



Department of Energy
Washington, DC 20585

February 10, 2026

**MEMORANDUM FOR THE CONTRACTING OFFICER, STRATEGIC PETROLEUM
RESERVE PROJECT OFFICE**

SUBJECT: Audit Report: *Fluor Federal Petroleum Operations, LLC's Costs Incurred and Claimed for Fiscal Years 2022 and 2023 Under Contract No. DE-FE0011020*

The Office of Inspector General contracted with the Defense Contract Audit Agency (DCAA) to audit Fluor Federal Petroleum Operations, LLC's (FFPO) costs incurred and claimed for fiscal years 2022 and 2023, under management and operating contract No. DE-FE0011020, to determine if costs charged were allowable, allocable, and reasonable in accordance with applicable laws, regulations, and contract terms. The DCAA performed the audit in accordance with generally accepted government auditing standards.

The DCAA identified three audit findings and questioned over \$2.5 million in direct costs. Specifically, it questioned: (1) direct labor costs associated with unallowable recruitment costs for a seconded employee, unreasonable labor costs, and overtime premiums unallowable per contract terms; (2) travel costs associated with relocation and per diem expenses; and (3) other direct costs associated with home office expenses that were unallowable per contract terms. In addition to the questioned costs noted, the DCAA reported two scope limitations, which prevented it from determining whether certain subcontract costs were fair and reasonable.

The DCAA is responsible for the attached audit report dated September 30, 2025, and the conclusions expressed therein. The Office of Inspector General did not express an independent opinion on FFPO's fiscal year 2022 and fiscal year 2023 Final Indirect Cost Rate Proposals.

FFPO management provided comments, which are included in the report. However, pursuant to Public Law 117-263, Section 5274, the contractor has 30 days from the date of publication of this report on our website to submit an optional written response to OIG.Reports@hq.doe.gov for the purpose of clarifying or providing additional context to any specific reference. The response will be posted on our public website. If the response contains any classified or other nonpublic information, the response should clearly identify the portions that need to be redacted and should provide a legal basis for the proposed redactions.

We appreciated the cooperation of your staff during the audit.

A handwritten signature in blue ink, appearing to read 'MDD', with a long horizontal stroke extending to the right.

Matthew D. Dove
Assistant Inspector General
for Audits
Office of Inspector General

cc: Deputy Secretary
Chief of Staff

DOE OIG HIGHLIGHTS

Fluor Federal Petroleum Operations, LLC's Costs Incurred and Claimed for Fiscal Years 2022 and 2023 Under Contract No. DE-FE0011020

Why The Audit Was Performed

This audit was performed by the Defense Contract Audit Agency (DCAA) on behalf of the Department of Energy's Office of Inspector General and examined Fluor Federal Petroleum Operations, LLC's (FFPO) costs incurred and claimed for fiscal years 2022 and 2023 under management and operating contract No. DE-FE0011020.

The audit's objective was to determine if costs charged to Department Contract No. DE-FE0011010 for fiscal years 2022 and 2023 were allowable, allocable, and reasonable in accordance with applicable laws, regulations, and contract terms.

The DCAA performed the audit in accordance with generally accepted government auditing standards.

What the Audit Found

The DCAA identified three audit findings and questioned over \$2.5 million in: (1) direct labor costs associated with unallowable recruitment costs for a seconded employee, unreasonable labor costs, and overtime premiums unallowable per contract terms; (2) travel costs associated with relocation and per diem expenses; and (3) other direct costs associated with home office expenses that were unallowable per contract terms. In addition to the questioned costs noted, the DCAA reported two scope limitations, which prevented it from determining whether certain subcontract costs were fair and reasonable.

What the Audit Recommends

If the issues identified by the DCAA are fully addressed, it should help ensure that costs charged to the Department are allowable, allocable, and reasonable in accordance with applicable laws, regulations, and contract terms.

How the Contractor Responded

FFPO responded to the audit findings during an exit conference and provided a written response that is included in the DCAA's audit report. FFPO concurred with the portion of the questioned direct labor costs pertaining to a retention bonus but did not concur with the other questioned costs related to direct labor, direct travel, and other direct costs.