

AUDIT OF  
GSA FLEET'S PURCHASE OF  
DEFENSE ENERGY SUPPORT CENTER FUEL  
FEDERAL ACQUISITION SERVICE  
REPORT NUMBER A050137/F/5/V06003  
MARCH 8, 2006

AUDIT OF  
GSA FLEET'S PURCHASE OF  
DEFENSE ENERGY SUPPORT CENTER FUEL  
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REPORT NUMBER A050137/F/5/V06003

TABLE OF CONTENTS

	<u>PAGE</u>
REPORT LETTER	1
INTRODUCTION	2
Background	2
Objectives, Scope and Methodology	3
RESULTS OF AUDIT	5
Brief	5
Finding 1- Improving Billing and Payment Procedures	5
Management's Response	6
Finding 2- Unresolved Bills	6
Management's Response	13
Internal Controls	13
APPENDICES	
A. Management's Response to the Draft Report	14
B. Report Distribution	17



U.S. GENERAL SERVICES ADMINISTRATION  
Office of Inspector General

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DATE: March 8, 2006

REPLY TO

ATTN. OF: Regional Inspector General for Auditing  
Great Lakes Region Field Audit Office (JA-5)

SUBJECT: Audit of GSA Fleet's Purchase of Defense Energy Support Center Fuel  
Federal Acquisition Service  
Report Number A050137/F/5/V06003

TO: G. Martin Wagner  
Acting Commissioner, Federal Acquisition Service (F)

This report contains the results of our audit of GSA Fleet's purchase of fuel from the Defense Energy Support Center (DESC).

The audit was conducted in response to a request by GSA Fleet's management for assistance in identifying a way to establish a satisfactory purchasing agreement with DESC. The objectives of our review were to answer the following questions: 1) Is there a more effective and efficient way for GSA Fleet to process Defense Energy Support Center fuel bills; and 2) Is there some basis for resolving previously disputed bills?

We found Fleet and DESC could establish electronic fuel billing and payment procedures that would reduce the time and effort spent by both on the bills and improve Fleet's controls over the payments. However, their inability to satisfactorily resolve disputed bills, which total several million dollars, has impeded their ability to reach an agreement.

There appears to be a basis for resolving many of the disputed bills, but if the two organizations cannot resolve them we believe the unresolved bills should be referred to GSA's Chief Financial Officer for resolution with the Defense Logistics' Chief Financial Officer. Failure to resolve the disputed bills and establish a purchase agreement may result in DESC terminating fuel sales to Fleet. This is an unacceptable outcome as it would adversely affect Fleet's customers who rely on DESC supplied fuel to help them carry out their missions.

We have included the Commissioner's written response to the draft report in Appendix A of the report.

We hope GSA Fleet's management and staff find the report helpful to their operations.

Sincerely,

A handwritten signature in cursive script, appearing to read "Franklin M. Moy".

Franklin M. Moy  
Audit Manager  
Great Lakes Region (JA-5)



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**INTRODUCTION**

**Background**

This audit was initiated because GSA Fleet (Fleet) officials were seeking a more efficient way to purchase fuel from the Defense Logistics Agency, Defense Energy Support Center (DESC). Although Fleet purchases fuel from a number of Federal organizations, with estimated purchases between \$15 and \$21 million per year from DESC, DESC is by far the dominant provider. Additionally, the two organizations have been unable for more than four years to establish an agreement governing the fuel purchases.

Our review focused on two related issues. The first was to identify a more effective and efficient manner for GSA Fleet to purchase fuel from DESC. The second was to address the long-standing problem of millions of dollars of disputed DESC fuel bills.

Under its standard lease agreement, Fleet provides fuel for the vehicles leased. Fleet's customers are given a Voyager charge card to fuel the vehicles at commercial gas stations. However, many Fleet customers are Department of Defense (DOD) personnel who fuel at DESC fueling sites. DESC fueling stations do not accept Voyager cards. DESC uses DOD's vehicle identification link system (VIL keys) for identifying GSA Fleet vehicles that fuel at DOD facilities.

Voyager and DESC bill Fleet for the fuel purchased by its customers. To ensure the validity of these billings, Fleet requires information about fuel purchases, one of the most important being a listing of the individual transactions, including the license plate numbers of the vehicles fueled. After verifying the billing information, Fleet pays either Voyager or DESC. If the information provided does not pass Fleet's review it will not authorize payment.

DESC, and its predecessor DOD organizations (e.g., the Defense Fuel Supply Center) have procured and distributed fuel to military bases throughout the world since World War II. The military bases originally sold the fuel to the end-users. However, starting about 1991, DESC began expanding its ownership of aviation fuels to the point of sale to end-users as well, and in subsequent years began expanding it to ground fuels. When the expansion is completed, DESC will own all fuel up to the point of sale for aircraft, ships and vehicles. Based on the point at which Fleet began experiencing difficulty with DESC billings, the expansion to ground fuel appears to have started sometime in 2000. In other words, DESC for the past several years has been steadily taking over the "retail" end of DOD's fuel distribution activity and billing Fleet for the customers fueling at DESC fueling stations on military bases.

One of the issues is that the older DESC billings to Fleet did not contain individual transaction listings, or the license plate numbers of the vehicles involved in the purchases.

Prior to DESC taking over military fueling stations, regional Fleet operations and military bases had local systems in place to record individual transactions by license plate number. However, no agreement was reached between DESC and Fleet on how to record the information that Fleet needs to verify the billings. As a result, DESC's bills to Fleet did not contain individual transaction listings, and later, individual transaction listings did not include license plate numbers, which led to disputed bills.

Between 2000 and 2003, a large backlog of disputed bills developed. At one point in 2003, there were hundreds of disputed bills totaling over \$12 million. At the time of our audit there were still disputed bills estimated at \$1.7 million going back to this time frame, as well as additional bills for later periods.

DESC's current billings to Fleet are paper based and fragmented because they are decentralized. DESC, through DOD's Defense Financial Accounting Service (DFAS), sends paper bills to Fleet's regional offices. Fleet's regional offices verify the billings and then authorize payment. Both organizations spend excessive time and effort processing the bills.

#### Objectives, Scope and Methodology

The objectives of the audit were to answer the following questions: 1) Is there a more effective and efficient way for GSA Fleet to process Defense Energy Support Center fuel bills; and 2) Is there some basis for resolving the disputed bills?

To accomplish our objectives, we:

- Visited Fleet's Payment Processing Center in Fort Worth, Texas, and the GSA Finance Center in Kansas City, MO, to gain an understanding of Fleet's fuel payment procedures and practices;
- Obtained payment listings from the GSA Finance Office and accessed on-line payment records;
- Corresponded with the Defense Finance and Accounting Service (DFAS) office located in Columbus, Ohio, which processes DESC's fuel bills, DESC offices located in San Antonio, Texas and DESC headquarters office located at Fort Belvoir, Virginia;
- Corresponded with Fleet's regional offices to obtain documents and information;
- Visited Fleet's headquarter offices in Arlington, Virginia;
- Obtained, on June 9, 2005, two listings of all bills due as of the end of May 2005, one from the DFAS office in Columbus, Ohio, that consisted essentially of bills from a few days to two years old, and the other from the Director, Financial Operations, DESC, which included bills ranging from two to more than four years old. After

removing some non-Fleet billings<sup>1</sup>, the combined list contained 1,074 bills totaling \$9,508,642, ranging in age from a few days to about 1,580 days old; and,

- Reviewed a sample of the disputed bills consisting of those more than six months old and balances due of \$1,000 or more. The resulting list included 256 bills with outstanding balances totaling \$2,864,171.

The audit was conducted from April to October 2005 in accordance with generally accepted Government auditing standards.

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<sup>1</sup> The list included two bills for the "GSA PUBLIC BUILDINGS SERVICE 3PFBF" totaling \$642,792 that we removed.

## RESULTS OF AUDIT

### Brief

We found Fleet and DESC could establish electronic fuel billing procedures that would reduce the time and effort spent by both on the bills, and enable much more timely processing. However, because the two organizations have operated for more than four years without a written agreement covering billing procedures, an initial backlog of disputed bills totaling more than \$12 million developed. Although billing and payment procedures have greatly improved, at the time of our audit over \$2 million in older bills were still being disputed, and payment on current bills was slow.

The disputed bills need to be resolved so DESC and Fleet can reach agreement on a fuel purchasing system. If an agreement is not reached, DESC may terminate fuel sales to Fleet.

Our review of the disputed bills showed there may be a basis for settling many of them. If Fleet and DESC are not able to reach agreement on the disputed bills, we believe Fleet should refer the unresolved bills to GSA's Chief Financial Officer.

### Findings and Recommendations

#### Finding 1 - Improving Billing and Payment Procedures

DESC and Fleet's fuel bill processing procedures are labor intensive because they are paper based and widely dispersed. As a result, both organizations spend excessive time and effort processing the bills, and Fleet has had difficulty verifying them, leading to a large number of disputed bills. These practices have been ongoing for a number of years. A centralized electronic billing and payment system would streamline the process, greatly reduce the time and labor required, and enable Fleet to more closely monitor the charges.

Under the current procedures, DESC prepares electronic files that it forwards to the Columbus, Ohio DFAS office for **conversion to paper billing documents** that are then mailed to various regional Fleet offices. One electronic file lists the transaction detail that is also shown in DESC's Defense Fuels Automated System Enterprise Server (FES). Another electronic file summarizes by bill number the charges by vehicle class and fuel type, and adds any applicable taxes. Taxes are not included in the transaction detail file. The DFAS office uses the electronic files to print an SF 1080, Voucher for Transfer Between Appropriations and/or Funds (the bill, or invoice), and copies of the appropriate sections of the reports, which are then mailed to Fleet offices throughout the United States and Europe. Fleet's regional offices then verify the paper billings and authorize payment.

Our discussions with DESC personnel indicated they could revise their procedures to electronically send the bills with the supporting transaction detail to a central point within Fleet. DESC could also provide the data in a format that would allow Fleet to electronically review and summarize the bills.

We believe Fleet could carry out a computerized review of the electronic bills most effectively at a central location. A comprehensive computerized review of the data would allow Fleet to quickly evaluate it for valid license plate numbers, quantities purchased, etc. Questionable transactions could then be referred to the appropriate field offices for resolution. Far fewer personnel and hours would be required, and field personnel would only need to be involved with problem charges.

VIL Keys. DESC has not accepted Fleet's Voyager card either as a payment method or as a vehicle identification mechanism. Instead, it has relied on its vehicle identification link, or VIL key system to identify Fleet's vehicles for billing. A difficulty with this approach is the bases where the fueling sites are located code the keys, not Fleet personnel or DESC personnel. Fleet representatives cited cases of these offices miscoding VIL keys for non-Fleet vehicles such that the charges appeared on Fleet's bills. This should be taken into consideration in any dispute procedures devised between Fleet and DESC.

A DESC representative stated they have been researching use of Voyager cards as a vehicle identifier in place of VIL keys. If and when this occurs, it would eliminate most billing disputes where the Voyager card is used because Fleet would control Voyager card coding, not the military bases. Voyager cards are not, however, issued to Fleet vehicles in Europe. Consequently, procedures for processing VIL key charges may still be required for European vehicles.

## **Recommendations**

We recommend the Commissioner, Federal Acquisition Service, have GSA Fleet:

1.A Work with DESC to establish a written agreement:

- a. To have fuel bills, including transaction detail by license plate number, transmitted electronically to a central Fleet location in a format that allows Fleet to electronically review the information, and
- b. That provides a means of resolving disputed transactions.

1.B Establish internal procedures to quickly review the bills and process them for payment.

## Management's Response

The Acting Commissioner, Federal Acquisition Service concurred with the finding and recommendations in his response to the draft report. A copy of the response is provided in Appendix A.

## Finding 2 - Unresolved Bills

DESC's and Fleet's inability to reach agreement on billing and payment procedures has resulted in many unresolved bills, delayed payments, and excessive time and effort spent on the bills. It also endangers the ability of Fleet's DOD customers to obtain fuel on military bases, which would impact their work.



Prior to DESC's expansion into end-user sales, Fleet's regional operations purchased fuel under individual agreements established with local military bases. At that time the bases sold the fuel to end-users. The agreements required that fuel bills include a detailed breakout of the charges by license plate numbers. The Fleet offices used the information to verify the validity of the charges and distribute costs.

When DESC started taking over end-user sales at base fueling sites, it did not provide individual transaction listings, and later did not include the license plate numbers with individual transaction listings, for many bills. Fleet did not pay many of these bills because it could not verify the billings were for GSA vehicles alone. Once Fleet's management became aware DESC had taken over sales at the bases, they attempted, both through correspondence and meetings, to establish billing procedures and a purchasing agreement with DESC, but the two organizations were unable to reach agreement. A primary obstacle has been the disputed bills.

Between 2000 and 2003, a large backlog of unresolved bills developed. In September 2003, Fleet paid over 500 of the bills totaling \$12,267,683, but some were not paid. In its June 9, 2005 list of unpaid bills, DESC included about \$1.7 million in bills from this period.

To evaluate the nature of the unresolved bills, our review sample consisted of bills overdue by six or more months<sup>2</sup> with balances of \$1,000 or more. Our sample totaled \$2,864,172. The bills ranged up to more than 4 years old and up to \$335,946. (The remaining bills that were older than six months but less than \$1,000 each totaled \$37,817. We did not review these smaller bills.)

The data available for 2001 and 2002 bills was limited, and most were not listed on DESC's online server. Although many 2003 and 2004 bills were shown in DESC's server with transaction detail, many of the earlier listings did not include license plate numbers. The more recent the bills, the greater the percentage with transaction details with license plate numbers.

The following is a summary of the information found regarding the bills dated December 31, 2004 and earlier.

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<sup>2</sup> At the time we did our sample selection, these were bills dated December 31, 2004 and earlier.

CATEGORIES	AMOUNT	TOTALS
Bills Fleet paid before DESC/DFAS issued the list of unpaid bills:	\$377,611	
Bills Fleet paid after DESC/DFAS issued the list of unpaid bills:	432,049	
	Paid:	\$809,660
Bills listed with license plate numbers, and Red River Army Depot billings:	287,877	
Older bills that did not include line-item detail by license plate numbers:	1,306,517	
Outstanding balances of partially paid bills—unpaid amounts due to missing license plate numbers:	460,118	
Total reviewed	\$2,864,172	
Bills not reviewed because of the relatively small individual and total value:	\$37,817	
	Not Paid:	\$2,092,329
Total shown past due on bills dated 12/31/04 & earlier:		\$2,901,989

We provided the bill numbers and other details for each of these categories to Fleet in previous correspondence and meetings. Information about each of the categories is provided below.

Bills Paid Before List Prepared (\$377,611). We found ten bills totaling \$377,611 included in the past due listings were already paid by Fleet but DFAS had not correctly recorded one and had not recorded the others until well after the payments were issued. GSA's Finance Office issued payment for one on January 16, 2003, and for nine on February 24, 2005. A DFAS representative reviewed their records and stated the January 2003 payment had not been correctly recorded, and the February 2005 payments were recorded on June 16, 2005. These bills should no longer be an issue.

Bills Paid After List Issued (\$432,049). GSA's finance records showed Fleet paid these bills after the DESC/DFAS list was prepared. These also should no longer be an issue.

Bills Listed with License Plate Numbers, and Red River Army Depot Bills (\$287,877). With the exception of the Red River Army Depot Bills, DESC's computer server listed the bills in this grouping with detailed breakouts of the charges by license plate numbers. Fleet can use this information to verify the validity of these charges.

For fuel dispensed at the Red River Army Depot, the DFAS offices in Columbus, Ohio and Rock Island, IL issued overlapping bills. Fleet paid the Rock Island bills, but the Rock Island office returned the payments in February 2004. The bills from the Columbus, OH office, the billing office for DESC, were not paid, but should be reviewed for payment. The following is a more detailed explanation of these bills.

DESC billed Fleet for fuel purchased at the Red River Army Depot for the months of January through July 2003 totaling \$81,875, through the DFAS Office in Columbus, Ohio. They were:

Red River Army Depot Bills Issued By DFAS, Columbus, Ohio					
				FES Information	
		Actual or Est.	Balance	Total	Questionable
DODAAC	Bill	Billing Date	Due	Amount	Charges
476420	DND12	1/1/2003	\$11,051	\$11,051	\$11,051
476420	ENE02	2/1/2003	7,184	7,184	7,184
476420	FNE57	3/1/2003	14,218	14,197	14,197
476420	GNE11	4/1/2003	11,316	11,316	11,316
476420	HNE11	5/1/2003	12,780	12,780	12,780
476420	JNE01	6/27/2003	10,634	10,634	10,634
476420	KNE50	7/30/2003	14,692	14,692	14,692
			\$81,875		

The Rock Island DFAS office also issued fuel bills, covering a similar timeframe, for the Red River Army Depot dated February 27, 2003 through August 19, 2003 totaling \$99,514. They were:

Red River Army Depot Bills Issued by the DFAS Rock Island, Illinois Office			
Bill No.	Bill Date	Amount	Date Paid
CR30193	2/27/2003	\$14,577	10/21/2003
CR30193A	3/18/2003	13,046	5/20/2003
CR30199B	4/22/2003	14,866	6/6/2003
CR30409	5/20/2003	14,208	6/16/2003
CR30409A	6/17/2003	13,556	7/8/2003
CR304409B	7/17/2003	14,057	8/15/2003
CR30409C	8/19/2003	15,203	9/24/2003
Feb. through Aug. bills		\$99,514	

Fleet paid the DFAS Rock Island bills. However, communications with DFAS and the GSA Finance office disclosed that on February 13, 2004 GSA received a refund check for \$99,514 from DFAS Rock Island.

The FMC manager responsible for reviewing and processing the bills during this period explained that DESC began listing partial information about the Red River Army Depot in its server in 2003, and also issued bills to Fleet. However, neither the bill nor the entries in DESC's server showed the license plate numbers his office needed to review and process the bills. Until DESC began posting detailed information on its server, the Red River Army Depot provided copies of manual logs completed by drivers when they fueled at the Red River Army Depot's fueling sites, and billed Fleet through the DFAS office in Rock Island, Illinois. Once the DESC server began providing the information Fleet needed, Fleet began paying the bills submitted through the DFAS Columbus office. Since the Rock Island office refunded the payments, Fleet should review the Columbus office bills for payment.

Older Bills that Did Not Include License Plate Information (\$1,306,517). These were bills dating back to 2001 and 2002 for which DESC did not provide the line item detail by license plate number that Fleet needed. We compared these bills and any available documentation

to the documentation on file for bills that Fleet paid in September 2003. Many of the paid bills were also from the 2001 and 2002 timeframe. Our overall analysis showed the majority of the unpaid bills had documentation similar to the bills that were paid in September 2003.

We based our analysis on an examination of records on file at the GSA Finance Center in Kansas City, Missouri supporting Fleet's September 2003 payment of backlogged bills to determine the information used to support the payments. We focused on the bills for Europe, the Northeast and Caribbean Region, and the Mid-Atlantic Region because these three entities had the largest concentration of outstanding bills for 2001 and 2002.

For many of the paid European bills, the only supporting data on file with the payment documents were rollup summaries by Military Standard Requisitioning and Issue Procedures (MILSTRIP) numbers, which showed the amount and type of fuel billed per day, but not the vehicle license plate numbers or the individual transactions.

This was especially true for the oldest bills. For instance, the following are the six largest bills for European fuel, paid as part of the September 2003 payment:

PAID IN SEPTEMBER 2003		
Bill No.	Bill Date	Amount
CN214	12/27/2000	\$266,390
EN286	2/28/2001	334,587
FN364	3/29/2001	623,325
HN428	6/9/2001	736,135
JN634	7/8/2001	399,971
LN957	10/12/2001	44,733
		\$2,405,142

Besides the MILSTRIP rollup summaries, the only other documentation was a tally sheet that appeared to have been prepared by Fleet personnel that divided the bill totals into gasoline and diesel fuel subtotals.

The following 2001 bills for Europe were listed by DESC as not paid:

UNPAID BILLS SHOWN ON LISTING		
Bill No.	Actual or Estimated Billing Date	Balance Due
GN379	4/27/2001	\$335,946
KN746	7/1/2001	90,967
KN751	7/1/2001	87,879

We were able to locate a copy of Bill Number GN379 for \$335,946. It was supported with the same type of MILSTRIP rollup summary as were the six paid bills listed above. Also, this billing, dated April 27, 2001, seems to fall in line with the paid billings, even though no license plate information is available. For the other two listed bills (KN746 and KN751), we could not find any documentation of the actual bills.

All other European bills dated December 31, 2004 and earlier shown on the DESC/DFAS overdue bills listing were partial amounts of original bills. The bills were listed in DESC's online server (called the Purple Hub or FES), and the amounts withheld generally approximated the amounts that a sort and visual evaluation of the server data indicated did not include valid license plate numbers.

A number of Northeast and Caribbean Region and Mid-Atlantic Region bills in the DFAS/DESC listing dating back to 2001 and 2002 were not listed in the FES.

The disputed bills for the Northeast and Caribbean Region were:

DESC/DFAS Information				FES Information	
DODAAC	Bill No.	Estimated Billing Date	Balance Due	Total Listed	Questionable Charges
4722A7	FN369	3/1/2001	\$17,995	No info	
4723AS	GN385	4/1/2001	54,401	No info	
4722A7	HN433	5/1/2001	19,976	No info	
4722A7	JN641	6/1/2001	22,005	No info	
4722A7	JN643	6/1/2001	18,275	No info	
4723AS	KN761	7/1/2001	35,126	No info	
4722A7	LN975	8/1/2001	25,067	No info	
4722A7	LN973	8/1/2001	11,316	No info	
4722A7	KND16	7/1/2002	16,284	\$16,284	\$16,284
4723G4	BND04	11/1/2002	13,290	No info	
4723G4	CND20 <sup>3</sup>	12/1/2002	27,056	11,404	
			\$260,791		

We reviewed thirty 2001 and 2002 Northeast and Caribbean Region bills totaling \$597,089 paid as part of the September 2003 payment. With the exception of one bill for \$26,446, the bills contained no license plate number detail, only MILSTRIP rollup summaries. The supporting data for the unresolved bills listed above was very similar to the data supporting the paid bills.

<sup>3</sup> Bill Number CND20 was partially paid. It was originally for \$38,446, but the FES only listed a total \$11,404. Fourteen dollars were deducted from this amount because "Tag G157 does not exist..." and a total of \$11,390 was paid on the bill on September 30, 2004.

The disputed bills for the Mid-Atlantic Region were:

DESC/DFAS Information				
DODAAC	Bill No.	Estimated Bill Date	Balance Due	FES Info.
4733NE	GN391	4/1/2001	\$13,200	No info
47329M	GN388	4/1/2001	13,017	No info
4733NE	GN390	4/1/2001	11,572	No info
47329M	HN437	5/1/2001	18,321	No info
4733NE	HN439	5/1/2001	12,560	No info
4733NE	HN440	5/1/2001	11,652	No info
4733NE	HN438	5/1/2001	7,216	No info
4733NE	JN649	6/1/2001	12,245	No info
4733NE	KN765	7/1/2001	9,924	No info
4733NE	KN766	7/1/2001	9,449	No info
4733NE	ANA83	10/1/2001	18,389	No info
4733NE	ANA82	10/1/2001	14,447	No info
4733NE	ANA81	10/1/2001	8,729	No info
4733NE	DNB88	1/1/2002	13,189	No info
4733NE	DNB87	1/1/2002	9,155	No info
4733NE	DNB89	1/1/2002	4,917	No info
4733NE	ENA43	2/1/2002	12,480	No info
4733NE	ENA42	2/1/2002	7,121	No info
4733NE	ENA44	2/1/2002	4,423	No info
4733NE	FNC25	3/1/2002	11,096	No info
4733NE	FNC28	3/1/2002	10,251	No info
4733NE	FNC27	3/1/2002	9,855	No info
4733NE	HNC74	5/1/2002	2,536	\$ 30
4733NE	KND24	7/1/2002	14,416	No info
4733NE	KND23	7/1/2002	9,935	No info
			\$270,095	

We reviewed fifty-six Mid-Atlantic Region bills totaling \$920,130 paid as part of the September 2003 payment. The bills (SF1080s) were the only documentation on file. There were no MILSTRIP rollup summaries, detail reports, or other documentation. The data on file for these was similar to the data available for the bills listed above.

Fleet personnel told us they used average monthly fuel consumption estimates to determine the bills to pay in September 2003. We were unable to locate the estimates, but believe estimates based on normal usage patterns would be a useful tool in re-evaluating the validity of unresolved bills.

Partial Payments (\$460,118). Most of the remaining outstanding bills were amounts Fleet deducted from payments because they did not include Fleet license plate numbers. DESC has continued to carry these as unpaid bills.

Settling disputed bills. We believe it imperative Fleet and DESC resolve the disputed bills and establish an agreement that minimizes the possibility of future disputes, but also contains a mechanism to quickly resolve any that do arise.

We also believe the Director, GSA Fleet should formally correspond, either directly or through higher GSA management, with the Director, DESC to:

1. State the need and importance of DESC and Fleet establishing a formal fuel purchasing agreement, and
2. State that Fleet is doing a comprehensive evaluation of all past due unpaid bills and will notify DESC of the results.

Once Fleet has completed its evaluation of the past due bills, any amounts not paid should be formally communicated in the same manner to DESC along with the reasons why they have not been paid. The correspondence should include a request that the Director, DESC respond if DESC concludes they are still valid bills, along with an explanation of why DESC reached this conclusion.

If DESC concludes they are still valid bills even though Fleet has concluded they are not, we believe the unresolved bills should be referred to GSA's Chief Financial Officer for resolution with the Defense Logistics Agency Chief Financial Officer.

In the unlikely event DESC does not respond to the formal correspondence, we think it advisable for Fleet to correspond with the Defense Logistic Agency management responsible for DESC.

## **Recommendations**

We recommend the Commissioner, Federal Acquisition Service, have GSA Fleet:

- 2.A. Work with DESC to reevaluate and resolve the disputed bills, and
- 2.B. Refer to GSA's Chief Financial Officer any disputed bills Fleet and DESC cannot satisfactorily resolve.

## **Management's Response**

The Acting Commissioner, Federal Acquisition Service concurred with the finding and recommendations in his response to the draft report. A copy of the response is provided in Appendix A.

## **Internal Controls**

Control weaknesses noted during the audit have been addressed in the report.

APPENDIX A

AUDIT OF  
GSA FLEET'S PURCHASE OF  
DEFENSE ENERGY SUPPORT CENTER FUEL  
FEDERAL ACQUISITION SERVICE  
REPORT NUMBER A050137/F/5/V06003

MANAGEMENT'S RESPONSE TO THE DRAFT REPORT



GSA Federal Supply Service

FEB 27 2006

MEMORANDUM FOR EUGENE WASZILY  
ASSISTANT INSPECTOR GENERAL  
FOR AUDITING (JA)

FROM: G. MARTIN WAGNER *G. Martin Wagner*  
ACTING COMMISSIONER (F) (FPP)

SUBJECT: GSA Draft Report on the Audit of GSA Fleet's  
Purchase of Defense Energy Support Center  
Fuel (A050137/F/5), dated January 26, 2006

The Federal Supply Service (FSS) staff has reviewed the subject report and concurs with the report recommendations. Specific comments on the recommendations are provided in the attached statement.

Attachment

cc:  
David K. Stone (JA-5)  
Franklin Moy (JA-5)  
Edward Cullen (JA-5)

U.S. General Services Administration  
1901 S. Ball Street  
Arlington, VA 20408-0003  
www.gsa.gov



APPENDIX A

MANAGEMENT'S RESPONSE TO THE DRAFT REPORT  
(Continued)

GSA DRAFT REPORT, "AUDIT OF GSA FLEET'S  
PURCHASE OF DEFENSE ENERGY SUPPORT CENTER FUEL,  
FEDERAL ACQUISITION SERVICE" (A050137/F/5),  
DATED JANUARY 26, 2006

Recommendation 1A:

Work with DESC to establish a written agreement to (a) have fuel bills, including transaction detail by license plate number, transmitted electronically to a central Fleet location in a format that allows Fleet to electronically review the information, and (b) that provides a means of resolving disputed transactions.

Comment:

Concur. The Director of GSA Fleet will contact the Defense Energy Support Center (DESC) in writing to establish a national agreement governing electronic transmission of data concerning the purchase, payment and dispute of fuel invoices. GSA Fleet has been working on a national MOU with DESC for several years and has provided DESC with several signed versions.

Recommendation 1B:

Establish internal procedures to quickly review the bills and process them for payment.

Comment:

Concur. In an effort to improve payment and processing speed, GSA Fleet (FFF) has centralized the DESC billing payment and dispute process at the Region 7 Payment Processing Center and has appointed one regional Associate responsible for the certification of all DESC fuel bills in their geographic area. FFF is also working with DESC to begin receiving electronic billing files and is developing a database with the capability to quickly and uniformly process these electronic files.

Recommendation 2A:

Work with DESC to reevaluate and resolve the disputed bills.

Comment:

Concur. GSA Fleet is currently reevaluating all prior year invoice balances and once our analysis is complete, we will share our findings with DESC.

APPENDIX A

MANAGEMENT'S RESPONSE TO THE DRAFT REPORT  
(Continued)

2

Recommendation 2B:

Refer to GSA's Chief Financial Officer any disputed bills Fleet and DESC cannot satisfactorily resolve.

Comment:

Concur. Once the analysis is complete, and we have shared the data with DESC, GSA Fleet will communicate with the Controller, FSS on what we could/could not certify for payment and ask the Controller to evaluate what we have done and communicate, as needed, to the CFO.

**APPENDIX B**

AUDIT OF GSA FLEET'S PURCHASE OF  
DEFENSE ENERGY SUPPORT CENTER FUEL  
FEDERAL ACQUISITION SERVICE  
REPORT NUMBER A050137/F/5/V06003

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