



## DoD MANUAL 4140.25, VOLUME 9

# DoD MANAGEMENT OF ENERGY COMMODITIES: DEFENSE FUEL SUPPORT POINT (DFSP) BULK PETROLEUM INVENTORY ACCOUNTING

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<b>Originating Component:</b>	Office of the Under Secretary of Defense for Acquisition and Sustainment
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<b>Approved by:</b>	Robert H. McMahon, Assistant Secretary of Defense for Logistics and Materiel Readiness
<b>Change 2 Approved by:</b>	Dee Reardon, Deputy Assistant Secretary of Defense for Logistics

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**Purpose:** This manual is composed of several volumes, each containing its own purpose. In accordance with the authority in DoD Directive 5134.12 and DoD Instruction 4140.25:

- This manual implements policy, assigns responsibilities, and provides procedures for the supply chain management, quality assurance and quality surveillance, and storage of energy commodities and related services.
- This volume assigns responsibilities and provides procedures to account for energy commodities stored at DFSPs.

## TABLE OF CONTENTS

SECTION 1: GENERAL ISSUANCE INFORMATION .....	4
1.1. Applicability .....	4
1.2. Information Collections .....	4
1.3. Summary of Change 2 .....	5
SECTION 2: RESPONSIBILITIES .....	6
2.1. Assistant Secretary of Defense for Sustainment .....	6
2.2. Director, Defense Logistics Agency (DLA) .....	6
2.3. DoD Component and Participating Agency Heads .....	6
SECTION 3: PROCEDURES .....	7
3.1. Responsible Organization Commanders or Contract Administrators .....	7
3.2. RO .....	9
3.3. TM .....	11
3.4. RO, TM, or PA Training Requirements .....	11
3.5. Physical Custody or Account Transfer .....	12
3.6. RO, TM, or Resolution Specialist (RS) .....	12
3.7. PA .....	14
3.8. DWCF Inventory Transaction Processor or Recorder Accountants .....	15
3.9. DWCF Inventory Operator or Handler .....	16
3.10. Tactical Locations .....	16
3.11. Mandatory Contract Internal Instructions .....	16
SECTION 4: INVENTORY MANAGEMENT .....	19
4.1. Daily Recording and Processing of Energy Commodity Inventory Transactions .....	19
4.2. DWCF Energy Commodity Transaction Processing .....	23
4.3. EOM Physical Inventory and Operating Gain or Loss Adjustment .....	23
SECTION 5: INTERNAL BULK PETROLEUM TRANSFERS WITHIN THE SAME DFSP .....	26
5.1. Internal Bulk Petroleum Transfers .....	26
5.2. Transfers to Refueling or Servicing Vehicles .....	27
5.3. Transfers to Collection Tanks or Fuel Bowsers .....	27
SECTION 6: DISPOSITION INSTRUCTIONS FOR BULK PETROLEUM .....	29
6.1. Process .....	29
6.2. Excess Stock .....	29
SECTION 7: INVENTORY RECONCILIATION .....	31
7.1. General .....	31
7.2. Account Reconciliation Requirements at BLSA Processing Locations .....	32
7.3. Business Rules .....	32
7.4. Transaction Corrections .....	33
7.5. Government of Japan Host Nation Support Orders .....	33
SECTION 8: INVENTORY CERTIFICATION .....	35
8.1. ROs and TMs .....	35
8.2. DFSPs shipping and receiving DWCF Energy Commodities .....	35
SECTION 9: DWCF INVENTORY RECORDS .....	38
9.1. Inventory Management .....	38
9.2. Spill Management .....	38

GLOSSARY ..... 41  
    G.1. Acronyms ..... 41  
    G.2. Definitions..... 41  
REFERENCES ..... 45

TABLES

Table 1. RO, PA, and COR Appointment Requirements ..... 7  
Table 2. Standard Allowable Tolerance Factors..... 24

## SECTION 1: GENERAL ISSUANCE INFORMATION

### 1.1. APPLICABILITY. This issuance applies to:

a. OSD, the Military Departments, the Office of the Chairman of the Joint Chiefs of Staff and the Joint Staff, the Combatant Commands (CCMDs), the Office of the Inspector General of the Department of Defense, the Defense Agencies, the DoD Field Activities, and all other organizational entities within the DoD (referred to collectively in this issuance as the “DoD Components”).

b. Non-DoD federal Government agencies participating in the DoD supply chain management of energy commodities, referred to collectively in this volume as “Participating Agencies,” but only when and to the extent they adopt the conditions, terms, and requirements of this manual.

### 1.2. INFORMATION COLLECTIONS.

a. DD Form 1348-8, “DoD MILSPETS: DFSP Inventory Accounting Document and End-of-Month Record”, all DD Forms are located at the DoD Forms Management Program website: <http://www.esd.whs.mil/Directives/forms/>, referred to in this issuance, does not require licensing with a report control symbol in accordance with Paragraph 1.b.(10) of Volume 1 of DoD Manual 8910.01.

b. DD Form 200, “Financial Liability Investigation of Property Loss,” referred to in this issuance, does not require licensing with a report control symbol in accordance with Paragraph 1.b.(10) of Volume 1 of DoD Manual 8910.01.

c. DD Form 2920, “DoD MILSPETS Transfer of Account Document,” referred to in this issuance, does not require licensing with a report control symbol in accordance with Paragraph 1.b.(10) of Volume 1 of DoD Manual 8910.01.

d. DD Form 2921, “Physical Inventory Petroleum Products,” and DD Form 2921-C, “Physical Inventory Petroleum Products (Continuation Sheet),” referred to in this issuance, does not require licensing with a report control symbol in accordance with Paragraph 1.b.(10) of Volume 1 of DoD Manual 8910.01.

e. DD Form 250, “Material Inspection and Energy Receiving Report (ERR);” DD Form 250-C, “Material Inspection and ERR-Continuation Sheet;” and DD Form 250-1, “Material Inspection and ERR, Tanker/Barge,” referred to in this volume, have been assigned Office of Management and Budget control number 0704-0248 and are prescribed in DFARS Appendix F. The expiration date of this information collection is listed on the DoD Information Collections System at <http://www.esd.whs.mil/Directives/collections/>.

**1.3. SUMMARY OF CHANGE 2.** This change is administrative and updates references and organizational titles in accordance with the reorganization begun by the July 13, 2018 Deputy Secretary of Defense Memorandum.

## SECTION 2: RESPONSIBILITIES

**2.1. ASSISTANT SECRETARY OF DEFENSE FOR SUSTAINMENT.** Under the authority, direction, and control of the Under Secretary of Defense for Acquisition and Sustainment, and in accordance with DoD Instruction 4140.25, the Assistant Secretary of Defense for Sustainment oversees the management of all records produced for the management of DoD energy commodities.

**2.2. DIRECTOR, DEFENSE LOGISTICS AGENCY (DLA).** Under the authority, direction, and control of the Under Secretary of Defense for Acquisition and Sustainment, and in addition to the responsibilities in Paragraph 2.3, the Director, DLA:

a. Establishes and maintains a DoD energy commodity distribution system (i.e., bulk petroleum supply chain) and related programs in coordination with the Military Departments, Military Services, and CCMDs.

b. Reviews, analyzes, and validates the extent of the energy commodity storage and distribution facilities required in support of the DLA energy commodity management mission in coordination with the Military Departments, Military Services, and CCMDs.

c. Provides instruction for capitalization evaluation and approval of energy commodity at Service installations and closure or realignment of DFSPs, as appropriate, in coordination with the Military Departments, Military Services, and CCMDs and in accordance with Section 7, Volume 6 of this manual.

d. Oversees the DFSP inventory accountability program for all Defense Working Capital Fund (DWCF) energy commodities.

**2.3. DOD COMPONENT AND PARTICIPATING AGENCY HEADS.** The DoD Component and Participating Agency heads:

a. Incorporate DLA Energy internal instructions into DoD Component or Participating Agency contracts at locations that store or distribute DWCF energy commodities as identified in Section 3 of this volume.

b. Manage inventory and provide accountability of energy commodities.

c. Implement procedural guidance governing the stewardship of DWCF energy commodities.

## SECTION 3: PROCEDURES

### 3.1. RESPONSIBLE ORGANIZATION COMMANDERS OR CONTRACT ADMINISTRATORS.

**a. Responsible Officer (RO), Property Administrator (PA), or Contracting Officer’s Representative (COR).** A responsible organization commander or contract administrator:

(1) Appoints an RO, PA, or COR in writing at all locations that maintain DWCF products as reflected in Table 1.

(a) An RO is appointed by the commanding officers. A PA and COR are nominated by the commanding officer and appointed by DLA.

(b) Each RO, COR, and PA must, at a minimum, be a civil service general schedule grade 9, military enlisted grade 7, or grade 1 warrant or commissioned officer, or, for terminal manager (TM), contractor Department of Labor equivalent. Contract support personnel may not serve as ROs. The RO, COR, or PA must already have a minimum of 6 months of energy management experience at the DFSP level.

**Table 1. RO, PA, and COR Appointment Requirements**

DFSP or FACILITY TYPE	RO REQUIRED	PA REQUIRED	COR REQUIRED
All government-owned, government-operated DFSPs	X		
government-owned, contractor-operated (GOCO), DLA Energy contracted or managed		X	X
GOCO, contracted by Military Department or Military Services with military management team at DFSP	X		X
GOCO, contracted by Military Department or Military Services with DFSP contractor management team		X	X
All contractor-owned, contractor-operated (COCO) DFSPs		X	X

(2) Appoints as RO the senior qualified person assigned within the respective DFSP organization who is formally trained in accordance with the organization’s training requirements.

(3) May submit a written request for a waiver to the minimum grade or experience level at small DFSP accounts. The responsible organization commander or contract administrator:

(a) Submits the request on a DLA Form 2020, “Request for DLA Energy Waiver/Exception,” located at <http://www2.dla.mil/officialForms/files1/DL2020.pdf>

(b) Provides details of the circumstances requiring the waiver as well as local management controls in place to ensure proper oversight of the DWCF account.

(c) Sends the waiver through the DoD Component major command or service control point (SCP) for endorsement to the DLA Energy regional office.

(4) Ensures a coverage lapse does not occur. Renews or appoints a new RO or PA in writing before the termination date to avoid a lapse in accountability oversight.

(5) Submits RO appointments to DLA Energy Logistics Operations Directorate (DLA Energy-L), through the DLA Energy regional office in the format specified in the procedures on the DLA Energy Website at <https://dla.deps.mil/dod/dla/dlaenergy/SitePages/Home.aspx>.

(6) Makes PA appointments for the life of a contract to provide oversight and ensure compliance with contract terms and safekeeping of U.S. Government property.

(7) Submits a completed copy of the PA appointment letter to the DLA Energy regional office and DLA Energy-L.

**b. Quality Assurance Evaluator.** The responsible organization commander or contract administrator appoints a quality assurance evaluator:

(1) To satisfy the minimum energy commodity management technical knowledge and training; established by the commanding organization, and to conduct routine and recurring surveillance inspections.

(2) When the assigned PA is responsible to oversee multi-functional disciplines, as is generally the case for base operations support contracts. The evaluator oversees that the energy commodity quality standards are maintained on base.

(3) To record and route internal surveillance inspections in accordance with DoD Component guidance.

(4) To follow the self-inspection checklist and task checklist provided in DLA Energy Website under Publications at <https://dla.deps.mil/dod/dla/dlaenergy/SitePages/Home.aspx>.

**c. Exemption from RO or PA Appointment Requirement.** DWCF inventories managed under terms of a North Atlantic Treaty Organization (NATO) agreement, international agreement, transportation operating agreement (TOA), or commercial tender agreement are exempt from the requirement to appoint an RO or PA. Physical custody and accountability for DWCF inventory held within these pipeline and storage systems is in accordance with terms of the respective agreements. Contact the DLA Energy International Agreements Branch for information regarding NATO or other international agreements by e-mail at [desc.internationalagreements@dla.mil](mailto:desc.internationalagreements@dla.mil).

**d. Completed RO or PA Appointment Letters.** The responsible organization completes appointment letters for the RO and PA.



(1) The responsible organization:

(a) Retains and distributes completed RO or PA appointment letters and completed DD Forms 2920, "DoD MILSPETS DFSP Transfer of Account Document," located at <http://www.esd.whs.mil/Directives/forms/>.

(b) Maintains original hard copies of the RO or PA appointment letter and DD Form 2920 in the organization's DFSP document control file for the current fiscal year plus 2 previous years following RO or PA appointment renewal or account transfer to a new RO, in accordance with Section 3, Volume 2 of DoD Manual 4140.25.

1. The responsible organization maintains PA appointment letters and DD Form 2920 for the full term of the appointment or contract whichever is sooner.

2. The responsible organization maintains copies of the RO or PA appointment letter, DD Forms 2920, and inventory transfer supporting documents in the RO or PA office administrative files for the full term of the RO or PA appointment at DFSP locations geographically located apart from the RO or PA office.

3. The contracting officer (KO) will maintain a copy of the PA appointment letter in the contract file.

(c) Forwards copies of the RO appointment letter and DD Form 2920 to the applicable DLA Energy regional office.

(d) For military-managed contracts, forwards a copy of the PA appointment letter and DD Form 2920 to the applicable DLA Energy regional office. An RO may serve without the need for official appointment as a PA where necessary.

(e) For DLA Energy managed contracts, forwards a copy of the PA appointment nomination letter to the DLA Energy contracting office.

(2) The KO:

(a) Maintains a copy of the PA appointment letter in the contract file.

(b) Forwards the appointment letter for the DLA Energy Commander signature and provides a copy of the approved appointment letter to DLA Energy-L.

**3.2. RO.** The appointed RO:

a. Provides diligent care, custody, and protection of U.S. Government property.

b. Follows the procedures in Chapter 7 of Volume 12 of DoD 7000.14-R for specific accountability responsibilities and penalties for U.S. Government property lost, damaged, or destroyed.

c. Reads and signs the appointment letter accepting accountability, responsibility, and assumption of related pecuniary liability.

d. Delegates RO authority by appointing a qualified alternate RO in writing to serve during occasions when the RO is temporarily absent from the duty location for more than 5 consecutive work days (e.g., vacation, deployment, temporary duty) but less than 2 accounting months. The alternate must be trained to provide stewardship and oversight of the inventories. The RO transfers the account when the expected absence exceeds 2 accounting months. The appointed RO:

(1) Signs and dates the delegation of authority letter before any RO absence.

(2) Retains the delegation of authority letters in the DFSP document control file for 3 years: the current fiscal year plus 2 additional fiscal years following delegation of authority letters.

(3) Provides an electronic copy of RO delegation letters to DLA Energy on request.

e. Transfers the physical custody or account from:

(1) The outgoing RO to the incoming RO.

(a) Jointly verifies the DFSP physical inventories at time of account transfer.

(b) Records inventories on a DD Form 2920.

(2) The outgoing to the incoming TMs at DFSP locations by jointly verifying physical inventories with the PA during custody transfer at contracted DFSP locations.

(3) The outgoing to incoming personnel. The appointed RO:

(a) Obtains inventory gauge readings by manual gauge of storage tanks; from calibrated or operational automatic tank gauge (ATG) readouts; or a combination thereof.

(b) Considers the physical inventory summary reports from active or operational ATG systems as source documents for physical inventory gauge readings and fuel or water quantity conversions.

(c) When approved ATG physical inventory summary reports are used, enters the net 60° Fahrenheit (F) converted physical inventory quantity reflected on the ATG summary in Part III, Item 7(2), "total tank net inventory other pages," of the DD Form 2920, and attaches the ATG summary report to the DD Form 2920 for document retention.

f. Facilitates the DFSP energy account transfer process. The appointed RO:

(1) Provides to DLA Energy-L and the applicable DLA Energy regional office a minimum 2 weeks advance written notice of a pending RO departure date.

(2) Sends the written notification via e-mail, fax, or mail.

(3) Maintains a copy with the RO appointment letter.

(4) Transfers the DFSP energy account from the outgoing RO to a suitable and qualified interim RO appointee if the outgoing RO is unable to formally transfer the account to the incoming RO.

g. Transfers the account from the interim RO on arrival of the incoming and permanent RO. The RO will not delegate responsibilities for DFSP energy account management to another individual, unless there are brief time periods previously discussed in the delegation of RO authority in Paragraph 3.2.a.

### **3.3. TM.** Each TM:

a. Is nominated in the contract proposal and evaluated for competency prior to award.

b. Accounts for and safeguards U.S. Government property at DFSPs including DWCF energy commodities stocks and government furnished equipment or facilities.

c. Complies with procedures regarding TM roles and responsibilities in DoD Instruction 4161.02.

d. Jointly verifies physical inventories with the PA present during custody transfer at contract DFSP locations.

e. Includes positions called terminal superintendents, unless called out separately by the National Labor Standard.

### **3.4. RO, TM, OR PA TRAINING REQUIREMENTS.** Each RO, TM, and PA must complete DLA Energy sponsored training courses, including:

a. Computer-based training courses for RO, TM, and PA personnel available on the DLA Energy Website under the Training tab at <https://dla.deps.mil/dod/dla/dlaenergy/SitePages/Home.aspx>. Training topics include:

(1) Bulk petroleum contingency reports training.

(2) Account reconciliation.

(3) Base Level Support Application (BLSA) refresher.

(4) Automated fuels service station.

(5) Investigating losses in BLSA.

(6) BLSA security administration.

(7) Service lines of accounting.

- (8) How to calculate an inventory.
- (9) Segregation of duties.

b. The DLA Energy-funded TM and RO course which can be obtained by contacting the appropriate SCP or major command.

### **3.5. PHYSICAL CUSTODY OR ACCOUNT TRANSFER.**

a. The outgoing RO and the incoming RO jointly verify the DFSP physical inventories at the time of account transfer and record inventories on a DD Form 2920. Together they verify the amounts recorded on the DD Form 2920 and match the numbers reflected on the automated measuring equipment reports.

b. The incoming and outgoing TMs at DFSP locations jointly verify physical inventories with the PA during custody transfer at contracted DFSP locations.

c. Respective outgoing and incoming personnel obtain inventory gauge readings by manual gauge of all storage tanks, from calibrated or operational ATG readouts, or a combination of:

(1) Physical inventory summary reports from active or operational ATG systems, which may serve as source documents for physical inventory gauge readings and fuel or water quantity conversions.

(2) ATG physical inventory summary reports when approved. The outgoing RO and the incoming RO enter the net 60° F converted physical inventory quantity reflected on the ATG summary in Part III, Item (2), "total net quantity from other pages" of the DD Form 2920 and attach the ATG summary report to the DD Form 2920 for document retention.

d. ROs collaborate on stock position planning and participate in the DLA Energy inventory management plan process to ensure effective positioning of war reserve materiel and operating stocks.

e. ROs submit OS requirements as required or at the minimum interval prescribed in DLA Energy Instruction 4220.1.

**3.6. RO, TM, OR RESOLUTION SPECIALIST (RS).** Each RO, TM, RS, and other authorized personnel who process energy transactions into the BLSA on behalf of contract DFSPs, NATO or international agreement DFSPs, and TOA DFSP:

a. Manages the DWCF energy commodities account until properly relieved of responsibilities.

b. Safeguards DWCF inventory and establishes and maintains inventory in compliance with governing energy commodity inventory accounting procedures.

c. As the transaction approving authority, ensures transactions are processed into the BLSA in the manner prescribed in Paragraph 4.2. of this issuance, BLSA guidance, and the DLA Energy guidance available at <https://dla.deps.mil/dod/dla/dlaenergy/SitePages/Home.aspx>.

d. Ensures DWCF energy commodities are issued or distributed on a first-in and first-out product rotation schedule except where laboratory testing or quality analysis indicate otherwise.

e. Trains all military and civilian personnel who operate and maintain DFSP energy commodity facilities and equipment to fulfill assigned duties effectively and safely.

f. Provides ongoing training to ensure military and civilian personnel maintain currency with procedures in this issuance.

g. Ensures that, at a minimum, one trained BLSA operator is available at the DFSP during normal duty hours to process energy commodity transactions. Each RO, TM, and RS:

(1) Fully trains an alternate or back-up accountant to process transactions when the primary accountant is not available for duty.

(2) Provides DLA Energy Inventory Accountability Division, through the DLA Energy regional office, with current point of contact information for both the primary and alternate BLSA operator as personnel changes occur.

h. Prepares and submits the DFSP energy requirement forecasts and recurring energy reports as directed by BLSA guidance under the Publications tab on the DLA Energy Website at <https://dla.deps.mil/dod/dla/dlaenergy/SitePages/Home.aspx>.

i. If there is direct access to the Enterprise Business System (EBS), ensures daily, accurate recording and processing of all transactions including receipts, shipments, sales or credits, and physical inventories in compliance with this issuance.

j. If there is no direct access to the EBS, such as for TOAs, provides the appropriate DLA Energy processing activity (e.g., DLA Energy regional office or DLA Energy-L) with daily DWCF energy commodity transactions during normal business hours. The processing activity will process the transactions to the DLA Energy system of record on the same business day when possible, but no later than 1 business day after receipt of the transactions.

k. Certifies by visually confirming that all inventory transactions have been processed daily and the totals are reflected accurately.

l. Signs documents to approve DWCF energy commodity inventory quantity or quality adjustments.

m. Approves end-of-month (EOM) book and physical inventory reconciliation and operating gain or loss calculations.

n. Quarterly observes and confirms DWCF energy commodity physical inventories except for accounts established to support international agreements.

o. Reports, monitors, and investigates losses due to spillage. On identification or notification of a spill, DFSP ROs, TMs, and their designated DFSP personnel should follow their site-specific spill plan (e.g., Facility Response Plan, Spill Prevention Control and Countermeasures Plan). General spill response steps are as follows:

- (1) Isolate the spill area and eliminate ignition sources.
- (2) Stop the flow and contain the spill.
- (3) Notify DFSP senior management and request assistance.
- (4) Notify appropriate agencies or installation management.
- (5) Initiate product cleanup and recovery operations.
- (6) Submit required reports.
- (7) Develop local spill reporting procedures and provide local spill containment and reporting procedures training to assigned DFSP personnel in accordance with The DLA Energy Environmental Guide for Fuel Facilities and DLA guidance on the DLA Energy Website at <https://dla.deps.mil/dod/dla/dlaenergy/SitePages/Home.aspx>.
- (8) Collaborate with DLA Energy in regard to on stock position planning and participation in the inventory management plan process to ensure effective positioning of war reserve materiel and operating stocks.

**3.7. PA.** Each PA will:

a. Appoint an alternate PA, in writing, to serve during occasions when the PA is unable to perform routine and scheduled surveillance inspections of contracted DFSPs. The PA will:

- (1) Sign and date the delegation of authority letter before any PA absence.
- (2) Retain delegation of authority letters in the DFSP document control file for 3 years: the current fiscal year plus 2 additional years following delegation of authority letters.
- (3) Provide a copy of PA delegation letters to DLA Energy on request.

b. Jointly verify physical inventories with the outgoing and incoming PA or TM during custody transfer at contracted DFSP locations. The PA:

- (1) Records inventories on DD Form 2920.
- (2) Provides written notice of a pending PA departure date to DLA Energy-L and the applicable DLA Energy regional office a minimum 2 weeks before the advance PA departure date. Send the written notification via e-mail, fax, or mail, to facilitate the DFSP energy account transfer process.

(3) Maintains a copy with the PA appointment letter.

(4) Transfers the DFSP energy account from the outgoing PA to a suitable and qualified interim PA appointee in the event the outgoing PA is unable to formally transfer the account to the incoming PA.

(5) Transfers the account from the interim PA when the incoming and permanent PA arrive.

(6) Delegates PA responsibilities for DFSP energy account management to another individual only for the brief time periods for the delegation of PA authority in Paragraph 3.3.a.

c. Serve as the COR when appointed by the KO as needed to:

(1) Provide routine oversight surveillance of GOCO operations and commodity accountability and notify the TM or KO when deficiencies are noted to ensure corrective actions are implemented.

(2) Conduct and record a formal semi-annual surveillance inspection of the GOCO DFSP to assess effectiveness of the facility and equipment maintenance program as specified in guidance on the DLA Energy Website at <https://dla.deps.mil/dod/dla/dlaenergy/SitePages/Home.aspx>. The PA:

(a) Further evaluates contractual compliance of the energy handling operations, quality control program, energy inventory accountability, transaction processing, and transaction data retention tasks.

(b) Physically records safety or environmental deficiencies on the surveillance inspection report and provides the surveillance inspection report to the TM for appropriate and timely corrective action. Deficiencies that immediately impact health or the environment should be reported immediately.

(c) Forwards a copy of the semi-annual surveillance inspection report and the written TM corrective actions to the KO, applicable DLA Energy regional office commander, and DLA Energy-L.

(d) Retains electronic copies of all inspection reports and associated corrective actions in the official contract file.

(3) Perform follow-up inspections as warranted and depending on critical risks, i.e., life-threatening or safety risk, associated with the deficiencies reported during routine and scheduled surveillance inspections. At a minimum, the PA reviews deficiencies noted on inspections during subsequent semi-annual inspections to evaluate effectiveness of TM corrective actions.

### **3.8. DWCF INVENTORY TRANSACTION PROCESSOR OR RECORDER ACCOUNTANTS.** Each DWCF inventory accountant:

- a. Ensures all DWCF inventory transaction documents are accounted for before processing in the BLSA.
- b. Reconciles the product ledgers with the transaction data entries.
- c. Enters DWCF inventory transaction data into the BLSA.
- d. Verifies calculations for manually gauged DWCF energy commodities inventory quantities.
- e. Prepares transaction documentation to reconcile daily and EOM DWCF book and physical inventories, in accordance with Section 4.

**3.9. DWCF INVENTORY OPERATOR OR HANDLER.** Each DWCF inventory operator or handler:

- a. Provides overall operational handling of DWCF energy commodity inventories.
- b. Receives, stores, transfers, and issues DWCF energy commodity inventory.
- c. Provides accurate DWCF energy commodity inventory quantity determinations.

**3.10. TACTICAL LOCATIONS.** Procedures for all phases of inventory accounting and reporting for DWCF energy commodities at tactical locations are the same as for non-tactical locations.

- a. Specific tactical locations may require detailed instructions to meet accounting and reporting requirements based on site specific relationships between U.S. representatives and those of other participating nations, exigent delivery modes, or physical connection or field communications between DFSPs to end users.
- b. Use the procedural instructions for inventory management guidance for specific tactical locations on the DLA Energy Website at <https://dla.deps.mil/dod/dla/dlaenergy/SitePages/Home.aspx>.

### **3.11. MANDATORY CONTRACT INTERNAL INSTRUCTIONS**

a. DoD Components and Participating Agencies will incorporate the DLA Energy procedures into Service DFSP contracts at locations that store or distribute DWCF energy commodities. Contact the DLA Energy Procurement Process Support office at (703) 767-9363 or DSN 427-9363 to get current copies of the DLA Energy internal instructions. Incorporate the applicable DLA Energy internal instructions for:

- (1) Custody of energy commodities.
- (2) General shipping conditions.



- (3) Determination of quantity for storage.
- (4) Responsibility for government-owned energy commodities.
- (5) Inventory control records and systems of record.
- (6) Inventory control records and systems of record GOCO DFSP.
- (7) Liability for spills of bulk petroleum.
- (8) Environmental protection plan.
- (9) Protection of U.S. Government property, spill prevention, response and reporting.
- (10) Removal of water bottoms.
- (11) Sampling and testing of energy commodities in storage.
- (12) Designation of the defense fuel region.
- (13) Quality control plan.
- (14) Test for sulfides in water.
- (15) Quality representative.
- (16) Contract turnover inspection.

b. DFSPs that additize fuel will contact the DLA Energy Procurement Process Support office at (703) 767-9363 or DSN 427-9363 to get current copies of the DLA Energy internal instructions. Use the applicable DLA Energy contract for operation of:

- (1) Conductivity additive system.
- (2) Fuel system icing inhibitor additive system (e.g., COCO DFSP).
- (3) Corrosion inhibitor additive system.

c. DFSPs will follow the internal instructions for security and fire protection on the DLA Energy Website at <https://dla.deps.mil/dod/dla/dlaenergy/SitePages/Home.aspx>. DFSPs may establish a host tenant support agreement in compliance with DoD Instruction 4000.19.

d. Unique situations may require modification of the DLA Energy internal instructions found on DLA Energy Website at <https://dla.deps.mil/dod/dla/dlaenergy/SitePages/Home.aspx>. DFSPs may submit proposed modifications to the applicable DoD Component or Participating Agency SCP for staffing. The SCP will coordinate and get approval from the applicable CCMD joint petroleum office and DLA Energy Quality Operations Division before publication of a solicitation or modifying the internal instructions for:

- (1) Tests for sulfides in water.
- (2) Removal of water bottoms.
- (3) Sampling and testing of energy commodities.
- (4) Quality control plans.

## SECTION 4: INVENTORY MANAGEMENT

### 4.1. DAILY RECORDING AND PROCESSING OF ENERGY COMMODITY INVENTORY TRANSACTIONS. Each DFSP:

- a. Records all DWCF energy commodity inventory transaction documents, manually or by approved electronic point of sale capture device, as business transactions occur.
- b. Processes inventory transactions daily during normal business hours, excluding weekends, U.S. Government holidays, and installation training days.
- c. Provides the DLA Energy regional office, or DLA Energy-L with daily DWCF energy commodity transaction data electronically within 1 business day of each transaction from locations that lack direct access to the EBS.
- d. Records and processes inventory transactions in accordance with terms of the agreement from DFSPs governed by international or NATO agreements.
- e. Verifies physical inventory in tactical fuel bladders by operationally preferred manual gauge readings for tactical DFSPs using:
  - (1) Methods outlined in location-specific instructions posted to the DLA Energy Website at <https://dla.deps.mil/dod/dla/dlaenergy/SitePages/Home.aspx>.
  - (2) Total product rotation through a calibrated meter to coincide with EOM account closeout actions.
- f. Calibrates meters in accordance with UFC 3-460-03 and Chapter 4 of American Petroleum Institute (API) Manual of Petroleum Measurement Standards.
- g. Records and processes physical inventory transactions to coincide with EOM account closeout actions when governed by a TOA or commercial tender agreement.
- h. Processes emergency fuel buy (EFB) receipts within 1 business day following notification from the DLA Energy KO that the EFB order has posted in the DLA Energy system of record. This is necessary for EFB receipts that frequently require extended time to record and process.
- i. Records and processes energy commodity receipts that extend over a period of days or months on completion of the receipt operation in compliance with Section 5 of Volume 12 of this manual.
- j. Provides the Under Secretary of Defense (Comptroller)/Chief Financial Officer, Department of Defense, with the DoD fiscal year inventory closeout each September 30 regardless of day of the week. The DFSP:
  - (1) Follows the end-of-year (EOY) supplemental instructions annually from DLA Energy. Review EOY procedures and referenced interim guidance in advance of closeout

execution dates on the DLA Energy Website at <https://dla.deps.mil/dod/dla/dlaenergy/SitePages/Home.aspx>, as needed.

(2) Uses the additional information concerning EOY inventory accountability requirements in DLA Energy contract clauses for inventory control records and systems of record found on the DLA Energy Website at <https://dla.deps.mil/dod/dla/dlaenergy/SitePages/Home.aspx>.

(3) Posts transactions and physical inventories in accordance with this section and system specific transaction processing procedures as amended by annual EOY instructions, which accelerate EOM inventory timelines.

k. Uses the material financial control system personal computer or relational supply for onboard DWCF fuel transaction processing from marine vessels that store capitalized DWCF energy commodities in afloat DFSPs. Process transaction item records daily for the vessel:

(1) Inventory management records daily, regardless of whether the product was dispensed while at sea.

(2) Excluding weekends, U.S. Government holidays, and installation training days while permitted in port.

l. Reflects the total on-hand quantity of each DWCF energy commodity grade stored at a DFSP in the daily-recorded physical inventory for each product grade in these categories:

(1) **Active Storage Tanks.** Each DFSP:

(a) Includes all active permanent, tactical, and breakout tanks that store DWCF energy commodity.

(b) Determines inventory quantities based on either calibrated ATG, manual gauge reading, or a combination.

(c) Certifies strapping charts with verified data points to load accurately into the calibrated ATG system. Loads a minimum of 21 strapping chart data points to assure statistical accuracy and correct extrapolation of converted gauge quantities.

(d) Compares and verifies extrapolated gauge quantities computed by the ATG system against the certified strapping charts, and amend as required.

(2) **Inactive Storage Tanks.** It is necessary to gauge inactive storage tanks that are not equipped with calibrated leak detection and ATG systems. Each DFSP:

(a) Gauges all inactive storage tanks equipped with calibrated ATGs and leak detection systems installed at least weekly.

(b) Records the previous manual gauge reading or ATG readout on the DD Form 2921, "Physical Inventory Petroleum Products," or the continuation sheet on the DD Form

2921C, “Physical Inventory Petroleum Products (Continuation Sheet),” and include the amount in the daily physical inventory transaction, both forms are located at <http://www.esd.whs.mil/Directives/forms/>.

(c) Gauges inactive storage tanks weekly and complete the DD Forms 2921 or 2921C to document product inventories.

(d) Gauges inactive storage tanks scheduled for return to active status before any movement, water extraction, or removal operation.

### (3) Pipelines and Manifolds.

(a) Each DFSP:

1. Includes the total gross pipeline, manifold, and system component inventory capacity for each DWCF product in the total daily physical inventory.

2. Ensures a qualified individual certifies and records the capacities on an office memorandum.

3. Documents gross inventory capacity when the system components do not contain DWCF energy commodities.

(b) Pipeline, manifold, and system component inventory is not required to be volume corrected to 60°F, or 15 to 20°C if measured in liters.

(c) With the exception of retail points (i.e., military or contractor operated gas stations) a qualified civil engineer, public works, or equivalent individual will certify and record the capacities on office memorandum.

(d) NATO or Foreign Government DFSPs, TOAs, and COCO DFSPs are exempt from the requirement to report gross inventory capacity when the system components do not contain DWCF petroleum product.

### (4) Rolling Stock. Each DFSP

(a) Includes the total product quantity of DWCF energy commodities stored in mobile transport or refueling vehicles in its total daily physical inventory. Also includes the sum of all volumes stored in smaller fuel trucks with a total storage capacity of 5,000 gallons or more. If greater than 5,000 gallons, the DFSP must convert the cumulative volume (volume correct), at ambient temperature to to 60°F, or 15° to 20°C if measured in liters, in accordance with Military Standard 3004.

(b) Manually computes mobile vehicle inventory as the book inventory from the previous day less any product issue transactions plus any product return transactions.

(c) Uses the BLSA query function to determine the on-hand book refueling vehicle inventory as necessary when BLSA is used to monitor and track mobile vehicle inventories and fill stand quantities.

(d) Does not include DWCF energy commodities that are in transit by mobile vehicle to another DFSP or end use customer and processed as a shipment or sale in the daily DFSP physical inventory quantity.

m. Records daily physical inventory of each DWCF energy commodity grade on DD Form 2921 and DD Form 2921C where approved or operational ATG systems are not in use. Each DFSP:

(1) Uses physical inventory summary listings produced at DFSPs by approved or operational ATG systems as source documents for physical inventory gauge readings and fuel or water quantity conversions when necessary.

(2) Records the net 60°F converted physical inventory quantity reflected on the summary on the DD Form 2921 at Part II, Item 7(2), "total net quantity from other pages," when the ATG summary is used with the DD Form 2921 or DD Form 2921C.

(3) Attaches the ATG summary to the DD Form 2921, and keeps it in the DFSP document control file.

n. Keeps inventory and data records in accordance with document and data control requirements in Volume 2 of this manual or applicable contract.

o. Uses the methods for determining temperature, density, and calculated quantity in Chapters 7, 9, and 12 of the API Manual of Petroleum Measurement Standards. Uses the procedures with the density and volume correction factor tables in Chapter 11.1 of the API Manual of Petroleum Measurement Standards. Each DFSP:

(1) Performs daily physical inventory of permanent fixed-storage tanks with capacity of 5,000 gallons and larger, and temperature correct to 60°F or 15 to 20°C if measured in liters.

(2) Performs daily physical inventory of mobile transport or refueling vehicle fleets with a storage capacity of 5,000 gallons or more. Volume corrects to 60°F or 15 to 20° C, if measured in liters. For example, there is a DFSP with five refueling vehicles that services a single product grade.

(a) There are three refueling trucks each with a 1,000-gallon storage capacity and two with a 2,000-gallon storage capacity.

(b) The DFSP has a total of 7,000 gallons of mobile storage capacity, which requires that the product quantity in the entire fleet be volume corrected, in accordance with the API Manual of Petroleum Measurement Standards mentioned in Paragraph 4.1.o.

(c) The density and temperature of the primary issue tank at the time of the closeout is used, in conjunction with the total gross quantity in the vehicle fleet, to determine the net (i.e., corrected) refueling truck inventory.

(3) Documents the certified pipeline or manifold inventory for the daily physical inventory as gross fill capacity not converted to 60°F.

#### **4.2. DWCF ENERGY COMMODITY TRANSACTION PROCESSING.**

a. DFSPs will process physical inventory adjustment transactions daily to the BLSA for each energy commodity ledger, regardless if product movement occurred on that day, excluding weekends, U.S. Government holidays, and installation training days.

b. The RO, PA, or DLA Energy regional office will request waivers to daily transaction processing in accordance with Section 9 of Volume 6 of this manual.

c. Processing re-bill or secondary sale transactions in excess of 365 days is cost prohibitive for transactions such as in-flight or aerial tanker sales and organizational tank issues. DoD Components and Participating Agencies will process these aged transactions through the appropriate service financial systems in accordance with Volume 4 of Defense Logistics Manual 4000.25.

#### **4.3. EOM PHYSICAL INVENTORY AND OPERATING GAIN OR LOSS ADJUSTMENT.**

a. Each DFSP:

(1) Reflects the closing physical inventory for the preceding month for the EOM physical inventory transaction.

(2) Dates the EOM physical inventory transaction as the last calendar day of the preceding month regardless if that day falls on a weekend, U.S. Government holiday, or installation training day.

(3) Processes EOM physical inventory adjustment transactions and operating gain or loss adjustment transactions for each DWCF energy commodity grade:

(a) Within 2 business days following the last calendar day of each month.

(b) If either a zero quantity condition exists or if other transactions have not successfully processed, either because it was suspended and not posted or was sent back to the DFSP requiring action.

(4) Processes EOM transaction without unresolved rejected transactions. Compute book inventories and determinable gain or loss transactions based on all transaction quantities including rejected transactions.

(5) Does not correct physical inventories with the reverse-post function.

(6) Processes operating gain or loss adjustment transactions for all energy commodity ledger accounts regardless if quantities are within or exceed allowable gain or loss tolerance thresholds. The RO or TM:

(a) Reflects the account ledger cumulative gains or losses for the last calendar day of the preceding month in the transaction quantities.

(b) Reflects the appropriate percentage of gain or loss based on tolerance percentages displayed in Table 2.

**Table 2. Standard Allowable Tolerance Factors**

<b>DLA Energy Description of Energy Commodity</b>	<b>In-Transit Percentage of Gain or Loss</b>	<b>Storage or Operating Percentage of Gain or Loss</b>
Aviation and motor gasoline (gasoline, automotive; gasoline, automotive, unleaded, regular).	0.005 or .50%	0.005 or .50%
Turbine fuel, aviation jet propellant (JP) 4 only.	0.005 or .50%	0.003 or .30%
Jet fuel, distillates, residuals (e.g., turbine fuel, aviation JP-5, turbine fuel, aviation JP-8, diesel fuel, grade 2-D5000, dyed red, kerosene grade number 2-K).	0.005 or .50%	0.0025 or .25%
Prepositioned afloat.	0.005 or .50%	0.005 or .50%
U.S. Navy capitalized afloat.	0.010 or 1.0%	0.010 or 1.0%

(c) Volume corrects the physical inventory of lube oils 3,000 gallons or larger to 60°F or 15 to 20°C if measured in liters.

(d) Complies with any rules governed by the Surface Deployment and Distribution Command prescribing lower allowable operating tolerances applicable for commercial pipeline tender and TOAs.

(7) Corrects an EOM operating gain or loss adjustment transaction whenever a subsequent processed transaction results in change to a previously recorded book inventory, physical inventory, or gain or loss adjustment.



b. The BLSA automatically creates an EOM record and generates an operating gain or loss adjustment when a physical inventory adjustment transaction is processed. Further, the BLSA generates and electronically transmits to DLA Energy, a DD Form 1348-8, for out-of-tolerance gain or loss accounts that provide a memorandum data field to explain inventory variances.

c. A DFSP, TOA, or commercial tender that lacks BLSA connectivity will provide the appropriate DLA Energy processing office, such as DLA Energy regional office or DLA Energy Inventory Accountability Division, with transaction data during normal business hours and in compliance with specified contractual or transportation tender obligations.

d. A DFSP that lacks connectivity:

(1) Provides the transaction data to the DLA Energy Help Desk for assistance in recording the transactions in the BLSA.

(2) Contacts the supporting DLA Energy regional office for assistance in processing the transactions to the applicable accounting system when without BLSA connectivity for extended periods (i.e., 15 days or more).

e. The RO and TM:

(1) Review, validate, and sign the completed DD Form 1348-8.

(2) Immediately investigate any out-of-tolerance operating gain or loss.

(3) Annotate the DD Form 1348-8 memorandum data field to document investigation results and describe management actions taken to determine the excessive gain or loss.

(4) Forward a copy of the signed DD Form 1348-8, for both in-tolerance and out-of-tolerance operating gain or loss accounts, to the applicable DLA Energy regional office by fax or a scanned copy by e-mail.

(5) Retain the signed copy of the DD Form 1348-8 and supporting documentation in the DFSP document control file in accordance with Volume 2 of this manual.

f. The RS or technician responsible to process transactions for COCO, TOA, NATO, or foreign government DFSP accounts that do not process account transactions:

(1) Prepares the EOM documentation of inventory levels, DD Form 1348-8 for signature from the approving supervisor or official in the chain of command.

(2) Forwards signed copies of the DD Form 1348-8 to the responsible DLA Energy processing office, and retain a copy in the document control file.

## SECTION 5: INTERNAL BULK PETROLEUM TRANSFERS WITHIN THE SAME DFSP

**5.1. INTERNAL BULK PETROLEUM TRANSFERS.** All internal bulk fuel transfers must be actively monitored by a fuel handler or operator at each end of the transfer operation. The fuel handler or operator on the receipt end must remain in the vicinity and be capable of hearing and responding to high level alarms, if the system is so equipped, or spills. Each fuel handler or operator:

- a. Must ensure adequate communication is available and in use during the transfer operation, e.g., two-way radio, voice, or telephone communications.
- b. Inspects shipping and receipt storage systems for leaks before any transfer operation.
- c. Gauges shipping and receiving tanks before and following transfer operations.
  - (1) Uses ATGs as measurement devices for quantity determination during bulk transfers.
  - (2) Uses manual gauge (e.g., certified tape and bob) readings with required settling time for readings if ATG systems are not installed.
- d. Ensures the products transferred matches the product being stored.
- e. Ensures adequate ullage is available in the receiving tank.
- f. Transfers or sells DWCF energy commodity stock to a Military Department-owned, Military Service-owned or commercial tank only when a certified calibrated meter is installed at the shipping facility or custody transfer point to record the sale.
- g. Receives deliveries into multiple tanks only in tanks equipped with high level alarms and automatic shutoff valves.
- h. Receives or issues bulk petroleum without simultaneous operations.
- i. Performs causative research on completion of transfer operations to determine the cause for any discrepancies in excess of .50 percent (i.e., one half of one percent) between the amounts shipped and received.
- j. Compares and reconciles the amount shipped to the amount received on completion of any bulk transfer operation.
  - (1) Performs causative research to determine the cause of the excessive gain or loss.
  - (2) Inspects the system again for leaks, verify end gauge readings, and review documentation for accounting errors.

(3) Contacts the DLA Energy regional office for assistance if the cause of the excessive gain or loss cannot be determined.

**5.2. TRANSFERS TO REFUELING OR SERVICING VEHICLES.** Each DoD Component:

- a. Purchases, maintains, repairs, or replaces DoD Component-owned refueling or fuel servicing equipment.
- b. Fills DoD Component-owned refueling or fuel servicing equipment for inventory purposes or completely empties them before daily inventory closeout wherever possible.
- c. Uses the book inventory currently recorded for the refueling or fuel servicing equipment in the event it is not possible to fill or completely empty refueling or fuel servicing equipment.
- d. Considers products transferred from bulk or retail tanks into refueling or servicing vehicles from capitalized stock as capitalized until the point of sale.
- e. Reconciles inventory in refueling or servicing vehicles by comparing the amount loaded to the amount dispensed prior to the fill. Conduct causative research if the variation between the amount dispensed and the amount filled is greater than 2 percent by:
  - (1) Validating the high level shutoff is set properly.
  - (2) Validating meter calibration.
  - (3) Eliminating any possible accounting errors.
- f. Removes the refueling or servicing vehicles from service until repaired when causes for excessive variation are identified.

**5.3. TRANSFERS TO COLLECTION TANKS OR FUEL BOWSERS.** Each DFSP:

- a. Collects fuel during normal operations, e.g., fuel sampling procedures or water removal.
- b. Separates collected fuel by-product but does not comingle in a collection tank or bowser.
- c. Considers as part of the capitalized inventory the larger collection tanks or bowsers with an inventory capacity that can be gauged, either manually with certified tape and bob or by ATG.
- d. Accounts for fuel collected in smaller tanks without the capacity to be gauged as daily operational losses and as gains when returned to inventory.
  - (1) Returns only serviceable fuel that meets military specification, in accordance with Military Standard 3004, to inventory at least monthly and before the end of the accounting month.

(2) Provides justification in the remarks section of the DD 1348-8 if local operational requirements prevent the collected fuel from being returned before the end of the accounting month.

## SECTION 6: DISPOSITION INSTRUCTIONS FOR BULK PETROLEUM

### 6.1. PROCESS

a. Customers with custody of bulk petroleum will send disposition requests to DLA Energy regional offices, e.g., requests to re-grade or downgrade energy commodity stocks, dispose of unwanted or off specification energy commodity stocks.

b. A DFSP will send a request to the DLA Energy regional office RS for:

(1) **Contract-Driven Requirements.**

(2) **Supply-Driven Requests.** DLA Energy may contract for delivery of another product blend that meets a customer's supply-driven requirement request for a product that is normally stored at a DFSP. DLA Energy may have another product blend delivered if the requested product is temporarily unavailable. Examples of supply-driven requests are JP-5 being provided to a DFSP, or being regraded at that DFSP, to meet a JP-8 requirement.

(3) **Quality-Driven Requirements.** Receipt of quality-driven requests in accordance with the processes and procedures in this section is one method of documenting quality complaints under the customer or depot complaint system as described in Volume 4 of this manual, but is not intended to replace those procedures in Volume 4 of this manual.

c. In situations where the request cannot await resolution until the next business day, the DLA Energy regional office quality manager:

(1) Attempts to contact other appropriate parties based on the type of request received, e.g., a requirement with immediate environmental impact, impairing mission readiness or response capability of the customer, or causing significant costs to DLA Energy if delayed.

(2) Responds to the customer as soon as possible if the attempts to contact other appropriate parties are unsuccessful.

(3) Contacts the KO directly or through the DLA Energy staff duty officer when there is a contract liability.

(4) Follows up verbal communications outside normal business hours in writing the next business day.

(5) Routes the disposition request and the response provided to the DLA Energy regional office RS, DLA Energy DLA Energy Quality Operations Division, or DLA Energy-L.

### 6.2. EXCESS STOCK.

a. The DLA Energy regional office determines when and how much DLA-owned stock is excess to DoD requirements based on DFSP inventory records, demand trends, and projected

Military Department or Military Service requirements. To preclude excess stock and loss to the DWCF, DLA Energy may adjust supply programs in coordination with the DoD Components and Participating Agencies.

b. A DoD Component or Participating Agency:

(1) Determines base excess and advises the DLA Energy regional office of plans or programs that may substantially increase or decrease requirements.

(2) Notifies the DLA Energy regional office of DoD Component-owned excess stock by product and location for potential redistribution.

(3) Provides documentation of quality test results.

(4) Transfers DLA Energy excess stock if the stock is usable, transfer is feasible, and such transfer is economical in relation to the proximity of DFSPs.

(5) Advises SCPs of base excess stocks for coordinating possible base transfers.

(6) Funds transportation costs for the transfer of excess stock.

c. DLA Energy-L will direct the product to be shipped to a DFSP or military base if the product is acceptable; if not, DLA Energy will advise the Service location to contact the nearest DLA disposition location or DLA Energy DLA Energy Quality Operations Division for disposal instructions.

## SECTION 7: INVENTORY RECONCILIATION

### 7.1. GENERAL

#### a. Daily Reconciliation.

(1) Each DFSP will reconcile each energy commodity ledger on a daily basis. The account is reconciled when every transaction for that day is processed and the difference between the book (floor) inventory and the physical (actual) inventory is verified and accepted.

(2) The RO or TM establishes:

(a) A local daily limit per product to alert them to possible daily accounting errors, leaks, spills, and loss or gain trends.

(b) Limits using historical data trends.

(3) The DLA Energy regional office reviews the data and provides feedback as required.

(4) Use of limits allows sufficient time to research in advance of EOM inventory reconciliation.

(5) DFSPs will not establish local limits to replace tolerance criteria prescribed in this issuance.

#### b. Excessive Operation Gain or Loss. The RO or TM:

(1) Performs causative research whenever the operational gain or loss is in excess of the allowable limit.

(2) Uses causative research to identify the source of excessive gains or losses.

(3) Makes every effort to eliminate recurrence.

(4) Conducts research by thoroughly reviewing:

(a) Accounting records.

(b) Proof of tank leak tests.

(c) Proof of system pressure tests.

(d) Calibration and certification of ATG systems.

(e) Tank strapping charts.

(f) Receipt and dispensing meters.

- (5) Documents findings in the remarks section of the DD Form 1348-8.

## **7.2. ACCOUNT RECONCILIATION REQUIREMENTS AT BLSA PROCESSING LOCATIONS.**

- a. At BLSA processing locations, the DFSP:

- (1) Loads and transmits all energy commodity movements, transaction events, and inventories into BLSA daily. Verifies the accuracy of all transactions processed and reconcile or clear all rejects.

- (2) Contacts the DLA Energy Help Desk for assistance to resolve rejected transactions and clear rejected transactions within 2 business days without deleting rejected transactions.

- (3) Processes an EOM closing physical inventory for each energy commodity ledger.

- (4) Where possible, schedules deliveries so that receipt or shipment events do not extend into the next month. If receipt or shipment event is unfinished or delayed and obtaining a physical inventory is not possible, add or subtract (respectively) any known receipt or shipment quantity to the last known measurement (beginning physical inventory).

- (5) Processes an EOM determinable gain or loss transaction for each energy commodity ledger. Records the results from an out-of-tolerance EOM operating gain or loss investigation in the memorandum field of the DD Form 1348-8.

- (6) Forwards copies of the signed DD Form 1348-8 to the responsible DLA Energy regional office, and keeps a copy in the document control file.

- b. A DLA Energy regional office will provide the DFSP a request by e-mail to reverse-post or reprocess a transaction when a DWCF energy commodity transaction error is identified between the BLSA and the DLA Energy systems of record.

- c. DFSPs will not amend or change the data for any purchase device when the billed customer organization loans an aircraft, vehicle, or equipment item to another organization.

- d. DoD Component customers may seek reimbursement from an appropriate organization through the respective DoD Component financial system using a cross disbursement of funds transaction.

## **7.3. BUSINESS RULES.**

- a. Each DoD Component customer:

- (1) May review fuel transactions processed daily into BLSA at the buyer information link.



(2) Contacts the DLA Energy Help Desk at [dlaenergyhelpdesk@dla.mil](mailto:dlaenergyhelpdesk@dla.mil) or 1-800-446-4950 regarding transaction challenges.

(3) Provides the DLA Energy Help Desk the transaction document identification, transaction date, description of the error, and corrective action requested.

b. The DLA Energy Help Desk:

(1) Requests copies of challenged transaction source documents from the DFSP.

(2) Forwards the transaction source documents to DLA Finance for Energy, Retail Management Division, Energy Support Office (DLA Finance J822-ESO) for review and corrective action or follow-on instructions.

(3) Forwards challenged transaction information for commercial fuel sales generated with authorized fuel purchase cards to DLA Finance J822-ESO.

c. DLA Finance J822-ESO evaluates the transaction source documents and the BLSA transaction.

(1) Takes no action to change the transaction if the transaction is accurate and the source documents support the BLSA transaction details.

(2) Directs the DFSP through the DLA Energy regional office to correct the challenged transaction and replace with valid information if an error is identified.

(3) Coordinates a billing adjustment when necessary in accordance with Volume 4 of Defense Logistics Manual 4000.25.

**7.4. TRANSACTION CORRECTIONS.** Reverse-posting of prior month transactions and quantity correction creates an out-of-balance or unreconciled account. A DFSP:

a. Reverse-posts and corrects the original EOM operating gain or loss transaction.

b. Follows procedures on the DLA Energy Website at <https://dla.deps.mil/dod/dla/dlaenergy/SitePages/Home.aspx> to correct out-of-balance or unreconciled account conditions.

**7.5. GOVERNMENT OF JAPAN HOST NATION SUPPORT ORDERS.** A DFSP providing support to the Government of Japan under the utilities cost sharing agreement:

a. Ensures all vendor invoice and receipt documentation on the DD Form 250, "Material Inspection and Receiving Report," or DD Form 250-1, "Tanker/Barge Material Inspection and Receiving Report", are signed, both forms are located at <http://www.esd.whs.mil/Directives/forms/>.

b. Submits the DD Form 577, “Appointment/Termination Record - Authorized Signature,” with the RO signature to the DLA Energy regional office in Japan for processing, form located at <http://www.esd.whs.mil/Directives/forms/>.

c. Validates information for the RO or RO designee with the DLA Energy regional office in Japan to ensure currency of the electronic signature data.

d. Contacts DLA Energy Japan for assistance with a mismatch or difference between the receipt transaction and vendor invoice that cannot be reconciled locally between the RO, RO designee, and vendor.

## SECTION 8: INVENTORY CERTIFICATION

### 8.1. ROS AND TMS. Each RO or TM:

- a. Certifies that all inventory transactions are processed daily and the totals are reflected accurately.
- b. Performs causative research and record cause for out-of-tolerance operating storage gain or loss or in-transit gain or loss discrepancies.
- c. Initiates a financial liability investigation of property loss on a DD Form 200 when results of the causative research indicate a loss of property through unauthorized use, negligence, pilferage or fraud.
- d. Documents related losses on the DD Form 1348-8 and DD Form 200, in the format specified in DoD 7000.14-R and Volume 6 of DoD Manual 4140.01, and in accordance with the procedures in Chapter 210, Part II of the Defense Transportation Regulation 4500.9-R.

### 8.2. DFSPS SHIPPING AND RECEIVING DWCF ENERGY COMMODITIES. Each DFSP:

- a. Uses certified strapping charts that are the capacity charts prepared by an independent agent, engineer, or surveyor.
- b. Equips each tank with a certified strapping chart and maintain the tank in accordance with API standards.
- c. Ensures tank strapping on prefabricated tanks is complete after installation.
- d. Straps tanks constructed on site on completion of the construction.
- e. Re-straps tanks if:
  - (1) The tank has undergone major repairs or modifications.
  - (2) The product that will be stored was changed on floating roof tanks to address roof displacement factors.
  - (3) The tank was damaged or current strapping charts are noted or suspected of being inaccurate.
- f. Keeps copies of certified strapping charts in the DFSPs document control files.
- g. Clearly marks superseded strapping charts as obsolete, and keep the charts in the DFSPs document control files for 3 years.

- h. Calibrates meters in accordance with Chapter 4 of the API Manual of Petroleum Measurement Standards.
- i. Calibrates meters used to determine product volume as recommended by the manufacturer or every 12 months, whichever is more frequent. Ensure calibration frequency complies with local regulations.
- j. Recalibrates meters:
  - (1) When inconsistent readings or inaccuracies occur that affect procurement payments.
  - (2) On return from maintenance.
  - (3) After prolonged storage.
  - (4) When seals are broken.
- k. Maintains a meter calibration log that, at a minimum, contains:
  - (1) The number and name of each meter.
  - (2) Calibration frequency.
  - (3) Date of the last calibration.
  - (4) Due date for the next calibration.
  - (5) Name and signature of the person performing the calibration and traceability to the master meter used for calibration.
  - (6) The calibration report number.
- l. Marks each meter with the due date for the next calibration.
- m. Maintains all calibration meter records and logs for 3 years.
- n. Ensures pipeline and manifold inventories are recorded and the calculations are verified as accurate for all stored products in U.S. gallons (or liters for outside the continental United States) by an independent agent, engineer, or surveyor. Computes and certifies pipeline and manifold inventories using the following formulas:
  - (1)  $\text{Inside diameter}^2 \times .0034 = \text{U.S. gallons per linear inch.}$
  - (2)  $\text{Inside diameter}^2 \times .0408 = \text{U.S. gallons per linear foot.}$
  - (3)  $\text{Inside diameter}^2 \times .09714286 = \text{barrels per 100 linear feet.}$
  - (4)  $\text{Inside diameter}^2 \times 5.129143 = \text{barrels per mile.}$

- o. Re-computes pipeline and manifold inventories whenever damage or modifications affect the line inventory of a pipeline or manifold systems.
- p. Keeps copies of certified pipeline and manifold inventories in the DFSPs permanent administrative files.
- q. Marks superseded pipeline and manifold inventory capacity tables as obsolete, and keeps them in the DFSPs permanent administrative files for 3 years.

## SECTION 9: DWCF INVENTORY RECORDS

### 9.1. INVENTORY MANAGEMENT.

a. Each DFSP.

(1) Conducts a daily inventory of DLA-owned product, including common carrier pipelines, during normal business hours, excluding weekends, U.S. Government holidays, and installation training days.

(2) Accomplishes volume measurements and corrections to 60°F or 15°C, as prescribed in ASTM International D1250.

b. DLA Energy provides data to the Department of Energy for petroleum imports of crude and refined fuel.

c. Each DLA Energy regional office.

(1) Provides a copy of DD Form 250-1 to DLA Energy within 1 week of receipt of petroleum imports of crude or refined fuel, indicate the offshore supplier (i.e., refinery), contract number, product code, quantity, date of tanker discharge, and the receiving DFSP.

(2) Includes the product received from the Broken Hill Proprietary Company Limited, Petroleum Americas Refining, which is in a foreign trade zone and considered an offshore (i.e., import) source.

### 9.2. SPILL MANAGEMENT.

a. Each DFSP:

(1) Notifies DLA Energy of any leaking, spilling, pumping, pouring, emitting, emptying, discharging, injecting, escaping, leaching, dumping, or disposing into the environment of 25 gallons or more on land or any waterway discharge that creates a visible sheen on the water.

(2) Complies with local contingency response plans for spill quantities of less than 25 gallons.

(3) Follows DoD Component procedures for notifications of spill quantities of less than 25 gallons.

(4) Keeps all supporting causative research and spill documents in the DFSP document control file in accordance with Volume 2 of this manual.

b. Each DLA Energy regional office:

(1) Provides a situational update on TOA notifications for spill of energy commodities.

(2) Contacts the affected DFSP directly to offer assistance or determine what further assistance is required.

c. DLA Energy:

(1) Conducts a technical review or investigation of the spill response based on the information provided from initial and follow-on records.

(2) Identifies lessons learned, determines cause and circumstances, and develops recommended courses of action.

(3) Reviews and evaluates adequacy of spill reports to determine if further causative research or financial liability investigation is necessary.

(4) Recommends additional research or investigations.

(5) Recommends the appointment of an investigating officer or financial liability board to evaluate corrective actions and to recover costs when negligence, abuse, willful misconduct, or deliberate unauthorized property use or disposition is identified.

(6) Reimburses the DoD Component installation for spill response or cleanup costs that involve spilled DWCF or DLA-managed energy commodities when required documentation is provided.

(7) Excludes reimbursement for the DoD Component installation military and civilian personnel salaries.

(8) Reimburses the overtime hours of DoD Component federal civilian employees directly involved in the spill response or cleanup.

(9) Reviews costs submitted for funding and fund eligible leak or spill related costs.

(10) Will not fund a spill cleanup on delivery of DWCF energy commodity into an end use customer vehicle, equipment item, facility, vessel, ship, or aircraft.

d. The DoD Component installation commander:

(1) Initiates a financial liability investigation regarding the causes of the leak or spill when appropriate and in accordance with applicable DoD Component regulations.

(2) Provides copy of the approved financial liability investigation to DLA Energy for inventory adjustment and funding determinations.

(3) Funds initial spill response costs to minimize total U.S. Government spill cleanup costs, and expedites the cleanup effort.

(4) Recoups spill response and cleanup costs by submitting financial documentation detailing expenditure to DLA Energy:

(a) Documentation prepared and submitted in accordance with Section 060502, Chapter 6, Volume 2B, DoD 7000.14-R.

(b) A copy of proposed cleanup actions and projected funding levels required for cleanup completion, including an itemized cost breakdown.

(c) A projected schedule of out-year funding costs with a cost breakdown for spill incident response and cleanup efforts.

e. The RO, PA, or designated representative contacts the DLA Energy Help Desk at DSN: 697-6733/34/35, Commercial 1-800-446-4950, or at [dlaenergyhelpdesk@dla.mil](mailto:dlaenergyhelpdesk@dla.mil) for assistance when a reportable product grade at their location is not pre-loaded into the BLSA.



## GLOSSARY

### G.1. ACRONYMS.

API	American Petroleum Institute
ATG	automatic tank gauge
BLSA	base level support application
CCMD	Combatant Command
COCO	contractor-owned, contractor-operated
COR	contracting officer representative
DFSP	Defense fuel support point
DLA	Defense Logistics Agency
DLA Energy-L	DLA Energy Logistics Operations Directorate
DWCF	Defense Working Capital Fund
EBS	Enterprise Business System
EFB	emergency fuel buy
EOM	end-of-month
EOY	end-of-year
ERR	Energy Receiving Report
GOCO	government-owned, contractor-operated
JP	jet propellant
KO	contracting officer
NATO	North Atlantic Treaty Organization
PA	property administrator
RO	responsible officer
RS	resolution specialist
SCP	service control point
TM	terminal manager
TOA	transportation operating agreement

**G.2. DEFINITIONS.** These terms and their definitions are for the purpose of this issuance and will serve as standard terminology for DoD supply chain materiel management of energy commodities and services.

**active storage tank.** Any permanent, tactical, or breakout tank used to receive or issue DWCF energy commodity (including associated water extraction or removal) since the last reported daily physical inventory.

**additize.** The addition of something in small amounts such as a chemical to improve it in some way, e.g., corrosion inhibitor, static dissipative additive, or fuel system icing inhibitor.

**appointing authority.** An individual designated in writing by the approving authority to appoint financial liability officers, if required; approves or disapproves the recommendations of the accountable property officer, reviewing authority, or financial liability officer; and recommends actions to the approving authority. The appointing authority is normally senior to the reviewing authority, accountable property officer, and financial liability officer.

**approving authority.** A representative who makes determinations to either relieve involved individuals from responsibility or accountability or approve assessments of financial liability. The approving authority may act as the appointing authority or designate an appointing authority in writing. DoD Component regulations designate who may serve as the approving and appointing authority. The approving authority is normally senior to the appointing authority.

**book inventory.** The calculated inventory that should be on-hand for each energy commodity grade. Book inventory as reflected in the account ledgers is the last reported physical inventory quantity plus any inventory increase resulting from receipts, returns, and positive regrades or recovered products minus inventory decrease resulting from sales, shipments, and negative adjustments, such as spills and regrades, from the energy commodity ledger.

**causative research.** An in-depth investigation of specific physical inventory discrepancies to determine why they occurred so that corrective action can be taken.

**determinable gain or loss.** A product loss or gain that can be attributed to a specific event, such as a pipeline break or recovered abandoned product.

**DFSP.** A capitalized bulk fuel storage facility that receives, stores, and issues DWCF-owned energy commodities.

**DWCF.** A DoD revolving fund that finances the buying and selling of goods and services. It also provides cost visibility and accountability to facilitate business operations. DLA inventories are sold to end user operational accounts (e.g., military units and Federal Agencies) that reimburse the DWCF for costs incurred.

**financial liability officer.** An individual who is appointed in writing by the appointing authority to conduct an investigation to determine responsibility for lost, damaged, destroyed, or stolen U.S. Government property. Individuals appointed as financial liability officers will not be the accountable property officer, property custodian, or otherwise have any direct interest in the property being investigated. The financial liability officer is a commissioned officer, warrant officer, enlisted member in grades E-7, E-8, or E-9, or a civilian employee GS-07 or above. However, the financial liability officer is normally senior to the people directly involved with the discrepancy. The appointing authority may act as the financial liability officer.

**gross quantity.** The gross quantity is the volume of a DWCF petroleum product at ambient temperature, which has not undergone any volume correction to 60°F or 15 to 20°C.

**inactive storage tank.** A permanent, tactical, or breakout tank that stores DWCF energy commodity from which product has not moved into or out of (including water extraction or removal) since the last reported daily physical inventory.

**inventory transaction.** Any event that effects or changes the DWCF energy commodity inventory account ledger. Inventory transactions include receipts, sales, credits, shipments, regrades, determinable gains or losses, physical inventory adjustments, and EOM operating gain or loss adjustments.

**net quantity.** The volume of a DWCF product that has been volume corrected to 60°F or 15 to 20°C, in accordance with the procedures in Chapter 12 of the API Manual of Petroleum Measurement Standards.

**operating gain or loss.** The difference between the physical inventory and the book inventory: operating gain or loss equals physical inventory minus book inventory. A positive difference is a gain and a negative difference is a loss. For example, a petroleum product ledger calculates 10,100 gallons of product as on-hand book inventory, while the physical inventory measured by a calibrated ATG or a manual gauge indicates only 10,000 gallons of on-hand inventory. The negative difference between the book inventory and the physical inventory reflects a 100 gallon loss.

**operating gain or loss tolerance.** A predetermined percentage allowed as acceptable energy commodity gain or loss caused by routine product handling operations.

**operating loss.** Unavoidable DWCF inventory loss due to product physical properties, allowable measurement device error, or product evaporation that occurs during routine handling and storage operations. This volume provides certain calculated allowances to accommodate normal product loss expectancy. The operating loss or gain is the difference between book inventory and physical inventory. For example, when a book inventory reflects 100,000 gallons and the physical inventory measurement reflects 99,000 gallons of product physically on-hand, the operating loss is 1,000 gallons.

**out-of-tolerance operating gain or loss.** Accounts with an operating gain or loss which exceeds the allowable limits.

**physical inventory.** The total on-hand quantity of each energy commodity grade to include energy commodities stored in all permanent storage tanks, tactical storage tanks, breakout tanks, pipelines, manifolds, system components such as filter separators and basket strainer housings, mobile transport vehicles, and petroleum dispensing equipment that store DWCF energy commodities.

**PA.** An authorized COR who is duly appointed and assigned to administer contract terms and provisions that govern contractor obligation to provide diligent care, custody, and protection of U.S. Government property.

**Participating Agencies.** Non-DoD federal government agencies that participate in the DoD supply chain management of energy commodities, but only when and to the extent they adopt the conditions, terms, and requirements of this manual.

**regrade.** Redesignation of an energy commodity that fully complies with its specification requirement to another energy commodity grade for unconditional use.

**RO.** An individual who is directly responsible for all government property and oversees all aspects of the DFSP operation, must be a U.S. citizen and government employee, either military or civilian, and must be duly appointed by proper authority to provide diligent care, custody, and protection of government property at U.S. Government operated DFSPs. Refer to Paragraph 3.3.c. of Volume 6 of this manual for additional information.

**rolling stock.** DWCF-owned product that is part of the DFSP product property records stored in mobile conveyances, such as tank trucks, line haul trucks, rail cars.

**SCP.** An office established by each of the Military Departments to serve as the central management function in coordinating requirements, technical issues, and supply actions with military units and DLA Energy.

**secondary sales.** Under this mode of support, DLA Energy offers previously billed customers a secondary sale processing method for receiving credit for the exact amount of fuel they issue to second destination customers. The process requires preparation of a valid issue document, in accordance with DoD and DLA Energy policy. The completed sale document is presented for processing at a DLA Energy designated location. Customers benefit from the availability of DLA Energy contracted fuel. An operating requirement is met by enabling a first destination customer to process a secondary sale or receive credit for fuel sold to a second destination customer. The second destination customer benefits by gaining visibility of energy commodity purchases.

**senior qualified person.** The senior ranking or graded person, the senior staff member, or senior person hired to manage DFSP operations and who meets the minimum rank requirements specified in DoD 7000.14-R and Paragraph 2.1.b. of Section 3 of this volume.

**TM.** An individual who is directly responsible and accountable for all Government property in accordance with contract requirements and oversees all aspects of the DFSP operation. The TM established and maintains a property control system to control, protect, preserve, and maintain government property at contractor operated DFSPs. Refer to Paragraph 3.3.d. of Volume 6 of this manual for additional information.

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- ASTM International D1250, “Standard Guide for Use of the Petroleum Measurement Tables,” 2013
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- Defense Logistics Agency Energy, “Environmental Guide for Fuel Facilities,” April 2, 2014<sup>1</sup>
- Defense Logistics Agency Energy Instruction 4220.1, “Requirements Submission Schedules for Energy Commodities and Related Services,” January 30, 2013
- Defense Logistics Manual 4000.25, Volume 4, “Military Standard Billing System - Finance,” April 11, 2012
- Defense Transportation Regulation 4500.9-R, “Defense Transportation Regulation Part II: Cargo Movement,” current edition
- Deputy Secretary of Defense Memorandum, “Establishment of the Office of the Under Secretary of Defense for Research and Engineering and the Office of the Under Secretary of Defense for Acquisition and Sustainment,” July 13, 2018
- DoD Directive 5134.12, “Assistant Secretary of Defense for Logistics and Materiel Readiness (ASD(L&MR)),” May 25, 2000, as amended
- DoD 7000.14-R, “Department of Defense Financial Management Regulation,” dates vary by volume
- DoD Instruction 4000.19, “Support Agreements,” April 25, 2013, as amended
- DoD Instruction 4140.25, “DoD Management Policy for Energy Commodities and Related Services,” June 25, 2015, as amended
- DoD Instruction 4161.02, “Accountability and Management of Government Contract Property,” April 27, 2012, as amended
- DoD Manual 4140.01, Volume 6, “DoD Supply Chain Materiel Management Procedures: Materiel Returns, Retention, and Disposition,” March 8, 2017, as amended
- DoD Manual 4140.25, Volume 2, “DoD Management of Energy Commodities: Records Retention and Forms Management,” March 2, 2018, as amended
- DoD Manual 4140.25, Volume 4, “DoD Management of Energy Commodities: Quality and Technical Management,” March 2, 2018, as amended
- DoD Manual 4140.25, Volume 6, “DoD Management of Energy Commodities: Defense Fuel Support Point (DFSP) Management,” March 2, 2018, as amended
- DoD Manual 4140.25, Volume 12, “DoD Management of Energy Commodities: Defense Fuel Support Point (DFSP) Inventory Ordering, Receipts, and Shipments,” March 2, 2018, as amended

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<sup>1</sup> Contact DLA Installation Support for Energy Environmental Department, 703-767-1957 to request a copy.

DoD Manual 8910.01, Volume 1, “DoD Information Collections: Procedures for DoD Internal Information Collections,” June 30, 2014, as amended

Military Standard 3004, “Quality Assurance/Surveillance for Fuels, Lubricants and Related Products,” current edition