



U.S. DEPARTMENT OF ENERGY

Office of Inspector General

DOE-OIG-26-13

February 10, 2026

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



AUDIT REPORT



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.

**Fluor Federal Petroleum Operations, LLC's Costs Incurred and
Claimed for Fiscal Years 2022 and 2023 Under Contract No. DE-FE0011020
DOE-OIG-26-13**

Report Addendum for Identified Contractor Comments

The U.S. Department of Energy Office of Inspector General (OIG) released a public report that refers to work performed by external parties. Pursuant to Public Law 117-263, Section 5274, non-governmental organizations and business entities specifically identified in an audit report prepared by the OIG have the opportunity to submit a written response for the purpose of clarifying or providing additional context to any specific reference. The OIG notified each external party related to this report on February 10, 2026, giving them 30 days to provide a response. The response is appended to the final, published report. The OIG reviews any response for the purpose of preventing the improper disclosure of classified or other nonpublic information, and, if necessary, will redact such information.

In response to our final report on *Fluor Federal Petroleum Operations, LLC's Costs Incurred and Claimed for Fiscal Years 2022 and 2023 Under Contract No. DE-FE0011020*, the contractor provided written responses for the purpose of clarifying or providing additional context to specific references in the report. This audit was performed by the Defense Contract Audit Agency (DCAA) on behalf of the OIG. The DCAA is responsible for the audit report and the conclusions expressed therein. Fluor Federal Petroleum Operations (FFPO) continued to object to certain audit findings and questioned costs in the report. Specifically, it asserted that: Time Off Without Pay was incorrectly included in executive compensation fringe (and not labor) billings; findings regarding Overtime Premium did not consider or apply the appropriate Federal Acquisition Regulation clauses; the allowance of travel and relocation costs were improperly interpreted; and that the allowability of certain engineering software tools that were used in conjunction with the execution of the Life Extension 2 project were improperly questioned. FFPO maintained that the questioned costs identified were allowable under applicable acquisition regulations and contractual requirements. FFPO provided similar responses to the DCAA during the audit. The DCAA considered these responses; however, its position on these questioned costs remained unchanged.

The response from FFPO is provided below.



March 6, 2026

Sent via E-Mail

Department of Energy
Office of Inspector General
OIG.Reports@hq.doe.gov

SUBJECT: Audit Report: *Fluor Federal Petroleum Operations, LLC's Costs Incurred and Claimed for Fiscal Years 2022 and 2023 Under Contract No. DE-FE0011020*; DOE-OIG-26-13

Thank you for the opportunity to clarify and provide additional context to the above-referenced report. As noted during the exit conference and previous written response to the Defense Contract Audit Agency (DCAA), Fluor Federal Petroleum Operations, LLC (FFPO) continues to object to certain audit findings and questioned costs identified in the DCAA's audit report performed on behalf of the Department of Energy's Office of Inspector General (DOE OIG).

Direct Labor Costs

FFPO does not concur with DCAA's findings associated with unreasonable labor costs due to DCAA's ministerial errors, DCAA's application of incorrect salary limits under Prime Contract DE-FE0011020 and the FAR, as well as DCAA's inconsistency with established audit practices.

Specifically, DCAA incorrectly included Time Off Without Pay (TOWP) in executive compensation fringe (and not labor) billings, thus artificially and significantly inflating salary rates. While FFPO identified DCAA's error and provided the correct calculations, DCAA did not correct its mistake. Similarly, DCAA did not include an identified corrected entry in its FY 2023 findings that also impacted labor rates.

Prime Contract DE-FE001020 was awarded prior to June 24, 2014 and therefore the executive compensation limits set forth in FAR 31.205-6 (p)(2) are applicable. DCAA incorrectly applied current compensation caps, which are lower than those authorized under FFPO's Contract. For this reason, FFPO's senior executive salaries were well within the applicable limits.

Finally, DCAA's testing of executive compensation reasonableness does not comport with audits conducted in previous years and which determined labor rates to be acceptable and reasonable. DCAA's disparate approach, which deviated from proper auditing practices resulted in improperly questioned costs.

Overtime Premium Costs

DCAA's findings regarding Overtime Premium did not consider or apply the appropriate FAR clauses. The allowability of Overtime Premiums is governed by two clauses in FFPO's prime contract; FAR 52.222-2, *Payment for Overtime Premiums* (July 1990) and DEAR 970.5222-2, *Overtime Management* (Dec 2000). FFPO's overtime payments fell within the exceptions and requirements in those clauses. Furthermore, the DOE Contracting Officer provided written direction approving the Overtime ceiling in FY2022 and FFPO reported the incurred overtime costs as required by its contract. During DCAA's audit, FFPO also demonstrated that it maintained adequate controls to ensure that employee overtime was cost effective and necessary to ensure performance under the contract, in accordance with DEAR 970.5222-2.

Travel and Relocation Costs

DCAA improperly interpreted the allowance of travel and relocation costs under the FAR and FFPO's Contract. FAR 31.205-35, *Relocation Costs*, stipulates:

- (a) *Relocation costs are costs incident to the permanent change of assigned work location (for a period of 12 months or more) of an existing employee or upon recruitment of a new employee.*

DCAA questioned the long-term assignment (LTA) costs associated with a key employee. However, when the individual was promoted into a key management position, there were less than 12 months remaining on FFPO's prime contract and relocation would have been inappropriate under FAR 31.205-35. No contractual prohibition on the individual remaining on a long-term assignment status exists. Therefore, the LTA costs were appropriate and allowable.

DCAA also questioned limited relocation expenses that were incurred by another first line leader during the COVID-19 shutdown. After many attempts to return to the office, the employee's inability to find satisfactory accommodation and the limited time period remaining on FFPO's prime contract, the employee moved to another geographic location and was placed on a hybrid work schedule. Federal funds were not utilized for the movement of household goods from FFPO's principal place of business to the location where the employee eventually settled.

Other Direct Costs

Finally, DCAA improperly questioned the allowability of certain engineering software tools that were used in conjunction with the execution of the Life Extension 2 (LE 2) project. The tools in question are utilized both commercially and nationally and Fluor was fortunate in that the costs of the tools were obtained at a savings from the shared pool of users across other Fluor projects. The use of the engineering tool meets the allocability requirements of FAR 31.201-4, *Determining Allocability*, the intent of DEAR 970.5203-2, *Performance Improvement and Collaboration*, (May 2006) and was clearly

identified in FFPO's LE2 Project Management Plan. DCAA's conclusion that the costs are categorized as Home Office Expenses is inaccurate, because the software tools are engineering and technology applications that are expressly authorized under the contract. The engineering tools in question were referenced in the LE 2 Work Authorization Directive which was signed by both the DOE Project Manager and Contracting Officer.

Conclusion

FFPO appreciates the opportunity to provide this public response. For the foregoing reasons, FFPO maintains that the identified questioned costs were allowable under applicable FAR, DEAR, and contractual requirements and, in the case of overtime premiums and LE 2 engineering tools, were costs incurred with the knowledge and assent of the Contracting Officer.