

A *udit*



R *eport*

**BULK FUEL RELATED PROJECTS AT
NAVAL STATION ROTA AND MORON AIR BASE, SPAIN**

Report No. D-2001-104

April 19, 2001

**Office of the Inspector General
Department of Defense**

Additional Copies

To obtain additional copies of this audit report, visit the Inspector General, DoD, Home Page at www.dodig.osd.mil/audit/reports or contact the Secondary Reports Distribution Unit of the Audit Followup and Technical Support Directorate at (703) 604-8937 (DSN 664-8937) or fax (703) 604-8932.

Suggestions for Audits

To suggest ideas for or to request future audits, contact the Audit Followup and Technical Support Directorate at (703) 604-8940 (DSN 664-8940) or fax (703) 604-8932. Ideas and requests can also be mailed to:

OAIG-AUD (ATTN: AFTS Audit Suggestions)
Inspector General, Department of Defense
400 Army Navy Drive (Room 801)
Arlington, VA 22202-4704

Defense Hotline

To report fraud, waste, or abuse, contact the Defense Hotline by calling (800) 424-9098; by sending an electronic message to Hotline@dodig.osd.mil; or by writing to the Defense Hotline, The Pentagon, Washington, DC 20301-1900. The identity of each writer and caller is fully protected.

Acronyms

DESC	Defense Energy Support Center
DLA	Defense Logistics Agency
EUCOM	European Command
IPRB	Installation Planning and Review Board
JPO	Joint Petroleum Office
MILCON	Military Construction
MR&E	Maintenance, Repair, and Environmental
USAFE	U.S. Air Force Europe



INSPECTOR GENERAL
DEPARTMENT OF DEFENSE
400 ARMY NAVY DRIVE
ARLINGTON, VIRGINIA 22202-4704

April 19, 2001

MEMORANDUM FOR COMMANDER IN CHIEF, U.S. EUROPEAN COMMAND

SUBJECT: Audit Report on Bulk Fuel Related Projects at Naval Station Rota and
Moron Air Base, Spain (Report No. D-2001-104)

We are providing this report for your information and use. This report is one in a series about bulk fuel storage and delivery systems infrastructure requirements. We considered management comments on a draft of this report when preparing the final.

The U.S. European Command comments conformed to the requirements of DoD Directive 7650.3; therefore, additional comments are not required.

Questions on the audit should be directed to Ms. Bobbie Sau Wan at (703) 604-9259 (DSN 664-9259) or Mr. Wayne K. Million at (703) 604-9312 (DSN 664-9312). See Appendix B for the report distribution. The audit team members are listed inside the back cover.

A handwritten signature in cursive script, appearing to read "Thomas F. Gimble".

Thomas F. Gimble
Acting
Deputy Assistant Inspector General
for Auditing

Office of the Inspector General, DoD

Report No. D-2001-104

(Project No. D1999CG-0088.002)

April 19, 2001

Bulk Fuel Related Projects at Naval Station Rota and Moron Air Base, Spain

Executive Summary

Introduction. This report is one in a series that addresses the accuracy and reliability of maintenance, repair, environmental, and construction requirements for bulk fuel storage and delivery systems infrastructure. The Defense Logistics Agency, Defense Energy Support Center, provides fuel to DoD customers and is responsible for budgeting and funding military construction and maintenance and repair projects, including environmental projects, at all DoD fuel terminals worldwide.

Objectives. Our overall objective was to evaluate the accuracy and reliability of DoD maintenance, repair, environmental, and construction requirements for bulk fuel storage and delivery systems infrastructure. Specifically, this audit evaluated maintenance, repair, and environmental and military construction requirements for bulk fuel storage and delivery systems infrastructure projects at two locations in Spain. We also reviewed the management control program as it related to the bulk fuel infrastructure requirement validation process.

Results. Maintenance, repair, and environmental projects valued at \$21.2 million at Naval Station Rota and Moron Air Base, Spain, were adequately supported. Military construction projects at Naval Station Rota for \$92 million were supported as strategic en route requirements. However, fuel-related military construction project requirements for Moron Air Base were inaccurate. The Defense Logistics Agency approved and funded a \$14 million fuel-related military construction project at Moron Air Base that was not necessary to support strategic en route requirements. In addition, unless the U.S. European Command establishes and implements procedures to review, validate, and prioritize project requirements, the Defense Logistics Agency cannot maximize the use of available funds to ensure that the highest priority DoD projects successfully compete for funding. For details of the audit results, see the Finding section of the report. The management controls that we reviewed were not effective in that a material management control weakness was identified. See Appendix A for details on the management control program.

Summary of Recommendations. We recommend that the Commander in Chief, U.S. European Command, review and coordinate fuel-related military construction requirements at Naval Station Rota and Moron Air Base and validate the requirements in accordance with DoD 4140.25-M, "DoD Management of Bulk Petroleum Products, Natural Gas, and Coal," June 1994.

Management Comments. The Commander in Chief, U.S. European Command, provided comments and concurred with the recommendation. The European Command stated that they have already validated the Naval Station Rota and the Moron Air Base requirements for the MILCON projects at a recent meeting of the European Enroute Infrastructure Steering Committee. However, the European Command took exception to

our classification of the Moron Air Base projects an “inaccurate.” The European Command stated that the projects at Moron Air Base not only support strategic en route requirements, but also provide vital support for operational and contingency plan requirements. The European Command stated that the issue with Moron Air Base is the convoluted nature of the requirements when multiple CINCs and components are involved. In the case where more than one CINC is involved in a project, a determination should be made as to what office is the ultimate consolidator of requirements to ensure duplication or waste is avoided. A discussion of management comments is in the Finding section of the report, and the complete text is in the Management Comments section.

Audit Response. Management comments were fully responsive to the recommendation. Although the European Command could not provide documentation to support the requirements at Moron Air Base during our review, we have no issue that the projects are not needed. Our issue is that the projects were improperly classified as having requirements to support strategic en route airlift, thus obtaining an inaccurate high priority for very limited Defense Logistics Agency fuel related infrastructure military construction funding. As for the “ultimate consolidator,” Joint Pub 4-03, “Joint Bulk Petroleum Doctrine,” states that the geographic Combatant Command has the predominate fuel responsibility within the theater.

Table of Contents

Executive Summary	i
Introduction	
Background	1
Objectives	2
Finding	
Fuel Related Projects in Spain	3
Appendixes	
A. Audit Process	
Scope	9
Methodology	9
Management Control Program Review	10
Prior Coverage	11
B. Report Distribution	12
Management Comments	
U.S. European Command	15

Background

This report is one in a series being issued by the Inspector General, DoD, addressing DoD maintenance, repair, and environmental (MR&E), and military construction (MILCON) requirements for bulk fuel storage and delivery systems infrastructure (storage tanks, pipelines, dispensing facilities, hydrants, etc.). The Defense Logistics Agency (DLA), Defense Energy Support Center (DESC), is responsible for budgeting and funding MR&E and MILCON for DoD fuel terminals worldwide.

In 1991, DoD, Program Budget Decision 735 authorized the transfer of MILCON funding authority to DLA for fuel-related infrastructure on military installations. Actual transfer of the funding responsibilities, however, was managed in two phases. The period from 1993 through 1996 was characterized by very low fuel-related MILCON expenditures. During that period, when the Services would have historically expended an average of \$66 million per year, DLA only averaged \$17 million. Low funding levels over an extended period precipitated infrastructure deterioration to the point where environmental issues became a concern. Additionally, the United States changed from a forward-deployed force to one based largely in the continental United States. Therefore, an enhanced en route refueling infrastructure to support worldwide deployment of U.S. Forces was needed to meet timeline requirements for a two major theatre war strategy. Consequently, there was a growing demand for MILCON and MR&E projects supporting fuel infrastructure.

In 1997, the Office of the Deputy Under Secretary of Defense (Logistics) completed a study on DoD fuels MILCON funding. The study identified 114 MILCON projects totaling \$1.5 billion in fuel-related MILCON requirements to meet environmental, operational, and strategic planning objectives for the proposed Future Years Defense Program (FYs 1999 through 2003). During FY 1998 budget considerations, the transfer of MILCON responsibility to DLA created a funding issue because the Defense budget did not provide for increased funding for DLA. For FY 2000, DLA funded and approved \$101.2 million for five projects. For the FY 2001 President's Budget to Congress, DLA programmed 14 projects with an estimated cost of \$168 million.

The DESC is responsible for DoD fuel inventory management, including fuel procurement and sales, and environmental oversight. Fuel-related infrastructure requirements may be funded by DLA from two different funding sources. Maintenance, repair, and environmental projects are funded through the Defense Working Capital Fund – a revolving fund that is continually replenished by a surcharge added by DLA to the sale price of fuel. Renovations and major construction projects are funded from the DLA allocation of MILCON appropriations.

Objectives

Our overall objective was to evaluate the accuracy and reliability of DoD MR&E and MILCON requirements for bulk fuel storage and delivery systems infrastructure. Specifically, this audit evaluated requirements for MR&E and MILCON bulk fuel storage and related delivery systems infrastructure projects at Naval Station Rota and Moron Air Base, Spain. We also reviewed the adequacy of the management control program as it applied to the audit objectives. See Appendix A for a discussion of the audit scope and methodology and a discussion of the management control program.

Supported MR&E and MILCON Projects

The requirements for 44 MR&E projects valued at \$21.2 million at Naval Station Rota and 14 MR&E projects valued at \$2.7 million at Moron Air Base were adequately supported. Military construction projects at Naval Station Rota for \$92 million were supported as strategic en route MILCON requirements.

Fuel Related Projects in Spain

Fuel-related military construction project requirements for Moron Air Base were inaccurate. The requirements were inaccurate because the U.S. European Command (EUCOM):

- did not review and coordinate joint MILCON requirements for Spain, and
- did not validate and prioritize projects as required by DoD guidance.

As a result, DLA approved and funded a \$14 million fuel-related MILCON project at Moron Air Base that was not necessary to support strategic en route requirements. In addition, unless EUCOM establishes and implements procedures to review, validate, and prioritize project requirements, DLA cannot maximize the use of available funds to ensure that the highest priority DoD projects successfully compete for funding.

Policy Guidance

DoD guidance prescribes policy for bulk fuel storage and delivery systems infrastructure, documents the processes, and assigns responsibilities for managing the infrastructure.

DoD Directive 4140.25, “DoD Management Policy for Energy Commodities and Related Services,” April 20, 1999. DoD Directive 4140.25 prescribes DoD policy for energy and related programs (for example, petroleum, natural gas, coal, and propellants). The Directive states that the programs shall support DoD peacetime and wartime missions, and permit successful and efficient deployment and employment of forces. The Directive also states that DoD Components shall minimize inventories consistent with peacetime and contingency needs.

DoD 4140.25-M, “DoD Management of Bulk Petroleum Products, Natural Gas, and Coal,” June 1994. The manual implements DoD Directive 4140.25 and prescribes policy guidance, supply operating procedures, and reporting instructions. The manual assigns functional responsibilities for the integrated management of bulk fuel facilities and establishes procedures for MILCON and MR&E project review, validation, and prioritization.

Joint Pub 4-03, “Joint Bulk Petroleum Doctrine,” July 25, 1995. The joint publication establishes doctrine and sets forth principles for bulk petroleum support of U.S. joint military operations. The publication aids commanders of Combatant Commands and applies when, among other operations, the forces of one Service support the forces of another. This publication takes precedence over Service directives for activities of joint forces.

Bulk Fuel MILCON Projects in Southern Spain

Naval Station Rota and Moron Air Base are both located in southern Spain. Naval Station Rota, located on the Atlantic Ocean near the Straits of Gibraltar, serves the naval forces operating in the region and accommodates a limited amount of airlift aircraft refueling with five existing hydrants and a fleet of refueling trucks. Moron Air Base is a limited operations base that has a large aging refueling infrastructure. Moron Air Base has historically served as a strategic staging base to support United States and Allied aerospace power throughout Europe, Africa, and Southwest Asia.

The bulk fuel related MILCON projects planned for Naval Station Rota and Moron Air Base are summarized in the following table.

Fuel Related MILCON Projects in Spain			
(\$ in millions)			
<u>FY</u>	<u>Project No</u>	<u>Project Description</u>	<u>Amount</u>
Naval Station Rota			
02	P-655	Construct hydrant fuel system (Phase I)	\$ 25.0
03	P-660	Construct hydrant fuel system (Phase II)	13.0
Subtotal (Rota, for DLA Funding)			38.0
02	P-656	Airfield improvements (Phase I)	35.0
03	P-661	Airfield improvements (Phase II)	13.8
01	P-657	Flightline replacement facilities	5.3
Subtotal (Rota, for Air Force Funding)			54.1
Subtotal (Rota)			92.1
Moron Air Base			
97	QUUG97-3000E	Replace hydrant fuel system (Phase I)	13.0
00	QUUG97-3000E	Replace hydrant fuel system (Phase II)	14.0
Subtotal (Moron, for DLA Funding)			27.0
Total			\$119.1

Naval Station Rota Bulk Fuel MILCON Projects. There were five bulk fuel related MILCON projects to construct a NATO standard design Type III hydrant fuel system over a multiyear period. The projects included pumphouses, operating tanks, pantographs, hydrants, and associated support facilities for “. . . strategic air mobility plans for worldwide en route infrastructure capabilities . . . [for] additional wide body airlift aircraft servicing capacity needs for the southern European region.” Projects P-655 and P-660 met the criteria for DLA funding and because of the strategic en route justification, received the highest ranking for that funding. Projects P-656, P-657, and P-661 were for the relocation of flight line facilities and airfield improvements. Those three projects did not meet criteria for DLA funding and were to be funded by the Air Force. When combined with the DLA projects, the Air Force funded MILCON, estimated at \$54.1 million, would bring the total investment at Naval Station Rota to \$92.1 million.

Moron Air Base MILCON Projects. Project QUUG97-3000E, “Replace Hydrant Fuel System,” was divided into two phases. Phase I, hydrants for 16 wide body aircraft refueling/parking locations, 2 storage tanks, and associated infrastructure is scheduled to be completed in April 2001, at an estimated cost of \$13 million. Phase II, hydrants for an additional 21 wide body aircraft refueling/parking locations, 2 storage tanks, and associated infrastructure was programmed for \$15.2 million in FY 2000; however, Phase II was delayed until the completion of Phase I and the estimated costs were reduced to \$14 million. The U.S. Air Force Europe (USAFE) initially identified the projects in 1993. At that time, USAFE maintained that the 1956 type II refueling system was at the end of its useful life, deteriorating rapidly, and posed safety and environmental hazards. Further, the new standard design was needed to meet operational mission requirements. USAFE later revised the project documentation. Specifically, the February 1999, DD Form 1391 requirement justification stated “. . . the system is required to rapidly refuel wide-body aircraft in support of U.S. contingency plans and other crises.”

MILCON Project Review, Validation, and Prioritization

EUCOM Responsibilities. The DoD 4140.25-M states that the geographic Combatant Command JPO (specifically the EUCOM JPO) is responsible for reviewing and validating fuel infrastructure MILCON requests, establishing project priorities, and submitting the requirements to DESC for review and overall DoD prioritization for DLA funding. However, EUCOM did not review and validate the MILCON requirements against operational or contingency plans, and could not provide documentation to support the strategic en route requirement for the fuel-related MILCON project in southern Spain.

The Combatant Command Joint Petroleum Offices (JPOs) and the Service control points are responsible for MILCON and MR&E project review, validation, and for developing consolidated project priority lists in accordance with DoD 4140.25-M. The JPOs validate and prioritize overseas projects. The JPOs and the Service control points forward candidate projects and consolidated project priority lists to DESC for funding review and approval.

The geographic Combatant Commander has predominant fuel responsibility within a theater and is responsible to ensure that fuel support is provided to combat forces to accomplish mission requirements from the National Command Authorities. The Combatant Commands must coordinate fuel and fuel infrastructure MILCON and MR&E requirements. The EUCOM JPO is not only responsible for fuel requirements in support of his own command, but is also responsible for fuel support to other Combatant Commands. The EUCOM JPO is to provide en route support for other combat missions transferring through the EUCOM geographic area of responsibility. Additionally, all Combatant Commands must plan and coordinate the receipt, storage, and distribution of petroleum products in their respective theaters with DLA.

Strategic En Route Infrastructure Requirements

Mobility Requirements Study. In April 28, 1994, the Deputy Secretary of Defense directed the Chairman of the Joint Chiefs of Staff to conduct an updated Mobility Requirements Study. The new study, known as the Mobility Requirements Study Bottom Up Review Update, established strategic mobility requirements for conventional war scenarios. The study also provides inter-theater strategic mobility airlift requirements and identifies the amount of airlift capacity required for various operational plans. The Joint Chiefs of Staff, through the Defense Planning Guidance of 1997, required that the strategic en route airlift through the European and Pacific areas of responsibility be given the highest priority in order to carry out the airlift requirements established by the study.

Fuel MILCON Funding Process

DoD Directive 4140.25 provides the Director, DLA, with management responsibility for fuel, including planning, programming, and budgeting for new permanent storage and distribution facilities. DLA, through DESC, must coordinate those functions with the Services and Combatant Commanders through the Installation Planning and Review Board (IPRB).

Overall prioritization of worldwide fuel related MILCON projects is accomplished annually when the Combatant Commands, the Services, the Joint Staff, and DESC meet as the IPRB. The IPRB considers such factors as the facility type and condition, environmental compliance, mission criticality and type, and command priority. Because of the significant backlog in funding fuel related MILCON projects, proper identification and weighting of those factors by the IPRB, for each project, is crucial to ensuring the successful revitalization of the DoD fuel infrastructure.

In prioritizing projects for funding in FYs 2000 through 2004, the IPRB provided highest priority to projects that had the highest impact on peacetime and wartime operations; those projects that were necessary to meet strategic en route mission requirements.

DLA funded the Phase I upgrade at Moron Air Base during FY 1997. Phase II at Moron Air Base was approved by the IPRB for FY 2000 funding. The IPRB approved Phase I and II at Naval Station Rota for funding during FYs 2002 and 2003, respectively. The IPRB assigned high priority to those three projects because of their strategic en route airlift requirements justification.

EUCOM could not provide any support for specific strategic en route airlift requirements. However, data from the U.S. Transportation Command and the Air Mobility Command supported strategic en route airlift requirements for the projects at Naval Station Rota and 16 of the 37 large aircraft refueling/parking locations, hydrants, and related infrastructure at Moron Air Base. We could not find any support for strategic en route airlift requirements for the remaining 21 large aircraft refueling/parking locations, hydrants, and related infrastructure at

Moron Air Base, project number QUUG97-3000E, “Replace Hydrant Fuel System (Phase II),” for \$14 million. While all existing infrastructure may need to be upgraded for normal operations, other projects on the IPRB approved project list may have a greater “. . . impact on peacetime and wartime operations . . .,” and should be considered for funding in the order that their priority dictates. DLA cannot maximize the use of available funds to ensure that the highest priority DoD projects successfully compete for funding when project justification requirements are not accurately documented.

Management Comments on the Finding and Audit Response

Management Comments on the MILCON Requirements at Moron Air Base. The EUCOM took exception to the finding that the requirements at Moron Air Base were inaccurate. EUCOM stated that the projects at Moron Air Base not only support strategic en route requirements, but also provide vital support for operational and contingency plan requirements. EUCOM further recommended that the following comments be included in the report.

Fuel-related military construction project requirements for Moron Air Base were determined to be valid. Although not all projects were required to support strategic enroute requirements identified in MRS BURU, the remaining projects provide vital logistics support to tanker and bomber operations for contingency and operational plans and are thus justified. However, not all documentation justifying these projects was readily available in a central location.

Audit Response. We still maintain that the requirements, as stated for the projects at Moron Air base, as submitted to the IPRB, and as approved by the IPRB, are inaccurate. The projects were approved by the IPRB and sent to DLA for funding based on strategic en route airlift requirements. The EUCOM comments confirm that not all projects were needed for those requirements. Therefore, the projects, although they may be required, were improperly classified and ranked; thus resulting in circumventing the use of limited DLA fuels MILCON funding for the highest priority projects.

Recommendation, Management Comments, and Audit Response

We recommend that the Commander in Chief, U.S. European Command, review, validate, and coordinate requirements for the fuel-related military construction projects at Naval Station Rota and Moron Air Base in accordance with DoD 4140.25-M.

Management Comments. The U.S. European Command concurred with the recommendation and stated that they have already validated the Naval Station Rota and the Moron Air Base requirements for the MILCON projects at a recent meeting of the European Enroute Infrastructure Steering Committee. However,

EUCOM took exception to some of the discussion supporting the recommendation and provided wording for a different recommendation. EUCOM stated that the issue with Moron Air Base, and possibly other en route bases, is the convoluted nature of the requirements when multiple CINCs and components are involved. Therefore EUCOM suggested the following reword of the recommendation.

We recommend the representatives at the June 2001 Joint Petroleum Working Group/Installation Program Review Board (JPWG/IPRB) meetings review the MILCON validation process to ensure sufficient management control exists to allow maximization of available funding to meet highest priority DoD needs. In the case where more than one CINC is involved in a project, a determination should be made as to what office is the ultimate consolidator of requirements to ensure duplication or waste is avoided.

Audit Response. Management comments were fully responsive to the recommendation. Further, we totally agree that the requirements and the documentation supporting the MILCON projects at the Naval Station Rota and the Moron Air Base were convoluted. However, Joint Pub 4-03 already establishes that the geographic Combatant Commanders are responsible to ensure that fuel support is provided to combat forces. Further, the geographic Combatant Commander has predominant fuel responsibility within a theater and must coordinate those fuel and fuel infrastructure requirements with DESC and DLA as well as with applicable host nations. Therefore, all fuel and fuel infrastructure requirements within the geographic area of responsibility of EUCOM must be coordinated with the EUCOM JPO so that he can review, validate, and prioritize the entire EUCOM consolidated fuel related project list to DESC.

Appendix A. Audit Process

Scope

Work Performed. We reviewed DoD guidance and conducted on-site visits to assess the implementation of the guidance. We reviewed supporting documentation used for active or planned MR&E and MILCON projects at Naval Station Rota and Moron Air Base, Spain, as shown in the following chart.

Location	Number Projects	Type of Project	Value
Naval Station Rota	44	M&E projects	\$ 21.2
Naval Station Rota	5	MILCON projects	92.1
Moron Air Base	14	M&E projects	2.7
Moron Air Base	2	MILCON projects	27.0
Total	65		\$143.0

Additionally, we interviewed cognizant management officials and physically toured the bulk fuel infrastructure project sites.

DoD-Wide Corporate Level Government Performance and Results Act (GPRA) Coverage. In response to the GPRA, the Secretary of Defense annually establishes DoD-wide corporate level goals, subordinate performance goals, and performance measures. This report pertains to achievement of the following goal(s) and performance measures.

FY 2000 DoD Corporate Level Goal 2: Prepare now for an uncertain future by pursuing a focused modernization effort that maintains U.S. qualitative superiority in key warfighting capabilities. Transform the force by exploiting the Revolution in Military Affairs, and reengineer the Department to achieve a 21st century infrastructure. **(00-DoD-2).** **FY 2000 Subordinate Performance Goal 2.3:** Streamline the DoD infrastructure by redesigning the Department's support structure and pursuing business practice reforms. **(00-DoD- 2.3)** **FY 2000 Performance Measure 2.3.1:** Percentage of DoD budget spent on infrastructure. **(00-DoD-2.3.1).**

General Accounting Office High-Risk Area. The General Accounting Office has identified several high-risk areas in the DoD. This report provides coverage of the Defense Infrastructure high-risk area.

Methodology

Audit Type, Dates, and Standards. This economy and efficiency audit was performed from March 2000 through December 2000, in accordance with

auditing standards issued by the Comptroller General of the United States, as implemented by the Inspector General, DoD. Accordingly, we included tests of management controls considered necessary.

Use of Computer-Processed Data. We did not use computer-processed data to perform this audit.

Contacts During the Audit. We visited or contacted individuals and organizations within DoD. Further details are available on request.

Management Control Program Review

DoD Directive 5010.38, "Management Control (MC) Program," August 26, 1996, and DoD Instruction 5010.40, "Management Control (MC) Program Procedures," August 28, 1996, require DoD organizations to implement a comprehensive system of management controls that provides reasonable assurance that programs are operating as intended and to evaluate the adequacy of the controls.

Scope of Review of the Management Control Program. We reviewed the adequacy of EUCOM management controls over MR&E and MILCON requirements for bulk fuel infrastructure projects. Specifically, we reviewed management controls over the review and validation process for MR&E and bulk fuel infrastructure MILCON project requirements.

Adequacy of Management Controls. No management control deficiencies were noted from a review of active or planned MR&E projects at Naval Station Rota and Moron Air Base. However, we identified a material management control weakness for bulk fuel storage MILCON projects in Spain. Management controls at EUCOM were not adequate to ensure that fuel-related MILCON projects for en route infrastructure military construction in Spain were adequately reviewed, validated, and prioritized, as required by the DoD 4140.25-M, "DoD Management of Bulk Petroleum Products, Natural Gas, and Coal," June 1994. The recommendation, if implemented, will reemphasize the importance of the existing management controls that help ensure efficient use of MILCON resources. A copy of the report will be provided to the senior official responsible for management controls in the offices of the U.S. European Command.

Adequacy of Management's Self-Evaluation. Because we did not identify a material management control weakness for MR&E projects, we did not assess management's self-evaluation in that area. For MILCON projects, EUCOM officials did not identify an assessable unit for the review, validation, and prioritization of fuel-related MILCON projects and, therefore, did not identify or report the material management control weakness identified by the audit.

Prior Coverage

Inspector General, DoD, Report No. D-2001-040, "Bulk Fuel Infrastructure Maintenance, Repair, and Environmental Project Review Process: Pacific," January 30, 2001.

Inspector General, DoD, Report No. D-2001-003, "Bulk Fuel Storage and Delivery Systems Infrastructure Requirements for Japan," October 12, 2000.

Inspector General, DoD, Report No. D-2000-164, "Bulk Fuel Storage and Delivery Systems Infrastructure Requirements for Yakima Training Center, Washington," July 20, 2000.

Appendix B. Report Distribution

Office of the Secretary of Defense

Under Secretary of Defense for Acquisition, Technology, and Logistics
Deputy Under Secretary of Defense (Installations)
Under Secretary of Defense (Comptroller)
Deputy Chief Financial Officer
Deputy Comptroller (Program/Budget)
Joint Chief of Staff

Department of the Army

Assistant Secretary of the Army (Financial Management and Comptroller)
Auditor General, Department of the Army

Department of the Navy

Naval Inspector General
Auditor General, Department of the Navy
Navy Petroleum Office

Department of the Air Force

Assistant Secretary of the Air Force (Financial Management and Comptroller)
Auditor General, Department of the Air Force
Commander, United States Air Forces in Europe

Unified Commands

Commander in Chief, U.S. European Command
Commander in Chief, U.S. Transportation Command
Commander, Air Mobility Command

Other Defense Organizations

Director, Defense Logistics Agency

Non-Defense Federal Organizations

Office of Management and Budget

Congressional Committees and Subcommittees, Chairman and Ranking Minority Member

Senate Committee on Appropriations
Senate Subcommittee on Defense, Committee on Appropriations
Senate Committee on Armed Services
Senate Committee on Governmental Affairs
House Committee on Appropriations
House Subcommittee on Defense, Committee on Appropriations
House Committee on Armed Services
House Committee on Government Reform
House Subcommittee on Government Efficiency, Financial Management, and Intergovernmental Relations, Committee on Government Reform
House Subcommittee on National Security, Veterans Affairs, and International Relations, Committee on Government Reform
House Subcommittee on Technology and Procurement Policy, Committee on Government Reform

U.S. European Command Comments



HEADQUARTERS
UNITED STATES EUROPEAN COMMAND
UNIT 30400, BOX 1000
APO AE 09128

ECJ4

30 March 2001

MEMORANDUM FOR DOD INSPECTOR GENERAL, 400 Army Navy Drive,
Arlington, VA 22202-2885

SUBJECT: DoD IG Draft Audit Report on "Bulk Fuel Related Projects at Naval Station Rota and Moron Air Base, Spain" (Project No. D1999CG-0088.002, Feb 12, 2001)

1. USEUCOM appreciates the opportunity to respond to your draft audit concerning the accuracy and reliability of military construction fuels projects at these locations. We concur with your recommendation "that the Commander in Chief, U.S. European Command, review and coordinate fuel-related military construction requirements at Naval Station Rota and Moron Air Base and validate the requirements in accordance with DoD 4140.25-M, 'DoD Management of Bulk Petroleum Products, natural Gas, and Coal,' June 1994."
2. However, we take exception to the comments that:
 - a. "fuel-related military construction project requirements for Moron Air Base were inaccurate"
 - b. EUCOM "did not review and coordinate joint MILCON requirements for Spain"
 - c. EUCOM "did not validate and prioritize projects as required by DoD guidance"
3. The fuels-related MILCON projects at Moron Air Base not only support strategic enroute requirements, but also provide vital support for operational and contingency plan requirements. Historical usage during real world operations such as Desert Shield/Storm and Allied Force show the critical nature of this location. The consolidated requirements for Moron Air Base certainly justify the hydrant system and outlets being installed. HQ USEUCOM/ECJ4 Joint Petroleum Office works with the USEUCOM/ECJ4 Engineering Division, USEUCOM/ECJ4 Plans and Programs Division, various Component offices, and DESC-Europe to review, coordinate, validate, and prioritize EUCOM fuels-related projects prior to submission to DESC. Then, a member of the JPO attends the Installation Program Review Board (IPRB) along with members of the Joint Staff, DESC, Unified Commands, and Services to prioritize fuels-related MILCON worldwide. Using the DLA/DESC MILCON Project Prioritization Program, the IPRB determines overall funding priority for fuels-related infrastructure.
4. The issue with Moron Air Base, and possibly other enroute bases, is the convoluted nature of the requirements with multiple CINCs and Components using daily usage, operational plans, contingency plans, and various directed studies as project justification. This can lead to confusion as to the total requirement where no single entity possesses the complete picture and all the documentation for projects. Thus I recommend the following comments and recommendation be substituted for those listed in 2 above:

ECJ4

SUBJECT: DoD IG Draft Audit Report on "Bulk Fuel Related Projects at Naval Station Rota and Moron Air Base, Spain" (Project No. D1999CG-0088.002, Feb 12, 2001)

a. Fuel-related military construction project requirements for Moron Air Base were determined to be valid. Although not all projects were required to support strategic enroute requirements identified in MRS BURU, the remaining projects provide vital logistics support to tanker and bomber operations for contingency and operational plans and are thus justified. However, not all documentation justifying these projects was readily available in a central location.

b. Recommendation: We recommend the representatives at the June 2001 Joint Petroleum Working Group/Installation Program Review Board (JPWG/IPRB) meetings review the MILCON validation process to ensure sufficient management control exists to allow maximization of available funding to meet highest priority DoD needs. In the case where more than one CINC is involved in a project, a determination should be made as to what office is the ultimate consolidator of requirements to ensure duplication or waste is avoided.

5. We have already reviewed and revalidated the requirements for the MILCON projects at Naval Station Rota and Moron Air Base during a recent meeting of the European Enroute Infrastructure Steering Committee in Rota, Spain. Members of the Joint Staff, EUCOM, CENTCOM, TRANSCOM, and related Components met to discuss the specific requirements and a methodology for use on future projects. The result of the meeting confirmed that the ongoing projects at Rota and Moron are vital for the support of future contingency operations in EUCOM and for supporting other CINCs. Our JPO will address their findings and the issue of revalidating requirements at the June 2001 Joint Petroleum Working Group and Installation Program Review Boards at Ft Belvoir, VA.

6. Again, we appreciate the work done by the IG team on this issue. We understand the importance of balancing support for the National Command Authority while at the same time considering the financial concern of the taxpayers. Please direct any questions concerning this to LTC Keith Mattox or LCDR Stephen Grace, HQ USEUCOM/ECJ4-LOJPO, DSN 430-8263.



ELIZABETH A. HARRELL
Brigadier General, USAF
Director, Logistics and
Security Assistance

Audit Team Members

The Contract Management Directorate, Office of the Assistant Inspector General for Auditing, DoD, prepared this report. Personnel of the Office of the Inspector General, DoD, who contributed to the report are listed below.

Paul J. Granetto
Wayne K. Million
Bobbie Sau Wan
Eric D. Boderious
Joyce S. McCutcheon