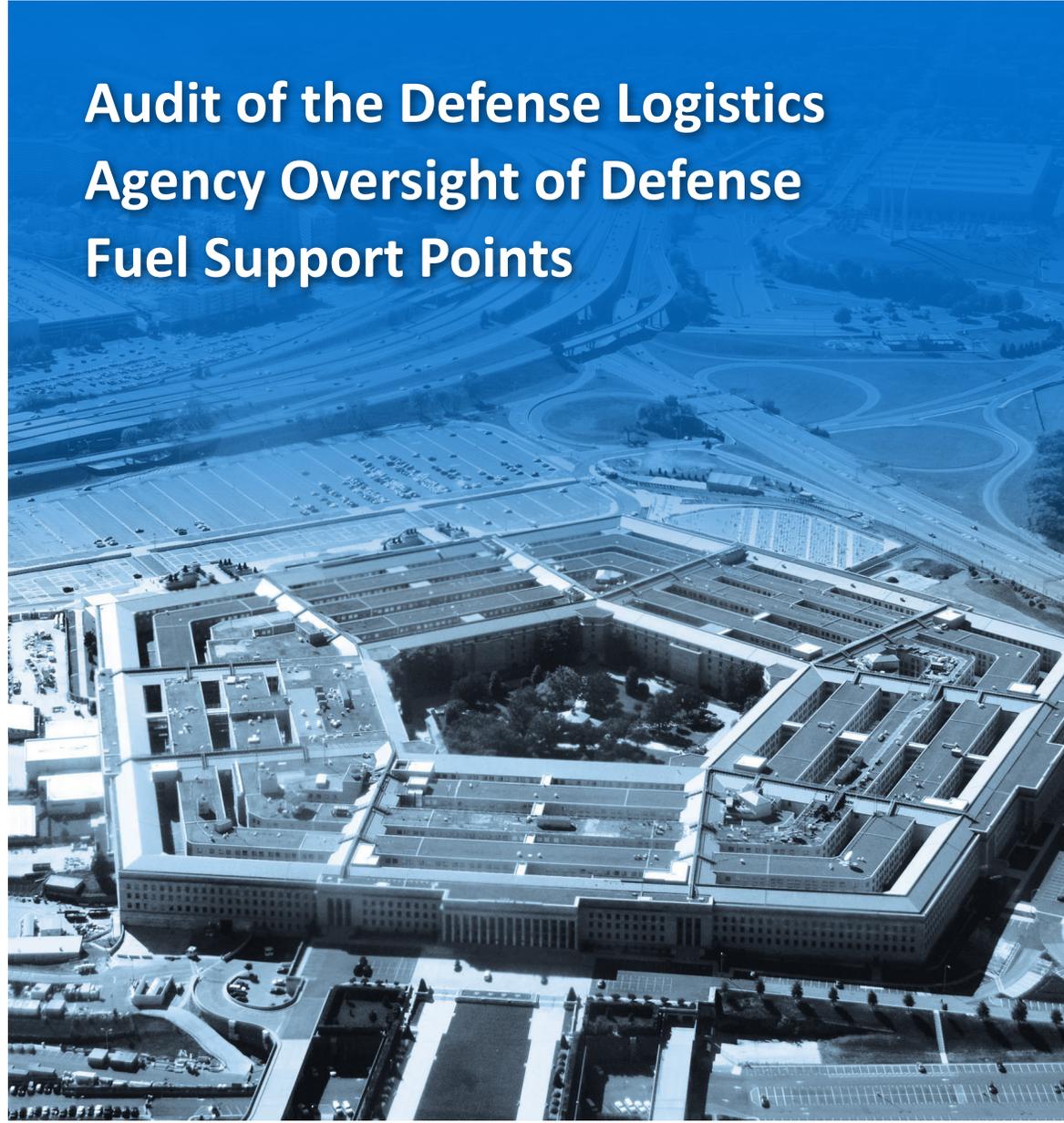


INSPECTOR GENERAL

U.S. Department of Defense

APRIL 11, 2024



Audit of the Defense Logistics Agency Oversight of Defense Fuel Support Points

INDEPENDENCE ★ INTEGRITY ★ EXCELLENCE ★ TRANSPARENCY





Results in Brief

Audit of the Defense Logistics Agency Oversight of Defense Fuel Support Points

April 11, 2024

Objective

The objective of this audit was to determine whether the Defense Logistics Agency (DLA) managed and oversaw Defense Fuel Support Points (DFSPs) in accordance with applicable policies related to the prevention of fuel leaks and spills.

Background

DFSPs are bulk fuel storage facilities that receive and store DLA-owned fuel and issue it to the Military Departments and Federal agencies. The DLA Director is responsible for providing oversight and ensuring the execution of the responsibilities and procedures for the management and accountability of bulk fuel. DLA Energy is the integrated materiel manager for energy commodities and related services.

Finding

DLA officials did not consistently manage or provide oversight of the DFSPs in accordance with DoD policies. DLA officials reviewed DFSP fuel gain or loss reports monthly, and DLA Energy assessed the need for and funded DFSP planning studies to identify and correct DFSP deficiencies. However, DLA officials did not perform or did not provide evidence that they performed required Staff Assistance Visits (SAVs) every 3 years to verify operating compliance and investigate causes of excessive fuel gains and losses at 540, or more than 91 percent, of 591 DFSPs. According to DLA Energy personnel, this occurred because coronavirus disease–2019 pandemic-related restrictions prevented DLA Energy regional office personnel from traveling to conduct the SAVs through most of FYs 2020 through 2022. Additionally, we determined that DLA

Finding (cont'd)

personnel did not implement an alternative to in-person SAVs during the pandemic. Finally, although DLA Energy personnel attributed the failure to meet the 3-year SAV requirement to the pandemic, we determined that the DLA did not establish a process to ensure that the DLA Energy regional offices performed required SAVs, and may not have had sufficient staff to perform SAVs at the required frequency.

Additionally, DLA officials did not oversee sustainment, restoration, and modernization (SRM) projects through required periodic site visits because DLA personnel relied on the contract quality assurance process to ensure adequate completion of SRM construction projects.

As a result of the DLA's lack of oversight, DFSPs are at an increased risk of fuel leaks and spills, which could endanger public health, harm natural resources, and lead to mission failure.

Recommendations

Among other recommendations, we recommend that the DLA Director:

- develop and implement an alternative to in-person SAVs when travel is impractical or impossible;
- perform a staffing study to determine whether each regional office is staffed to meet SAV requirements, and establish a process to monitor whether regional offices complete required SAVs; and
- develop and implement a plan to bring all DFSPs into compliance with the 3-year SAV requirement.

Management Comments and Our Response

The DLA Executive Director for Logistics and Policy Programs, responding for the DLA Director, agreed with all the recommendations. One recommendation is closed; the remaining recommendations are resolved but will remain open. We will close the recommendations when we verify that management has implemented corrective actions. Please see the Recommendations Table on the next page for the status of the recommendations.

Recommendations Table

Management	Recommendations Unresolved	Recommendations Resolved	Recommendations Closed
Director, Defense Logistics Agency	None	1.a, 1.b, 1.c, 1.d, 1.e, 1.g	1.f

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** – The DoD OIG verified that the agreed upon corrective actions were implemented.



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

April 11, 2024

MEMORANDUM FOR DIRECTOR, DEFENSE LOGISTICS AGENCY

SUBJECT: Audit of the Defense Logistics Agency Oversight of Defense Fuel Support Points
(Report No. DODIG-2024-075)

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.

The DLA Executive Director for Logistics and Policy Programs, responding for the DLA Director, agreed to address all the recommendations presented in the report. Management took action sufficient to address one of the recommendations in this report, and we consider that recommendation closed. We consider the remaining recommendations resolved and open. We will close the recommendations when you provide us documentation showing that all agreed-upon actions to implement the recommendations are completed. Therefore, please provide us within 90 days your response concerning specific actions in process or completed on the recommendations. Send your response to either followup@dodig.mil if unclassified or rfunet@dodig.smil.mil if classified SECRET.

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

FOR THE INSPECTOR GENERAL:

A handwritten signature in black ink, appearing to read "Carmen J. Malone", is positioned above the printed name.

Carmen J. Malone
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 Defense Logistics Agency (DLA) managed and oversaw Defense Fuel Support Points (DFSPs) in accordance with applicable policies related to the prevention of fuel leaks and spills. See the Appendix for our scope and methodology related to the objective.

Background

In November 2021, more than 19,000 gallons of jet fuel spilled from the Joint Base Pearl Harbor-Hickam DFSP in Hawaii. The spill contaminated a local aquifer shared by the Board of Water Supply and the Joint Base Pearl Harbor-Hickam Water System. The Joint Base Pearl Harbor-Hickam drinking water system serves approximately 93,000 people, and residents of Oahu receive approximately 25 percent of their drinking water from the shared aquifer. According to the Centers for Disease Control, thousands of military personnel, their family members, and local residents self-reported health symptoms after the incident. We initiated this audit to assess the DLA's compliance with DFSP oversight requirements at all DFSPs to help reduce risks of additional leaks and spills.

Defense Fuel Support Points

DFSPs are bulk fuel storage facilities that receive and store DLA-owned fuel and issue it to the Military Departments and Federal agencies using the Defense Working Capital Fund.¹ DFSPs range from small facilities that provide fuel to a single military installation to large wholesale facilities with millions of gallons of annual throughput to multiple installations. Figures 1 and 2 are examples of Military Department-owned DFSPs.

¹ DLA-owned fuel is sold to the Military Departments and Federal agencies using the Defense Working Capital Fund, which is a revolving fund that finances the buying and selling of goods and services, and provides cost visibility and accountability to facilitate business operations. Funds received by the DLA for fuel purchases go into the Defense Working Capital Fund DLA Energy Management Activity Group. The DLA funds fuel purchases and DFSP operations, repairs, and minor construction from the Energy Management Activity Group.

Management, Operation, and Oversight

DoD Instruction 4140.25 states that the DLA Director is responsible for providing oversight and ensuring the execution of the responsibilities and procedures for the management and accountability of bulk fuel.²

As the DLA's agent, DLA Energy is the integrated materiel manager for energy commodities and related services. DoD Manual 4140.25 provides overall guidance and direction for the management of bulk fuel, including the management and oversight of the DFSPs.³ DoD Manual 4140.25, Volume 6, states that DoD Components are responsible for managing and accounting for all fuel movements, accepting bulk fuel on behalf of the Government, and maintaining facilities to receive, store, and issue fuel.⁴ The Under Secretary of Defense for Acquisition and Sustainment is responsible for establishing policies, granting policy exceptions, and approving changes in responsibilities for management of energy commodities and related services.

According to DoD Manual 4140.25, Volume 8, DFSP oversight responsibilities include assessment of fuel storage tanks and leak detection systems.⁵ Other oversight responsibilities vary depending on the type of DFSP and who provides the funding for facilities and staffing. Table 1 summarizes the types of DFSPs.



Figure 1. DFSP Point Loma, California
Source: The U.S. Navy.



Figure 2. DFSP Fort Belvoir, Virginia
Source: The DoD OIG.

² DoD Instruction 4140.25, "DoD Management Policy for Energy Commodities and Related Services," June 25, 2015 (Incorporating Change 3, December 31, 2019).

³ DoD Manual 4140.25, Volumes 1-12, "DoD Management of Energy Commodities," March 2, 2018. The originating component for DoD Manual 4140.25 is the Under Secretary of Defense for Acquisition and Sustainment.

⁴ DoD Manual 4140.25, Volume 6, "DoD Management of Energy Commodities: Defense Fuel Support Point (DFSP) Management," March 2, 2018 (Incorporating Change 1, August 31, 2018).

⁵ DoD Manual 4140.25, Volume 8, "DoD Management of Energy Commodities: Energy Commodity Infrastructure Operations," March 2, 2018 (Incorporating Change 2, April 4, 2019).

Table 1. DFSP Types

DFSP Type	Description
Government-Owned, Government-Operated (GOGO) DFSP	
GOGO	The Military Departments or DLA own and operate the DFSP.
GOGO Foreign Government	A foreign government owns the DFSP; either foreign government or U.S. personnel operate the DFSP under a memorandum of understanding or terminal operating agreement.
Government-Owned, Contractor-Operated (GOCO) DFSP	
GOCO (D)	The Military Departments or DLA own the DFSP; a contractor operates the DFSP under a DLA contract.
GOCO (S)	The Military Departments own the DFSP; a contractor operates the DFSP under a Military Department contract.
GOCO Foreign Government	A foreign government owns the DFSP; a contractor operates the DFSP under a foreign government contract.
Contractor-Owned, Contractor-Operated (COCO) DFSP	
COCO	A contractor owns and operates the DFSP, which may or may not be located on a military installation. In addition, there may be pipeline and storage operating agreements and terminal operating and storage agreements.

Source: DoD Manual 4140.25, Volume 6.

According to DLA Energy, there were 591 DFSPs worldwide as of August 31, 2022. Table 2 summarizes the universe of DFSPs by Military Department or agency and DFSP type.

Table 2. DFSP Universe by Military Department or Agency and Type, as of August 31, 2022

Department or Agency	GOGO	GOCO (D)	GOCO (S)	COCO	Foreign Government	Pipeline	Navy Vessel	Total
Army	95	34	16	18	-	-	-	163
Navy	45	28	8	2	-	-	61	144
Air Force	105	61	29	1	3	-	-	199
DLA	3	5	-	29	14	34	-	85
Total	248	128	53	50	17	34	61	591

Note: Foreign Government DFSPs and Navy Vessels are GOGO and GOCO; Pipelines are COCO.

Source: DLA Energy.

DLA Roles and Responsibilities

The DLA is responsible for sourcing and providing nearly every consumable item the Military Departments use. Specifically, the DLA Director is responsible for providing oversight and ensuring the execution of the responsibilities and procedures for the management and accountability of DLA-owned energy commodities.⁶ Additionally, DoD Instruction 4140.25 requires the DLA Director to execute integrated materiel management responsibilities, which include accountability, quality assurance, and surveillance. DoD Manual 4140.25, Volume 6, establishes DLA Energy, a DLA major subordinate command, as the integrated materiel manager for energy commodities and related services.⁷ The DLA Energy regional offices are the direct points of contact between the DLA and the DFSPs.

DLA Energy is responsible for overseeing inventory accountability policy, processes, and controls for DFSP accounts, and for providing inventory procedures and compliance oversight of the DLA Energy regional offices with a focus on inventory management, accounting, timeliness, and trend analysis. Additionally, DoD Manual 4140.25, Volume 6, requires DLA Energy to conduct Staff Assistance Visits (SAVs) at DFSPs to help the DFSPs and the DLA maintain compliant operating processes and procedures, help investigate and identify causes of excessive fuel losses and gains, and identify unknown vulnerabilities that could contribute to fuel losses. DoD Manual 4140.25, Volume 8, requires the DLA to provide oversight of DFSP sustainment, restoration, and modernization (SRM) projects. The DLA funds SRM projects to maintain, repair, or improve real property facilities.⁸ The DLA is required to prioritize, plan, program, and execute SRM funding based on factors including life, health, and safety concerns; security deficiencies; environmental deficiencies; and the possibility of mission failure.

⁶ DLA-owned energy commodities include petroleum products such as jet fuels, aviation and automotive gasoline, and heating oil, in addition to coal, natural gas, electricity, alternative fuels, and missile fuels.

⁷ Integrated materiel management is a logistic concept where a single DoD Component has total management responsibility for supplying a specific product or group of related items to the DoD Components.

⁸ Real property facilities are buildings, structures, or linear structures that are constructed on or in the land that include in the basic record for the facility such items of equipment that are affixed and built into a facility as an integral part of that facility that facilitate the use of and are inclusive/intrinsic to the facility itself. This includes such items as control systems, heating, cooling, electrical, emergency lighting, utility connections, stairs, ramps, and passageways.

Scope

We requested planning study and SAV documentation for the entire universe of DFSPs to determine whether the DLA complied with the planning study and SAV requirements. Additionally, we nonstatistically selected five DFSPs to visit to assess whether the DLA complied with oversight requirements for inventory control, SAVs, and the SRM program from FYs 2020 through 2022, and to obtain an understanding of the management and operation of each DFSP type. Table 3 shows the DFSPs we visited during the audit.

Table 3. DFSPs Visited

DFSP	Classification	DLA Energy Regional Office	Military Department
DFSP Fort Belvoir	GOGO	Americas East	Army
DFSP Naval Base Kitsap – Bangor	GOCO (S)	Americas West	Navy
DFSP Point Loma	GOGO	Americas West	Navy
DFSP Maxwell Air Force Base	GOCO (D)	Americas East	Air Force
DFSP MacDill Air Force Base	GOGO	Americas East	Air Force

Source: The DoD OIG.

Finding

DLA Officials Did Not Consistently Provide Required Oversight of Defense Fuel Support Points

DLA officials did not consistently manage or provide oversight of the DFSPs in accordance with DoD policies. DLA officials reviewed DFSP fuel gain or loss reports monthly at the five sites visited and assessed the need for and funded planning studies in accordance with DoD guidance. However, DLA officials did not perform or did not provide evidence that they performed required SAVs every 3 years at 540, or more than 91 percent, of the 591 DFSPs because, according to DLA Energy personnel, coronavirus disease-2019 (COVID-19) pandemic-related restrictions prevented DLA Energy regional office personnel from traveling to conduct the SAVs for most of FYs 2020 through 2022. In addition, the DLA did not implement an alternative to in-person SAVs during the pandemic. Although DLA Energy personnel attributed the failure to meet the 3-year SAV requirement to the pandemic, we determined that the DLA did not establish a process to ensure that the DLA Energy regional offices performed required SAVs, and may not have had sufficient staff to perform SAVs at the required frequency.

Additionally, DLA officials did not oversee SRM projects through required periodic site visits because DLA personnel relied on the contract quality assurance process to ensure adequate completion of SRM projects.

As a result of the DLA's lack of oversight, DFSPs are at an increased risk of fuel leaks and spills, which could endanger public health, harm natural resources, and lead to mission failure.

DLA Energy Reviewed DFSP Fuel Gain or Loss Reports Monthly at Selected DFSPs

DLA Energy regional offices reviewed DFSP fuel gain or loss reports monthly as required by DoD guidance. DoD Manual 4140.25, Volume 6, states that the DLA Energy regional offices are responsible for monitoring the physical operation of the DFSP, including daily inventory processing, account reconciliations, and transportation discrepancies. DLA Energy personnel provided monthly reports from FYs 2020 through 2022 for the five DFSP sites we visited that showed DLA Energy regional office reviewed fuel gains and losses. DLA Energy is required to review the monthly reports and monitor trends when any DFSP

DLA Energy regional offices reviewed DFSP fuel gain or loss reports monthly as required by DoD guidance.

has 3 consecutive months of excessive fuel gains or losses.⁹ The monthly reports provided showed that three of five DFSPs we visited incurred at least 3 consecutive months of excessive fuel gains. The DLA Energy regional offices issued written notices to the three DFSPs as required and continued to monitor for corrective actions. DLA Energy determined that the reported gains occurred while accounting for tank-to-tank transfers and receipts of fuel and required monitoring only. None of the DFSPs we visited had 3 consecutive months of reportable losses from FYs 2020 through 2022.

DLA Energy Assessed the Need for and Funded DFSP Planning Studies

DLA Energy coordinated with the Military Departments to assess the need for planning studies as required by DoD Manual 4140.25, Volume 8, and funded planning studies for the DFSPs selected. Planning studies are comprehensive facility-wide assessments of Military Department-owned DFSPs to identify and document deficiencies to be corrected to bring the DFSP into compliance with Military Department mission requirements, operational standards, and regulatory requirements. The manual requires DLA Energy and the Military Departments to assess the DFSPs on a 5-year cycle to determine which locations require planning studies. The DLA provided evidence that planning study assessments were performed in coordination with the Army, Air Force, and Navy as required by DoD Manual 4140.25. In response to our request for planning study assessments and reports for the 429 Military Department-owned DFSPs, DLA Energy provided planning study reports for 48 DFSPs, and provided evidence that they worked with the Military Departments to assess and prioritize DFSP planning studies.

DLA Energy Regional Offices Did Not Conduct Required Staff Assistance Visits

DLA Energy regional office personnel did not perform or did not provide evidence that they performed required SAVs every 3 years at 540, or more than 91 percent, of 591 DFSPs. We requested the most recent SAV report for 591 DFSPs and received reports dated from June 2011 through

DLA Energy regional office personnel did not perform or did not provide evidence that they performed required SAVs every 3 years at 540, or more than 91 percent, of 591 DFSPs.

March 2023. Table 4 shows the results of our DFSP SAV analysis. The DLA is required to: (1) conduct SAVs to determine whether DFSP operators comply with

⁹ Daily fluctuations in tank levels are normal; excessive is defined by each DFSP. Excessive fuel losses may indicate an undetected leak.

processes and procedures, (2) help investigate and identify causes of excessive fuel gains and losses and (3) identify unknown vulnerabilities that could result in fuel losses. DoD Manual 4140.25, Volume 6, states that each DLA Energy regional office commander is required to establish a regional DFSP SAV program and provide oversight of the program. The DLA Energy regional offices are required to ensure 100-percent SAV coverage of every DFSP at least once every 3 years in coordination with the Military Departments.

Table 4. Staff Assistance Visit Analysis

Staff Assistance Visit Analysis	
SAV report not provided	486
SAV report provided; SAV date could not be determined	1
SAV last performed before FY 2020	53
SAV not required because DFSP was new	1
SAV conducted from FY 2020 through March 2023	50
Total Universe of DFSPs	591

Source: The DoD OIG.

DLA Energy personnel stated that DLA Energy regional office personnel did not perform required SAVs in FYs 2020 through 2022 because the COVID-19 pandemic prevented staff from traveling to conduct the SAVs for most of that period. DLA Energy personnel stated that they continued telephonic and video meetings between DLA Energy, the regions, and the DFSPs during the pandemic. According to DoD Instruction 4140.25, the Under Secretary of Defense for Acquisition and Sustainment is responsible for granting DFSP policy exceptions; DLA personnel did not provide a document or policy update waiving the SAV requirement during the pandemic. DLA Energy personnel also stated that the regional offices conducted risk assessments and prioritized SAVs for the higher-risk sites. However, DLA personnel could not provide any written policy or guidance exempting DFSPs from the SAV requirement based on risk. Finally, we determined that although DLA Energy personnel could not travel to conduct SAVs during the COVID-19 pandemic, DLA Energy did not develop or implement an alternative to in-person SAVs. DLA Energy personnel stated that they did not implement an alternative to in-person SAVs because they did not know how long the pandemic would last. The DLA Director should develop and implement an alternative to in-person SAVs when travel to the DFSP is impractical or impossible.

DLA Energy Americas East region personnel stated that the office did not have the staff to conduct SAVs at every DFSP in a 3-year period and could conduct SAVs at only 10 percent of DFSPs each year. Therefore, the staff prioritized a SAV schedule internally. However, DLA Energy personnel stated that it appeared that the Americas East region did not have sufficient personnel to conduct SAVs within the required 3-year period but acknowledged that DLA Energy did not have control over how the regional commanders used their staff. We concluded that DLA Energy was unaware of whether the regional offices were sufficiently staffed to meet the SAV requirements. The DLA Director should perform a staffing study to determine whether each DLA Energy regional office is sufficiently staffed to meet DFSP SAV requirements and take appropriate action to address any staffing shortages.

We concluded that DLA Energy was unaware of whether the regional offices were sufficiently staffed to meet the SAV requirements.

DLA and DLA Energy personnel did not develop a process to ensure DLA Energy regional offices performed required SAVs. DLA Energy personnel stated that there was no requirement to do so. However, DoD Manual 4140.25, Volume 6, requires DLA Energy to establish a SAV program and ensure compliance with the manual. DLA Energy personnel stated that while they had the ability to monitor the performance of SAVs across every region using an internal database, they did not track the requirement; DLA Energy relied on the regional offices to schedule and perform SAVs. Although DLA Energy personnel attributed the failure to meet the 3-year SAV requirement to the COVID-19 pandemic, we determined that DLA Energy regional office personnel last performed some SAVs in 2011, at least 9 years before the scope of our review. DLA Energy personnel further stated that each DLA Energy regional office prioritized SAVs based on risk assessments that the regional offices conducted, and that there is no direct line reporting requirement for the regions to report SAV status or for the DLA Director or DLA Energy to monitor SAV compliance. Therefore, the DLA Director should establish a process to monitor whether the DLA Energy regional offices complete the required SAVs. The DLA Director should also develop and implement a plan to bring all DFSPs into compliance with the 3-year SAV requirement and develop and implement a plan to ensure compliance going forward.

DLA Energy Personnel Performed Some Oversight of SRM Projects but Did Not Perform Required Site Visits

DLA Energy personnel did not perform required periodic site visits for SRM projects at the five sites we visited. DoD Manual 4140.25, Volume 8, requires that DLA Energy perform periodic site visits and review project execution metrics for SRM

projects. DLA Energy personnel provided status reports on project execution for four of the five sites we visited as evidence of project execution oversight.¹⁰ However, DLA Energy personnel did not perform the required site visits because, according to DLA Energy personnel, although the DLA funds the contracts for SRM projects, the DLA relies on the contract quality assurance and oversight processes to ensure adequate completion of SRM projects. DLA Energy SRM procedures include identifying and ranking infrastructure deficiencies and providing funding directly to an installation or one of the Military Department construction agents for execution of SRM contracts.¹¹ DLA Energy does not issue SRM contracts or execute SRM projects. Additionally, DLA Energy personnel stated that they do not have the staff to visit and oversee every SRM project, and do not have the expertise to monitor military construction projects. Although DoD Manual 4140.25, Volume 8, states that the Military Departments are responsible for contract oversight and quality control, it also states that the DLA is responsible for SRM project oversight through site visits and review of execution metrics. Therefore, the DLA Director should coordinate with the Under Secretary of Defense for Acquisition and Sustainment to determine whether the DFSP SRM periodic site visit requirement should be removed from DoD Manual 4140.25, Volume 8. If the requirement is still necessary, the DLA Director should establish a process to ensure that DLA Energy conducts required DFSP SRM periodic site visits.

DFSPs Are at Increased Risk of Leaks and Spills

The DLA did not provide appropriate oversight of DFSPs as required by DoD Manual 4140.25, which increased the risk of additional fuel leaks and spills. DLA Energy regional office personnel did not perform or did not provide evidence that they performed SAVs at 540, or more than 91 percent, of the 591 DFSPs as required by DoD Manual 4140.25, Volume 6. Furthermore, DLA personnel did not provide a written policy or guidance exempting DFSPs from the SAV requirement.

One intent of SAVs is to help the DLA and DFSP identify unknown vulnerabilities that could contribute to fuel losses. According to the DLA, there were 172 fuel spills at DFSPs from FYs 2020 through 2022; DLA officials

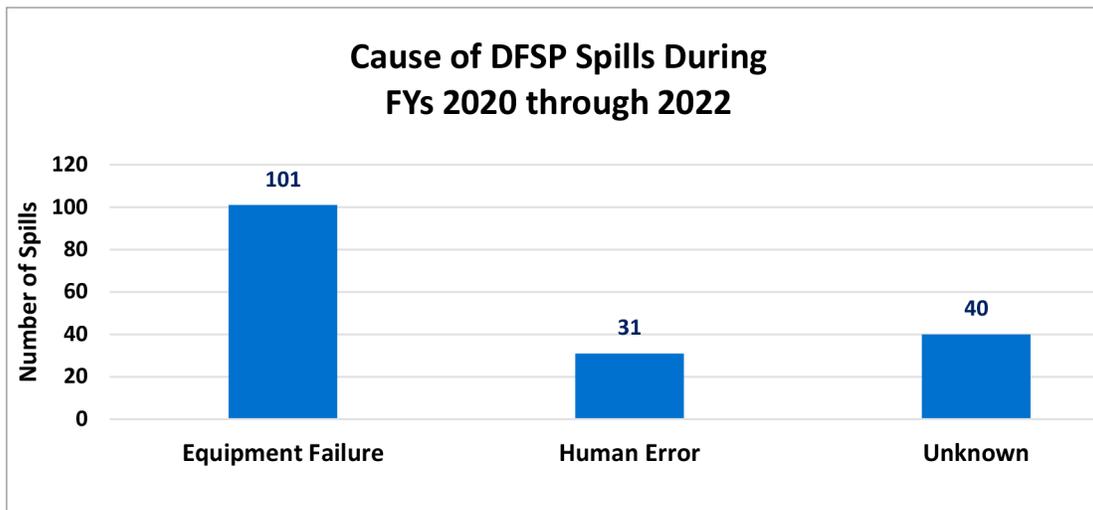
According to the DLA, there were 172 fuel spills at DFSPs from FYs 2020 through 2022.

did not perform or provide evidence that they performed SAVs at 87 percent of the DFSPs that reported those spills. The DLA reported that 101 of the spills were due to equipment failure, including the largest spill of 136,000 gallons. Figure 3 illustrates the causes of DFSP spills according to the DLA.

¹⁰ Fort Belvoir did not have any DFSP SRM projects from FYs 2020 through 2022.

¹¹ The Military Department construction agents are the U.S. Army Corps of Engineers, Air Force Civil Engineer Center, and Naval Facilities Engineering Systems Command.

Figure 3. Cause of DFSP Spills



Source: The DoD OIG.

Additionally, DLA Energy personnel stated that the DLA did not oversee and did not perform periodic site visits for SRM projects. Without required oversight under the SRM program, DLA Energy cannot be assured that DFSPs are identifying, prioritizing, and performing SRM projects to address life, health, and safety concerns, security and environmental deficiencies, and risk of mission failure. These deficiencies increase the risk of leaks and spills.

Recommendations, Management Comments, and Our Response

Recommendation 1

We recommend that the Defense Logistics Agency Director:

- a. **Develop and implement an alternative to in-person staff assistance visits when travel to the Defense Fuel Support Point is impractical or impossible.**

Defense Logistics Agency Comments

The DLA Executive Director for Logistics and Policy Programs, responding for the DLA Director, agreed with the recommendation, stating that DLA Energy will update DLA Energy P-43, “Petroleum Products Inventory Oversight, Reconciliation, and Management,” to clarify the oversight requirements during periods when travel is impractical or impossible, including conditions or circumstances when the visits can be conducted virtually. Additionally, the Executive Director stated that

DLA Energy will coordinate with the Under Secretary of Defense for Acquisition and Sustainment to update site visit requirements in DoD Manual 4140.25, Volume 6. The Executive Director estimated completion by March 14, 2025.

Our Response

Comments from the Executive Director addressed the recommendation; therefore, the recommendation is resolved but will remain open. We will close the recommendation when the DLA provides the updated guidance for site visit requirements.

- b. Perform a staffing study to determine whether each Defense Logistics Agency Energy regional office is sufficiently staffed to meet Defense Fuel Support Point staff assistance visit requirements and take appropriate action to address any staffing shortages.**

Defense Logistics Agency Comments

The DLA Executive Director for Logistics and Policy Programs, responding for the DLA Director, agreed with the intent of the recommendation, stating that DLA Energy has already directed a staffing review across the entire organization to identify shortfalls or determine whether resources need to be realigned to identify staffing gaps. Additionally, the Executive Director stated that DLA Energy is executing several information sharing forums to address current barriers impacting site visits. The Executive Director estimated completion by December 1, 2025.

Our Response

Comments from the Executive Director addressed the recommendation; therefore, the recommendation is resolved but will remain open. We will close the recommendation when the DLA provides documentation demonstrating that it conducted the staffing study and took appropriate action to address shortages related to performing staff assistance visits.

- c. Establish a process to monitor whether the Defense Logistics Agency Energy regional offices complete required staff assistance visits.**

Defense Logistics Agency Comments

The DLA Executive Director for Logistics and Policy Programs, responding for the DLA Director, agreed with the recommendation, stating that the ability is available to track and monitor the execution of site visits. The Executive Director stated that DLA Energy is developing metrics to measure execution of the 3-year SAV requirement. The Executive Director estimated completion by September 16, 2025.

Our Response

Comments from the Executive Director addressed the recommendation; therefore, the recommendation is resolved but will remain open. We will close the recommendation when the DLA provides documentation that demonstrates that it has developed performance metrics and started tracking compliance with the 3-year SAV requirement.

- d. Develop and implement a plan to bring all Defense Fuel Support Points into compliance with the 3-year staff assistance visit requirement.**

Defense Logistics Agency Comments

The DLA Executive Director for Logistics and Policy Programs, responding for the DLA Director, agreed with the recommendation, stating that the DLA will develop and implement a plan to ensure compliance with the 3-year SAV requirement. The Executive Director estimated completion by April 30, 2026.

Our Response

Comments from the Executive Director addressed the recommendation; therefore, the recommendation is resolved but will remain open. We will close the recommendation when the DLA provides the plan to bring all DFSPs into compliance with the 3-year SAV requirement.

- e. Develop and implement a plan to ensure compliance with the 3-year staff assistance visit requirement going forward.**

Defense Logistics Agency Comments

The DLA Executive Director for Logistics and Policy Programs, responding for the DLA Director, agreed with the recommendation, stating that the DLA will develop and implement a plan to ensure compliance with the 3-year SAV requirement. The Executive Director estimated completion by April 30, 2026.

Our Response

Comments from the Executive Director addressed the recommendation; therefore, the recommendation is resolved but will remain open. We will close the recommendation when the DLA provides the plan to ensure compliance with the 3-year SAV requirement going forward.

- f. **Coordinate with the Under Secretary of Defense for Acquisition and Sustainment to determine whether the Defense Fuel Support Point sustainment, restoration, and modernization periodic site visit requirement should be removed from DoD Manual 4140.25, Volume 8, “DoD Management of Energy Commodities: Energy Commodity Infrastructure Operations,” March 2, 2018 (Incorporating Change 2, April 4, 2019).**

Defense Logistics Agency Comments

The DLA Executive Director for Logistics and Policy Programs, responding for the DLA Director, agreed with the recommendation, stating that the DLA agrees that periodic site visits are required as stated in DoD Manual 4140.25, Volume 8.

Our Response

Comments from the Executive Director met the intent of the recommendation; therefore, the recommendation is closed. The Executive Director’s comments affirmed that the DLA position is that periodic site visits for SRM projects are required. Therefore, coordination with the Under Secretary of Defense for Acquisition and Sustainment is not necessary to resolve the recommendation.

- g. **If the requirement in Recommendation 1.f. is still necessary, establish a process to ensure that the Defense Logistics Agency Energy conducts required Defense Fuel Support Point sustainment, restoration, and modernization periodic site visits.**

Defense Logistics Agency Comments

The DLA Executive Director for Logistics and Policy Programs, responding for the DLA Director, agreed with the recommendation, stating that the periodic site visit requirement for SRM projects remains necessary and that the DLA will develop a 5-year plan to ensure visits to all DFSPs holding DLA fuel. The Executive Director stated that the plan will mainly focus on locations with active SRM projects but will also ensure all sites are visited within the 5 years. The Executive Director also stated that the DLA will reassess this plan annually and track progress quarterly. The Executive Director estimated completion by April 30, 2026.

Our Response

Comments from the Executive Director addressed the recommendation; therefore, the recommendation is resolved but will remain open. We will close the recommendation when the DLA provides the 5-year plan to perform periodic site visits to all locations with SRM projects.

Appendix

Scope and Methodology

We conducted this performance audit from July 2022 through February 2024 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. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We reviewed DoD criteria for the operation, management, and oversight of DFSPs. We held teleconferences and in-person meetings with the DLA to communicate our objectives, scope, and methodology, and to obtain information related to the objective. We requested planning study and SAV reports for all 591 DoD DFSPs. We met with personnel from the DLA, including DLA Energy and the DLA Energy regional offices. We also met with representatives from the Military Departments as well as a representative from Office of the Under Secretary of Defense for Acquisition and Sustainment. We nonstatistically selected five of the 591 DFSPs to visit to assess whether the DLA met its oversight responsibilities for inventory control, SAVs, and the SRM program, and to obtain an understanding of the management and operation of each DFSP type.

We requested information from DLA Energy and DFSP facility personnel to determine the DLA's compliance with DFSP oversight from FYs 2020 through 2022. For the sites selected, we requested information from the DLA and the sites to determine whether the DLA:

- performed SAVs and noted deficiencies every 3 years at selected DFSP locations;
- provided oversight of all SRM projects by reviewing project execution metric reports and conducting periodic site visits of the SRM projects; and
- reviewed inventory gain and loss reports.

We traveled to the selected sites to discuss DFSP operations and tour the DFSPs. We requested and received information to validate the responses we received from DLA Energy for each site.

Internal Control Assessment and Compliance

We assessed internal controls and compliance with laws and regulations necessary to satisfy the audit objective. In particular, we assessed the DLA's compliance with DFSP oversight requirements in DoD Manual 4140.25. However, because our review was limited to these internal control components and underlying principles, it may not have disclosed all internal control deficiencies that may have existed at the time of this audit.

Use of Computer-Processed Data

We did not rely on computer-processed data for the findings and conclusions of this audit.

Prior Coverage

No prior coverage has been conducted on DLA oversight and management of DFSPs during the last 5 years.

Management Comments

Defense Logistics Agency



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

March 14, 2024

MEMORANDUM FOR DEPARTMENT OF DEFENSE INSPECTOR GENERAL
(AUDIT CYBERSPACE OPERATIONS & ACQUISITION
CONTRACTING, AND SUSTAINMENT)

SUBJECT: Response to Department of Defense (DoD) Office of Inspector General (OIG) Draft Report on The Audit of the Defense Logistics Agency Oversight of Defense Fuel Support Points (Project No. D2022-D000AW-0157.000)

The Defense Logistics Agency (DLA) has reviewed this draft audit report and concurs with the findings and recommendations as presented. A copy of the agency's specific response to each of the recommendations is attached.

The point of contact for this audit is [REDACTED], DLA Office of the Inspector General, [REDACTED], DSN [REDACTED], or email [REDACTED]

VOGELER.EMILY Digitally signed by
VOGELER.EMILY.L. [REDACTED]

.L. [REDACTED]
EMILY L. VOGELER
Executive Director
Logistics Policy and Programs

Attachments
DLA Energy Response to Report Recommendations
DLA Energy Deputy Commander Concurrence Memo

Defense Logistics Agency (cont'd)

DOD OIG DRAFT REPORT DATED FEBRUARY 12, 2024,
AUDIT OF DLA OVERSIGHT OF DEFENSE FUEL SUPPORT POINTS
(Project No. D2022-D000AW-0157.000)

DEFENSE LOGISTICS AGENCY'S RESPONSE TO THE DOD OIG RECOMMENDATIONS

RECOMMENDATION 1: We recommend that the Director of Defense Logistics Agency:

RECOMMENDATION 1.a: Develop and implement an alternative to in-person staff assistance visits when travel to the Defense Fuel Support Point is impractical or impossible.

DLA Energy Comments: AGREE WITH RECOMMENDATION. DLA Energy agrees with the need to articulate conditions related to alternative site visit procedures when travel to the Defense Fuel Support Point is impractical or not possible for extended periods such as, during a pandemic. To address the recommendation, DLA Energy will update DLA Energy P-43, Petroleum Products Inventory Oversight, Reconciliation, and Management to clarify the requirement of oversight of inventory at the DFSPs during such periods of impracticability or impossibility, to include the conditions or circumstances under which such visits can be conducted through virtual means. Additionally, DLA Energy will coordinate with the Under Secretary of Defense for Acquisition and Sustainment to make appropriate updates to the site visit requirement, conditions, and applicability into DoDM 4140.25, Volume 6. **Estimated completion date: March 14, 2025**

RECOMMENDATION 1.b: Perform a staffing study to determine whether each Defense Logistics Agency Energy regional office is sufficiently staffed to meet Defense Fuel Support Point staff assistance visit requirements and take appropriate action to address any staffing shortages.

DLA Energy Comments: AGREE WITH THE INTENT. DLA Energy leadership has already directed a staffing review across the entire organization. This review will initially focus on the overall manning across all of DLA Energy, followed by a region by region focus. The results will identify either an overall shortfall exists or if resources need to be realigned to identify specific staffing gaps. Additionally, DLA Energy is currently executing several information sharing forums focused on ensuring a common understand on the importance of the site visits, including purpose and intent. The information sharing will also address current barriers impacting site visits to include developing and executing risk mitigation solutions. **Estimated completion date: December 1, 2025**

RECOMMENDATION 1.c: Establish a process to monitor whether the Defense Logistics Agency Energy regional offices complete required staff assistance visits.

DLA Energy Comments: AGREE WITH THE RECOMMENDATION. The ability to track and monitor the execution of Inventory Site Visits performed by DLA Energy Region offices at all DFSPs is available. Finalization of the tracking and associated metrics to measure performance of execution of 3-year requirement are being developed. **Estimated completion date: September 16, 2025.**

Defense Logistics Agency (cont'd)

RECOMMENDATION 1.d: Develop and implement a plan to bring all Defense Fuel Support Points into compliance with the 3-year staff assistance visit requirement.

RECOMMENDATION 1.e: Develop and implement a plan to ensure compliance with the 3-year staff assistance visit requirement going forward.

DLA Energy Comments: AGREE WITH A SINGLE RECOMMENDATION INCLUSIVE OF BOTH 1.d and 1.e. DLA Energy agrees with recommendations for development and implementation of a plan to execute staff assistance visits to all DFSPs every 3 years. The plan will also include a plan for oversight to ensure compliance with the requirement to execute staff assistance visits on the 3-year cycle. **Estimated completion: April 30, 2026**

RECOMMENDATION 1.f: Coordinate with the Under Secretary of Defense for Acquisition and Sustainment to determine whether the Defense Fuel Support Point sustainment, restoration, and modernization periodic site visit requirement should be removed from DoD Manual 4140.25, Volume 8, "DoD Management of Energy Commodities: Energy Commodity Infrastructure Operations," March 2, 2018 (Incorporating Change 2, April 4, 2019).

DLA Energy Comments: AGREE WITH RECOMMENDATION. DLA agrees that periodic site visits are required. DLA has been working with the U.S. Army Corps of Engineers Research Development Center – Construction Engineering Research Laboratory (ERDC-CERL) to establish an Enterprise Sustainment Management System (ESMS) module in accordance with the OUSD (AT&L) Memorandum on Standardizing Facility Condition Assessments dated September 10, 2013. **Estimated Authority to Operate Date: January 31, 2025**

RECOMMENDATION 1.g: If the requirement in Recommendation 1.f. is still necessary, establish a process to ensure that the Defense Logistics Agency Energy conducts required Defense Fuel Support Point sustainment, restoration, and modernization periodic site visits.

DLA Energy Comments: AGREE WITH RECOMMENDATION. The requirement is still necessary. DLA plans to comply with the OUSD Standardizing Facility Condition Assessments Memorandum and will develop a 5-year plan designed to ensure we visit all Defense Fuel Supply Points holding DLA fuel. DLA will reassess this plan annually and track progress quarterly. The plan will mainly focus on locations with active SRM projects but will also ensure all sites are visited within the 5 years. The condition data of each asset shall undergo a comprehensive validation on no less than a 5-year cycle at minimum (an average of 20% of installation assets should be reviewed annually). **Estimated Completion Date: April 30, 2026**

Acronyms and Abbreviations

COCO	Contractor-Owned, Contractor-Operated
COVID-19	Coronavirus Disease–2019
DFSP	Defense Fuel Support Point
DLA	Defense Logistics Agency
GOCO	Government-Owned, Contractor-Operated
GOGO	Government-Owned, Government-Operated
SAV	Staff Assistance Visit
SRM	Sustainment, Restoration, and Modernization

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