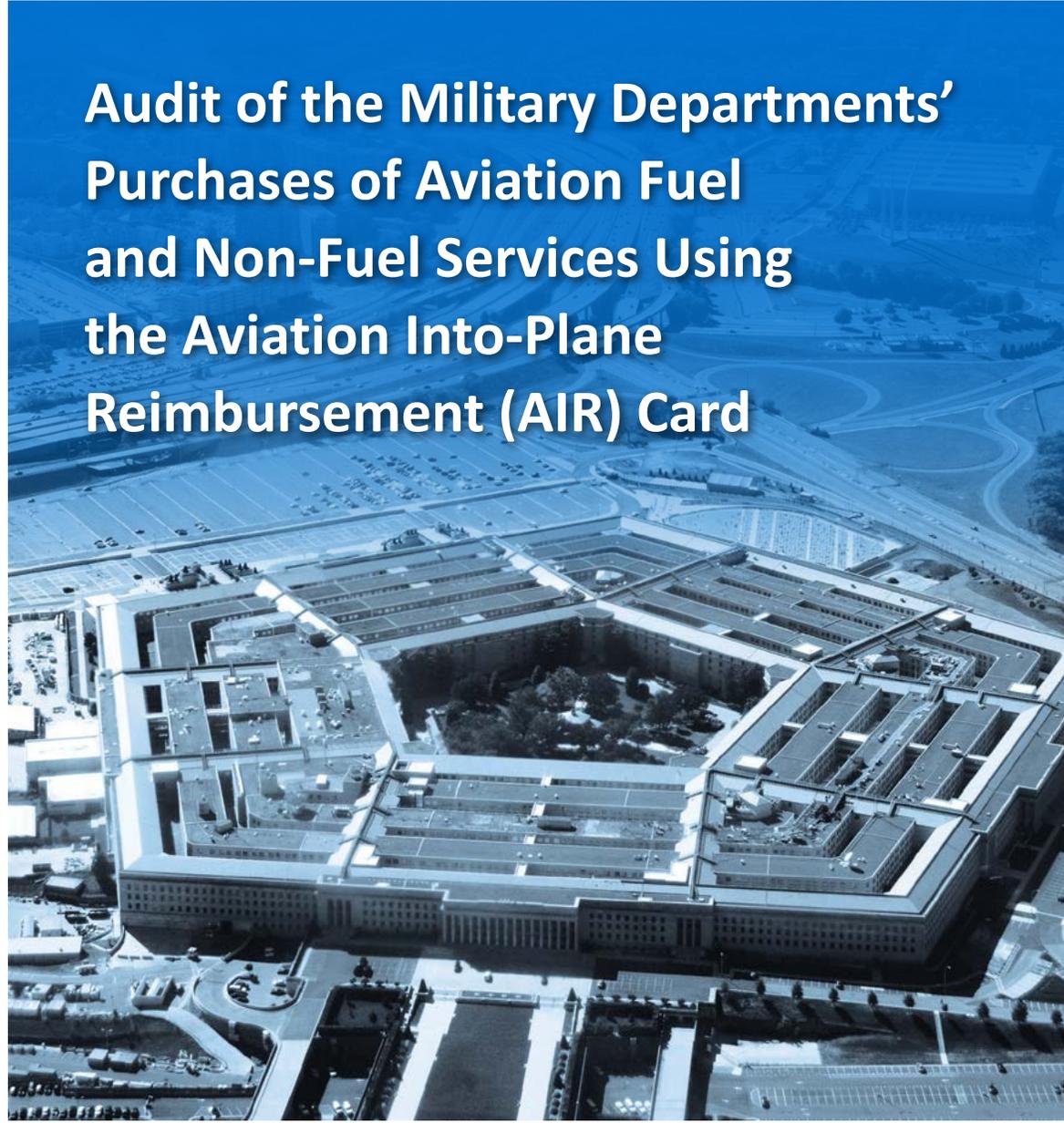




# INSPECTOR GENERAL

*U.S. Department of Defense*

JUNE 25, 2021



## **Audit of the Military Departments' Purchases of Aviation Fuel and Non-Fuel Services Using the Aviation Into-Plane Reimbursement (AIR) Card**





# Results in Brief

## *Audit of the Military Departments' Purchases of Aviation Fuel and Non-Fuel Services Using the Aviation Into-Plane Reimbursement (AIR) Card*

June 25, 2021

### Objective

The objective of this audit was to determine whether the Military Departments properly made purchases using the Aviation Into-Plane Reimbursement (AIR) Card program in accordance with applicable laws and regulations.

### Background

The Defense Logistics Agency–Energy (DLA Energy) AIR Card program allows the Military Departments, Defense agencies, and other Federal Departments to procure aviation fuel, fuel related supplies, and approved ground services worldwide at both DLA Energy contract fuel vendor locations and non-contracted commercial fuel merchants.

Acquisition of aviation fuel is required to be completed at U.S. military bases if available, then from contract vendors, and finally from non-contract merchants. DLA Energy pays for fuel purchases and the Military Departments reimburse DLA Energy at a standard price per gallon.

The AIR Card System (ACS) is an online tool featuring account profile information, detailed transaction information, the capability to upload transaction or training documentation, and a reporting module that includes both ad hoc reports and standard prepared reports that users can run at any time.

### Finding

AIR Card program officials and card users did not comply with applicable regulations when making fuel and non-fuel purchases using the AIR Card and significant improvements are needed to strengthen the program. In FY 2019 the Military Departments spent \$866 million using the AIR Card.

We determined that program officials did not identify instances in which the DoD wasted money, or potentially wasted money, when:

- fuel purchases violated mandatory sourcing requirements;
- fuel purchases exceeded the aircraft's capacity in ACS;
- AIR Card accounts reflected incomplete or inaccurate fuel capacities;
- charges were made for aircraft not matching any known DoD aircraft; and
- charges for non-fuel services, fees, and taxes were unauthorized or potentially unreasonable.

These problems occurred because AIR Card program officials did not conduct oversight of the transactions or correct deficiencies with AIR Card policy, training, or contracts. As a result of AIR Card program control weaknesses, the Military Departments incurred \$250.5 million in questioned costs, affecting the amount of funds available for readiness and other support functions. As of September 23, 2020, DLA Energy officials were taking action to collect \$2.9 million in erroneous taxes. Unless the DLA Program Management Office and the Military Departments improve AIR Card program controls, the Military Departments may continue to miss opportunities to identify fraud, waste, and abuse.

### Recommendations

Among other recommendations, we recommended that the Defense Logistics Agency–Energy Commander:

- strengthen internal controls for the program,
- revise the AIR Card contract,
- perform a comprehensive review of AIR Card transactions to identify and recover erroneous taxes, and
- coordinate with the Military Departments to update AIR Card training.



# Results in Brief

## *Audit of the Military Departments' Purchases of Aviation Fuel and Non-Fuel Services Using the Aviation Into-Plane Reimbursement (AIR) Card*

### **Recommendations (cont'd)**

We recommended that the Departments of the Army, Navy, and Air Force require their Component Program Managers to:

- require monthly reviews of high-risk transactions,
- review all AIR Card accounts for accuracy,
- review the FY 2020 "Fuel Capacity Report" to determine which merchant-billed transactions exceeded aircraft fuel capacity and correct any violations of policy, and
- hold card users, accountable officials, and certifying officers accountable for non-contract purchases that resulted in the waste of funds.

### **Management Comments and Our Response**

The DLA Energy Commander partially agreed with all recommendations to modify DLA Energy P-8, "Fuel Card Program." The Commander stated that DLA Energy does not have the authority to dictate how the Services operate their missions or the tools to be used to monitor the fuel card program. We disagree that the Commander does not have the authority over the Military Services when managing the AIR Card Program. DLA Energy is responsible for the AIR Card contract, policy, management, and oversight of the program including development and maintenance of functional requirements for the card program, so this recommendation is unresolved.

The Commander also partially agreed to discuss additional contractual requirements for the follow-on AIR Card contract to address non-contract purchases, pricing transparency, upfront tax exemptions, and pricing reasonableness; however, the Commander did not agree to modify the existing contract, which is estimated to end in September 2022. We disagree with the Commander's decision because this is an opportunity for potential

cost savings and to improve internal controls over the remaining 16 months of the current contract term, so these recommendations are unresolved.

The Commander also partially agreed with our recommendation related to the AIR Card training, but stated the Service officials should be responsible. The Commander agreed to update DLA Energy P-8, "Fuel Card Program" to advise that the Services provide guidance and training related to taxes and authorized users of the AIR Card. We disagree with the Commander because DLA Energy is responsible for the development of policy, procedures, and training for the AIR Card program. Therefore, this recommendation is unresolved.

The Division Chief, Supply, Headquarters Department of the Army, Office of the Deputy Chief of Staff, agreed with all recommendations, but the recommendations are unresolved because the Division Chief did not explain the specific actions the Army will take to address the recommendation.

The Director of the Department of the Navy Consolidated Card Program Management Division, agreed with all recommendations, and provided plans to address specifics for 2 of 5 recommendations, so we consider these recommendations resolved but open. However, 3 of 5 recommendations are unresolved because the Director did not agree to address accountability for wasting funds and to review fuel purchases that exceeded aircraft capacity.

The Assistant Deputy Chief of Staff, Operations, Headquarters Air Force agreed with all recommendations and provided plans to address the specifics of the recommendations, so we consider these recommendations resolved but open.

Please see the Recommendations Table on the next page for the status of recommendations.

## Recommendations Table

Management	Recommendations Unresolved	Recommendations Resolved	Recommendations Closed
Commander, Defense Logistics Agency–Energy	1.a, 1.b, 1.c, 1.d, 1.e, 1.f, 1.g, 1.h, 1.i, 2.a, 2.b, 2.c, 2.d, 2.e, 3.a, 3.b, 4.a, 4.b	None	None
Division Chief, Supply, Headquarters Department of the Army, Office of the Deputy Chief of Staff, G-4	5.a, 5.b, 5.c, 5.d, 5.e	None	None
Director, Department of the Navy Consolidated Card Program Management Division	6.b, 6.c, 6.d	6.a, 6.e	None
Readiness Division Chief, Headquarters Air Force, Operations Directorate Training and Readiness Division	None	7.a, 7.b, 7.c, 7.d, 7.e	None

Please provide Management Comments by July 26, 2021.

**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**

June 25, 2021

MEMORANDUM FOR COMMANDER, DEFENSE LOGISTICS AGENCY – ENERGY  
DIVISION CHIEF, SUPPLY, HEADQUARTERS DEPARTMENT  
OF THE ARMY, OFFICE OF THE DEPUTY CHIEF OF STAFF  
DIRECTOR, DEPARTMENT OF THE NAVY CONSOLIDATED CARD  
PROGRAM MANAGEMENT DIVISION  
CHIEF, HEADQUARTERS AIR FORCE, OPERATIONS  
DIRECTORATE TRAINING AND READINESS DIVISION

SUBJECT: Audit of the Military Departments’ Purchases of Aviation Fuel and  
Non-Fuel Services Using the Aviation Into-Plane Reimbursement (AIR) Card  
(Report No. DODIG-2021-096)

This final report provides the results of the DoD Office of Inspector General’s audit. We previously provided copies of the draft report and requested written comments on the recommendations. We considered management’s comments on the draft report when preparing the final report. These comments are included in the report.

This report contains recommendations that are considered unresolved because the DLA Energy Commander and Division Chief, Supply, Headquarters Department of the Army, Office of the Deputy Chief of Staff, and the Director, Department of the Navy Consolidated Card Program Management Division did not fully address the recommendations presented in the report. The Assistant Deputy Chief of Staff, Operations, Headquarters Air Force partially agreed to address all the recommendations presented in the report; therefore, we consider the recommendations resolved and open.

Therefore, as discussed in the Recommendations, Management Comments, and Our Response section of this report, the recommendations remain open. We will track these recommendations until an agreement is reached on the actions that you will take to address the recommendations, and you have submitted adequate documentation showing that all agreed-upon actions are completed.

DoD Instruction 7650.03 requires that recommendations be resolved promptly. Therefore, please provide us within 30 days your response concerning specific actions in process or alternative corrective actions proposed on the recommendations. Send your response to either [followup@dodig.mil](mailto:followup@dodig.mil) if unclassified or [rfunet@dodig.smil.mil](mailto:rfunet@dodig.smil.mil) if classified SECRET.

If you have any questions, please contact me at [REDACTED]

A handwritten signature in black ink, appearing to read "Theresa S. Hull", is positioned above the typed name.

Theresa S. Hull  
Assistant Inspector General for Audit  
Acquisition, Contracting, and Sustainment

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## Introduction

### Objective

The objective of this audit was to determine whether the Military Departments properly made purchases using the Aviation Into-Plane Reimbursement (AIR) Card and complied with applicable Federal laws and DoD policies. See Appendix A for scope, methodology, and prior audit coverage.

### Background

Defense Logistics Agency–Energy (DLA Energy) is the designated Government Fuel Card Program Management Office (PMO) with responsibilities for the AIR Card Program. The DLA Energy AIR Card Program provides a method for Military Departments, Defense Agencies, and other Federal Departments to procure aviation fuel and approved ground services worldwide at DLA Energy contract vendors and non-contract merchants located at commercial airports.

The AIR Card is a plastic card, similar to a commercial charge card, that Agency Program Coordinators (APCs) assign to a specific aircraft, rather than to an individual. There are also cards for any aircraft rather than a specific aircraft, and cards for fuel trucks in order to provide flexibility to AIR Card users. The AIR Card is accepted at DLA Energy contracted vendors and participating non-contract merchants. Whenever possible, AIR Card users are required to obtain fuel resources and related services from U.S. military bases. AIR Card policy requires that if commercial purchases are necessary, contract vendors take priority before non-contract merchants.

*Figure 1. Example of a Government AIR Card*



Source: DLA Energy.

## ***AIR Card System***

The primary tool available to manage transactions is the AIR Card System (ACS). Kropp Holdings Incorporated (KHI) provides the ACS as part of the AIR Card program contract. The ACS is an online program management tool that features account profile information, detailed transaction information, the capability to upload transaction or training documentation, and a reporting module that includes both custom and standard prepared reports that users can run at any time.

Account profile information contains basic information such as the personnel responsible for the account; identification of the card's assigned aircraft; the type of aircraft; the aircraft fuel capacity; the aircraft controlling organization; and account billing information.

Transaction data contains details on the purchase of fuel or ancillary services, or both, as well as any taxes and fees that were added to those purchases. The transaction data also includes identifying information for the account, aircraft, card number, and details on the location and timing of the purchase or adjustment.

The ACS contains standard system-generated reports to assist program officials in identifying transactions that were at a high risk for non-compliance with applicable laws and regulations. The following are some examples of the standard reports in ACS.

- **Strategic Sourcing Report** – Identifies all non-contract fuel purchases made at a location where a contracted vendor was available and identifies the price difference.
- **Fuel Capacity Report** – Validates that the quantity of fuel purchased does not exceed the total fuel capacity of the aircraft in the ACS profile.
- **Authorized Ground Services Report** – Lists ground service charges.
- **Tax Report** – Lists taxes charged for fuel and ancillary services.

## ***Split-Billing Process***

When AIR Card users purchase aviation fuel or authorized services, the contract vendor or non-contract merchant transmit the card data, merchant data, and sales information to KHI. KHI uses the ACS to forward the transactions and invoices for payment. The ACS forwards the fuel charges to DLA Energy; however, the non-fuel purchases are “split” off and billed directly to the Military Department by KHI.

In FY 2019, the ACS processed 413,984 line items, totaling approximately \$866.1 million in contract and non-contract fuel, ancillary services, fees, and taxes. Table 1 summarizes ACS transactions for FY 2019.

*Table 1. Summary of FY 2019 Aviation Fuel, Ancillary Services, Taxes, and Fees*

Line Item Type	Line Items	Net Value
Contract Fuel	217,842	\$463,982,660.21
Non-Contract Fuel	54,352	356,319,607.81
Ancillary Services	72,733	37,006,218.43
Taxes and Fees	69,057	8,782,239.21
<b>Total</b>	<b>413,984</b>	<b>\$866,090,725.66</b>

Source: AIR Card System by KHI.

### ***Fuel***

Purchases of aviation fuels include fuel purchased from contract vendors and non-contract merchants. As shown in Table 1, the DoD spent approximately \$820.3 million for contract and non-contract fuel in FY 2019. DLA Energy pays for fuel purchases and the Military Departments reimburse DLA Energy at a standard price per gallon that the DLA publishes annually.

DoD financial managers created the standard fuel price process to insulate the Military Departments from daily fuel price fluctuations. The process provides budget stability despite common market swings. However, the DLA does not pay contract vendors and non-contract merchants the standard fuel price. The DLA pays contract vendors the lower of the contract price or the invoice price. For non-contract merchants, DLA Energy pays the full amount billed.

### ***Ancillary Services***

As shown in Table 1, the DoD spent approximately \$37 million for 72,733 ancillary services that the ACS processed during FY 2019. Ancillary services include items such as de-icing, ramp fees, potable water, hangar rental, and maintenance. Unlike fuel purchases that DLA Energy pays, the Military Departments pay directly for ancillary services.

### ***Taxes and Fees***

As shown in Table 1, the DoD spent approximately \$8.8 million on taxes and fees associated with AIR Card fuel and non-fuel transactions during FY 2019. The transactions included Federal excise tax, state taxes, gross receipts tax, sales tax, environmental taxes and fees, and airport fees. DLA Energy pays for aviation fuel, additives, and taxes on fuel purchases while the Military Departments pay taxes and fees directly on ancillary services.

## ***AIR Card Program Responsibilities***

The AIR Card PMO and Military Departments provide oversight and management for each AIR Card account. DLA Energy established six hierarchy levels for AIR Card program officials to provide effective control, communication, responsibility, and support to the program.

- **Level 1 – DLA Energy**
  - Establishes policies and procedures for the program.
  - Provides oversight and management of the AIR Card Program.
- **Level 2 – Component Program Managers (CPM)**
  - Provide service or agency-specific program management.
  - Develop guidance and training materials and identify questionable transactions.
- **Levels 3 and 4 – Agency Program Coordinators (APC)**
  - Establish, administer, maintain, and report on the AIR Card program in their command.
  - Monitor the ACS to identify and correct high-risk transactions.
  - Notify AIR Card users' command of suspected fraudulent or improper use of the AIR Card for investigation.
- **Level 5 – Accountable Officials (AOs) and Certifying Officers (COs)**
  - Obtain and verify receipts, review all transactions for appropriateness, and approve the transactions.
  - Review invoices and certify that the invoices are valid and accurate.
  - Initiate payment with their certification.
- **Level 6 – AIR Card Users**
  - Understand the policies and procedures regarding authorized AIR Card purchases and record-keeping requirements.
  - Provide all purchase receipts to the AO to validate fuel and non-fuel charges.

## ***Criteria***

DoD Manual 4140.25, Volume 3, "DoD Management of Energy Commodities: Fuel Cards," March 2, 2018, states that DLA Energy has overall program management responsibility for the AIR Card Program. DLA Energy provides oversight of the AIR Card Program and administers the AIR Card contract. The Manual also requires the Military Departments to appoint officials to execute the AIR Card Program.

OMB Circular A-123, Appendix B (Revised), “A Risk Management Framework for Government Charge Card Programs,” August 27, 2019, consolidates Government-wide charge card program management requirements and guidance and establishes standard minimum requirements and best practices. The Circular also designates DLA Energy as the PMO for the AIR Card and requires that it develop guidance and training and manage account delinquencies, misuse, and fraud.

“Department of Defense Government Charge Card Guidebook for Establishing and Managing Purchase, Travel, and Fuel Card Programs,” June 3, 2020, provides general regulations for program management, personnel roles, responsibilities, and other requirements that are specific to the AIR Card program.

DLA Energy P-8, “Fuel Card Program,” July 5, 2017, establishes DoD Energy policy regarding the roles, responsibilities, and accountability of the DLA Energy Government Fuel Card Programs. DLA Energy P-8 also identifies:

- organizations authorized to use the AIR Card;
- products and services authorized to be purchased with the AIR Card;
- unauthorized uses of the AIR Card;
- Point of Sale requirements for merchants;
- procedures for establishment of an AIR Card account; and
- procedures for canceling or replacing an AIR Card.

## Review of Internal Controls

DoD Instruction 5010.40, “Managers’ Internal Control Program Procedures,” May 30, 2013, 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. We identified internal control weaknesses in which DLA Energy and the Military Departments did not have specific controls in place to ensure that CPMs and APCs populated card accounts with accurate and complete information. We also identified that program officials did not detect fraud, waste, and abuse, including purchases made for unknown aircraft, card users who failed to use available contract vendors, fuel transactions in excess of the aircraft’s fuel capacity stated in the ACS profile, payment of erroneous taxes, and potentially unreasonable or excessive charges for services and fees. Each of these failures resulted in potential improper payments, and if corrected, would produce potential monetary benefits. We will provide a copy of the final report to the senior official responsible for internal controls in DLA Energy and the Military Departments.

## Finding

### **AIR Card Program Officials and Card Users Did Not Effectively Manage the Procurement of Aviation Fuel and Non-Fuel Purchases Through the AIR Card Program**

AIR Card program officials and card users did not comply with DoD policies when making fuel and non-fuel purchases using the AIR Card, and significant improvements are needed to strengthen the program. In FY 2019, the Military Departments spent \$866 million using the AIR Card.

We found that program officials and card users did not identify instances in which the DoD wasted money by conducting fuel purchases that violated mandatory sourcing requirements, potentially wasted money by making fuel purchases that exceeded the ACS's listed fuel capacity of the aircraft, did not accurately or completely populate AIR Card accounts with fuel capacities, potentially wasted money by making purchases for aircraft not matching any known DoD aircraft, potentially wasted money on non-fuel services and fees, and wasted money on unauthorized taxes. Specifically, we determined that AIR Card users made:

- 5,945 non-contract fuel purchases at airports where a contract vendor was available, potentially wasting \$7.5 million and an additional \$2.1 million where pricing data was not populated in the ACS report;
- 9,034 fuel purchases, totaling \$174.4 million, where fuel purchased exceeded the ACS recorded fuel capacity for the aircraft;
- 45,519 purchases for aircraft with incomplete or inaccurate fuel capacity, when the AIR Card account profile was established or changed in ACS, that negatively impacted the effectiveness of internal controls to identify waste, fraud, and abuse;
- 67,662 purchases totaling \$51.8 million where the aircraft tail number billed to the DoD did not match any known DoD aircraft;
- 6,663 purchases totaling \$17.3 million in non-fuel services and fees that were at high risk for being excessive or unreasonable; and
- purchases containing \$2.9 million in erroneous taxes.<sup>1</sup>

These problems occurred because AIR Card program officials did not conduct oversight of the transactions or take appropriate actions to correct deficiencies with AIR Card policy, training, or contracts. As a result of AIR Card program

<sup>1</sup> This total is for disallowed taxes from September 2014 through November 2020.

control weaknesses, the Military Departments incurred \$250.5 million in questioned costs, affecting the amount of funds available for readiness and other support functions. As of September 23, 2020, DLA Energy officials were taking action to collect \$2.9 million in erroneous taxes. Unless DLA Energy and Military Department program officials improve AIR Card program controls, the Military Departments may continue to waste funds and fail to identify fraud, waste, and abuse.

## DLA Energy and the Military Departments Have Not Effectively Managed the AIR Card Program

We reviewed AIR Card transactions that the ACS processed for the Military Departments during FY 2019. There were 413,984 line items, totaling \$866 million. We identified six areas that were vulnerable to fraud, waste, and abuse; then, using several transactions as examples, we highlight the risk area and the impact of that risk to illustrate where the DoD should make improvements to oversee the procurement of aviation fuels and services, along with their associated taxes and fees.

We found that program officials and card users did not identify instances in which fuel purchases violated mandatory sourcing requirements, fuel purchases exceeded the ACS's listed fuel capacity of the aircraft, AIR Card accounts reflected incomplete or inaccurate fuel capacities, purchases were made for aircraft not matching any known DoD aircraft, and for which non-fuel services, fees, and taxes were potentially excessive or unauthorized.

### ***Non-Contract Fuel Purchases***

AIR Card program officials did not identify and take action on 5,945 non-contract fuel purchases made by card users at locations where contract vendors were available, totaling at least \$7.5 million, and potentially, another \$2.1 million for which pricing data

*5,945 non-contract fuel purchases made by card users at locations where contract vendors were available, totaling at least \$7.5 million.*

was not populated in the ACS report. DLA Energy negotiated AIR Card refueling contracts at approximately 400 commercial airports worldwide. AIR Card refueling contracts are intended to reduce the overall cost the DoD pays for fuel with specific merchants at commercial airports.

### ***Requirement to Purchase Fuel on Contract Not Enforced***

Program officials did not enforce requirements to obtain fuel from contract vendors, potentially wasting DoD funds. Card users have overall responsibility for all actions associated with the aircraft and must consider fuel sources and availability of fuel when planning missions, and use U.S. military fuel resources and related services whenever possible. DoD military installations, DLA Energy contract locations, and participating non-contract merchants all accept the AIR Card. The following is the order of priority for refueling outlined in DLA Energy P-8, "Fuel Card Program," guidance.

- 1. Military Installations.** AIR Card users must use military bases that have refueling capabilities first whenever possible.
- 2. Contract Locations.** The DLA establishes contracts at some commercial locations where military fuel resources are unavailable. AIR Card users must use contract fuel vendors when military bases are not available.
- 3. Non-Contract Locations.** AIR Card users are authorized to purchase fuel from any available merchant that accepts the AIR Card when no contract vendor exists at that location.

DLA Energy officials established the order of precedence to ensure the DoD pays a lower fuel cost at commercial airports. To assist AIR Card users in complying with the order of precedence, DLA Energy personnel recommended, through training, the use of the Fixed Base Operator (FBO) locator. The FBO locator identifies contracted vendors at commercial airports using several searching methods.

The FBO locator is available through the ACS website for AIR Card users to plan routes and select the appropriate fuel merchant on arrival. However, we found that AIR Card users did not always use the FBO locator even though AIR Card training included its use. DLA Energy's P-8, "Fuel Card Program" policy on the AIR Card did not require its use. As a result, AIR Card users purchased fuel from merchants that were not under contract and the DoD overpaid for fuel. Specifically, program officials did not identify and take action on 5,945 non-contract fuel purchases made at locations where contract vendors were available in FY 2019. Program officials' inaction resulted in potential waste totaling \$7.5 million, and potentially another \$2.1 million where the DLA did not populate pricing data in the ACS report. The DLA Energy Commander should revise DLA Energy P-8, "Fuel Card Program," to require use of the FBO locator during flight planning operations for commercial locations.

### ***Inadequate Oversight of Non-Contract Fuel Purchases***

Military Department CPMs did not provide necessary oversight of non-contract fuel purchases because they were not required to review the ACS Strategic Sourcing Report. The DLA Energy PMO developed this report to identify non-contract fuel purchases at commercial airports where a contract existed with merchants. The Strategic Sourcing Report identified that during FY 2019, 5,945 non-contract fuel transactions occurred at airports with contract vendors, totaling \$30.9 million.

In addition, the report provided the unit price differential between the contract and non-contract price for 4,278 out of 5,945 transactions and totaled \$7.5 million in potentially wasted funds in FY 2019. The Strategic Sourcing Report did not include contract prices for the remaining 1,667 fuel transactions, which potentially understated the amount card users wasted on these non-contract fuel purchases in FY 2019. The Strategic Sourcing Report failed

to include the contract price for purchases made on weekends, so it did not calculate the price differential for all non-contract transactions. We estimated that the Strategic Sourcing Report understated the amount card

*The Strategic Sourcing Report understated the amount card users potentially wasted on non contract fuel purchases by \$2.1 million.*

users potentially wasted on non-contract fuel purchases by \$2.1 million in FY 2019, because the DLA did not populate pricing data in the ACS report.

The DLA Energy Commander should revise DLA Energy P-8, “Fuel Card Program,” to require CPMs to conduct a monthly review of the Strategic Sourcing Report to monitor non-contract fuel purchases for which contract vendors are available, and the results should be distributed to increase awareness of potential cost savings. The DLA Energy Commander should revise the AIR Card portion of the contract with KHI to require KHI to ensure the Strategic Sourcing Report contains the appropriate contract fuel price to compare against all non-contract fuel transactions.

### ***Purchases From Non-Contract Fuel Merchants Not Supported***

During this audit, we selected five non-contract fuel transactions to determine whether there were authorized reasons for AIR Card users’ purchases at non-contract fuel merchants when contract vendors were available. These five transactions occurred at two airports, Ted Stevens Anchorage International Airport (Anchorage Airport) in Anchorage, Alaska, and Tucson International Airport (Tucson Airport) in Tucson, Arizona. We selected these locations based on the high frequency of transactions and large dollar amounts associated with

these two U.S. locations. As shown in the following examples, all five transactions identified in the FY 2019 Strategic Sourcing Report represented high dollar differences between the contract and non-contract fuel price.

### **Anchorage Airport – Air Force Example**

Documentation obtained for one Air Force transaction identified a non-contract fuel purchase for a cargo plane totaling \$159,408 at Anchorage Airport on June 21, 2019. The Strategic Sourcing Report identified the Air Force transaction as the largest DoD non-contract fuel purchase in FY 2019.

The audit team coordinated with the Air Force CPM to determine why aircrews did not purchase contract fuel at Anchorage Airport. DLA Energy issued a fuel contract in Anchorage to “International Aviation Services” on July 1, 2018. Air Force program officials stated that while mission planning, they use an internal Air Force flight planning report for aircraft servicing information. The internal Air Force flight planning documents incorrectly listed the contract provider as “International Aviation Fuels.” The Air Force Wing Commander reported that this slight difference in names (the last word being ‘Services’ versus ‘Fuels’) caused confusion for the aircrew and led to purchasing fuel from a non-contract merchant, “Signature Flight Support.” For this example, the total cost of the transaction at the approved contract vendor would have totaled \$49,158 (\$2.072 x 23,725 gallons), instead of the non-contract merchant price of \$159,408 (\$6.719 x 23,725 gallons).

*• The Air Force wasted \$110,321 based on the difference between the contract price of \$2.072 and the non-contract price of \$6.719.*

The Air Force determined that the failure to adhere to policy occurred because the aircrew had “confusion,” which is not an acceptable reason to purchase non-contract fuel resources

at commercial locations. Specifically, the FBO locator on the ACS web-site identifies where contract vendors are available. As a result, the Air Force wasted \$110,321 based on the difference between the contract price of \$2.072 and the non-contract price of \$6.719 for 23,725 gallons of fuel.

### **Anchorage Airport – Navy Example**

We obtained documentation for a transaction where the Navy purchased fuel from a non-contract merchant totaling \$40,725.23 at Anchorage Airport on September 9, 2019. The Strategic Sourcing Report identified the transaction as the largest Navy non-contract fuel purchase at Anchorage Airport in FY 2019. The audit team coordinated with the Navy CPM to analyze and discuss the issues identified for this transaction, and the AO provided a signed fuel receipt for the transaction.

The audit team then requested an explanation for why aircrews did not use the contract fuel vendor for this transaction at Anchorage Airport. Navy program officials stated, “The standard rate is comparable to the contract fuel rate and the other location for contract fuel is located in the actual air terminal and requires the aircraft to be pushed back from the gate. In addition, they [the contract fuel vendor] also do[es] not provide ground transportation.” For this example, the total cost of the transaction at the approved contract vendor would have totaled \$12,580 ( $\$2.137 \times 5,886$  gallons), instead of the non-contract merchant price of \$40,725 ( $\$6.919 \times 5,886$  gallons).

In this example, the Navy’s logic was to compare the DLA Energy standard price of \$3.65 to the contract price of \$2.137, and as a result, they did not feel the difference was substantial. This logic is not correct. Although the Navy reimbursed DLA Energy at \$3.65 per gallon, the DoD paid the non-contract merchant the actual invoiced amount of \$6.191 per gallon. The reimbursement rate is not necessarily the transaction’s actual total cost to the DoD. Program officials should not confuse the DLA Energy standard price for the total amount the DoD, as a whole, ultimately will pay to non-contract merchants. In addition, regardless of price, the use of non-contract fuel vendors is a violation of policy when contract fuel merchants are available.

DLA Energy’s standard price of fuel is a projection, 18 months into the future, of the price of fuel that DLA Energy will sell to the Military Departments and other Federal customers during the fiscal year. The DLA standard price of fuel is a tool to insulate the military services from the normal fluctuations of the fuel marketplace. Customers cannot compare the standard price of fuel with similar fuels in the commercial marketplace. In transactions for which the market price of fuel is higher than the standard price, the DoD loses money.

The Navy’s faulty conclusion between DLA Energy’s standard price and the contract vendor price per gallon was not an acceptable reason to purchase fuel off-contract. As a result, the DoD

wasted \$28,135, based on the difference between the contract price of \$2.137 and the non-contract price of \$6.919 for 5,886 gallons of fuel.

*DoD wasted \$28,135, based on the difference between the contract price of \$2.137 and the non-contract price of \$6.919 for 5,886 gallons of fuel.*

The aircrew and reviewing officials not only violated policy with this transaction, they also gave insufficient regard to funds wasted through their faulty conclusion that the difference in fuel prices was relatively small.

To raise program officials' awareness of the savings achievable by complying with source requirements, and the positive impact of this practice on the DoD as a whole, the Military Departments should direct their CPMs to require program officials to reconcile fuel receipts for purchases made from non-contract merchants against the contract fuel price available at the location. In addition, the Military Departments should hold aircrews, AOs, and COs accountable for the waste of funds associated with violating the order of priority for refueling, without a valid justification, as outlined in DLA Energy P-8, "Fuel Card Program."

### **Anchorage Airport – Army Example**

We obtained documentation for an Army transaction at a non-contract merchant for Jet A fuel with additive purchased for an aircraft totaling \$7,545 at Anchorage Airport on April 27, 2017. According to the processing date on the documentation, KHI did not process this transaction until January 16, 2019. The Strategic Sourcing Report identified this transaction as the largest Army non-contract merchant fuel purchase at Anchorage Airport in FY 2019. We coordinated with the Army CPM to analyze and discuss the issues with this transaction.

We determined that a second refueling occurred, for the same aircraft, at the Anchorage Airport 5 days later on May 2, 2017. The audit team obtained two unsigned fuel receipts provided by the merchant (Signature Flight Support).

The audit team then requested an explanation of why the Army purchased Jet A fuel with additive from a non-contract merchant at Anchorage Airport, even though there was a contract fuel provider at this location, "Petro Star Inc." Army program officials stated that the aircraft landed at the airport and had several weather and maintenance delays. However, the Army did not provide a valid justification for not using the contract providers. The transactions occurred as illustrated in the following summary.

- For the first transaction, the total cost of the transaction at the approved contract vendor would have totaled \$2,937 ( $\$1.92 \times 1,529$  gallons), instead of the non-contract merchant price of \$7,545 ( $\$4.935 \times 1,529$  gallons). As a result, the DoD wasted \$4,607 ( $\$7,545.62 - \$2,937.73$ ) for aviation fuel because the aircrew never identified a contract vendor at Anchorage Airport.
- For the second transaction, the total cost of the transaction at the approved contract vendor would have totaled \$838 ( $\$1.84294 \times 455$  gallons), instead of the non-contract merchant price of \$2,245 ( $\$4.935 \times 455$  gallons). As a result, the DoD wasted \$1,407 ( $\$2,245.43 - \$838.43$ ) by not using the correct contract vendor.

Weather and maintenance delays were not acceptable reasons not to use contract vendors for fuel purchases at Anchorage Airport. As a result, the DoD wasted a total of \$5,864 (\$4,602.29 + \$1,262.65) based on the difference between the contract price and the non-contract price.

### **Anchorage Airport Non-Contract Merchant Fuel Purchases**

*DoD used the three non-contract merchants for 93 transactions at Anchorage Airport totaling \$2.49 million in FY 2019.*

The ACS Strategic Sourcing Report identified that the DoD used the three non-contract merchants for 93 transactions at Anchorage Airport totaling \$2.49 million in FY 2019.

The DoD only used Petro Star, the contract vendor, for 74 transactions at Anchorage Airport totaling \$1.75 million in FY 2019. The Strategic Sourcing Report calculated the price differential between the contract price and non-contract price that the DLA paid for the 93 transactions at \$1.6 million. The DLA Energy Commander should revise DLA Energy P-8, "Fuel Card Program," to require program officials to perform periodic reviews, at least bi-annually, to compare merchant transactions at commercial locations to determine if the DoD is using contract vendors.

### **Tucson Airport - Unauthorized User**

Government procurement policies and procedures strictly prohibit the use of a Government fuel card, except by authorized Federal employees. DLA Energy memorandum, "Authorized Users of the DLA Energy Fuel Cards," October 8, 2019, states that fuel and services purchased on Government fuel cards are inherently governmental functions and not permitted by DoD contractors.

We identified the use of the AIR Card by a DoD contractor. On August 4, 2019, a contractor charged a DoD AIR Card for a non-contract fuel purchase. The merchant submitted an invoice to DLA Energy, but the invoice specified that the merchant sold the fuel to "BAE Systems," totaling \$11,393. As a result, the DoD made an improper payment of \$11,393 because the DoD does not authorize contractors to use the AIR Card. Therefore, the DLA Energy Commander and the Military Departments' AIR Card program officials should update training to reinforce the requirements in DLA Energy memorandum, "Authorized Users of the DLA Energy Fuel Cards," October 8, 2019.

### ***Non-Contract Fuels Purchases Contained Embedded Ancillary Ground Services and Taxes***

Four of the five non-contract sample items improperly contained embedded ancillary service charges or taxes with the overall fuel purchase. Three of the transactions occurred at Anchorage Airport and the fourth transaction at

Tucson Airport. The DoD Government Charge Card Guidebook dated November 14, 2018, states that the AIR Card provider is required to separate both contract and non-contract fuel purchases from non-fuel ancillary ground services. KHI is then required to forward fuel invoices to DLA Energy for payment, with the non-fuel purchases (ancillary services, fees, and taxes) “split” off and billed directly to the Military Department’s payment office by KHI. Therefore, merchants are required to provide detailed product descriptions listed as separate line items on each merchant invoice.

The merchant invoices used as examples in this section revealed charges for ground services and taxes; however, the KHI invoice did not separate these costs. When KHI does not separate invoices into line-item detail, several problems occur. First, the DLA Finance Energy Tax Branch is unable to determine whether a tax is

*Four fuel transactions contained \$850 in embedded taxes and \$527 in ground services improperly charged to DLA Energy.*

embedded in the fuel purchase price, and therefore, unable to seek recovery of overpaid taxes when a tax exemption applies. Second, DLA Energy also loses the ability to dispute ground services

that KHI should have billed directly to the Military Departments. Table 2 contains details on the four transactions discussed in this section. As shown in Table 2, the four fuel transactions contained \$850 in embedded taxes and \$527 in ground services improperly charged to DLA Energy, totaling \$1,377.

Table 2. Fuel Purchases Contained Embedded Services Fees and Taxes

Transaction ID Number	Concession Fee (Ground Services)	Taxes (Federal and State)	Total Embedded Cost	Fuel Cost	Total Fuel Purchase
6967603	\$394.36	\$188.35	\$582.71	\$40,142.52	\$40,725.23
6688281	\$102.44	\$382.25	\$484.69	\$7,060.92	\$7,545.62
6035917	\$30.48	\$113.75	\$144.23	\$2,101.19	\$2,245.42
6856521	\$0.00	\$166.07	\$166.07	\$18,693.43	\$18,859.50
<b>Total</b>	<b>\$527.28</b>	<b>\$850.42</b>	<b>\$1,377.70</b>	<b>\$67,998.06</b>	<b>\$69,375.77</b>

Source: AIR Card system by KHI.

Therefore, because the non-contract fuel transactions included other embedded charges, the DLA Energy Commander should enforce the AIR Card portion of the contract with KHI which requires KHI to provide line-item detail on invoices.

### ***Non-Contract Fuel Issues Summary***

Non-contract fuel purchases have negated the contract-negotiated pricing which allows DLA Energy to charge a considerably lower standard price per gallon to the Military Departments. AIR Card users are required to use the mandatory sources for fuel procurement in the following order: a DoD installation, contract

DoD potentially wasted \$7.5 to \$9.6 million on these non-contract fuel purchases.

vendor, and then non-contract merchant. In total, we identified 5,945 non-contract fuel transactions that occurred in locations which had

contract fuel vendors available. As a result, the DoD potentially wasted \$7.5 to \$9.6 million on these non-contract fuel purchases. This occurred because internal controls were not sufficient to ensure the appropriate priority of resources.

We made recommendations to improve the internal controls including revising policy, training users, purchasing fuel, and reviewing transactions. The DoD and the Military Departments overpaid for fuel in FY 2019 and will continue to do so until program officials strengthen internal controls and hold card users and program officials accountable for improperly charged or paid transactions.

### ***Fuel Purchases Exceeded the ACS Recorded Fuel Capacity for Aircraft***

AIR Card program officials did not dispute and paid for 9,034 fuel purchases that exceeded the ACS recorded fuel capacity for aircraft, totaling \$174.4 million.

9,034 fuel purchases that exceeded the ACS recorded fuel capacity for aircraft, totaling \$174.4 million.

DLA Energy AIR Card AO training states that AOs are responsible for ensuring the AIR Card system includes accurate aircraft fuel capacity. AIR Card AO training also states that AOs must review fuel purchases when quantities exceed the aircraft tank capacity recorded in the ACS. AIR Card AO training outlines that purchases above the fuel capacity are examples of misuse and potential fraud. Transactions should be disputed when the fuel purchase exceeds the tank capacity of the aircraft or has incorrect refueling dates. AOs and COs are responsible for ensuring that internal controls and appropriate procedures are in place to eliminate erroneous payments.

AIR Card program officials have access to the “Fuel Capacity Report” that shows all fuel transactions that exceed the ACS recorded fuel capacity of an aircraft. Using the Fuel Capacity Report, we nonstatistically selected seven fuel purchases,

totaling \$907,390, which exceeded aircraft fuel capacity in order to determine why the overcapacity transactions occurred, and if there was valid support for the transactions.<sup>2</sup>

Table 3 illustrates Military Department AOs' and COs' approval of payments for fuel purchases that exceeded the ACS recorded fuel capacity of aircraft. Six of the seven sampled transactions exceeded aircraft fuel capacity due to the merchant bundling multiple fuel purchases into a single transaction.

Table 3. Sampled AIR Card Fuel Purchases Exceeding the ACS Recorded Aircraft Capacity

Military Department	Transaction ID	AIR Card System Aircraft Capacity in Gallons	Gallons of Fuel Purchased	Dollar Amount of Transaction	Reason for Overcapacity	Refund After Questions About the Transaction?
Army	6688511	1,034	10,003	\$68,520.55	Bundling	Yes, due to Bundling
Army	6688512	1,034	9,248	\$63,348.81	Bundling	Yes, due to Bundling
Navy	6707562	6,500	27,649	\$76,324.65	Bundling	Yes, due to Bundling
Navy	6979791	1,825	15,298	\$53,237.04	Bundling	No
Air Force	6596140	10,000	55,498	\$321,768.05	Bundling	Yes, due to Bundling
Air Force	6755131	5,000	27,309	\$145,067.53	Incorrect Aircraft Capacity Listed	No
Air Force	6971569	53,134	58,816	\$179,123.41	Bundling	Yes, due to Bundling

Source: AIR Card System by KHI and transaction documentation.

### Fuel Transaction Bundling

*Six of the seven transactions we reviewed exceeded capacity due to the bundling of several transactions.*

We identified that six of the seven transactions we reviewed exceeded capacity due to the bundling of several transactions. For example,

transaction 6688511 was comprised of 11 fuel transactions which occurred over 7 days that the merchant billed as a single transaction. DLA Energy policy prohibits bundling; specifically, it states that “U.S. government official[s] or aircrew

<sup>2</sup> Due to the significant amount of time necessary to obtain documentation, justification for exceeding capacity, and any actions taken by the AO, CO, KHI, or merchant, we did not select additional overcapacity sample transactions to review. For example, one transaction required more than 6 months of coordination to obtain a final resolution.

member[s] shall ensure that fuel products and ground services are separately, accurately, and legibly recorded on the DD Form 1898 or commercial delivery ticket. The aircrew member shall ensure that the date of delivery is correct and legibly entered on the form.”

AIR Card program officials’ oversight is complicated when merchants bundle transactions and the practice could lead to merchants improperly billing the DoD at a higher price. This is possible because of daily changes in fuel prices. For example, if the AIR Card user purchased fuel on a day when fuel costs were low, but the merchant billed the transactions later when fuel prices increased, it would result in a higher cost to DLA Energy and potentially wasted funds. The DLA Energy Commander should revise DLA Energy P-8, “Fuel Card Program,” to require organization CPMs, in coordination with AOs, to conduct a monthly review of the Fuel Capacity Report, to obtain justification when a fuel purchase exceeds aircraft capacity, and to dispute any potential excessive or bundled fuel transactions.

Additionally, since AOs are not performing their required responsibilities of disputing fuel purchases that exceed the ACS recorded fuel capacity for aircraft, the DLA Energy Commander should revise DLA Energy P-8, “Fuel Card Program,” to require that the AO’s commander sign a memorandum for the record, documenting why the merchant’s billing exceeded the fuel capacity that was on the Fuel Capacity Report and document what actions they took to correct the problem.

The Military Departments should direct their CPMs to review the FY 2020 Fuel Capacity Report, determine the reasons capacity was exceeded, provide what actions they took to correct violations of policy, and describe the impact of the actions.

### ***Problems Continued After Transaction Disputes***

After we brought bundled transactions to the attention of the AOs, they failed to identify that merchants had improperly rebilled the transactions. For example, Air Force transaction 6971569 was for seven refueling events over 5 days and included 58,816 gallons of Jet A aircraft fuel totaling \$179,123.41. The following timeline describes the events related to the billing and rebilling of the transaction.

- **September 13, 2019.** The merchant initially billed a fuel purchase of 58,816 gallons of Jet A fuel with additive, totaling \$179,123.41.
- **November 20, 2019.** We requested a copy of the receipt supporting the transaction from the Air Force AO.
- **November 21, 2019.** The AO provided an invoice obtained from the merchant showing seven refueling events over 5 days. The following day, the merchant refunded the DLA the transaction totaling \$179,123.41.

- **November 22, 2019.** The merchant rebilled the transaction as a single fuel purchase again; however, this time the transaction totaled \$179,052.37.
- **December 16, 2019.** We requested a meeting with the Air Force CPM and the AO to discuss the transaction and rebilling.
- **February 6, 2020.** We met with the Air Force CPM to discuss the status of our outstanding requests for this transaction, including queries on the actual capacity of the aircraft, whether the AO obtained and maintained the signed fuel receipt, and why the merchant refunded the transaction a day after we requested documentation. During the meeting, the CPM could not provide us an update on the status of the rebilling and we agreed to resend the request for information to the CPM.
- **February 25, 2020.** We received a Memorandum for the Record from the AO stating that the first refund occurred due to the wrong refueling date and billing for a fuel additive that was already included in the fuel type. Again, the AO requested the signed receipts from the merchant.
- **March 9, 2020.** The AO disputed the rebill because it was still bundled.
- **April 23, 2020.** KHI informed the AO that it would refund the transaction because there were multiple refueling events over multiple days. KHI advised the merchant to submit individual invoices for each refueling. The following day the merchant refunded the November 22, 2019 transaction totaling \$179,052.37.
- **April 28, 2020.** The merchant individually invoiced the seven refueling events, totaling \$178,882.49. The total rebilled amount was lower than the original transaction amount due to the error in charging for a fuel additive that was included with the fuel type and the impact of fluctuating daily fuel prices.
- **June 8, 2020.** The CO approved the rebilled transactions for final processing.

As a result, after 7 months of coordination with Air Force officials, the DLA Energy PMO, KHI, and the merchant, the merchant rebilled the transaction and the Air Force approved the invoices for payment.

The bundled fuel transaction required 7 months for KHI to properly bill because the AO and CO did not ensure that the transaction had proper supporting documentation and complied with policy during their initial transaction review. Additionally, the process of disputes and rebilling allowed the bundled rebilling to go undisputed until the audit team asked about the transaction. The DLA

Energy Commander should revise DLA Energy P-8, "Fuel Card Program," to require CPMs to track and review the rebilling of all disputed transactions to ensure that updated transactions are valid, supported, and properly rebilled.

### **AIR Card System Profile Accuracy**

*AIR Card program officials did not accurately or completely populate account information in the ACS.*

AIR Card program officials did not accurately or completely populate account information in the ACS.

The requestor is responsible for providing the details of the new card or account. These should include the account name, Military Department branch, aircraft type, aircraft tail number, and account billing information. The ACS uses this information, in part, to populate the standard reports used to oversee the AIR Card program.

We reviewed the details of 51,226 requests from the Military Departments for new, replacement, updated, or terminated cards. We determined that many of the requests did not provide complete or accurate information. Specifically, we determined that 12,318 of those requests contained inaccurate or incomplete fuel capacities.

Of the 12,318 inaccurate or incomplete requests:

- the Army had 5,154;
- the Air Force had 4,759; and
- the Navy had 2,405.

We considered the fuel capacity inaccurate or incomplete when the requestor for the AIR Card left the fuel capacity blank or included a fuel capacity over 60,000 gallons.

### **Blank Capacities**

We identified a total of 12,198 blank fuel capacities in the ACS. For example, we identified that 238 Air Force program officials submitted 4,673 card requests containing blank fuel capacities. This is significant because the ACS uses the fuel capacity established by the AO for automated controls; specifically, the Fuel Capacity Report. When the fuel capacity is blank, each fuel purchase for that aircraft will appear on the Fuel Capacity Report. Specifically, for FY 2019 Fuel Capacity Reports, blank aircraft fuel capacities accounted for 45,519 of 55,646 transactions (or 82 percent of

*We identified a total of 12,198 blank fuel capacities in the ACS.*

the results) that the ACS flagged for review. The fuel purchases made for these 45,519 transactions may or may not have actually exceeded aircraft capacity; however, any amount of fuel for these accounts would appear as though it exceeded the capacity.

### *Inaccurate Capacities*

We identified 60,000 gallons as the maximum appropriate fuel capacity because the largest refueling tanker aircraft, the KC-10, can carry a maximum of 356,000 pounds of fuel. A standard calculation provided in DoD 4140.25-M, "DoD Management of Bulk Petroleum Products, Natural Gas, and Coal," Volume II, "Petroleum Management," Chapter 5, "Shipments, Issues, and Receipts," June 22, 1994, includes a baseline of 7.25 pounds for 1 gallon. Using this baseline for the 356,000 pounds, we calculated that it equates to approximately 49,100 gallons. However, to provide for a margin of error, we used 60,000 gallons as the maximum capacity.

For example, we identified five Navy KC-130Js (multi-use aircraft that can refuel other aircraft in flight) with a listed fuel capacity in the ACS of 579,710 gallons per aircraft. Five different program officials processed these card requests from 2015 through December 2019. We calculated, using the DoD Manual's baseline of 7.25 pounds per gallon, that those 579,710 gallons of fuel would weigh approximately 4.2 million pounds. However, the KC-130J has a maximum takeoff weight of 164,000 pounds. As a result, even if a merchant had billed the AIR Card for fuel up to 25 times the total capacity of the aircraft's takeoff weight, the Fuel Capacity Report would not identify the transaction for review.

DLA Energy P-8, "Fuel Card Program," does not require requests for AIR Cards to include accurate fuel capacity information. Specifically, the only requirement related to the aircraft itself are the tail number and the type of aircraft. The guidance states that transactions for fuel capacities that exceed an aircraft's fuel capacity are potentially fraudulent. However, because there was no requirement to include accurate and complete fuel capacity information, often the information was incomplete or inaccurate, as noted in the previous examples.

As a result, the automated tools that would identify potential AIR Card fraud due to purchasing more fuel than aircraft capacity allowed were not fully effective. Updated guidance and verification that accurate information is included in AIR Card profiles is needed to ensure that program officials' reviews of ACS standard reports will be more beneficial and will greatly improve the effectiveness of automated tests related to fuel capacity purchases, such as the Fuel Capacity Report.

The DLA Energy Commander should revise DLA Energy P-8, “Fuel Card Program,” guidance to require the inclusion of accurate fuel capacity, in gallons, for all aircraft and vehicle-specific AIR Card accounts. In addition, the Military Departments should direct their CPMs to review all AIR Card accounts and correct inaccurate or incomplete fuel capacity information.

### ***Potentially Unknown Aircraft Transactions***

AIR Card program officials did not effectively review transactional data to ensure that only authorized aircraft were using the AIR Card. Transactional data comes from non-contract merchants and contracted vendors to DLA Energy and the Military Departments through the ACS. However, we could not determine if the transactions were valid based on the information KHI transmitted to DLA Energy requesting payment. This occurred because in many cases the aircraft information KHI billed to the DoD did not match any known aircraft in the ACS account information.

*We identified 67,662 charges totaling \$51.8 million, for which the aircraft identity did not match any known DoD aircraft.*

Using data analytics, we reviewed all FY 2019 AIR Card transactions. We identified 67,662 charges totaling \$51.8 million, for which the aircraft identity did not match any known DoD

aircraft. We then checked to determine whether AIR Card officials had rejected these transactions. We found that DLA Energy paid all but three of the fuel transactions with invalid aircraft identification.<sup>3</sup>

Ultimately, COs are responsible for ensuring that invoices are accurate before authorizing payment. Specifically, “Responsibilities and relief from liability of certifying officials,” section 3528, title 31, United States Code (31 U.S.C §3528 [2011]) requires validation of all payments before disbursement. These 67,662 charges, totaling \$51.8 million, contained insufficient information to determine whether these transactions and subsequent payments were for valid DoD aircraft. When a transaction has insufficient information to determine whether a payment is proper or not, the payment should be considered an improper payment (31 U.S.C. §3352 [2020]). See Footnote 3 for an explanation of potential monetary benefits based on these improper payments.

<sup>3</sup> Potential monetary benefits from this section will be limited to \$48.4 million rather than the \$51.8 million found in total. This is because our report sections on non-contract fuel purchases and fuel overcapacity identified transactions totaling \$3.4 million that we identified as having unknown aircraft identification. Therefore, we removed those transactions from this section’s potential monetary benefits to avoid overstating the benefits we identified.

The DLA Energy Commander should revise DLA Energy P-8, “Fuel Card Program,” guidance to require reviews of all invoice information to ensure the invoice matches a valid aircraft on that account, reconcile whether the transaction was valid, and include reconciliation documentation and certification in the AIR Card System before payment of any transaction that is not associated with a DoD aircraft.

### ***Excessive Ancillary Service Charges and Fees***

*AIR Card program officials did not identify and dispute ancillary service charges and fees that were at high risk for being unreasonable.*

AIR Card program officials did not identify and dispute ancillary service charges and fees that were at high risk for being unreasonable and potentially wasted funds.

According to the DoD Charge Card Guidebook, the roles and responsibilities of card users include ensuring that all purchases are proper, legal, reasonable, and satisfy a bona fide need. In addition, AIR Card program officials designated to perform transaction reviews must evaluate whether the transaction was consistent with the agency’s policies and procedures and was otherwise reasonable and appropriate.

AIR Card AO training states that COs are required to validate fuel and non-fuel charges, and are responsible for certifying the non-fuel portion of the transaction for payment. The training also states that the AO must immediately dispute unauthorized, questionable, undocumented, or unreasonably priced charges.<sup>4</sup>

AIR Card users also have a responsibility to ensure that transactions are proper, and take corrective action as needed. Specifically, according to DLA Energy P-8, “Fuel Card Program,” “The card user shall attempt to resolve any discrepancy with the merchant whenever possible; however, the AO or members in the hierarchical chain, to include the CPM and DLA Energy PMO, have the ability to initiate a dispute through the ACS or KHI customer support.”

According to our review of the ACS Dispute Report, AIR Card program officials disputed 24 non-fuel transactions based on price reasonableness in FY 2019 and one DLA Energy PMO official accounted for 18 of those disputes. To determine how program officials ensured charges were reasonable, we developed a high-risk threshold for each charge category to isolate charges that were at a higher risk of being unreasonable, which we defined as a charge that exceeded the FY 2019 average by 200 percent (or three times the average cost).

<sup>4</sup> We refer to AOs and COs in this section as reviewing officials.

In FY 2019, the AIR Card program had 6,663 non-fuel transactions for \$17.3 million in potential waste related to high-risk charges, or charges that were over three times the FY 2019 average cost (see Appendix D). Table 4 provides the seven charge categories we selected to review potentially unreasonable ancillary services and fees, which accounted for \$6.3 million of the \$17.3 million in potentially unreasonable charges.

*Table 4. Potentially Unreasonable Ancillary Services and Fees*

Charge Category	FY 2019 Average	High-Risk Threshold	Transactions Over High-Risk Threshold	Amount of High-Risk Transactions
Crew Transportation	\$203.99	\$611.97	111	\$134,447.32
Passenger Handling	\$657.79	\$1,973.36	141	\$610,979.92
Communications	\$99.88	\$299.65	63	\$53,168.16
Ramp Fee	\$1,067.05	\$3,201.15	858	\$4,810,941.55
Overtime	\$131.50	\$394.49	142	\$270,751.63
Aircraft Cleaning	\$250.97	\$752.92	5	\$10,849.46
Facility Fee	\$393.88	\$1,181.64	187	\$405,246.67
<b>Total</b>			<b>1,507</b>	<b>\$6,296,384.71</b>

Source: AIR Card System by KHI.

We selected a sample of transactions that we considered to be high-risk transactions from each of the seven categories in Table 4 to determine whether the charges were reasonable. AIR Card program officials did not dispute any of the sample transactions prior to our selection and request for their review.

We coordinated with AIR Card program officials to determine if the charges associated with the transaction were reasonable or if the reviewing officials should have disputed the transaction. AIR Card program officials concluded that they should have disputed six transactions and should not have disputed one. Table 5 shows the amount charged over the FY 2019 worldwide average for these charges, and whether AIR Card program officials agreed that they should have disputed the transactions.

Table 5. Sample of Excessive Ancillary Service and Fees

Transaction ID	Charge Description	\$ Amount	FY 2019 Average	Percent Above Average	Program Official's Conclusion
6722509	Crew Transportation	\$1,676.67	\$203.99	722	Dispute
6877070	Passenger Handling	\$5,396.56	\$657.79	720	Dispute
6728454	Communications	\$1,311.81	\$99.88	1,213	Dispute
6649575	Ramp Fee	\$6,600.00	\$1,067.05	519	Dispute
6941195	Overtime	\$4,750.00	\$401.89	1,082	Dispute
6961430	Aircraft Cleaning	\$4,579.00	\$250.97	1,725	Do Not Dispute
6875528	Facility Fee	\$1,450.00	\$393.88	268	Dispute

Source: AIR Card System by KHI.

AIR Card users and reviewing officials did not dispute transactions that were at high risk for being unreasonable because AIR Card program officials did not:

- provide guidance to AIR Card AOs and card users on how to determine the reasonableness of the prices;
- implement a reporting capability to identify transactions that were at high risk for being unreasonable and inform AIR Card officials;
- ensure the KHI contract provided AIR Card officials with the ability to dispute charges based on reasonableness of price; or
- ensure that contract vendors and non-contract merchants provided line-item prices.

### ***Guidance on Determining Price Reasonableness***

DLA Energy AIR Card AO training requires card users and reviewing officials to determine if prices are reasonable, but does not provide guidance on how to make the determination.

DLA Energy AIR Card AO and card user training include a requirement for prices to be included on delivery receipts for the card users and reviewing officials to determine whether the charges were reasonable, but do not provide guidance on how to make the determination. The training states that:

- the card user is required to ensure the receipt accurately itemizes services rendered, only contains authorized products and services, and is required to sign the commercial receipt only after charges are validated, priced, and determined to be reasonable;

- the AO is required to ensure card users purchased only authorized fuel and services, and to immediately dispute unauthorized or unreasonably priced charges; and
- the CO is required to validate both fuel and non-fuel charges and certify the non-fuel portion of the invoice.

DLA Energy also issued the AIR Card Authorized Ancillary Services Guide that includes a list of 62 authorized ground services (see Appendix C). The guide also includes the descriptions and acceptable terms for the services, but 59 of the 62 services described do not have any information on price reasonableness.

*59 of the 62 services described do not have any information on price reasonableness.*

The three services that included a statement on price reasonableness were passenger handling, pilot supplies, and vendor admin fees; however, they did not provide a specific threshold for what might be considered reasonable and warrant further investigation. The passenger handling and pilot supplies descriptions state that they “should be a nominal fee.” The vendor admin fee description states, “Prior to signature, ensure vendor admin fee amount is present on the delivery receipt or invoice and is a reasonable amount,” but it does not include how a reasonable amount should be determined.

Regarding the lack of guidance, we asked Military Department CPMs how card users and reviewing officials should determine a reasonable amount. The Army CPM stated that AOs and COs match receipts and complete transaction reviews with historical data, so they are expected to be able to discern what is reasonable. The Navy CPM stated that the AO should become familiar with the particular regions the aircrew visits and make a determination based on research.

The Air Force CPM stated that Air Force Instruction 11-253, “Managing Off-Station Purchases of Aviation Fuel and Ground Services,” August 19, 2013, includes a requirement that the AO should question any charges that seem odd or excessive. However, on July 21, 2020, the Air Force CPM also stated that there were no tools or information available for AIR Card users and reviewing officials to use to

*An Air Force AO stated that there was no guidance to go by and that the AO had no idea if prices were reasonable or not.*

determine if a price is reasonable or not. An Air Force AO stated that there was no guidance to go by and that the AO had no idea if prices were reasonable or not. The AO added that reviewing officials compare the delivery receipt to the services charged on the invoice and if the charges match, then the charge is paid.

The lack of guidance resulted in only 24 disputed transactions based on price reasonableness in FY 2019. For example, AIR Card program officials did not dispute Army transaction 6722509 despite an unauthorized crew transportation charge and potentially unreasonable vendor admin fee that the AIR Card user did not sign for. As shown in Figure 2, transaction 6722509 included a crew transportation charge for \$1,676.67 (722 percent above the average charge) and a vendor admin fee of \$716.99, which was 33 percent of the ancillary services.

*Figure 2. Transaction 6722509 Invoice With Unauthorized Crew Transportation Charge and Potentially Unreasonable Vendor Admin Fee*

Transaction Details						
CLIN	Item Description	Delivery Date	Quantity	Unit of Measure	Unit Price	Total(USD)
	Terminal Operations Fee	09-Feb-2019	1.0	Each	\$47.260000	\$47.26
	Parking Fee	09-Feb-2019	1.0	Each	\$215.350000	\$215.35
	Ramp Fee	09-Feb-2019	1.0	Each	\$82.200000	\$82.20
	Crew Transportation	09-Feb-2019	1.0	Each	\$1,676.670000	\$1,676.67
	Landing Fee	09-Feb-2019	1.0	Each	\$136.620000	\$136.62
	Communications	09-Feb-2019	1.0	Each	\$11.810000	\$11.81
	Vendor Admin Fee	09-Feb-2019	1.0	Each	\$716.990000	\$716.99
Transaction Detail Total						\$2,886.90

Source: AIR Card System by KHI.

The DLA authorizes crew transportation fees to transport aircrew to airport terminals; however, charges for transportation services such as taxis, car rentals, buses, and vans outside of the airport are unauthorized. Figure 3 shows a signed receipt for a “bus to/from hotel” charge and that the merchant did not check the box for vendor admin fee to indicate that the merchant coordinated with a local vendor.<sup>5</sup>

*Figure 3. Aircrew Receipt for Transaction 6722509 With Transportation Outside the Airport and a Vendor Admin Fee Box Unchecked*

Other:	BUS TO/FROM HOTEL	<input type="checkbox"/>
Vendor Admin Fee		<input type="checkbox"/>

Source: Army CPM.

<sup>5</sup> Vendor admin fees may be applied when a third party vendor coordinates the delivery of requested aircraft services with local vendors in cases where the other local vendors do not accept the AIR Card and require immediate reimbursement or only accept cash for the services provided. The third party vendor will reimburse the local vendors and charge a vendor admin fee for this financial arrangement. On December 2, 2019, the DLA Energy PMO issued a memorandum to AIR Card program participants that established a 15 percent reasonableness threshold for vendor admin fees.

On February 13, 2020, after our request for review, a DLA official disputed the transaction based on the unauthorized crew transportation charge. KHI accepted the dispute related to the crew transportation and refunded the \$1,676.67 charge.

In FY 2019, program officials disputed 35 crew transportation transactions and KHI accepted 19 of those transaction disputes. One of the disputes KHI accepted was from a DLA official and it included a \$100 crew transportation charge for transportation outside of the airport. As shown in Table 6, card users had 1,293 crew transportation transactions that were at least \$100 and 106 transactions exceeded our high-risk threshold of \$611.97, totaling \$134,827.99.

*Table 6. Potentially Unauthorized Crew Transportation Transactions in FY 2019*

Transaction Amount Range	Transactions	Total Amount
Less Than \$100	816	\$43,069.45
\$100+	1,293	\$404,282.57
\$203.99+ (FY 2019 Average)	615	\$315,855.37
\$500+	184	\$177,939.64
\$611.97+ (High-Risk Threshold)	106	\$134,827.99
\$1,000+	41	\$84,844.54

Source: AIR Card System by KHI.

In addition, on June 16, 2020, a DLA official submitted another dispute based on the unreasonable vendor admin fee on transaction 6722509, but KHI denied the dispute. According to a KHI representative, the dispute was past the 90-day dispute limit and there is not a limit on the percentage of the transaction that a vendor admin fee should be.

As a result of the lack of guidance related to price reasonableness, program officials did not dispute potentially unreasonable or unauthorized transactions and those funds were potentially wasted. Therefore, the DLA Energy Commander should revise DLA Energy P-8, "Fuel Card Program," to include guidance on how AIR Card users and reviewing officials should determine price reasonableness for ancillary services and fees.

### ***Disputes Based on Price Reasonableness***

DLA Energy officials required reviewing officials to dispute unreasonably priced charges, but did not ensure the contract with KHI allowed for disputes based on price reasonableness.

DLA Energy P-8, “Fuel Card Program,” July 5, 2017, states that the cardholder will attempt to resolve any discrepancy with the FBO whenever possible. If the discrepancy is not resolved at the time of delivery, the AO will review and verify the validity of all charges. The AO or members in the hierarchical chain, including the CPM and DLA Energy PMO, have the ability to initiate a dispute through the ACS or KHI customer support. AIR Card AO training states that AOs should dispute questionable or unreasonably priced charges.

*The contract with KHI does not allow AIR Card officials to dispute a charge based on price reasonableness.*

However, the contract with KHI does not allow AIR Card officials to dispute a charge based on price reasonableness. The contract states

that a dispute is “an event where the validity of the transaction itself is in question specific to whether the transaction actually occurred or was the result of a purchase by a valid AIR Card user and the customer shall have 90 calendar days from the date that the KHI billed the transaction to initiate a dispute.”

Out of the seven sample items related to price reasonableness, AIR Card officials agreed that reviewing officials should have disputed six of the transactions because of unreasonable charges. After our request for review, AIR Card officials disputed charges on three transactions based on price reasonableness, but KHI only accepted one dispute: an unauthorized crew transportation charge. The crew transportation was outside of the airport, which was a violation of policy, so KHI accepted the dispute based on it being a violation of policy, and not on the unreasonableness of the price.<sup>6</sup>

In one example, KHI denied a dispute from the Navy for \$11,590 that included a \$6,600 ramp fee and a \$4,990 vendor admin fee. The vendor admin fee was 75.6 percent of the ancillary service charge, which exceeded the 15 percent threshold established by the DLA.<sup>7</sup> The fee was therefore unreasonable, and AIR Card officials should have identified that during the transaction review and disputed the fee.

<sup>6</sup> The DLA U.S. Government Authorized Ancillary Services guide, as shown in Appendix C, states that crew transportation is a fee to transport aircrew to the airport terminal, but transportation services such as taxis, car rental, buses, and vans outside of the airport are not a valid AIR Card charge.

<sup>7</sup> On December 2, 2019, the DLA Energy PMO issued a memorandum to AIR Card program participants that established a 15 percent reasonableness threshold for vendor admin fees.

Figure 4. Sample of Excessive Ancillary Service and Fees

Transaction Details						
CLIN	Item Description	Delivery Date	Quantity	Unit of Measure	Unit Price	Total(USD)
	Vendor Admin Fee	25-Sep-2018	1.0	Each	\$4,990.00	\$4,990.00
	Ramp Fee	25-Sep-2018	1.0	Each	\$6,600.00	\$6,600.00
Transaction Detail Total Submitted to WAWF						\$11,590.00

Source: AIR Card System by KHI.

On January 31, 2020, the Navy APC could not locate the signed receipt, but concluded that the transaction was valid and properly supported because the APC verified that the Navy had a flight on that specific date that landed at that airport. On March 23, 2020, the APC received the receipt from the merchant, concluded that the transaction was not valid, and that AIR Card officials should have disputed it because the vendor admin fee was very high, and well exceeded the 15 percent reasonableness threshold. On June 22, 2020, the APC disputed the transaction with KHI.

On June 23, 2020, a KHI representative stated, “At this time, there is not a limit to the dollar amount or percentage that can be charged for a vendor admin fee in the Operating Procedures or Authorized Products List . . . for the reason stated above and that it is past the allowed 90 days to dispute the transaction, we are unable to take any action on the transaction.”

*There is not a limit to the dollar amount or percentage that can be charged for a vendor admin fee.*

As a result of KHI not allowing disputes based on price reasonableness, the DoD potentially wasted funds by allowing merchants to charge AIR Card users any amount for ancillary services and fees. Therefore, the DLA Energy Commander should negotiate with KHI for a bilateral contract modification to allow AIR Card officials to dispute charges based on price reasonableness.

### **AIR Card System Did Not Identify Unreasonable Charges**

The ACS did not have a reporting capability designed to identify and inform AIR Card users of potentially unreasonable charges, such as excessive vendor admin fees. The ACS includes the Authorized Ground Services Report, which is a listing of authorized ground service charges with AO and merchant contact information, but it does not include any indication as to whether the charge is at high risk for being unreasonable.

The vendor admin fee may be applied when a third party vendor coordinates the delivery of requested aircraft services with other local vendors in cases where the other local vendors do not accept the AIR Card and require immediate

reimbursement or only accept cash for the services provided. The third party vendor will reimburse the local vendors and charge a vendor admin fee for this financial arrangement.

On December 2, 2019, the DLA Energy PMO issued a memorandum to AIR Card program participants that established, based on market research with vendors, a 15 percent reasonableness threshold for vendor admin fees.

The AIR Card Program Office recommends the vendor admin fee should not be higher than **fifteen percent** of the total amount of the ancillary services. Please adhere to the AIR Card dispute policy when you identify vendors that charge unreasonable prices. The AIR Card Program Office monitors customer disputes and when vendors are charging unreasonable prices, the program will consider other alternatives for acquiring the product or services.

According to a DLA Energy PMO official, KHI will not provide the price charged by the local vendor because they claim it is proprietary to the local vendor. The merchant applies the pricing on the invoice billed to the DoD, so the amount actually paid to the sub-contractor may be significantly different from the amount

*• The merchant is able  
• to charge any amount  
• for the service, plus a  
• vendor admin fee.*

billed to the DoD. Without visibility of the prices charged by the sub-contractor, the merchant is able to charge any amount for the service, plus a vendor admin fee. DLA Energy PMO officials perform random samples of vendor admin fees,

but there is not a standard report in the ACS to identify unreasonable vendor admin fees, according to a DLA Energy PMO official.

Of our seven sample transactions, three contained vendor admin fees that exceeded the 15 percent threshold. We provided the three transactions to AIR Card program officials for their review. They determined that each of the three vendor admin fees were unreasonable and AIR Card officials should have disputed the charges. AIR Card program officials disputed transactions 6722509 and 6649575, but KHI representatives denied both disputes and stated that there is not a limit on what a merchant can charge for a vendor admin fee. Table 7 shows a summary of the seven sample items.

Table 7. List of Vendor Admin Fees on Sample Items Related to Price Reasonableness

Transaction ID	Service Cost	Vendor Admin Fee	Admin Fee Amount	Vendor Admin Fee Percentage
6722509	\$2,169.91	Yes	\$716.99	33.0
6877070	\$13,600.40	Yes	\$1,632.05	12.0
6728454	\$2,189.98	Yes	\$4,372.73	199.7
6649575	\$6,600.00	Yes	\$4,990.00	75.6
6941195	\$22,412.00	No	N/A	N/A
6961430	\$4,955.00	No	N/A	N/A
6875528	\$7,775.00	Yes	\$1,119.60	14.4

Source: AIR Card System by KHI

We expanded our review to include all FY 2019 transactions that included a vendor admin fee. In FY 2019, the Military Departments had 7,979 transactions with vendor admin fees. The vendor admin fees totaled \$3.65 million on approximately \$16.5 million spent on services, or 22.1 percent of the cost of the services. *The vendor admin fees exceeded 15 percent on 3,917 transactions totaling \$2.9 million.*

The vendor admin fees exceeded 15 percent on 3,917 transactions totaling \$2.9 million. If those 3,917 fees were only 15 percent, the Military Departments would have spent approximately \$1.96 million less in FY 2019.

After DLA Energy issued the memorandum with the 15 percent threshold on December 2, 2019, the Military Departments continued to pay vendor admin fees that were at high risk of being unreasonable. From December 2, 2019, through June 30, 2020, the Military Departments had 3,416 transactions that included a vendor admin fee. The fees totaled \$1.27 million on \$7.84 million spent, or 16.2 percent, which was a decrease from 22.1 percent in FY 2019. Of the 3,416 transactions with a vendor admin fee, 1,336 exceeded 15 percent and totaled \$879,722. If those 1,336 fees were only 15 percent, the Military Departments would have spent approximately \$561,814 less.

Because the ACS did not identify and alert program officials of potentially unreasonable charges, the Military Departments potentially wasted \$1.96 million in vendor admin fees in FY 2019 and an additional \$561,814 in vendor admin fees from December 2, 2019, through June 30, 2020.<sup>8</sup> Therefore, the DLA Energy Commander should establish a control to identify transactions that are at high

<sup>8</sup> The \$1.96 million in unreasonable vendor admin fees in FY 2019 and an additional \$561,814 in vendor admin fees from December 2, 2019, through June 30, 2020, are not included in the total \$17.3 million in potential waste related to high-risk charges, but instead incorporates the \$1.3 million in vendor admin fees that exceed the high-risk threshold as provided in Appendix D.

risk for being unreasonable to ensure AIR Card officials dispute charges within the required timeframe. In addition, the Military Departments should direct their CPMs to identify and review charges, at least monthly, listed on the report created to identify transactions at high risk of being unreasonable and ensure AIR Card officials dispute charges within the required timeframe.

### ***Pricing Information Not Provided***

AIR Card users and reviewing officials were not always able to determine if charges were reasonable because many of the receipts did not include pricing.

The DLA Energy U.S. Government AIR Card Authorized Ancillary Services Guide states that the commercial receipt and invoice provided to the pilot or aircrew for signature will contain, at a minimum, each requested authorized service, quantity, and price.

According to DLA Energy AIR Card User training, the card user will ensure the receipt accurately itemizes services rendered and contains authorized products and services. The card user is required to sign the commercial receipt only after they validate that they have received the services and determined the charges are reasonable. The card user then returns the accurate and signed receipt to the AO. DLA AIR Card AO training also states that the AO will ensure that card users request only authorized AIR Card fuel and services and immediately dispute unauthorized or unreasonably priced charges.

Despite the requirement for pricing information, AIR Card users did not always ensure merchants included prices on the receipts before signing them. Six of the seven sample transactions related to price reasonableness did not have pricing on the receipt signed by the aircrew and the seventh transaction did not have a supporting receipt. According to the Army CPM, pilot receipts rarely have pricing; the pilot typically only signs the generic receipt with no vendor prices, and the vendor adds the pricing when they bill KHI. An Air Force AO also stated that the receipts given to aircrews do not have prices most of the time, but because of the mission, aircrews cannot wait for the merchant to return to their office and price out the services.

*Receipts given to aircrews do not have prices most of the time.*

AIR Card program officials were also unable to get pricing information. Specifically, on January 26, 2020, a DLA Energy PMO official disputed and requested pricing information from KHI on transaction 7095719, which KHI invoiced on January 29, 2020, and included a vendor admin fee for approximately 22 percent of the services. KHI refused to provide pricing information for the transaction because, according to a KHI representative, open market merchants

are not required to publish or provide pricing information to customers since it is proprietary to them and considered a trade secret of how they do business, and KHI will not ask any vendor to disclose their internal pricing scheme. Therefore, the DLA Energy Commander should modify the contract with KHI to require transparency related to all AIR Card transactions, including the charges and pricing information associated with vendor admin fees.

In another example, the signed receipt for transaction 6877070 did not include pricing information and the charges on the invoice did not match the charges signed for by the card user. Specifically, the invoice from the billing vendor included a \$1,632.05 vendor admin fee and a \$47.74 passenger fee that were not on the signed receipt shown in Figure 5. Figure 5 shows the charges signed for by the card user, which did not include prices or a check mark by the passenger fee or vendor admin fee.

Figure 5. Service Request List Provided as a Receipt for Transaction 6877070

Coordinated Services (Please check all services rendered)	
ABO Aviator Breathing Oxygen	Hydraulic Fluid
Air Start (ON STANDBY)	<input checked="" type="checkbox"/> Ice
<input checked="" type="checkbox"/> Aircraft Cleaning → Tech Services	<input checked="" type="checkbox"/> Ladder Fee
Aircraft Rental	<input checked="" type="checkbox"/> Landing Fee
Aircraft Towing	Lavatory Services (ON STANDBY)
Aircraft Disinsection Fee	Lighting
Aircraft Emissions	Maintenance
<input checked="" type="checkbox"/> Airport Fee	<input checked="" type="checkbox"/> Marshaling (ON STANDBY)
APU (ON STANDBY)	Nitrogen
Baggage Fee	Noise Fee
Cargo Loading/Unloading	Oil
Catering	<input checked="" type="checkbox"/> Overtime Fee (ON STANDBY)
Chocks	<input checked="" type="checkbox"/> Parking Fee
Canadian Excise Tax	Passenger Fee
Communications	<input checked="" type="checkbox"/> Passenger Handling
Compulsory Storage Fee	Passenger Provisions
Concession Fee	Pilot Supplies
Crane Truck	Potable Water
Crew Transportation	Preheat
Customs	Push Back
Customs Duty Tax	<input checked="" type="checkbox"/> Quebec Canadian Tax - QST
De-Fuel	<input checked="" type="checkbox"/> Ramp Fee
De-Icing	Re-Service
Dispatch	Sampling Charges
Disposal Fee	Security Communication
Dolly	Security Force Vehicle Rental
Excise Duty Tax	<input checked="" type="checkbox"/> Security Services
Facility Fee	Slot Time & Fees
Fire Truck	State Tax
Flight Cancellation	Sales Tax
Flight Planning/Weather	Take Off Fees
Follow Me	Terminal Operations Fee
Fork Lift	Tie Down
Fumigallon	Touch and Go
GST	Trash Removal (ON STANDBY)
Harmonized Sales Tax (Canada Only)	VAT
High Loader	Vendor Admin Fee
Hangar Rental	

I acknowledge receipt of the services above rendered and agree to pay.

Source: Army CPM.

The transaction also included a passenger handling charge for \$5,397 that was at a high risk for being unreasonable. The DLA Energy Authorized Ancillary Services Guide states that a passenger handling charge is a fee charged to handle boarding documents and check in. The passenger handling charge “should be a nominal fee.” The Oxford Online Dictionary defines nominal as “very small; far below the real value or cost.” On April 20, 2020, a DLA Energy official disputed the transaction based on the passenger fee, passenger handling charge, and vendor admin fee. KHI denied the dispute because they invoiced the transaction on July 3, 2019, so the dispute was outside of the 90-day dispute window.

In order to identify other passenger handling charges that exceeded a nominal fee, we expanded our review to include all FY 2019 passenger handling charges, which included 1,694 charges totaling \$1.1 million. According to ACS data, the Military

*Military Departments had 1,478 passenger handling charges that exceeded \$1,000, which totaled \$4 million in unreasonable charges.*

Departments had 320 passenger handling charges that exceeded \$1,000, which totaled \$859,526 in FY 2019. If expanded further, from September 2, 2014, through July 5, 2020, the Military Departments had 1,478 passenger handling charges that

exceeded \$1,000, which totaled \$4 million in unreasonable charges and potentially wasted funds. Table 8 shows a summary of the range of prices charged for passenger handling fees.

Table 8. Passenger Handling Fees Summary

Range	FY 2019		September 2, 2014 – July 5, 2020	
	Transactions	Dollar Amount	Transactions	Dollar Amount
\$0 - \$100	457	\$19,908	4,149	\$201,391
\$100+	1,191	\$1,145,045	6,985	\$5,828,635
\$500+	501	\$984,581	2,683	\$4,810,699
\$1000+	320	\$859,526	1,478	\$3,966,952

Source: AIR Card System by KHI.

If merchants do not provide pricing information, card users and reviewing officials should dispute the charges immediately because they are unable to determine whether charges are unreasonable. In FY 2019, program officials did not dispute, based on price reasonableness, any of the 320 passenger handling charges that exceeded \$1,000. Program officials potentially wasted funds by not disputing the 320 passenger handling charges that were more than a nominal fee and therefore, unreasonable. The DLA Energy Commander should require the DLA Energy PMO and the DLA Finance Energy Tax Branch, in coordination with Military Department

program officials, to develop a standardized AIR Card receipt with dedicated sections for required information, including a list of approved ancillary services and fees, a corresponding column for merchant pricing information, and a signature line for the card user and approving official.

### **Summary of Unreasonable Charges**

Charges that were at high risk for being unreasonable were not disputed by AIR Card officials because merchants did not provide prices, the DLA did not require KHI to accept disputes based on price reasonableness, and the DLA did not provide guidance or a reporting capability for detecting high-risk transactions. As a result, in FY 2019, the Military Departments had \$17.3 million in non-fuel charges that were at high risk of being unreasonable and potentially wasted funds.

### **Erroneous Taxes**

AIR Card users overpaid on fuel and non-fuel purchases because AIR Card reviewing officials did not identify erroneous taxes on AIR Card transactions. AIR Card reviewing officials did not identify the erroneous taxes because AIR Card program officials did not disseminate tax guidance. Also, AIR Card program officials did not identify ineffective system settings or erroneous taxes on fuel contracts. As a result, from September 2, 2014, through November 9, 2020, AIR Card users paid \$2.9 million in erroneous taxes.<sup>9</sup> Table 9 shows a summary of the erroneous taxes paid by location.

*AIR Card users paid \$2.9 million in erroneous taxes.*

*Table 9. Summary of Erroneous Taxes by Location*

State/Territory	Tax Type	Total Amount
U.S. Virgin Islands	Gross Receipts Tax	\$1,223,507.57
Puerto Rico	Federal Excise Tax	1,083,639.46
California	State Tax	508,185.88
Washington	Environmental/State/Sales Tax	104,947.57
<b>Total</b>		<b>\$2,920,280.48</b>

Source: AIR Card System by KHI, DLA Payment Records, and Debt Recoupment Documentation.

<sup>9</sup> We adjusted our scope to start on September 2, 2014, for the tax section of the audit because there was an opportunity for recoupment. The KHI online system retained transactions back to September 2, 2014, and Title 28, section 2415 of the United States Code provides a 6-year statute of limitations for actions brought by the United States and its agencies. Therefore we expanded our scope as to include potential DLA Energy claims for erroneous tax payment recovery that might have arisen within this 6-year period. We also expanded the scope to include non-Military Service AIR Card transactions when recoupment was possible but limited the scope to airports within U.S. states and territories.

### ***Erroneous Tax in the U.S. Virgin Islands***

AIR Card program officials improperly paid \$1.2 million because of an erroneous 5 percent gross receipts tax from September 2, 2014, through November 5, 2020. The tax was on fuel and non-fuel transactions with two merchants at Henry E. Rohlsen Airport, U.S. Virgin Islands, that included \$642,241.57 in erroneous tax on a 2013 contract (SP060013D0081) and \$581,266 in erroneous tax on a 2017 contract (SPE60017D0145).

According to a DLA Energy Contracting official, the merchants included the tax on the transactions because the tax exemption language was not included in the contracts at the time of award to exempt the Government from being charged taxes.

#### **Management Action Taken**

On April 24, 2020, a DLA Finance Energy Tax Branch official stated that the Government is exempt from the gross receipt tax, but on June 24, 2020, stated the U.S. Virgin Islands does not have a process for the Government to recover the gross receipts tax. On April 28, 2021, a DLA Energy official stated that it was an error on the part of both DLA Energy and the contractors to list the gross receipt tax separately instead of included within the price of fuel, but they would not seek recoupment of the tax because the merchants were required to pay the Federal excise tax and should have passed the expense on to DoD as a cost of doing business. A DLA official also stated that DLA Energy will remove the gross receipt tax as separate line items from future contracts and instruct offerors to include such cost of doing business in the U.S. Virgin Island in their price for fuel.

### ***Erroneous Tax in Puerto Rico***

Program officials wasted \$1.1 million on an erroneous Federal excise tax on 5 million gallons of fuel in Puerto Rico between September 2, 2014, and June 3, 2020. The tax was on transactions at two airports and included contract and off-contract purchases. Table 10 summarizes the erroneous excise taxes charged in Puerto Rico.

*Table 10. Erroneous Federal Excise Tax on Transactions in Puerto Rico*

Contract	Airport*	Gallons	\$ Amount
SPE60017D0113	TJSJ	3,024,512	\$658,906.29
SPE60017D0091	TJBQ	1,903,022	412,848.26
Off-Contract	TJSJ	54,883	11,884.91
<b>Total</b>		<b>4,982,417</b>	<b>\$1,083,639.46</b>

\* TJSJ is "Luis Muñoz Marín International Airport" and TJBQ is "Rafael Hernández International Airport."  
Source: AIR Card System by KHI.

According to a KHI representative, the ACS applied the erroneous Federal excise tax because DLA Energy personnel classified Puerto Rico as a state instead of a U.S. territory on the fuel contract, so the system did not properly exempt the tax. A DLA Energy PMO official stated that KHI did not inform DLA Energy that it would be an issue.

*The ACS applied the erroneous Federal excise tax because DLA Energy personnel classified Puerto Rico as a state instead of a U.S. territory.*

### **Management Action Taken**

DLA Energy contracting officials modified both contracts to remove the Federal excise tax. The merchant on contract SPE60017D0113 agreed to remit the overpayment and on April 29, 2020, signed a promissory note to DFAS for \$658,906.29. On June 4, 2020, DLA Energy officials provided the merchant on contract SPE60017D0091 with a Notice of Debt for \$412,848.26 and a DLA Energy contracting official stated that the merchant agreed to remit the overpayment.

A DLA Finance Energy Tax Branch official stated that the \$11,884.91 in Federal excise tax on transactions with a non-contract merchant was also recoverable. The DLA Energy official added that there may be additional erroneous sales tax and embedded Federal excise tax on Puerto Rico transactions, so the DLA Finance Energy tax recovery contractor was performing further analysis and recovery. According to a DLA Energy official, as of April 16, 2021, DLA officials were working on recouping \$11,884.91 from KHI because KHI erroneously charged Federal excise tax on the fuel transactions.

### **Dissemination of Tax Guidance**

AIR Card reviewing officials did not identify the erroneous taxes because AIR Card program officials did not effectively disseminate tax guidance.

*DLA Energy AIR Card AO training does not include guidance related to taxes.*

DLA Energy AIR Card AO training does not include guidance related to taxes, but DLA Energy guidance requires AOs to review both fuel and non-fuel charges, including taxes.

Specifically, the DLA Energy Government Fuel Card Program Management Office “AIR Card Program Handbook,” March 2015, states that the AO serves as the primary focal point for receipt of the monthly fuel invoice and the AO will validate all fuel and non-fuel charges using receipts to ensure they contain accurate itemized charges.

DLA Energy issued DLA Energy P-8, "Fuel Card Program," July 5, 2017, which includes a brief section related to taxes:

Taxes. Department of Defense and National Guard aircraft must pay the Federal Leaking Underground Storage Tank tax. Department of Defense and National Guard aircraft are exempt from FET [Federal Excise Tax] on aviation fuel, but Federal agencies are not FET exempt. FET and State Excise Tax (SET) information is available on the DLA Energy web page for review. Payment of FET and/or SET for non-fuel items is the responsibility of the purchasing unit/organization. Units should consult the Foreign Clearance Guide for exemptions or the application of taxes at overseas locations.

DLA Energy program officials also developed a compilation of fuel-related taxes within U.S. states and territories, which included the type of tax, taxed product, tax rate, and any corresponding exemptions. Military Department CPMs stated that they were unaware of the guidance and three AOs stated that they had never received training or guidance related to taxes.

An Army AO stated that pilots do not review the validity of taxes on transactions, and that AOs and those pilots only review the services received. An Air Force AO stated that the DLA Energy Authorized Ancillary Services Guide only includes a noise tax; therefore, the AO concluded that all other taxes were unauthorized charges and they would not pay them.

The DLA Energy Commander should, in coordination with Military Department program officials, disseminate tax guidance and provide training on tax-related responsibilities to AIR Card users and reviewing officials.

### ***Erroneous Taxes Summary***

Program officials wasted approximately \$2.9 million on erroneous taxes at airports in U.S. states and territories because program officials did not disseminate tax guidance, effectively review transactions, or identify the fuel contracts and ACS controls allowed merchants and vendors to apply erroneous taxes and fees to AIR Card transactions. Therefore, the DLA Energy Commander should require the PMO and the Tax Branch to complete a comprehensive review of all taxes applied to AIR Card transactions, compile a list of the erroneous taxes identified with the corresponding cause, develop a plan to prevent future erroneous taxes, and recoup the erroneous charges.

## Conclusion

AIR Card users will continue to waste funds on fuel and non-fuel purchases until DLA and Military Department program officials establish adequate controls over the AIR Card program. Program officials must ensure AIR Card users and reviewers understand the impact of non-contract fuel purchases. Program officials should identify fuel purchases that exceed aircraft capacity, ensure AIR Card profile information is accurate, verify that merchant invoices are for known DoD aircraft, and identify and review transactions that are at high risk of being unreasonable. They should also disseminate guidance related to taxes and unreasonable charges, and take necessary action to prevent merchants from applying erroneous taxes. The DoD overpaid for AIR Card purchases; the DoD could have put these funds to better use for readiness and other support functions.

## Recommendations, Management Comments, and Our Response

### ***Recommendation 1***

**We recommend that the Defense Logistics Agency–Energy Commander revise Defense Logistics Agency–Energy P-8, “Fuel Card Program,” to:**

- a. Require use of the Fixed Base Operator locator during flight planning operations for commercial locations.**
- b. Require the Component Program Managers to conduct a monthly review of the Strategic Sourcing Report to monitor non-contract fuel purchases where contract vendors are available, and distribute results to increase awareness of potential cost savings.**
- c. Require program officials to perform periodic reviews, at least biannually, to compare merchant transactions at commercial locations to determine if the DoD is using contract vendors.**
- d. Require Component Program Managers of each organization, in coordination with Accountable Officials, to conduct a monthly review of the Fuel Capacity Report, obtain justification when a fuel purchase exceeds aircraft capacity, and dispute any potential excessive or bundled fuel transactions.**
- e. Require that the Aviation Into-Plane Reimbursement Card Accountable Official’s commander sign a memorandum for the record documenting why the merchant’s billing exceeded the fuel capacity on the Fuel Capacity Report and document the actions program officials took to correct the problem.**

- f. Require Component Program Managers to track and review the rebilling of all disputed transactions to ensure that updated transactions are valid, supported, and properly rebilled.**
- g. Require the inclusion of accurate fuel capacity, in gallons, for all aircraft- and vehicle-specific Aviation Into-Plane Reimbursement Card accounts.**
- h. Require reviews of all invoice information to ensure the invoice matches a valid aircraft in that account, or to reconcile whether the transaction was valid and include reconciliation documentation and certification in the Aviation Into-Plane Reimbursement Card System before payment.**
- i. Include guidance on how Aviation Into-Plane Reimbursement Card users and reviewing officials should determine price reasonableness for ancillary services and fees.**

### ***Defense Logistics Agency Comments***

The DLA Energy Commander partially agreed with all recommendations, stating that DLA does not have the authority to dictate how the Services operate their missions, or what tools Service CPMs should use. In an effort to strengthen the program, the Commander indicated that DLA Energy would add verbiage to DLA Energy P-8, "Fuel Card Program," strongly advising the Services to use the tools offered to them, as well as performing regular reviews of their program usage. The Commander estimated that DLA Energy would update the policy by October 1, 2021, but added the Services would need to expand and establish the requirements within their own policies. In addition, the Commander stated that:

- Contract vendors should be used as often as possible and DLA Energy PMO strongly recommends the use of the Fixed Base Operator (FBO) locator. The Commander added that the FBO locator is a tool offered by the current contractor and may not be provided by the upcoming AIR Card contractor.
- DLA Energy guidance recommends program reviews and transaction monitoring through standard reports, which includes the Strategic Sourcing Report and Fuel Capacity Report. The Commander added that the \$174.4 million amount shown in the report is misleading and estimated the actual amount in dispute at \$48 million.
- DLA encourages the transaction dispute procedures outlined in DLA Energy P-8, "Fuel Card Program."
- AIR Card accounts should be kept complete and accurate, and AIR Card transactions where fuel exceeds the aircraft fuel capacity should be documented and reviewed by the Service CPMs.

- Transaction review reconciliation procedures and a review of ancillary services and fees should be used as part of proper oversight, but price reasonableness is not quantifiable and a worldwide average is not an accurate representation of costs at every airport.

### *Our Response*

Comments from the DLA Energy Commander partially addressed the recommendations; therefore, the recommendations are unresolved. We disagree that the Commander does not have the authority over the Military Services when managing the AIR Card Program. The AIR Card PMO is responsible for the AIR Card contract, policy, management, and oversight of the program including development and maintenance of functional requirements for the card program.

The Commander must revise DLA Energy P-8, "Fuel Card Program," to address this recommendation because strongly advising that the Services use tools offered to them would not require their use. Requiring these controls would increase awareness and oversight of:

- Potential cost savings for non-contract fuel purchases, which totaled \$7.5 million in potentially wasted funds in FY 2019 and an additional \$2.1 million where pricing data was not populated in the ACS report.
- Fuel purchases that exceeded aircraft capacity, which totaled \$174.4 million in FY 2019. We disagree with the Commander's claim that the \$174.4 million amount shown in the audit report is misleading. AIR Card program officials did not dispute and paid for 9,034 fuel purchases that exceeded the ACS recorded fuel capacity for aircraft, totaling \$174.4 million. All of these transactions should have been disputed because there is no assurance that any of the transactions are valid until program officials review them and determine whether the transactions are accurate, misuse, fraud, or an error in billing.
- Disputed transactions that were improperly rebilled.
- Inaccurate or incomplete fuel capacity in AIR Card profiles that negatively impacted the effectiveness of internal controls to identify waste, fraud, and abuse.
- Transactions invoiced for potentially invalid aircraft that included 67,662 purchases totaling \$51.8 million in FY 2019.
- Potentially unreasonable ancillary services and fees that totaled \$17.3 million in FY 2019. We recognize a more nuanced approach would increase the effectiveness of the business rules and reporting mechanism associated with price reasonableness, but the risk of abuse significantly increases without a limit for what can be charged.

We request that the Commander provide additional comments in the response to the final report describing the plan to update DLA Energy P-8, "Fuel Card Program," and whether the Commander will include the recommended requirements and guidance in the AIR Card program.

## ***Recommendation 2***

**We recommend that the Defense Logistics Agency–Energy Commander revise the AIR Card portion of the contract with KHI to:**

- a. Require KHI to ensure that the Strategic Sourcing Report contains the appropriate contract fuel price to compare against all non-contract fuel transactions.**
- b. Enforce the requirement for KHI to provide line item detail on invoices.**
- c. Require KHI to allow disputes based on price reasonableness.**
- d. Establish a control to identify transactions that are at high risk for being unreasonable to ensure AIR Card officials dispute charges within the required timeframe.**
- e. Require transparency for all AIR Card transactions, including the charges and pricing information associated with vendor admin fees.**

## ***Defense Logistics Agency Comments***

The DLA Energy Commander partially agreed with the recommendation, stating additional contractual requirements will be discussed for the follow-on AIR Card contract to address non-contract purchases, pricing transparency, upfront tax exemptions, and pricing reasonableness. The Commander did not agree to modify the existing contract, which is estimated to end in September 2022, and stated that the follow-on contract solicitation would be released on or about August 15, 2021; and the follow-on contract would be awarded on or about September 1, 2022.

In addition, the Commander stated:

- The Strategic Sourcing Report can improve oversight efforts, but added that the report is only as good as the data and pricing information populated within it. DLA Energy cannot compel customers to use an into-plane contractor. As an alternative course of action, the Commander stated that DLA Energy will hold discussions with KHI to ensure that appropriate contract fuel prices are available for comparison with non-contract fuel prices. Estimated completion September 15, 2021.
- DLA has historically required line item detail on invoices, but they remain an issue because line item details on invoices are not a customary practice in global commercial aviation and would be difficult to implement and enforce at all FBO locations.

- DLA has historically required the allowance of disputes, but explained it is difficult to challenge a transaction after the purchase of an item or service, especially when the contract does not include a definition of price reasonableness. The Commander added that the parties would have to agree on the definition of a reasonable price and the DLA would need to fund a contract modification.
- There is value in the ability to dispute charges, but price reasonableness for ancillary services and fees should be determined by the Services because DLA Energy has no visibility on fuel prices where there is no into-plane contract and has no visibility of ancillary service charges and fees because these charges are split-billed directly to the Service customer.
- There is value in transactional transparency and DLA Energy has asked KHI to provide pricing information, but prices and fees are subject to change. The Commander added that into-plane contractors are able to submit a request for adjustment related to prices, fees, and taxes.

### *Our Response*

Comments from the DLA Energy Commander did not address the specifics of the recommendations; therefore, the recommendations are unresolved. We commend the Commander's planned action to discuss the inclusion of our recommended requirements into the follow-on contract to improve data accuracy in ACS, increase visibility of charges, and reduce the risk of unreasonable charges. However, we have the following additional responses to the Commander's comments:

- Holding discussions with KHI to ensure the Strategic Sourcing Report is populated with the appropriate contract fuel prices for comparison with non-contract fuel prices would not adequately identify a solution to missing fuel prices. The Strategic Sourcing Report did not have contract prices for 1,667 transactions totaling \$2.1 million in FY 2019, so it did not calculate the price differential for all non-contract transactions.
- Discussing business rules to enforce fully priced tickets with the AIR Card contractor would be a positive step in addressing embedded costs and increasing oversight of AIR Card transactions, but the response did not provide an action or requirement that would ensure merchants provide line-item detail on each invoice. Four sample transactions included in the report had \$1,377.70 in embedded taxes and fees.
- We agree that it is difficult to challenge a transaction after the purchase, but when the billing contractor (KHI) states that there is no limit to the dollar amount or percentage that can be charged for a particular fee, it creates a blank check for the merchant and significantly increases the

risk of abuse. As we describe in the report, it is also difficult for aircrews to challenge transactions at the time of service, so there is no mechanism in place to effectively challenge a potentially unreasonable charge.

- The DLA has access to the AIR Card transaction data, so we disagree with the Commander's statement that DLA Energy has no visibility over ancillary service charges and fees. DLA officials are also responsible for the AIR Card contract, including the ACS, which would include the business rules and reporting capability needed to identify and adjudicate potentially unreasonable transactions.
- The Commander generally addressed price transparency, but did not include any specific action that would increase the transparency of charges, specifically vendor admin fees. In the report, DLA officials explain that when a merchant charges a vendor admin fee, KHI will not provide the price charged by the local vendor because KHI claims it is proprietary to the local vendor. The merchant applies the pricing on the invoice billed to the DoD, so the amount actually paid to the sub-contractor may be significantly different from the amount billed to the DoD. Without visibility of the prices charged by the sub-contractor, the merchant is able to charge any amount for the service, plus a vendor admin fee.

We disagree with the Commander's decision to wait until the next contract award to take the recommended actions because this is an opportunity for potential cost savings and to improve internal controls over the remaining 16 months of the current contract term. Therefore, we request the Commander provide justification, such as a cost-benefit analysis, providing why action cannot be taken now to modify the contract and include the recommended requirements.

### ***Recommendation 3***

**We recommend that the Defense Logistics Agency–Energy Commander require that the Defense Logistics Agency Program Management Office and the Defense Logistics Agency Tax Branch:**

- a. In coordination with the Military Services, develop a standardized AIR Card receipt with dedicated sections for required information, including a list of approved ancillary services and fees, a corresponding column for merchant cost information, and a signature line for the card user and approving official.**

### ***Defense Logistics Agency Comments***

The DLA Energy Commander partially agreed with the recommendation, stating that the DLA publishes a list of authorized ancillary services that are permissible charges under the AIR Card. However, the Commander stated that there is no standard DoD form and each Service has Service-unique requirements, so the recommendation will be difficult to implement and enforce. In addition, the Commander stated that even if DLA Energy creates a successful solution, DLA does not have operational authority to dictate requirements to the Military Departments and can only strongly advise that the solution be implemented. According to the Commander, it would then be the Services' responsibility to expand and detail the requirements and usage of this solution within their own supplemental policy.

In an effort to strengthen the program, the Commander will discuss the development of a commercial solution for a standardized receipt during the follow-on contract negotiations. The Commander estimated the contract solicitation would be released on August 15, 2021, and the follow-on contract awarded on September 1, 2022.

### ***Our Response***

Comments from the DLA Energy Commander did not address the specifics of the recommendation; therefore, the recommendation is unresolved. The Commander agreed to discuss a commercial solution for a standardized receipt to address the inconsistencies of information provided by AIR Card merchants during negotiations for the follow-on contract. However, the Commander did not include a plan to coordinate with AIR Card officials within the Services to develop a standardized receipt. The Commander also noted the receipt would only be strongly advised by DLA Energy, which would not adequately mandate its usage.

Additionally, DLA Energy PMO is responsible for management and oversight of the AIR Card program, including the development and implementation of policy and guidance, so DLA has the authority to develop and require a standardized form or receipt for the AIR Card program to ensure aircrews return the required information to the reviewing officials. The Services can then take action to enforce compliance with the policy or guidance. We request the Commander justify why action cannot be taken now to standardize the AIR Card receipt with sections for the required information.

- b. Perform a comprehensive review of all taxes applied to AIR Card transactions, compile a list of the erroneous taxes identified with the corresponding cause, develop a plan to prevent future erroneous taxes and fees, and recoup the erroneous charges.**

### *Defense Logistics Agency Comments*

The DLA Energy Commander partially agreed with the recommendation, stating that the DLA negotiates taxes and fees on into-plane contracts and that the DLA Finance Energy Tax Branch officials have taken action to identify and recover erroneous domestic and foreign taxes and fees applied; however, the DLA is unable to research every tax exemption.

The Commander stated that due to the scope of work, and dynamic nature of various taxes and fees, DLA Energy is unable to research and determine each and every type of domestic and overseas tax and fee applicable to every available ancillary service and fuel type at every commercial airport that may be purchased with the AIR Card and then identify whether the U.S. Government or Military Services are exempt from paying a certain tax or fee. The Commander added that the tax refund processes are not always established for the benefit of the U.S. Government, especially in foreign countries, so DLA Energy requires assistance from the Military Departments because Geographic Combatant Commanders have responsibility for issuing management procedures to guide and coordinate the administration of the DoD Foreign Tax Relief Program.

In an effort to strengthen the program, the Commander stated that DLA Energy envisions a commercial solution for establishing upfront tax exemptions for AIR Card purchases and developing business rules for tax exemption, and reclamation will be discussed during contract negotiations for the follow-on contract. The Commander estimated the contract solicitation would be released on August 15, 2021, and the follow-on contract awarded on September 1, 2022.

### *Our Response*

Comments from the Commander partially addressed the recommendation; therefore, the recommendation is unresolved. The Commander's suggested commercial solution, if implemented, for establishing upfront tax exemptions for AIR Card purchases should meet the intent of the recommendation, but the Commander did not provide justification as to why action cannot be taken now to develop and implement business rules and an action plan to establish upfront tax exemptions. By not taking action now to work with KHI and establish upfront tax exemptions, the AIR Card program is missing an opportunity for potential cost

savings and improvement in internal controls over the remaining 16 months of the current contract term. We request the Commander provide justification, such as a cost-benefit analysis, providing why action cannot be taken now to develop and implement the necessary controls.

#### ***Recommendation 4***

**We recommend that the Defense Logistics Agency–Energy Commander, in coordination with Military Departments’ AIR Card program officials, update training and provide updated training to all users to:**

- a. Reinforce the requirements in DLA Energy memorandum, “Authorized Users of the DLA Energy Fuel Cards,” October 8, 2019.**

#### ***Defense Logistics Agency Comments***

The DLA Energy Commander partially agreed with the recommendation, stating that DLA Energy does not have visibility over individuals using AIR Cards, and contractor use continues to be an issue. The Commander stated that CPMs and AOs should provide refresher training or guidance within their respective components to address issues regarding contractor use of AIR Cards. In addition, the Commander also stated that DLA Energy relies on CPMs and AOs to review transactions and ensure compliance, and that it is the responsibility of the Services to provide additional details regarding this requirement. However, in an effort to strengthen the program, the Commander estimated that, by October 1, 2021, the DLA would add verbiage to DLA Energy P-8, “Fuel Card Program,” to strongly advise that CPMs provide refresher training and supplemental guidance on authorized users.

#### ***Our Response***

Comments from the DLA Energy Commander did not address the specifics of the recommendation; therefore, the recommendation is unresolved. Although the Commander partially agreed with the recommendation, updating DLA Energy P-8, “Fuel Card Program,” to strongly advise CPMs to provide refresher training and supplemental guidance on authorized users would not adequately reinforce user requirements; therefore, these actions do not meet the intent of the recommendation.

The Commander needs to update DLA AIR Card training, in coordination with the Military Departments AIR Card program officials, to include that the use of the AIR Card by contractor personnel is prohibited, as stated in DLA Energy memorandum, “Authorized Users of the DLA Energy Fuel Cards,” October 8, 2019.

The memorandum states that authorizing a purchase on a Government fuel card is considered an inherently governmental function to be performed only by a properly appointed Federal Government employees, not contractor personnel.

We request the Commander provide additional comments in the response to the final report describing the plan to update the AIR Card training and whether the DLA will provide refresher training on authorized users.

**b. Inform AIR Card Officials of the guidance and responsibilities related to taxes.**

***Defense Logistics Agency Comments***

The DLA Energy Commander partially agreed with the recommendation, stating that the DLA would add language to DLA Energy P-8, "Fuel Card Program," to strongly advise CPMs to include guidance on responsibilities related to taxes in their supplemental AIR Card policies by October 1, 2021. However, the Commander stated that the Services should address specific guidance within their own supplemental policies.

***Our Response***

Comments from the DLA Energy Commander partially addressed the recommendation; therefore, the recommendation is unresolved. The report showed that AIR Card officials did not receive guidance or training related to taxes, but the Commander did not agree to include tax guidance and responsibilities in DLA Energy P-8, "Fuel Card Program," or DLA's AIR Card training. DLA Energy provides AIR Card training and has developed a comprehensive tax guide related to fuels for U.S. states and territories; however, the guide is not referenced in DLA guidance or training.

Although the Commander stated the Services should address specific guidance within their policies, the Commander does have the authority to develop and disseminate AIR Card training and guidance. We request the Commander provide additional comments in the response to the final report describing the plan to update the DLA AIR Card training and DLA Energy P-8, "Fuel Card Program," and whether it will include tax guidance and related responsibilities for reviewing officials.

## **Recommendation 5**

**We recommend that the Division Chief, Supply, Headquarters Department of the Army, Office of the Deputy Chief of Staff, direct the Component Program Manager to:**

- a. Require program officials to reconcile fuel receipts for purchases made from non-contract merchants against the contract fuel price available at fueling locations.**

### **Army Comments**

The Division Chief, Office of the Deputy Chief of Staff, agreed, stating that Army Regulation 710-2, Army Pamphlet 710-2-1, and DLA Energy P-8, "Fuel Card Program," includes the requirement for receipt reconciliation. The Division Chief stated that the Office of the Deputy Chief of Staff, in coordination with DLA Energy, will ensure that Army CPM is aware of the recommendations to ensure compliance with Army policies no later than the fourth quarter of FY 2021.

### **Our Response**

Comments from the Division Chief partially addressed the specifics of the recommendation; therefore, the recommendation is unresolved. We agree that Army policy and DLA Energy P-8, "Fuel Card Program," include requirements to reconcile invoices, but they do not include requirements for program officials to compare the contract fuel price to the non-contract fuel price. Requiring program officials to compare the contract fuel price to the non-contract fuel price would increase program awareness of the price paid by DoD and ensure program officials determine the effect of aircrews using non-contract merchants when contract merchants are available. We determined the effect was \$7.5 million in potential waste related to use of non-contract merchants when contract merchants were available.

Therefore, we request the Division Chief describe what actions the Army plans to take to include the requirement for AIR Card officials to compare contract fuel rates to the non-contract rates paid.

- b. Hold card users, accountable officials, and certifying officials accountable for non-contract purchases that result in wasted funds.**

### **Army Comments**

The Division Chief, Office of the Deputy Chief of Staff, agreed with the recommendation, stating the dispute procedures are specified in DLA Energy P-8, "Fuel Card Program." The Division Chief stated that the Office of the Deputy Chief

of Staff, in coordination with DLA Energy, will ensure that the Army CPM is aware of the recommendations to ensure compliance with Army policies no later than fourth quarter of FY 2021.

### ***Our Response***

Comments from the Division Chief did not address the specifics of the recommendation; therefore, the recommendation is unresolved. We disagree with the Division Chief's statement regarding the existing dispute procedures because the recommendation was not intended to have reviewing officials dispute non-contract purchases. We identified \$7.5 million in potential waste in FY 2019 because aircrews used non-contract merchants when contract merchants were available.

The Division Chief did not provide a planned action to hold aircrews accountable for their decision to not use a contract merchant. Therefore, we request the Division Chief provide guidance or describe specific action that will be taken to hold aircrews accountable for their decision to not use contract merchants, when it is not justified.

- c. Review the Fiscal Year 2020 Fuel Capacity Report, determine the reasons capacity was exceeded, provide what actions the program officials took to correct violations of policy, and describe the impact of the actions.**

### ***Army Comments***

The Division Chief, Office of the Deputy Chief of Staff, agreed, stating Army officials will review Fuel Capacity Reports going forward and take the appropriate actions with the CPM pertaining to the operating procedures and regarding fuel capacity entries by the user and AO. The Division Chief also stated that the fuel capacity is not visible to the AOs unless they run the Aircraft Capacity Report and that DLA Energy is aware of the need to pull the fuel capacity information from an authoritative source.

The Division Chief stated that the Office of the Deputy Chief of Staff will continue coordinating with DLA Energy to ensure oversight of the KHI contract, and ensure DLA Energy provides Strategic Sourcing Reports to the CPM and validates the review process going forward. Finally, the Division Chief stated that the Office of the Deputy Chief of Staff, in coordination with DLA Energy, will ensure that the Army CPM is aware of the recommendations to ensure compliance with Army policies no later than the fourth quarter of FY 2021.

### ***Our Response***

Comments from the Division Chief did not address the specifics of the recommendation; therefore, the recommendation is unresolved. We support the Army's decision to have AIR Card officials review the Fuel Capacity Report going forward and agree that the aircraft fuel capacity is manually entered into the ACS. However, we disagree that the fuel capacity is not available because it is in the AIR Card profile and Fuel Capacity Report in the ACS. The Fuel Capacity Report used the aircraft fuel capacity to identify fuel purchases that exceeded aircraft capacity, which totaled \$174.4 million in FY 2019.

We also disagree that obtaining the Strategic Sourcing Report from DLA Energy will assist in this effort, as the Strategic Sourcing Report is not related to fuel capacity. The Strategic Sourcing Report identifies instances where the card was used to purchase fuel from a non-contract vendor when a contract vendor was available.

We request that the Division Chief describe the specific actions that will be taken to ensure Army AIR Card officials review the monthly Fuel Capacity Reports, including FY 2020 transactions, and what actions will be taken on capacities that were exceeded.

- d. Review all AIR Card accounts and correct inaccurate or incomplete fuel capacity information.**

### ***Army Comments***

The Division Chief, Office of the Deputy Chief of Staff, agreed, stating that the AO is responsible for reviewing and correcting inaccurate or incomplete fuel capacity information, as published in DLA Energy P-8, "Fuel Card Program." The Division Chief added that the Office of the Deputy Chief of Staff, in coordination with DLA Energy, will ensure that the Army CPM is aware of all recommendations and contracting officials maintain auditability to ensure compliance with AIR Card policy by the fourth quarter of FY 2021.

### ***Our Response***

Comments from the Division Chief did not address the specifics of the recommendation; therefore, the recommendation is unresolved. As noted in the report, we identified AIR Card accounts in the ACS that included inaccurate fuel capacities that limited the reporting capabilities in the ACS. The Division Chief's response did not include any actions to address inaccurate aircraft fuel capacities in the ACS. Therefore, we request the Division Chief provide actions taken by Army AIR Card officials to correct inaccurate fuel capacities in the ACS.

- e. **Review, at least monthly, the report created to identify transactions at high risk of being unreasonable and ensure AIR Card officials dispute charges within the required timeframe.**

### ***Army Comments***

The Division Chief, Office of the Deputy Chief of Staff, agreed, stating that the Army will coordinate with DLA Energy to define “unreasonable.” The Division Chief added that the AO is responsible for collecting receipts and disputing charges. Finally, the Division Chief stated that the Office of the Deputy Chief of Staff, in coordination with DLA Energy, will ensure that the Army CPM is aware of the recommendations to ensure compliance with Army policies no later than the fourth quarter of FY 2021.

### ***Our Response***

Comments from the Division Chief partially addressed the recommendation; therefore, the recommendation is unresolved. We agree that Army AIR Card officials will need to coordinate with DLA Energy to define unreasonable, but the Division Chief did not address the implementation of a requirement for Army AIR Card officials to review transactions at high risk of being unreasonable.

We request the Division Chief provide additional comments in the response to the final report describing what actions the Army plans to take to include a requirement for reviewing officials to adjudicate transactions identified by the ACS, or like system, as a high risk of being unreasonable.

### ***Recommendation 6***

**We recommend that the Director of the Department of the Navy Consolidated Card Program Management Division direct the Component Program Manager to:**

- a. **Require program officials to reconcile fuel receipts for purchases made from non-contract merchants against the contract fuel price available at fueling locations.**

### ***Navy Comments***

The Department of the Navy Consolidated Card Program Management Division (CCPMD) Director agreed, stating that CCPMD personnel will run the Strategic Sourcing Report monthly and will inquire about non-contract purchases.

### *Our Response*

Comments from the Director addressed all specifics of the recommendation; therefore, the recommendation is resolved but will remain open. We will close the recommendation once the Director provides the results of the review of the Strategic Sourcing Report, including an explanation as to why the aircrew selected the non-contract merchant and the financial impact.

- b. Hold card users, accountable officials, and certifying officials accountable for non-contract purchases that result in wasted funds.**

### *Navy Comments*

The CCPMD Director agreed, stating that CCPMD will provide guidance and training for pre-flight planning use of the AIR Card FBO locator to improve usage of the contract merchants. The Director added that since AIR Cards are assigned to specific aircraft, so financial accountability is not achievable.

### *Our Response*

Comments from the Director partially addressed the recommendation; therefore, the recommendation is unresolved. Providing training should improve the usage of negotiated contracts; however, we disagree with the Director that accountability is not achievable, as flight logs include identifying information for the flight, aircraft, and aircrew. Reviewing officials can use the identifying information to coordinate with the aircrew to determine why they used a non-contract merchant, if the reason justified the added expense, and whether accountability is warranted.

We request the Director provide additional comments in the response to the final report explaining why the Navy cannot hold AIR Card officials accountable for non-contractor merchant use when a contractor merchant was available.

- c. Review the Fiscal Year 2020 Fuel Capacity Report, determine the reasons capacity was exceeded, provide what actions the program officials took to correct violations of policy, and describe the impact of the actions.**

### *Navy Comments*

The CCPMD Director agreed, stating CCPMD personnel will review and update AIR Card profiles without fuel capacity, as well as run the Fuel Capacity Report monthly and inquire when reports exceed aircraft fuel capacity amounts. The Director added that AIR Card profiles do not include aircraft tank fuel capacity because it was not always required. The Director did not agree to review FY 2020 transactions on the Fuel Capacity Report due to impracticality, based on the volume of transactions.

### ***Our Response***

Comments from the Director partially addressed the specifics of the recommendation; therefore, the recommendation is unresolved. While we recognize the time and resources required to review all transactions on the Fuel Capacity Report, we are concerned that higher risk fuel transactions are not being reviewed for FY 2020, including those that exceeded aircraft capacity by a significant amount or percentage. In FY 2019, DoD had 9,034 fuel purchases, totaling \$174.4 million, where fuel purchased exceeded the ACS recorded fuel capacity for the aircraft.

We request that the Director describe the specific actions that will be taken to ensure Navy AIR Card officials review the monthly Fuel Capacity Reports, including FY 2020 transactions, and what actions will be taken on capacities that were exceeded.

- d. Review all AIR Card accounts and correct inaccurate or incomplete fuel capacity information.**

### ***Navy Comments***

The CCPMD Director agreed, stating that the CCPMD will begin to run the Fuel Capacity Reports monthly to identify and correct missing or inaccurate fuel capacities with the majority of corrective actions occurring by the end of the 1st Quarter of FY 2022.

### ***Our Response***

Comments from the Director partially addressed the specifics of the recommendation; therefore, the recommendation is unresolved. We appreciate and commend the Department of the Navy on its willingness to review the Fuel Capacity Report and modify aircraft profiles that exceed an erroneous capacity listed in aircraft ACS profiles. The review and correction of inaccurate or incomplete aircraft capacity will improve the functionality of the Fuel Capacity Report for the Navy, as 82 percent of the report items (DoD-wide) did not have a fuel capacity.

However, the Fuel Capacity Report review will not identify the more significant risk of overstated aircraft capacities in ACS profiles. As identified in our report examples, an erroneously high fuel capacity would most likely not be identified by, or included in, the Fuel Capacity Report. Therefore, the proposed solution will not identify instances where the amount of fuel billed exceeded the actual aircraft's capacity if the ACS profile included an inaccurate capacity higher than the erroneous billing.

We request the Director describe specific action that will be taken to identify and correct inaccurate or incomplete fuel capacities in ACS, including aircraft profiles that contain overstated fuel capacities.

- e. **Review, at least monthly, the report created to identify transactions at high risk of being unreasonable and ensure AIR Card officials dispute charges within the required timeframe.**

### *Navy Comments*

The CCPMD Director agreed, stating that the current DLA Energy P-8, “Fuel Card Program,” does not include guidance on price reasonableness, and the lack of aircrew expertise [in determining prices reasonableness, combined with] mission urgency, make the task challenging. The CCPMD Director recommended that the DLA establish set standards to aid aircrews in making timely price reasonableness determinations, but added that CCPMD will coordinate with DLA Energy to develop the guidance.

### *Our Response*

Comments from the Director addressed all specifics of the recommendation; therefore, the recommendation is resolved but will remain open. We will close the recommendation once program officials from DLA Energy and the Services develop price reasonableness guidance, implement a reporting capability to identify potentially unreasonable transactions, and issue a requirement for AIR Card officials to utilize the report.

### ***Recommendation 7***

**We recommend that the Readiness Division Chief, Headquarters Air Force, Operations Directorate, Training and Readiness Division, direct the Component Program Manager to:**

- a. **Require program officials to reconcile fuel receipts for purchases made from non-contract merchants against the contract fuel price available at the location.**

### *Air Force Comments*

The Assistant Deputy Chief of Staff, Operations, Headquarters Air Force, responding for the Readiness Division Chief, agreed, stating that the Air Force CPM would conduct a monthly review of the Strategic Sourcing Report to monitor non-contract fuel purchases made within range of a contracted location. The CPM will require the APC to obtain electronic copies of fuel receipts, contract fuel pricing, and an explanation as to why the non-contract location was selected. The Assistant Deputy stated that these actions would be completed by June 1, 2021.

### ***Our Response***

Comments from the Assistant Deputy Chief of Staff addressed all specifics of the recommendation; therefore, the recommendation is resolved but will remain open. We will close the recommendation once we receive and verify the results of the Air Force CPM's review of the Strategic Sourcing Report, to include an explanation as to why the aircrew selected the non-contract merchant and the financial impact.

- b. Hold card users, accountable officials, and certifying officials accountable for non-contract purchases that result in wasted funds.**

### ***Air Force Comments***

The Assistant Deputy Chief of Staff, Operations, Headquarters Air Force, responding for the Readiness Division Chief, partially agreed, stating that the Air Force CPM will create accountability controls including a review of the aircrew explanation, but the accountability process must include additional stakeholders before Headquarters Air Force action is warranted.

The Assistant Deputy stated that unsatisfactory explanations will be elevated for the wing commander to provide corrective action. APCs will monitor responses and elevate negative trends through Headquarters Air Force leadership to consider account suspension. AIR Card account suspension will only be used after wing commanders' corrective actions have failed to provide resolution, and elevated through Air Force senior leaders and DLA Energy for final approval. The Assistant Deputy stated that these actions would be completed by June 1, 2021.

### ***Our Response***

Comments from the Assistant Deputy Chief of Staff, responding for the Readiness Division Chief, addressed all specifics of the recommendation; therefore, the recommendation is resolved but will remain open. We will close the recommendation once we receive Air Force guidance related to non-contract purchase accountability procedures.

- c. Review the Fiscal Year 2020 Fuel Capacity Report, determine the reasons capacity was exceeded, provide what actions the program officials took to correct violations of policy, and describe the impact of the actions.**

### ***Air Force Comments***

The Assistant Deputy Chief of Staff, Operations, Headquarters Air Force, responding for the Readiness Division Chief, partially agreed, stating that the corrective process must include additional stakeholders and a review of the Fuel Capacity Report cannot be accomplished until the aircraft fuel capacity has been updated in the ACS to ensure the report is generating accurate data. Once the fuel capacity

has been manually corrected within the ACS, the Fuel Capacity Report will be sent through the APCs for base-level response. Transactions that exceed aircraft capacity will be coordinated with DLA Energy, APCs, and cardholders, and then AIR Card officials will dispute and monitor the transactions until resolved. The Assistant Chief also stated that there is not an official FY 2020 Fuel Capacity Report and the CPM would need to create a version from the pre-formatted or ad-hoc reports in the ACS. The Assistant Deputy stated these actions would be completed by December 31, 2021.

### *Our Response*

Comments from the Assistant Deputy Chief of Staff addressed all specifics of the recommendation; therefore, the recommendation is resolved but will remain open. We agree that accurate fuel capacities in ACS would increase the effectiveness of the Fuel Capacity Report and we made a corresponding recommendation (Recommendation 7d). However, we disagree that a review of the report, prior to the fuel capacity corrections, would not highlight additional issues that need addressed.

We also agree that there is not a report titled “FY 2020 Fuel Capacity Report,” but the Air Force CPM has access to the Fuel Capacity Report in the ACS, which can include FY 2020 transactions.

We will close the recommendation once we receive and validate the updated aircraft fuel capacities; as well as the summary of the program officials’ review of the Fuel Capacity Report covering FY 2020 transactions, to include results and actions taken.

- d. Review all AIR Card accounts and correct inaccurate or incomplete fuel capacity information.**

### *Air Force Comments*

The Assistant Deputy Chief of Staff, Operations, Headquarters Air Force, responding for the Readiness Division Chief, agreed, stated that the Air Force CPM has reviewed the fuel capacity information and is completing a list of recommended corrections. KHI has agreed to upload the corrections into the ACS. Once updated, the Air Force CPM will monitor the Fuel Capacity Report and update capacities accordingly. The Assistant Deputy stated these actions would be completed by June 1, 2021.

### ***Our Response***

Comments from the Assistant Deputy Chief of Staff addressed all specifics of the recommendation; therefore, the recommendation is resolved but will remain open. We will close the recommendation once we receive and validate updated Air Force aircraft fuel capacities.

- e. **Review, at least monthly, the report created to identify transactions at high risk of being unreasonable and ensure AIR Card officials dispute charges within the required timeframe.**

### ***Air Force Comments***

The Assistant Deputy Chief of Staff, Operations, Headquarters Air Force, responding for the Readiness Division Chief, partially agreed, stating that DLA Energy has to enable this recommendation by:

- allowing disputes based on price reasonableness,
- developing a reporting capability to identify transactions at high risk of being unreasonable, and
- developing guidance for AIR Card users and reviewing officials to use in determining price reasonableness for ancillary services and fees.

The Assistant Deputy stated that, after the DLA completes these actions, the Air Force CPM will review monthly reports and monitor APC coordination with AIR Card officials in disputing charges identified as unreasonable, until the transactions are resolved. The Assistant Deputy stated that the completion date is dependent on the timeliness of DLA Energy's response and action.

### ***Our Response***

Comments from the Assistant Deputy Chief of Staff addressed all specifics of the recommendation; therefore, the recommendation is resolved but will remain open. We will close the recommendation once the DLA completes the necessary actions to allow for price reasonableness reviews and the Air Force issues a requirement for AIR Card officials to utilize the report.

## Appendix A

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### Scope and Methodology

We conducted this performance audit from November 2019 through March 2021, 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 reviewed DoD AIR Card purchases that posted to the contractor's (KHI) AIR Card System (ACS) from October 1, 2018, through September 30, 2019. The universe included 413,984 transaction line items totaling \$866.1 million in fuel, fees, taxes, and ancillary services. We also used the universe to identify issues with AIR Card profile information including aircraft with inaccurate or incomplete fuel capacity. We reviewed 51,226 account requests for new, replacement, updated, or terminated AIR Cards. We determined that many of the requests did not provide complete or accurate information. Specifically, 12,318 of those requests contained inaccurate fuel capacities.

We also used ACS data to review taxes and fees on AIR Card purchases within U.S. states and territories. We adjusted our scope to start on September 2, 2014, because there was an opportunity for recoupment of funds related to erroneous taxes and fees identified. The KHI online system retained transactions back to September 2, 2014, and Title 28, section 2415 of the United States Code provides a 6-year statute of limitations for actions brought by the United States and its agencies, which allowed DLA Energy to recover erroneous taxes for up to 6 years. We also included transactions from other AIR Card users, including Federal Civilian Agencies and the Coast Guard, when recoupment was possible.

We used the universe of transactions to nonstatistically select transactions that we considered high risk. We defined high-risk transactions as those transactions that:

- occurred off-contract at a location with a contract vendor location;
- exceeded the aircraft's fuel capacity and had not been disputed;
- included inaccurate or incomplete aircraft profile information;
- had aircraft information which did not match any known DoD aircraft;
- had ancillary services and fees that appeared to be higher than average; and
- had taxes and fees that are exempt for AIR Card users.

After selecting the sampled transactions, we reviewed the following types of documentation.

- signed merchant delivery tickets
- merchant invoices
- Into-Plane airport merchant fuel contracts
- DLA Energy standard price reimbursement documentation
- KHI invoices
- AIR Card users', accountable officials', and program officials' explanations of charges
- ACS card profile, transaction information, and standard reports
- disputed and rebilled transactions

We reviewed the following criteria in support of audit objectives.

- OMB Circular A-123, Appendix B (Revised), "A Risk Management Framework for Government Charge Card Programs," August 27, 2019
- DoD Manual 4140.25, Volume 3, "DoD Management of Energy Commodities: Fuel Cards," March 2, 2018
- DLA Energy P-8, "Fuel Card Program," July 5, 2017
- DLA Energy AIR Card Training for Users and Accountable Officials
- NAVSUP Instruction 4200.97A, "Navy Policies and Procedures for the Operation and Management of the Aviation Into-Plane Reimbursement (AIR) Card Program," November 14, 2016
- Air Force Instruction (AFI) 11-253, "Managing Off-Station Purchases of Aviation Fuel and Ground Services," August 19, 2013
- Various criteria for state and Federal taxes

We met or coordinated with the following offices and officials.

- The DLA Energy AIR Card PMO, to discuss overall management of the program, areas of risk, and to coordinate on sampled transactions
- The DLA Energy Contracting Office, to discuss the AIR Card contract with KHI, issues identified with the KHI contract process, and the collection of Into-Plane contract tax errors
- The DLA Energy Finance Office, to determine the actual amount of dollars paid for fuel transactions for Into-Plane contract merchants
- The DLA Finance Energy Tax Branch, to obtain opinions on whether the DoD was exempt from various taxes, and to coordinate on collection of those taxes

- DLA Energy Internal Review, to assist with obtaining documentation, meetings, and ensuring that management was aware of the issues being identified during the course of the audit
- Army, Navy, and Air Force Component Program Managers to understand how they manage the program, identify risk areas, and assist in obtaining documentation for sampled transactions
- AOs and COs to obtain documentation for sample transactions and validate concerns identified

## Use of Computer-Processed Data

We used computer-processed data from the AIR Card contractor system (AIRCardSys.com) to perform this audit. Specifically, we used the data obtained from the contractor system to obtain the AIR Card universe. We used the universe to select sample items and requested supporting documentation for the sample items selected to determine the accuracy of the data and validity of the transactions. We coordinated with the DLA Energy Program Management Office to ensure they agreed that our universe of transactions was complete and accurate. During coordination with DLA Energy, they confirmed that the universe we selected was the same as when they independently pulled the universe of transactions.

## Prior Coverage

During the last 5 years, the DoD Office of Inspector General (DoD OIG) has not issued any reports related to the AIR Card.

Unrestricted DoD OIG reports can be accessed at <http://www.dodig.mil/reports.html/>.

## Appendix B

### Potential Monetary Benefits

Recommendations	Type of Benefit	Amount of Benefit	Account
1.a, 1.b, 1.c, 2.a, 2.b, 5.a, 5.b, 6.a, 6.b, 7.a, and 7.b	Questioned Costs - Non Recoverable. Reduce costs by ensuring AIR Card users use contract merchants.	\$7.5 million in questioned costs related to the use of non-contract merchants at contract locations.	Multiple accounts will be impacted.
1.d, 1.e, 1.g, 5.c, 5.d, 6.c, 6.d, 7.c, and 7.d	Questioned Costs - Non Recoverable. Reduce costs by identifying and disputing fuel purchases that exceeded the aircraft fuel capacity.	\$174 million in questioned costs related to fuel purchases that exceeded aircraft fuel capacity.	Multiple accounts will be impacted.
1.h	Questioned Costs - Non Recoverable. Reduce costs by identifying and disputing transactions that were not for valid DoD aircraft.	\$48.4 million in questioned costs related to transactions for non-validated DoD aircraft.	Multiple accounts will be impacted.
1.i, 2.c, 2.d, 2.e, 3.a, 5.e, 6.e, and 7.e	Questioned Costs - Non-Recoverable. Reduce costs for ancillary services and fees by defining, identifying, and disputing unreasonable charges.	\$17.3 million in questioned costs related to unreasonable charges.	Multiple accounts will be impacted.
3.b, 4.b	Disallowed Costs - Recoverable. Collection of erroneous taxes and fees.	Disallowed costs of \$2.9 million. The Department of the Treasury will receive \$2.9 million in refunds related to erroneous taxes and fees.	Multiple accounts will be impacted.

Source: The DoD OIG.

## Appendix C

### Authorized Ancillary Services

The DLA U.S. Government AIR Card Authorized Ancillary Services guide, May 2018 version, included the following list of 62 authorized ancillary services and included acceptable terms and a brief description of the charge.



## DEFENSE LOGISTICS AGENCY

### U.S. Government AIR Card® Authorized Ancillary Services

The following authorized aviation ancillary services listed are permissible charges to the U.S. Government AIR Card®. The commercial receipt and invoice provided to the Ordering Official (pilot or aircrew) for signature shall contain, at a minimum, each requested authorized service, quantity and price. The Merchant and/or Ordering Official are financially responsible when **UNAUTHORIZED** services are invoiced.

Authorized Ground Service	Acceptable Terms for the Authorized Ground Service	Description of Authorized Ground Service
ABO Aviator Breathing Oxygen	Liquid Oxygen, LOX, O2, Aviator Breathing Oxygen	O2 for pressurized aircraft
Air Start	External engine start, ASU	External engine start
Aircraft Cleaning	Aircraft fleet service, Cabin cleaning	Clean the interior or exterior of the aircraft
Aircraft Emissions		Charged per landing according to the amount of nitrogen oxide emitted.
Aircraft Towing	Tow bar	
Airport Fee		
APU	Auxiliary power unit, ground power unit (GPU), generator, power cart, Alternate power unit	Aircraft requires power
Baggage Fee	Baggage service, luggage	
Cargo Loading/Unloading	Porter, conveyor belt, loader, loading equipment, MDL (main deck loader), tractor, air bridge	Services charged to load or unload aircraft cargo
Catering		<b>ONLY AUTHORIZED</b> for passenger flights for non-per diem passengers (food and non-alcoholic beverages)
Chocks		Used to keep aircraft from moving on the ramp
Communications	Phone, fax, internet	<b>Cell phones MAY NOT be purchased using the AIR Card</b>
CAWI – Continuous Alcohol Water Injection	CAWI, Continuous alcohol water injection	
Crane Truck		
Crew Transportation	Ramp transport	Fee to transport aircrew to airport terminal. <b>Transportation services such as taxi, car rental, bus, van, outside of the airport is NOT a valid AIR Card® charge.</b>
Customs	Immigration, VISA, Port health	Airport customs occurring at OConus commercial airports. Military may be exempt, check with your Service or State Department.
De-fuel	Defuel, Defueling, De fuel	Ordering Official requests, fuel removed from the aircraft. Generally, the charge is \$0.33 per gallon. The ordering official may request a payment for the fuel offloaded.
De-icing	Deice, Deicing, De-ice	Glycol used to de-ice an aircraft.
Dispatch		Communication between airport ground crew and pilot
Disposal Fee	Disposal charge	Fee to dispose of spilled fuel. Fee applies to non-contract fuel and is a ground charge.
Dolly	Baggage cart	Used to move cargo.
Facility Fee		
Fire Truck	Fire car, fire brigade	
Flight Cancellation		A pre-arranged flight cancellation charge when the merchant already obtained fuel and/or services in support of pre-arrangement.

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Revised 5/16/18

Source: DLA Energy.

Authorized Ancillary Services (cont'd)



**DEFENSE LOGISTICS AGENCY**

Authorized Ground Service	Acceptable Terms for the Authorized Ground Service	Description of Authorized Ground Service
Flight Planning/Weather	Flight tracking, Meteo	
Follow Me	Nose car, leading, aircraft guidance	Cart that directs the aircraft to the ramp, taxiway or back to runway.
Fork Lift		Handling aircraft cargo
Fumigation	Disinsection	Fumigate the aircraft
Hangar Rental		Charges not to exceed 5 days. If an extended arrangement is required, setup a contract with the merchant or use an alternate payment mechanism.
High Loader	Loader	Handling aircraft cargo
Hydraulic Fluid		
Ice		
Ladder	Stairs, Steps	
Landing Fee	Weight	Charge to an aircraft to land at an airport.
Lavatory Services	Latrine, toilet, toilet cart, water service	
Lighting		
Maintenance	Aircraft maintenance, labor	
Marshaling	Marshalling	Service crew directs the aircraft to a designated location on the airport.
Nitrogen		Used in aircraft tires
Noise Tax		Charged by the airport authority for aircraft noise or noise pollution
Oil		
Overtime	Call out, holiday, weekend	Fee charged when airport personnel support is required after normal business hours.
Parking Fee	Reposition, RON, overnight, mooring, stay over, ramp parking	Fee charged to park aircraft at airport, typically for several hours or overnight.
Passenger Fee	PAX	Typically, OConus airports charge a small fee based on the number of passengers onboard the aircraft.
Passenger Handling	PAX handling, PRM – passenger of reduced mobility	Fee charged to handle boarding document, check in. Should be a nominal fee.
Pilot Supplies	Charts, maps,	Fee charged should be a nominal fee.
Potable Water	Water, palletized water	Water for lavatory sinks for hand washing purposes.
Preheat	Heater	Charged to heat the aircraft before flight.
Push Back	Nose car, positioning	Charged to push an aircraft into a hanger or different section of the ramp.
Ramp Fee	Ramp handling, tarmac, apron,	Charged to aircraft for use of ramp
Re-service	Reservice	Charged to place de-fueled fuel back on aircraft.
Sampling Charge		Charge to sample the quality of non-contract commercial fuel.
Security Communication		Charge for security staff cell phone usage
Security Force Vehicle		Charge for security forces guarding an aircraft and using the vehicle as the shed.

2  
Revised 5/16/18

Source: DLA Energy.

## Appendix D

### Potentially Unreasonable Ancillary Services and Fees

In FY 2019, the AIR Card program had 6,663 non-fuel transactions totaling \$17.3 million that were three times the FY 2019 average cost and exceeded the high risk threshold we developed for price reasonableness. Table 11 provides a summary of the potentially unreasonable ancillary services and fees with the number of charges over the high-risk threshold and the corresponding dollar amount.

*Table 11. Summary of Charges That Exceeded Our High-Risk Threshold*

Charge Category	FY 2019 Average	High-Risk Threshold	Charges Over High-Risk Threshold	Amount of High-Risk Charges
Ramp Fee	\$1,067.05	\$3,201.15	858	\$4,810,941.55
Terminal Operations Fee	\$739.76	\$2,219.27	440	2,241,390.74
Vendor Admin Fee	\$430.16	\$1,290.49	532	1,346,842.83
De-Icing	\$3,251.19	\$9,753.58	48	929,424.39
Parking Fee	\$427.75	\$1,283.24	243	790,047.09
Landing Fee	\$524.58	\$1,573.73	251	729,536.09
Airport Fee	\$409.40	\$1,228.21	211	654,985.51
Passenger Handling	\$657.79	\$1,973.36	141	610,979.92
Hangar Rental	\$1,121.55	\$3,364.66	40	431,950.79
Facility Fee	\$393.88	\$1,181.64	187	405,246.67
APU (Auxiliary Power Unit)	\$381.72	\$1,145.17	110	384,078.89
Cargo Loading/Unloading	\$733.42	\$2,200.27	63	323,163.21
Hydrant Fee	\$124.21	\$372.64	472	297,193.65
Overtime Charge	\$401.89	\$1,205.67	142	270,751.63
Security Services	\$211.05	\$633.16	178	258,912.13
Maintenance	\$598.19	\$1,794.58	56	240,216.59
De-Fuel	\$870.68	\$2,612.04	43	192,054.38
Take Off Fees	\$617.67	\$1,853.02	75	191,815.59
Re-service	\$896.47	\$2,689.41	38	177,231.56
Ladder Fee	\$710.28	\$2,130.83	32	157,353.18
Marshalling	\$253.70	\$761.11	118	139,588.62
Crew Transportation	\$203.99	\$611.97	111	134,447.32

Table 11. Summary of Charges That Exceeded Our High-Risk Threshold (cont'd)

Charge Category	FY 2019 Average	High-Risk Threshold	Charges Over High-Risk Threshold	Amount of High-Risk Charges
Customs	\$262.16	\$786.49	91	126,631.53
Flowage Fee	\$39.71	\$119.13	266	110,392.57
Truck Delivery Fee	\$391.38	\$1,174.15	68	104,991.10
Lavatory Services	\$174.07	\$522.22	91	96,520.04
Overtime Fee	\$131.50	\$394.49	80	92,530.00
Slot Time & Fees	\$177.17	\$531.52	42	88,697.64
Fork Lift	\$542.28	\$1,626.85	39	87,599.99
Compulsory Storage Fee	\$64.77	\$194.31	149	79,790.86
Airport Tax	\$92.48	\$277.43	46	59,287.01
Dispatch	\$404.98	\$1,214.94	21	53,923.59
Communications	\$99.88	\$299.65	63	53,168.16
Storage Fee	\$609.23	\$1,827.70	18	36,682.83
Noise Tax	\$531.66	\$1,594.99	12	35,001.48
Ice	\$156.23	\$468.69	46	34,768.76
Passenger Fee	\$348.48	\$1,045.45	15	34,710.98
Lighting	\$496.85	\$1,490.54	9	32,571.86
Push Back	\$281.02	\$843.07	22	31,763.61
CEPS Pipeline Fee	\$78.32	\$234.95	59	28,974.42
Flight Planning/Weather	\$118.53	\$355.58	30	28,089.65
Nitrogen	\$281.35	\$844.05	16	27,223.44
Oil	\$207.41	\$622.23	21	26,495.53
Tax/Fee/Duty	\$4.32	\$12.97	603	26,179.81
Aircraft Towing	\$443.01	\$1,329.03	9	23,942.40
Security Force Vehicle Rental	\$483.21	\$1,449.64	9	22,978.85
Potable Water	\$146.33	\$439.00	22	20,447.09
Trash Removal	\$64.04	\$192.11	68	20,355.17
Dolly	\$539.22	\$1,617.66	10	18,990.00
Aviator Breathing Oxygen	\$494.38	\$1,483.15	8	18,918.16
Catering	\$221.09	\$663.27	11	18,869.65
High Loader	\$558.06	\$1,674.18	6	17,923.15

Table 11. Summary of Charges That Exceeded Our High-Risk Threshold (cont'd)

Charge Category	FY 2019 Average	High-Risk Threshold	Charges Over High-Risk Threshold	Amount of High-Risk Charges
FSII Icing Inhibitor	\$20.53	\$61.59	57	13,098.58
Chocks	\$42.93	\$128.79	42	11,489.16
Aircraft Cleaning	\$250.97	\$752.92	5	10,849.46
Tie Down	\$270.32	\$810.95	5	10,849.00
Air Start	\$272.75	\$818.24	8	10,419.24
Baggage Fee	\$233.07	\$699.20	6	10,356.17
Into-Plane Fee	\$169.32	\$507.95	13	9,934.75
Fire Truck	\$127.13	\$381.38	13	9,595.90
Crane Truck	\$2,035.74	\$6,107.21	1	9,533.96
Fuel Additive	\$17.91	\$53.74	73	9,257.64
Pilot Supplies	\$318.67	\$956.01	2	7,445.40
Disposal Fee	\$159.60	\$478.80	6	6,127.77
Flight Cancellation	\$336.90	\$1,010.69	2	5,750.00
Follow Me	\$96.74	\$290.23	11	5,731.87
Rapid Refueling Charge	\$178.57	\$535.70	6	4,154.62
Preheat	\$468.61	\$1,405.83	1	3,500.00
Compulsory Stock Fee	\$158.13	\$474.39	3	2,605.62
Government Thru-put Fee	\$90.97	\$272.91	3	1,798.88
Environment Fee	\$7.63	\$22.90	33	1,795.84
Fumigation	\$397.87	\$1,193.60	1	1,440.00
SAFCO Volume Fee	\$47.27	\$141.82	5	854.68
Concession Fee	\$20.21	\$60.62	5	406.96
Customs Fee	\$3.30	\$9.91	18	391.56
Prist (a brand of Fuel System Icing Inhibitor [FSII])	\$44.64	\$133.91	2	327.14
Sampling Charge	\$59.63	\$178.88	1	327.00
Security Communication	\$75.41	\$226.22	1	300.00
Aircraft Emission Fee	\$11.69	\$35.07	1	51.99
<b>Total</b>			<b>6,663</b>	<b>\$17,324,964.83</b>

Source: AIR Card System by KHI.

# Management Comments

## DLA Energy



DEFENSE LOGISTICS AGENCY  
ENERGY  
8725 JOHN J. KINGMAN ROAD  
FORT BELVOIR, VIRGINIA 22060-6222

MEMORANDUM FOR DEPARTMENT OF DEFENSE, OFFICE OF THE INSPECTOR GENERAL

SUBJECT: Defense Logistics Agency (DLA) Energy Comments for Draft Audit Report: Audit of the Military Departments' Aviation Into-Plane Reimbursement (AIR) Card Purchases of Aviation Fuel and Non-Fuel Services (Project No. D2020-D000AX-0034.000)

Thank you for the opportunity to review and comment on the DoD Office of Inspector General's (OIG) draft audit report of the Military Departments' AIR Card purchases of aviation fuel and non-fuel services.

DLA Energy partially concurs with the OIG's audit findings and recommendations as presented. A copy of our specific responses to each of the OIG's recommendations is attached.

Please direct any comments or questions regarding our responses to the DLA Headquarters' POC is [REDACTED] or via email at [REDACTED]

CANLAS.JIMMY [REDACTED]

JIMMY R. CANLAS  
Brigadier General, USAF  
Commander

Attachment:  
DLA Management Comments

## DLA Energy (cont'd)

SUBJECT: DLA Response to Draft Report for Audit of the Military Department' Aviation Into-Plane Reimbursement (AIR) Card® Purchases of Aviation Fuel and Non-Fuel Services (Project D2020-D000AX.0034.000)

**1) We recommend that the Defense Logistics Agency–Energy Commander revise Defense Logistics Agency Energy P-8, “Fuel Card Program,” to:**

**Recommendation 1.a:** require use of the Fixed Base Operator locator during flight planning operations for commercial locations.

DLA Comments: Partially concur. DLA concurs that use of the Fixed Base Operator (FBO) locator should be encouraged. As previously discussed with the DoD OIG, the FBO locator is a tool that is offered by the current Charge Card Provider (and may vary with the next contract) and use of the tool is strongly recommended by DLA Energy’s Government Fuel Card Program Management office (Fuel Card Office.) While the Fuel Card Office already provides fuel card usage policies, along with guidance and recommendations, to the respective Service Component Program Managers, neither the Fuel Card Office nor the DLA Energy Commander have the authority to dictate how to create a flight plan with any of the Services. DLA Energy is not within the Services’ chain of command and the Services’ respective flight planning is dependent on the Services particular/unique missions. As indicated by the Fuel Card Office P-8 policy document, it is the responsibility of each respective Service to abide by said policy and/or recommendation/s, to establish their own Service-specific supplemental policies, and to also take action against its card users for non-compliance. However, in order to further reinforce our policies, the Fuel Card Office will add verbiage to the P-8 document strongly advising the Services to utilize the tools offered to them as well as to perform regular reviews of their program usage. As previously mentioned, it is the responsibility of the Services to expand and detail the requirements and usage of said tools within their own supplemental policy, and to adhere to Fuel Card Office policy. The estimated completion date for this update of the P-8 is October 1, 2021.

**Recommendation 1.b:** Require the Component Program Managers to conduct a monthly review of the Strategic Sourcing Report to monitor non-contract fuel purchases where contract vendors are available and distribute results to increase awareness of potential cost savings.

DLA Comments: Partially concur. DLA concurs with the value of oversight reviews. Various reporting tools are already available to the Service Component Program Managers. Fuel Card Office guidance includes recommendations to conduct program reviews and to develop standard reports or queries to allow the commands to monitor purchases by its subordinate units. While DLA Energy does not have the authority to dictate the exact tools to be utilized, the Fuel Card Office will add verbiage to the P-8 document to strongly advise that this and/or like tools be implemented by the respective Component Program Managers to review transactions that could result in more effective and efficient usage of their program dollars, and to distribute the results of those reviews. As previously mentioned, it is the responsibility of the Services to expand and

## DLA Energy (cont'd)

detail the requirements and usage of said tools within their own supplemental policy, and to adhere to Fuel Card Office policy. The estimated completion date for this update of the P-8 is October 1, 2021.

**Recommendation 1.c:** Require program officials to perform periodic reviews, at least biannually, to compare merchant transactions at commercial locations to determine if the DoD is using contract vendors.

DLA Comments: Partially concur. DLA concurs with the use of contract vendors as often as possible. Various reporting tools are already available to the Service Component Program Managers. Fuel Card Office guidance includes recommendations to conduct their own program reviews. While DLA Energy does not have the authority to dictate the exact tools to be utilized, the Fuel Card Office will add verbiage to the P-8 document to strongly advise that this and/or like tools be implemented by the Component Program Managers to review transactions that could result in more effective and efficient usage of their program dollars. As previously mentioned, it is the responsibility of the Services to expand and detail the requirements and usage of said tools within their own supplemental policy, and to adhere to Fuel Card Office. The estimated completion date for this update of the P-8 is October 1, 2021.

**Recommendation 1.d:** Require Component Program Managers of each organization, in coordination with Accountable Officials, to conduct a monthly review of the Fuel Capacity Report, obtain justification when a fuel purchase exceeds aircraft capacity, and dispute any potential excessive or bundled fuel transactions.

DLA Comments: Partially concur. DLA concurs with encouraging the use of the Fuel Capacity Report. As previously discussed with the DoD OIG, the \$174.4 million amount described on page 16 for fuel purchases that exceeded fuel capacity is misleading. Fuel Card Office review of transactions identified by DoD OIG determined that the \$174.4 million represents the entire transaction value, to include even the valid quantities. The actual amount in dispute is estimated to be approximately \$48 million. Various reporting tools are already available to the Service Component Program Managers. While DLA Energy does not have the authority to dictate the exact tools to be utilized, the Fuel Card Office will add verbiage to the P-8 document to strongly advise that this and/or like tools be implemented by the Component Program Managers to review transactions that could result in more effective and efficient usage of their program dollars. As previously mentioned, it is the responsibility of the Services to expand and detail the requirements and usage of said tools within their own supplemental policy, and to adhere to Fuel Card Office policy. The estimated completion date for this update of the P-8 is October 1, 2021.

**Recommendation 1.e:** Require that the Aviation Into-Plane Reimbursement Card Accountable Official's commander sign a memorandum for the record documenting why the merchant's billing exceeded the fuel capacity on the Fuel Capacity Report and document what actions they took to correct the problem.

## DLA Energy (cont'd)

DLA Comments: Partially concur. As previously discussed with the DoD OIG, the Fuel Card Office does not have the authority to require a Commander to sign a memorandum with every capacity issue, but agrees that these incidents should be documented and reviewed at the Component Program Manager level. Various reporting tools are already available to the Service Component Program Managers. While DLA Energy does not have the authority to dictate the exact tools to be utilized, the Fuel Card Office will add verbiage to the P-8 document to strongly advise that this and/or like tools be implemented by the Component Program Managers to review transactions that could result in more effective and efficient usage of their program dollars. As previously mentioned, it is the responsibility of the Services to expand and detail the requirements and usage of said tools within their own supplemental policy, and to adhere to Fuel Card Office policy. The estimated completion date for this update of the P-8 is October 1, 2021.

**Recommendation 1.f:** Require Component Program Managers to track and review the rebilling of all disputed transactions to ensure that updated transactions are valid, supported, and properly rebilled.

DLA Comments: Partially concur. As previously discussed with the DoD OIG, dispute procedure are already outlined in the P-8 policy document and DLA encourages their use. While DLA Energy does not have the authority to dictate the exact tools to be utilized, the Fuel Card Office will add verbiage to the P-8 document to strongly advise that this and/or like tools be implemented by the Component Program Managers to review transactions that could result in more effective and efficient usage of their program dollars. As previously mentioned, it is the responsibility of the Services to expand and detail the requirements and usage of said tools within their own supplemental policy, and to adhere to Fuel Card Office policy. The estimated completion date for this update of the P-8 is October 1, 2021.

**Recommendation 1.g:** Require the inclusion of accurate fuel capacity, in gallons, for all aircraft- and vehicle-specific Aviation Into-Plane Reimbursement Card accounts.

DLA Comments: Partially concur. DLA concurs that the information in each AIR Card® account should be kept complete and accurate. Various reporting tools are already available to the Service Component Program Managers. While DLA Energy does not have the authority to dictate the exact tools to be utilized, the Fuel Card Office will add verbiage to the P-8 document to strongly advise that this and/or like tools be implemented by the respective Component Program Managers to review transactions that could result in more effective and efficient usage of their program dollars. As previously mentioned, it is the responsibility of the Services to expand and detail the requirements and usage of said tools within their own supplemental policy, and to adhere to Fuel Card Office policy. The estimated completion date for this update of the P-8 is October 1, 2021.

**Recommendation 1.h:** Require reviews of all invoice information to ensure the invoice matches a valid aircraft in that account, or to reconcile whether the transaction was valid and include reconciliation documentation and certification in the Aviation Into-Plane Reimbursement Card System before payment.

## DLA Energy (cont'd)

DLA Comments: Concur. DLA concurs with the use of transaction review reconciliation procedures as part of proper oversight. Various reporting tools are already available to the Service Component Program Managers. While DLA Energy does not have the authority to dictate the exact tools to be utilized, the Fuel Card Office will add verbiage to the P-8 document to strongly advise that this and/or like tools be implemented by the Component Program Managers to review transactions that could result in more effective and efficient usage of their program dollars. As previously mentioned, it is the responsibility of the Services to expand and detail the requirements and usage of said tools within their own supplemental policy, and to adhere to Fuel Card Office policy. The estimated completion date for this update of the P-8 is October 1, 2021.

**Recommendation 1.i:** Include guidance on how Aviation Into-Plane Reimbursement Card users and reviewing officials should determine price reasonableness for ancillary services and fees.

DLA Comments: Partially concur. DLA concurs with the review of ancillary services and fees as part of proper oversight procedures but notes that price reasonableness is not quantifiable and is based on several factors, including at a minimum the Services' specific mission and the location, day, and time of the transaction. While DLA Energy does not have the authority to dictate the exact tools to be utilized, the Fuel Card Office will add verbiage to the P-8 document to strongly advise that this and/or like tools be implemented by the Component Program Managers to review transactions that could result in more effective and efficient usage of their program dollars. As previously mentioned, it is the responsibility of the Services to expand and detail the requirements and usage of said tools within their own supplemental policy, and to adhere to Fuel Card Office policy. The estimated completion date for this update of the P-8 is October 1, 2021.

DLA Energy does not agree that utilizing a "worldwide average" for the Ancillary Services and Fees listed in Table 5 on page 24 provides an accurate representation to the consumer of this report. Certain locations in the world always have higher fees than other places and thus using a one-size-fits-all scenario is not representative. Fees vary greatly not only airport to airport but also by type and size of aircraft.

**2) We recommend that the Defense Logistics Agency–Energy Commander revise the AIR Card® portion of the contract with KHI to:**

**Recommendation 2.a:** Require KHI to ensure that the Strategic Sourcing Report contains the appropriate contract fuel price to compare against all non-contract fuel transactions.

DLA Comments: Partially concur. DLA concurs that use of the Strategic Pricing Report can improve oversight efforts, but the report is only as good as the data/pricing information populated within it. DLA Energy cannot compel customers to use an into-plane contractor when specific mission-related reasons may justify the use of a non-long-term contract merchant. As an alternative, DLA Energy will hold discussions with KHI to ensure that appropriate contract fuel prices are available for comparison with non-contract fuel prices. The estimated completion date for this action is September 15, 2021.

## DLA Energy (cont'd)

**Recommendation 2.b:** Enforce the requirement for KHI to provide line item detail on invoices.

DLA Comments: Partially concur. The Fuel Card Office has historically required this action, but itemized/detailed invoices remain an issue because line-item details on invoices are not a global customary commercial aviation practice and would be difficult to implement and enforce throughout all FBO locations. It will be a discussion point during negotiations for implementing business rules to enforce "fully priced tickets" with the new AIR Card® Contractor for the follow-on contract. The upcoming AIR Card® transaction processing solicitation will be released to the public on or about August 15, 2021. We estimate the follow-on contract to be awarded on or about September 1, 2022.

**Recommendation 2.c:** Require KHI to allow disputes based on price reasonableness.

DLA Comments: Partially concur. The Fuel Card Office has historically required the allowance of disputes but there is no definition of "price reasonableness" in the contract. To determine price reasonableness, KHI would be required to conduct a price comparison for non-long-term contract fuel prices and ancillary service charges for all Fixed Base Operators (FBOs). The parties would have to agree on the definition of what constitutes a reasonable price and agree to an out-of-scope requirement modification in the contract, with DLA Energy being required to fund the additional cost associated with such a modification. (Note that KHI pays the merchant upfront for transactions before receiving payment from the Government, which requires KHI to hold the debt until any dispute is resolved.) It is difficult to challenge a transaction after the purchase of an item or service has already been completed, especially when price reasonableness is determined by several differing factors. The timing does not make fiscal sense since the Agency is issuing a new solicitation for fuel card transaction services this year. The upcoming AIR Card® transaction processing solicitation will be released to the public on August 15, 2021. We estimate the follow-on contract to be awarded on September 1, 2022.

**Recommendation 2.d:** Establish a control to identify transactions that are at high risk for being unreasonable to ensure AIR Card® officials dispute charges within the required timeframe.

DLA Comments: Partially concur. DLA concurs with the value of the ability to dispute charges. As previously discussed with the DoD OIG, Component Program Managers and Accountable Officials are aware of the timeframe for the dispute process, and price reasonableness for ancillary services and fees should be determined by the Services. In order to control fuel costs, DLA Energy negotiates fuel prices and certain fees based on the lowest price technically acceptable offer. DLA Energy has no visibility on fuel prices where there is no into-plane contract and has no visibility at all on ancillary service charges and fees because these charges are split-billed directly to the Service customer. Therefore, only the Services can make a determination on what ancillary services they are willing to pay for and the customer is responsible to issue the dispute within the required timeframe. DLA Energy will determine the

## DLA Energy (cont'd)

feasibility of establishing a requirement for price transparency in the new AIR® Card contract solicitation to reduce the risk of unreasonable charges, and developing business rules for disputes for the follow-on contract will be a discussion point during contract negotiations. The upcoming AIR Card® transaction processing solicitation will be released to the public on or about August 15, 2021. We estimate the follow-on contract to be awarded on or about September 1, 2022.

**Recommendation 2.e:** Require transparency for all AIR Card® transactions, including the charges and pricing information associated with vendor admin fees.

DLA Comments: Partially concur. DLA concurs with the value of transactional transparency. As previously discussed with the DoD OIG, the Fuel Card Office has asked KHI to provide open market merchant prices, and prices and fees are subject to change at any time. Into-plane contractors are able to submit a request for equitable adjustment related to prices, fees, and taxes. DLA Energy reviews such requests and determines whether a price increase is appropriate and should be permitted under the contract. DLA Energy will determine the feasibility of establishing a requirement for price transparency in the new AIR Card® contract solicitation and developing business rules for the follow-on contract will be a discussion point during contract negotiations. The upcoming AIR Card® transaction processing solicitation will be released to the public on or about August 15, 2021. We estimate the follow-on contract to be awarded on or about September 1, 2022.

**3) We recommend that the Defense Logistics Agency–Energy Commander require that the Defense Logistics Agency Program Management Office and the Defense Logistics Agency Tax Branch:**

**Recommendation 3.a:** In coordination with the Military Services, develop a standardized AIR Card® receipt with dedicated sections for required information, including a list of approved ancillary services and fees, a corresponding column for merchant cost information, and a signature line for the card user and approving official.

DLA Comments: Partially concur. The Fuel Card Office publishes a list of authorized ancillary services that are permissible charges under the AIR Card®, which is available for customers with a Common Access Card. Since there is no current standard DoD form and each Service would have a variety of Service-specific requirements, this recommendation will be difficult to implement and require, as DLA is not within any of the Military Departments' command structure and has no operational authority to dictate specific requirements to a Military Department's commander. It is important to note that even if DLA Energy is successful in creating such a solution, it has no enforcement capability of said solution and can only strongly advise the Services that this solution should be implemented. It would then be the Services' responsibility to expand and detail the requirements and usage of this solution within their own supplemental policy. The development of a commercial solution for a standardized receipt that FBO vendors agree to provide for AIR Card® transactions will be a discussion issue for the follow-on contract during contract negotiations. The upcoming AIR Card® transaction

## DLA Energy (cont'd)

processing solicitation will be released to the public on August 15, 2021. We estimate the follow-on contract to be awarded on September 1, 2022.

**Recommendation 3.b:** Perform a comprehensive review of all taxes applied to AIR Card® transactions, compile a list of the erroneous taxes identified with the corresponding cause, develop a plan to prevent future erroneous taxes and fees, and recoup the erroneous charges.

DLA Comments: Partially Concur. Into plane contracting officers negotiate the applicability of taxes and fees for into plane contracts, and the DLA Finance, Energy, Tax Branch has taken action to identify and recover various domestic and foreign taxes and fees that have been erroneously applied to fuel purchases under non-into plane contract AIR Card® purchases when there is a recovery mechanism for overpaid taxes. Due to the scope of work, and dynamic nature of various taxes and fees, DLA Energy is unable to research and determine each and every type of domestic and overseas tax and fee applicable to every available ancillary service and fuel type at every commercial airport that may be purchased with the AIR Card® and then identify whether the United States Government or Military Services are exempt from paying a certain tax or fee. Tax refund processes are not always established for the benefit of the United States Government, especially in foreign countries. Moreover, for taxes in foreign countries, DLA Energy requires assistance from the Military Departments because Geographic Combatant Commanders have responsibility for issuing management procedures to guide and coordinate the administration of the DoD Foreign Tax Relief Program. DLA Energy envisions a commercial solution for establishing upfront tax exemptions for AIR Card® purchases. Developing business rules for tax exemption and reclamation will be a discussion issue during contract negotiations for the follow-on contract. The upcoming AIR Card® transaction processing solicitation will be released to the public on August 15, 2021. We estimate the follow-on contract to be awarded on September 1, 2022.

**4) We recommend that the Defense Logistics Agency–Energy Commander and the Military Departments’ AIR Card program officials update training and provide updated training to all users to:**

**Recommendation 4.a:** Reinforce the requirements in DLA Energy memo, "Authorized Users of the DLA Energy Fuel Cards," October 8, 2019.

DLA Comments: Partially concur. As previously discussed with the DoD OIG, DLA Energy AIR Card® Accountable Official training discusses this memorandum and authorized users are further indicated in policy documents. Since the AIR Card® is assigned to aircraft rather than individuals, DLA Energy does not have visibility over who is specifically using the Card at the time of fueling. Contractors utilizing the AIR Card® continues to be an issue and the Fuel Card Office will continue to reinforce usage allowances and advise, where applicable, that the Accountable Official and Component Program Managers should be providing refresher training or guidance within their components. The Fuel Card Office relies upon the Accountable Official and Component Program Managers to review transactions to ensure compliance and it is the responsibility of the Services to expand and detail this requirement within their own

## DLA Energy (cont'd)

supplemental policy and to adhere to Fuel Card Office policy. To reinforce our current policies and to further assist our customers, the Fuel Card Office will add verbiage to the P-8 document to strongly advise Component Program Managers provide refresher training and supplemental guidance on authorized users. The estimated completion date for this action is October 1, 2021.

**Recommendation 4.b:** Inform AIR Card® Officials of the guidance and responsibilities related to taxes.

DLA Comments: Partially Concur. To reinforce our current policies and to assist our customers, the Fuel Card Office will add language to the DLA Energy P-8 policy to strongly advise Component Program Managers to include guidance on responsibilities related to taxes in their supplemental AIR Card® policies. The estimated completion date for this action is October 1, 2021. In our view, the specific guidance should be addressed by Services in their own supplemental policies for managing their respective AIR Card® programs.

# Army



**DEPARTMENT OF THE ARMY**  
OFFICE OF THE DEPUTY CHIEF OF STAFF, G-4  
500 ARMY PENTAGON  
WASHINGTON, DC 20310-0500

DALO-SPT

03 June 2021

MEMORANDUM FOR The Office of the Inspector General, Department of Defense, 4800 Mark Center Drive, Alexandria, VA 22350-1500

SUBJECT: Official Army Position on Draft Report Recommendations for Audit of the Military Departments' Aviation Into-Plane Reimbursement (AIR) Card Purchases of Aviation Fuel and Non-Fuel Services

1. References:

- a. Army regulation (AR) 710-2, Supply Policy Below the National Level, 28 March 2006.
- b. Defense Logistics Agency-Energy (DLA-Energy), P-8, Fuel Card Program, 5 July 2017.
- c. DA Pamphlet (DA PAM 710-2-1), Using Unit Supply System (Manual Procedures), 1 December 2016.

2. The Office of the Deputy Chief of Staff, G-4 (ODCS, G-4) is providing the official Army position on the subject draft report (Project No. D2020-D000AX-0034.000).

3. The ODCS G-4 concurs with Recommendation 5 that ODCS G-4 direct the Component Program Manager (CPM) as follows:

a. Recommendation 5a: "Require program officials to reconcile fuel receipts for purchases made from non-contract merchants against the contract fuel price available at the location." Response: Concur. This requirement is specified in AR 710-2, paragraph 2-39a (6); DA PAM 710-2-1, chapter 9, paragraph 9-14; DA PAM 710-2-1, Chapter 11, paragraph 11-7e; and in DLA Energy P-8, Enclosure 9, Section 2, paragraph 6. ODCS G-4 ICW DLA-Energy will ensure that Army CPMs are aware of all recommendations made by DODIG to ensure compliance with the references in #1. This will be completed NLT 4<sup>th</sup> QTR FY 21.

b. Recommendation 5b: "Hold card users, accountable officials (AO), and certifying officials accountable for non-contract purchases that result in the waste of funds." Response: Concur. Dispute procedures are specified in DLA Energy P-8, Enclosure 3, section 2 and Enclosure 8 section 6, U.S. Government Aviation Into-Plane Reimbursement (AIR) Card Program. ODCS G-4 ICW DLA-Energy will ensure that Army CPMs are aware of all recommendations made by DODIG to ensure compliance with the references in #1. This will be completed NLT 4<sup>th</sup> QTR FY 21.

c. Recommendation 5c: "Review the Fiscal Year 2020 Fuel Capacity Report, determine the reasons capacity was exceeded, provide what actions they took to correct violations of policy, and describe the impact of the actions." Response: Concur, with comment. ODCS G-4 concurs with the recommended action to review Fuel Capacity Reports going forward. ICW DLA-Energy, the Army will take appropriate actions with the CPMs in regards to operating procedures with fuel capacity information entries being made by the user/AO into the Kropp

## Army (cont'd)

DALO-SPT

SUBJECT: Official Army Position on Draft Report Recommendations for Audit of the Military Departments' Aviation Into-Plane Reimbursement (AIR) Card Purchases of Aviation Fuel and Non-Fuel Services

Holding, Inc. (KHI) system. This is not an automatically generated field pulled from any authoritative document. Fuel capacity is not visible to the AO under the tail number/card number record, unless they pull an aircraft capacity report. DLA-Energy is aware of the need to pull fuel capacity data from an authoritative source. The ODCS G-4 will continue to coordinate with DLA-Energy to provide oversight of the KHI contract. ODCS G-4 will ensure DLA-Energy submits Strategic Sourcing reports to CPMs and ensure the validation of the review process going forward. ODCS G-4 ICW DLA-Energy will ensure that Army CPMs are aware of all recommendations made by DODIG to ensure compliance with the references in #1. This will be completed NLT 4<sup>th</sup> QTR FY 21.

d. Recommendation 5d: "Review all AIR Card accounts and correct inaccurate or incomplete fuel capacity information." Response: Concur. This is specified as an Accountable Official responsibility in DLA Energy P-8, Enclosure 2, Responsibilities and Enclosure 8, Dispute Procedures for Air Card, Sea Card, Swipe Sea Card and Fleet Card Programs. ODCS G-4 ICW DLA-Energy will ensure that Army CPMs are aware of all recommendations and CORs maintain auditability as recommended by DODIG to ensure compliance with the references in #1. This will be completed NLT 4<sup>th</sup> QTR FY 21.

e. Recommendation 5e: "Conduct monthly review of the report created to identify transactions at high risk of being unreasonable and ensure AIR Card officials dispute charges within the required timeframe." Response: Concur, with comment. ODCS G-4 will consult with DLA-Energy to define "unreasonable". As defined in DLA Energy P-8 and in DA PAM 710-2-1, Table B-4, P (3c), AOs are accountable to collect receipts, match to contractor (KHI) charges, and dispute if applicable. ODCS G-4 ICW DLA-Energy will ensure that Army CPMs are aware of all recommendations made by DODIG to ensure compliance with the references in #1. This will be completed NLT 4<sup>th</sup> QTR FY 21.

4. The point of contact is [REDACTED]

CHEATHAM, MARCUS A  
NTONIC [REDACTED]  
Marcus A. Cheatham  
Colonel, LG  
Division Chief, G-44S

## Navy



DEPARTMENT OF THE NAVY  
 NAVAL SUPPLY SYSTEMS COMMAND  
 5450 CARLISLE PIKE  
 MECHANICSBURG, PA 17050-2411

7500  
 Ser SUP 36/N0065

## MEMORANDUM

From: Director, DON Consolidated Card Program Management Division  
 To: Auditor, Department of Defense Office of Inspector General, Columbus Field Office

Subj: AUDIT OF THE MILITARY DEPARTMENTS' AVIATION INTO-PLANE  
 REIMBURSEMENT (AIR) CARD PURCHASES OF AVIATION FUEL AND  
 NON-FUEL SERVICES (PROJECT NO. D2020-D000AX-0034.000)

Ref: (a) DoD IG e-mail of 31 Mar 2021

1. Reference (a) requires DON Consolidated Card Program Management Division's (DON CCPMD) comments to Recommendation 6 of subject DoD IG project. Recommendation 6 states the following: We recommend that the Director of the Department of the Navy Consolidated Card Program Management Division direct the Component Program Manager to:

a. Require program officials to reconcile fuel receipts for purchases made from non-contract merchants against the contract fuel price available at the location.

DON CCPMD Response: Concur. DON CCPMD will run strategic source reports monthly and will inquire from AIR Card Approving Officials (AO) on non-contracted purchases.

b. Hold card users, accountable officials, and certifying officials accountable for non-contract purchases that result in the waste of funds.

DON CCPMD Response: Concur. However, AIR Cards are assigned to specific aircraft vice individual persons; thereby holding individuals who do not use DLA-E negotiated contracts financially accountable is non-achievable. To improve usage of the DLA-E negotiated contracts, DON CCPMD will provide guidance and education of preflight planning use of the AIR Card FBO locator.

c. Review the Fiscal Year 2020 Fuel Capacity Report, determine the reasons capacity was exceeded, provide what actions they took to correct violations of policy, and describe the impact of the actions.

DON CCPMD Response: Concur. However, many of the AIR Card profiles do not include the aircraft tank fuel capacity, as this was not a mandatory field in the past. Currently, new AIR Card aircraft application approvals have increased the mandatory fields, to include the aircraft fuel tank capacity requirement. DON CCPMD AIR Card personnel will review AIR Card profiles and update those profiles without fuel capacity requirements, but a review of all FY20 transactions is not practical given the number of

## Navy (cont'd)

Subj: AUDIT OF THE MILITARY DEPARTMENTS' AVIATION INTO-PLANE REIMBURSEMENT (AIR) CARD PURCHASES OF AVIATION FUEL AND NON-FUEL SERVICES (PROJECT NO. D2020-D000AX-0034.000)

transactions. DON CCPMD will run fuel capacity reports monthly and will inquire from AOs when reports exceed the aircraft amounts.

d. Review all AIR Card accounts and correct inaccurate or incomplete fuel capacity information.

DON CCPMD Response: Concur. DON CCPMD will begin to run fuel capacity monthly reports, and identify missing or inaccurate fuel capacities and correct when possible. A majority of the corrections are expected by the end of the 1st quarter of FY22 with an ongoing effort to maintain.

e. Review, at least monthly, the report created to identify transactions at high risk of being unreasonable and ensure AIR Card officials dispute charges within the required timeframe.

DON CCPMD Response: Concur. However, current DLA-E P-8 guidance does not include guidance on price reasonableness for the plethora of itemized costs. Flight crews lack the requisite skill sets and resources to be able to make timely price reasonableness determinations. Mission urgency and aircraft turnaround times make this task even more challenging. DON is recommending that DLA establish set standards to aid flight crews in making timely price reasonableness determinations. While our office may be able to run reports and see ancillary charges, there is no concrete guidance on how to make price reasonableness determinations. Charges vary based on location of the airport. Example of one account in one week incurred ramp fees for three (3) locations, as noted:

- Milwaukee, WI, USA- \$810.00
- Karachi, Pakistan- \$1560.00
- Cardiff, United Kingdom-\$1411.01

DON CCPMD will work with DLA-E to develop this guidance for the P-8 standards.

2. For any questions, or if additional information is required, please contact me at either [REDACTED] (work) or [REDACTED] (COVID-19 number) or via email at [REDACTED]

CURRY.TIMOTH [REDACTED]

TIMOTHY J. CURRY

Copy to:  
SUP 36

## Air Force



**DEPARTMENT OF THE AIR FORCE  
HEADQUARTERS UNITED STATES AIR FORCE  
WASHINGTON DC**

4 May 2021

## MEMORANDUM FOR DEPARTMENT OF DEFENSE INSPECTOR GENERAL

FROM: HQ USAF/A3  
1480 Air Force Pentagon Washington, DC  
20330-1480

SUBJECT: Air Force Response to DoD Office of Inspector General Draft (or Final) Report, Audit of the Military Departments' Aviation Into-Plane Reimbursement (AIR) Card Purchases of Aviation Fuel and Non-Fuel Services (Project No. D2020-D000AX-0034.000)

1. This is the Department of the Air Force response to the DoDIG Draft Report, Audit of the Military Departments' Aviation Into-Plane Reimbursement (AIR) Card Purchases of Aviation Fuel and Non-Fuel Services (Project No. D2020-D000AX-0034.000). The A3 partially concurs with the report as written and welcomes the opportunity to collaborate with DLA Energy and the DoD services to improve the AIR Card program, ensuring policy compliance at all AIR Card hierarchy levels.

2. The AF/A3 in coordination with SAF/AG will correct issues identified in this report, and develop and implement a corrective action plan outlined in the following recommendations:

**RECOMMENDATION 7.a.:** Require program officials to reconcile fuel receipts for purchases made from non-contract merchants against the contract fuel price available at the location.

**AIR FORCE RESPONSE:** The AF/A3 agrees with this recommendation. The AIR Card Component Program Manager will conduct a monthly review of the AIR Card System Strategic Sourcing Report to monitor non-contract fuel purchases made within range of a contracted location. The Component Program Manager will require the MAJCOM Agency Program Coordinators to obtain electronic copies of fuel receipts, contract fuel pricing and an explanation as to why the non-contract location was selected.

Completion date: 1 June 2021.

**RECOMMENDATION 7.b.:** Hold card users, accountable officials, and certifying officials accountable for non-contract purchases that result in the waste of funds.

**AIR FORCE RESPONSE:** The AF/A3 partially agrees with this recommendation, the accountability process must include additional stakeholders (wing commanders, AF MAJCOMS, and DLA Energy) actions before AF/A3 action is warranted. The AIR Card Component Program Manager will create controls outlined in recommendation 7.a. Exceptions to the rule will apply if base-level AIR Card account holders and card users can provide a satisfactory explanation as to why fuel was purchased at a non-contract location (e.g. mission diversion due

## Air Force (cont'd)

to weather, emergency conditions, documented issues with the contracted location). Non-satisfactory explanations will be elevated for wing commander to provide corrective action. MAJCOM Agency Program Managers will monitor responses and elevate negative trends through Headquarters Air Force leadership to consider account suspension. AIR Card account suspension will only be used after wing commanders' corrective action failed to provide resolution and elevated through Air Force senior leaders and DLA Energy for final approval.

Completion date: 1 June 2021.

**RECOMMENDATION 7.c.:** Review the Fiscal Year 2020 Fuel Capacity Report, determine the reasons capacity was exceeded, provide what actions program officials took to correct violations of policy, and describe the impact of the actions.

**AIR FORCE RESPONSE:** The AF/A3 partially agrees with this recommendation, the corrective process must include additional stakeholders (wing commanders, AF MAJCOMS, and DLA Energy) taking actions to generate an FY2020 Fuel Capacity Report for review. Analysis used to create the AIR Card System Fuel Capacity Report compares an aircraft's fuel capacity (gallons) uploaded in the AIR Card System against the amount of fuel (gallons) sold at point of sale. If the amount of gallons of fuel documented at point of sale exceed the amount of gallons against the aircraft's fuel capacity, the sale will appear on the Fuel Capacity Report. (E.g. F-15C fuel capacity is 2,022 gallons. F-15C fuel documented at point of sale equals 13,550 gallons will appear on the Fuel Capacity Report as the sale exceeds capacity.) The DoDIG auditors' review has determined that the fuel capacity report in the AIR Card System is inaccurate (refer to recommendation 7.d.). The DoDIG auditors have confirmed there is not an official FY20 Fuel Capacity Report available – AIR Card Component Program Managers are to create a current version either from the pre-formatted reports or ad hoc from the AIR Card System. A review of this report cannot be accomplished until the fuel capacity has been updated in the AIR Card System to ensure the Fuel Capacity Report is generating accurate data. Once the fuel capacity has been manually corrected within the AIR Card system, the Fuel Capacity Report will be sent through the MAJCOM Agency Program Coordinators (APCs) for base-level response. Upon receipt of base-level response, transactions will be documented and removed if they do not exceed the fuel capacity limitation due to external tanks or modifications. The fuel capacity increase identified will then be updated in the AIR Card System. Remaining transactions which exceed fuel capacity due to bundling or error will be coordinated with DLA Energy, MAJCOM APCs and base-level card holders to determine if they meet current policy to be disputed. In the case transactions are able to be disputed, the base-level card holders will be directed to dispute and the MAJCOM APCs and Component Program Manager will monitor until resolved.

Completion date: 31 December 2021.

**RECOMMENDATION 7.d.:** Review all AIR Card accounts and correct inaccurate or incomplete fuel capacity information.

**AIR FORCE RESPONSE:** The AF/A3 agrees with this recommendation. The AIR Card Component Program Manager has reviewed the fuel capacity information and is completing a list of recommended corrections. The DLA Energy contractor, Kropp Holdings, Inc. has agreed to upload all corrections against the individual AIR Cards in the AIR Card System. Once

## Air Force (cont'd)

updated, the AIR Card Component Program Manager will monitor the Fuel Capacity report and will update capacity accordingly, e.g. external tanks, modifications.

Completion date: 1 June 2021.

**RECOMMENDATION 7.e.:** Review, at least monthly, the report created to identify transactions at high risk of being unreasonable and ensure AIR Card officials dispute charges within the required timeframe.

**AIR FORCE RESPONSE:** The AF/A3 partially agrees with this recommendation, specific actions required of DLA Energy to enable this recommendation. In order for the AIR Card Component Program Manager to meet this recommendation, DLA Energy must comply with DoDIG recommendations 1.i., 2.c. and 2.d. The following has to occur in order for the services to comply: Modification of the AIR Card portion of the Kropp Holdings Inc. contract - allowing disputes based on price reasonableness and set controls to identify transactions at high risk of being unreasonable. DLA Energy development of guidance for AIR Card users and reviewing officials to use in determining price reasonableness for ancillary services and fees. Once DLA Energy has met these requirements, the AIR Card Component Program Manager can review monthly reports and monitor MAJCOM Agency Program Official coordination with AIR Card officials in disputing charges identified as unreasonable, until resolved.

Completion date: TBD based on DLA Energy response and time-line.

3. The AF/A3 point of contact is [REDACTED]  
or via email at [REDACTED]

  
RUSSELL L. MACK  
Major General, USAF  
Assistant DCS, Operations

### Attachments

1. DoDIG Draft Report, Audit of the Military Departments' Aviation Into-Plane Reimbursement (AIR) Card Purchases of Aviation Fuel and Non-Fuel Services (Project No. D2020-D000AX-0034.000)
2. DoDIG Draft and Final Report Instructions
3. Congressional Media Interest Items

## Acronyms and Abbreviations

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<b>ACS</b>	AIR Card System
<b>AIR</b>	Aviation Into-Plane Reimbursement
<b>AO</b>	Accountable Official
<b>APC</b>	Agency Program Coordinator
<b>CO</b>	Certifying Officer
<b>CPM</b>	Component Program Manager
<b>DLA</b>	Defense Logistics Agency
<b>FBO</b>	Fixed Base Operator
<b>FET</b>	Federal Excise Tax
<b>KHI</b>	Kropp Holdings Inc.
<b>PMO</b>	Program Management Office

# **Whistleblower Protection**

## **U.S. DEPARTMENT OF DEFENSE**

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