



U.S. DEPARTMENT OF ENERGY

Office of Inspector General

DOE-OIG-26-26

March 24, 2026

Fluor Federal Petroleum Operations, LLC's Costs Incurred and Claimed for Fiscal Years 2017 Through 2020 Under Contract No. DE-FE0011020



AUDIT REPORT



Department of Energy
Washington, DC 20585

March 24, 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 2017 Through 2020 Under Contract No. DE-FE0011020*

The Office of Inspector General contracted with CohnReznick LLP (CohnReznick) to audit Fluor Federal Petroleum Operations, LLC's (FFPO) costs incurred and claimed for fiscal years 2017 through 2020, 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. CohnReznick performed the audit in accordance with generally accepted government auditing standards.

CohnReznick questioned approximately \$122,000 of fiscal year 2020-claimed operating expenses per the Federal Acquisition Regulation 31.201-2, "Determining allowability," and the Federal Acquisition Regulation 31.201-6, "Accounting for unallowable costs." The questioned amounts were identified as subcontract costs and represented potential monthly home office expense allocations from Fluor Government Group Headquarters. CohnReznick also recommended that FFPO amend its policies and procedures to ensure compliance with contract terms.

CohnReznick is responsible for the attached audit report dated June 9, 2025, and the conclusions expressed therein. The Office of Inspector General did not express an independent opinion on FFPO's fiscal years 2017 through 2020 Statement of Costs Incurred and Claimed submissions.

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 horizontal line 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 2017 Through 2020 Under Contract No. DE-FE0011020

Why the Audit Was Performed

This audit was performed by CohnReznick LLP (CohnReznick) 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 2017 through 2020 under management and operating contract No. DE-FE0011020.

The audit's objective was to determine if costs charged to Department contract No. DE-FE0011020 for fiscal years 2017 through 2020 were allowable, allocable, and reasonable in accordance with applicable laws, regulations, and contract terms.

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

What the Audit Found

CohnReznick questioned approximately \$122,000 of fiscal year 2020-claimed operating expenses per the Federal Acquisition Regulation (FAR) 31.201-2, "Determining allowability," and FAR 31.201-6, "Accounting for unallowable costs." The questioned amounts were identified as subcontract costs and represented potential monthly home office expense allocations from Fluor Government Group Headquarters.

What the Audit Recommends

CohnReznick recommended that FFPO amend its policies and procedures to ensure compliance with contract terms, the FAR cost principles, and standards promulgated by the Cost Accounting Standards Board. We also recommend that the contractor work with the contracting officer to resolve the questioned costs.

How the Contractor Responded

FFPO nonconcurred that the questioned costs are home office allocations and considers these costs to be in compliance with contract terms, FAR cost principles, and standards promulgated by the Cost Accounting Standards Board. FFPO should work with the Strategic Petroleum Reserve Project Office to address the concerns and questioned costs.

FEEDBACK

The Office of Inspector General has a continuing interest in improving the usefulness of its products. We aim to make our reports as responsive as possible and ask you to consider sharing your thoughts with us.

If you have comments, suggestions, and feedback on this report, please reach out at OIG.Reports@hq.doe.gov. Include your name, contact information, and the report number.

For all media-related questions, please send inquiries to OIGpublicaffairs@hq.doe.gov and include your name, contact information, and the report number.

***Fluor Federal Petroleum Operations, LLC's Costs Incurred and
Claimed for Fiscal Years 2017 and 2020 Under Contract No. DE-FE0011020
DOE-OIG-26-26***

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 March 24, 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, *Fluor Federal Petroleum Operations, LLC's Costs Incurred and Claimed for Fiscal Years 2017 and 2020 Under Contract No. DE-FE0011020*, the contractor provided a written response for the purpose of clarifying or providing additional context to specific references in the report. This audit was performed by CohnReznick LLP (CohnReznick) on behalf of the OIG. CohnReznick is responsible for the audit report and the conclusions expressed therein. Fluor Federal Petroleum Operations, LLC (FFPO) continued to object to certain audit findings and questioned costs in the report. Specifically, it asserted that the engineering software applications utilized for the performance of the Strategic Petroleum Reserve's Life Extension 2 project are not "General and Administrative" costs that fall within the category of "Home Office Expenses" and are otherwise allowable and allocable under the Federal Acquisition Regulation. FFPO maintained that the questioned costs identified were allowable under applicable acquisition regulations and contractual requirements. FFPO provided similar responses to CohnReznick during the audit. CohnReznick considered these responses; however, its position on these questioned costs remained unchanged in that FFPO should work with Strategic Petroleum Reserve Project Office to address the concerns and questioned costs.

The response from FFPO is provided below.



April 23, 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 2017 through 2020 Under Contract No. DE-FE0011020*; DOE-OIG-26-26

Thank you for the opportunity to respond to the above-referenced report. Fluor Federal Petroleum Operations, LLC (FFPO) respectfully reiterates its nonconurrence with the questioned costs identified in CohnReznick's audit report prepared on behalf of the Department of Energy's Office of Inspector General (DOE OIG). Specifically, FFPO asserts that the engineering software applications utilized for the performance of the Strategic Petroleum Reserve's (SPR) Life Extension 2 (LE 2) project are not "General and Administrative" costs that fall within the category of "Home Office Expenses" and are otherwise allowable and allocable under FAR 31.201-2 and FAR 31.201-4.

DEAR 970.3102-3-70, *Home Office Expenses*, defines Home Office Expenses and Home Office Costs as costs associated with "home or corporate office general and administrative expenses incurred in the general management of the contractor's business as a whole."

The costs in question here do not fall within that definition. They were not incurred for "general management" or the contractor's "business as a whole". Instead, the costs pertained to specific engineering tools that FFPO project engineers required and acquired to perform LE 2 design tasks, not business administration.

Rather than purchasing and configuring the engineering software independently at considerable expense, FFPO utilized the existing licenses already held and administered by Fluor Federal Services, Inc. The costs of the tools were obtained at a savings from the shared pool of users across other Fluor projects. This benefited the LE 2 project and the U.S. Government by saving millions of dollars in costs and time. FFPO did not claim costs for the entire technology pool or for projects unrelated to LE 2.

These savings, in fact, support the intent of DEAR 970.5203-2, *Performance Improvement and Collaboration* (May 2006), which *requires* the Contractor to "affirmatively identify, evaluate, and institute practices, where appropriate, that will improve performance . . . in the management and operation of the contract." DEAR 970.5203-2 acknowledges that compliance with this requirement may entail, among other

things, “alteration of existing practices [to] reduce overall cost of operation under the contract” and “simplification of systems while retaining necessary controls.” FFPO’s use of existing and readily available technology unquestionably resulted in savings to the government.

FFPO’s use of the engineering software also meets the requirements of FAR 31.201-2, *Determining Allowability* and FAR 31.201-4, *Determining Allocability*. Because the audit report erroneously identified the engineering software as a Home Office expense, it is particularly important to emphasize that it is an allocable contract cost under FFPO’s Prime Contract DE-FE0011020.

Under FAR 31.201-4, “[a] cost is allocable if it is assignable or chargeable to one or more cost objectives on the basis of relative benefits received or other equitable relationship.” FAR 31.201-4 further clarifies that a cost is allocable, even if it is not incurred specifically for the contract, if it “[b]enefits both the contract and other work, and can be distributed to them in reasonable proportion to the benefits received; or [i]s necessary to the overall operation of the business, although a direct relationship to any particular cost objective cannot be shown.” In this case, the engineering software applications benefitted the SPR Contract and the cost was distributed reasonably in proportion to the benefits received. Accordingly, the cost is allocable.

Furthermore, DOE had previously consented to using the software. Contemporaneous documents signed by DOE SPR management, including the SPR Project Manager and Contracting Officer, clearly indicate DOE’s knowledge and assent to deploy the engineering tools on the Contract for the advancement of LE 2 activities. The tools were identified in the Project Management and Project Execution Plans and referenced in the LE 2 Work Authorization Directive, or WAD. In fact, an Interconnection Security Agreement (ISA), which outlined the use and security protocols for the software and was signed by the SPR Project Manager, expressly stated that the tools were not associated with “office general and administrative expenses.” DOE’s collaboration with FFPO in the development of the ISA demonstrates that DOE also considered the costs to be allocable and in compliance with the Contract.

Conclusion

FFPO appreciates the opportunity to provide this public response. While the costs at issue may not be financially significant in comparison to the scope of the LE 2 project, FFPO believes that it is important to identify and distinguish those costs which clearly do not fit within the rubric of “General and Administrative” costs or “Home Office Expenses”. Furthermore, it is important to encourage the contractor community to continue to pursue sound business decisions that benefit the Government and fulfill the tenets set forth in DEAR 970.5203-2.