD Forms 250 and contractor invoices to determine whether the invoice receipt and rejection dates matched the information obtained from DLA Energy officials. We determined that the iRAPT data were sufficiently reliable to support the finding and recommendations for the contract payment process.

We also used computer processed data payment vouchers from the DLA Enterprise Business System to identify the fuel quantity and amount paid for each delivery order. In addition, we used the payment vouchers to identify interest payments. We discussed the payment process and interest paid with DLA Energy finance personnel and compared the payment vouchers with payment query results. We determined that the information was sufficiently reliable to support the finding and recommendations for the contract payment process.

Prior Coverage

No prior coverage has been conducted on DLA Energy oversight of JA1 fuel contracts and requirements during the last 5 years.

Appendix B

DD Form 250, "Material Inspection and Receiving Report"

MATERIAL INSPECTION AND RECEIVING REPORT										Form Approved OMB No. 0704-0248	
<p>The public reporting burden for this collection of information is estimated to average 30 minutes per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing the burden, to Department of Defense, Washington Headquarters Services, Directorate for Information Operations and Reports (0704-0248), 1215 Jefferson Davis Highway, Suite 1204, Arlington, VA 22202-4302. Respondents should be aware that notwithstanding any other provision of law, no person shall be subject to any penalty for failing to comply with a collection of information if it does not display a currently valid OMB control number.</p> <p>PLEASE DO NOT RETURN YOUR COMPLETED FORM TO THE ABOVE ADDRESS. SEND THIS FORM IN ACCORDANCE WITH THE INSTRUCTIONS CONTAINED IN THE DFARS, APPENDIX F-401.</p>											
1. PROCUREMENT INSTRUMENT IDENTIFICATION (CONTRACT) NO.				ORDER NO.		6. INVOICE NO./DATE		7. PAGE OF		8. ACCEPTANCE POINT	
2. SHIPMENT NO.		3. DATE SHIPPED		4. B/L TCN			5. DISCOUNT TERMS				
9. PRIME CONTRACTOR CODE				10. ADMINISTERED BY CODE							
11. SHIPPED FROM (If other than 9) CODE				FOB:		12. PAYMENT WILL BE MADE BY CODE					
13. SHIPPED TO CODE				14. MARKED FOR CODE							
15. ITEM NO.	16. STOCK/PART NO.	DESCRIPTION (Indicate number of shipping containers - type of container - container number.)				17. QUANTITY SHIP/REC'D*	18. UNIT	19. UNIT PRICE		20. AMOUNT	
21. CONTRACT QUALITY ASSURANCE						22. RECEIVER'S USE					
<p>a. ORIGIN</p> <input type="checkbox"/> CQA <input type="checkbox"/> ACCEPTANCE of listed items has been made by me or under my supervision and they conform to contract, except as noted herein or on supporting documents.						<p>b. DESTINATION</p> <input type="checkbox"/> CQA <input type="checkbox"/> ACCEPTANCE of listed items has been made by me or under my supervision and they conform to contract, except as noted herein or on supporting documents.			Quantities shown in column 17 were received in apparent good condition except as noted.		
DATE			SIGNATURE OF AUTHORIZED GOVERNMENT REPRESENTATIVE			DATE			SIGNATURE OF AUTHORIZED GOVERNMENT REPRESENTATIVE		
TYPED NAME:			TITLE:			TYPED NAME:			TITLE:		
MAILING ADDRESS:			COMMERCIAL TELEPHONE NUMBER:			MAILING ADDRESS:			COMMERCIAL TELEPHONE NUMBER:		
23. CONTRACTOR USE ONLY						* If quantity received by the Government is the same as quantity shipped, indicate by (X) mark; if different, enter actual quantity received below quantity shipped and encircle.					

DD FORM 250, AUG 2000

PREVIOUS EDITION IS OBSOLETE.

Source: DLA Troop Support Subsistence.

Appendix C

Requirements of a Proper Invoice

According to the Defense Finance and Accounting Service Contractor and Vendor Payment Information Guidebook, the following information constitutes a proper invoice per Prompt Payment Act standards, and is required documentation for payment requests submitted to the Defense Finance and Accounting Service payment offices:

- (1) Name and address of contractor.
- (2) Invoice date.
- (3) Contract number, or other authorization for delivery of goods.
Do not use the solicitation number.
- (4) Invoice number, account number, and any other identifying number agreed to by contract.
- (5) Shipment number, including the date.
- (6) Description: line item number, national stock number, manufacture's part number, unit of measure, quantity shipped, unit price, and extended amount, where applicable.
- (7) Shipping and payment terms, including terms of any discount for prompt payment offered.
- (8) Taxpayer identifying number, unless agency procedures provide otherwise.
- (9) Electronic funds transfer banking information, unless agency procedures provide otherwise, or except in situations where the electronic funds transfer requirement is waived.
- (10) Point of contact name, title, and telephone number of person to notify in the event that the invoice is defective.
- (11) Other substantiating documentation or information required.

Management Comments

Defense Logistics Agency



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

AUG 08 2017

MEMORANDUM FOR THE DEPARTMENT OF DEFENSE INSPECTOR GENERAL

SUBJECT: Response to DoD IG Draft Report "Audit of the Defense Logistics Agency Fuel Contract for Al Udeid Air Base, Qatar" (Project No. D2016-D000RE-0091.000)

Attached is the DLA's response to the subject Draft Report. We appreciate the opportunity to review and comment on the finding and recommendations. The point of contact for this audit is [REDACTED], or email: [REDACTED].


MATTHEW R. BEEBE
Director, DLA Acquisition

Attachment:
As stated

Defense Logistics Agency (cont'd)

For Recommendation B.1, The Department of Defense Inspector General recommends that the Defense Logistics Agency Energy:

Recommendation B.1.a: Direct the quality assurance representatives to verify that the JA1 fuel delivery quantities stated on the contractor invoices match the amounts stated on the DD Forms 250 before invoices are submitted for payment.

DLA's Response Recommendation B.1.a: Concur. The Contracting Officer will recommend additional Wide Area Workflow Invoicing, Receipt, Acceptance and Property Transfer (e.g., iRAPT) training be conducted at the DLA Energy Middle East office for all Quality Assurance Representatives (QARs). This training will be conducted by Government officials from the DLA Energy Bulk Products Technical Team and will include a refresher on all of the elements that must be inspected and accepted by QARs in iRAPT and in accordance with contract terms and conditions. The Regional Quality Manager will also provide training on proper completion of DD-250s at fuel delivery locations with the regional QARs. This training will be completed as soon as practicable, and no later than March 31, 2018.

Recommendation B.1.b: Recoup the \$58,816 in interest paid to the contractor for delivery orders 0002, 0009, and 0013.

DLA's Response Recommendation B.1.b: Concur. The contracting officer will work with DLA Finance and DFAS to recoup \$58,816.00 of interest erroneously paid to the Contractor. This action will be completed by November 30, 2017.

Recommendation B.1.c: Coordinate with the Defense Finance and Accounting Service to ensure that the payment period is adjusted when a payment is delayed because of contractor error.

DLA's Response Recommendation B.1.c: Concur. The contracting officer will ensure that within 5-days of contract award, the contractor banking account information is properly submitted and accurate per solicitation text G9.07-5 ELECTRONIC TRANSFER OF FUNDS PAYMENTS – FEDERAL RESERVE WIRE TRANSFER SYSTEM (DLA ENERGY JAN 2012) for foreign vendors and the System for Award Management for domestic vendors. The contracting officer will inform that it is vendor's responsibility to submit banking information changes in writing per FAR 52.212-4 CONTRACT TERMS AND CONDITIONS – COMMERCIAL ITEMS (Tailored) paragraph (g)(1)(x)(B), which states, "If EFT banking information is not required to be on the invoice, in order for the invoice to be a proper invoice, the Contractor shall have submitted correct EFT banking information in accordance with the applicable solicitation provision, contract clause [e.g., G9.07-5 and FAR 52.232-22 Payment by Electronic Funds Transfer— System for Award Management], or applicable agency procedures."

In addition, the contracting officer will utilize the DLA Finance daily report, Invoice Failure Report, to identify contractor invoice failures. If invoice failures are identified, the contracting officer or the contract specialist will review the iRAPT submissions and suggest corrections to the vendor's invoice. Once corrections are made to the invoice, the contracting officer will work with DLA Finance to ensure that the correct invoice receipt date is captured by the Enterprise Business System.

DODIG PROJECT NO. D2016-D000RE-0091.000

Acronyms and Abbreviations

AEW	Air Expeditionary Wing
AUAB	Al Udeid Air Base
DLA	Defense Logistics Agency
FMD	Fuels Manager Defense
iRAPT	Invoice, Receipt, Acceptance and Property Transfer
JCS REPOL	Joint Chiefs of Staff Bulk Petroleum Contingency and Capabilities Report
QAR	Quality Assurance Representative
USAFCENT	U.S. Air Forces Central Command

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U.S. DEPARTMENT OF DEFENSE

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congressional@dodig.mil; 703.604.8324

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