

**VOLUME 11A, CHAPTER 3: “ECONOMY ACT ORDERS”**

**SUMMARY OF MAJOR CHANGES**

All changes are denoted by [blue font](#).

Substantive revisions are denoted by an (\*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by [bold, italic, blue and underlined font](#).

The previous version dated [March 2012](#) is archived.

<b>PARAGRAPH</b>	<b>EXPLANATION OF CHANGE/REVISION</b>	<b>PURPOSE</b>
030102	Added an authoritative guidance paragraph and included references contained in the Federal Acquisition Regulation (FAR) or the Defense Federal Acquisition Regulation Supplement (DFARS) applicable to Economy Act orders.	Addition
030103.E	Deleted the definition for Fiscal Year Appropriation since the specific terminology is not used within the chapter.	Deletion
0302	Aligned definition terminologies with the FAR and DFARS to be consistent with acquisition policy since an Economy Act order is an acquisition vehicle.	Addition/ Deletion
030301	Deleted this paragraph since it reiterates policy that is stated earlier in the chapter.	Deletion
030302.B	Deleted the specific details associated with determinations and findings (D&F) requirements since they are part of acquisition policy covered in FAR 17.502-2.	Deletion
030303	Deleted the paragraph since it represented acquisition-related policy, which is not under the purview of the Under Secretary of Defense (Comptroller) (USD(C)). Acquisition policy is covered in the FAR and DFARS and other acquisition-related publications.	Deletion
030304	Deleted the paragraph since it represented acquisition-related policy which is not under the purview of the USD(C). Acquisition policy is covered in the FAR and DFARS and other acquisition-related publications.	Deletion
030501	Added DFARS 217.503 as another acquisition policy source with specific D&F requirements.	Addition

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
030502	Added references to the relevant FAR and DFARS provisions that address the acquisition policy ordering procedures that apply to Economy Act orders. Deleted the paragraph content that is duplicative of the content existing within the cited FAR and DFARS provisions.	Addition/ Deletion
030503	Added reference to United States (U.S.) Department of the Treasury's Interagency Agreement containing two Fiscal Service (FS) Forms: FS Form 7600A, U.S. Government General Terms and Conditions and FS Form 7600B, U.S. Government Order . These forms are for federal-wide use in carrying out buy/sell transactions between trading partners.	Addition
030604.A.5	Added clarification that severable services can be procured under incrementally funded fixed-priced contracts using research and development appropriations as stated in DFARS 232.703-1.	Addition
030906	Revised the paragraph to reference Volume 10, Chapter 10 for the Department of Defense (DoD) policy for executing intragovernmental payments.	Revision
030907	Added a paragraph to reference Volume 6B, Chapter 13 for DoD policy and guidance for adjusting, eliminating and other special intragovernmental reconciliation procedures.	Addition
Multiple	Revised hyperlinks throughout the chapter.	Revision

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## CHAPTER 3

ECONOMY ACT ORDERS

## 0301 GENERAL

## 030101. Purpose

This chapter prescribes the financial management policy applicable to orders placed for goods and services within the authority provided for in Title 31, United States Code, section 1535 ([31 U.S.C. § 1535](#)) (the Economy Act of 1932, as amended). Chapter 1 provides overall guidance on general reimbursement procedures and supporting documentation.

## \*030102. Authoritative Guidance

A. [10 U.S.C. § 2410a](#) provides statutory authority for severable service contracts for periods crossing fiscal years.

B. [10 U.S.C. § 2205](#) provides statutory authority for reimbursements made to appropriations of the Department of Defense (DoD) under 31 U.S.C. §§ 1535 and 1536.

C. [31 U.S.C. § 1502](#) stipulates the bona fide needs rule.

D. 31 U.S.C. § 1535 provides the authority for Federal agencies to order goods and services from major organizations within the same agency or other Federal agencies.

E. [31 U.S.C. § 1536](#) provides the authority for crediting payments received on orders executed under 31 U.S.C. § 1535. Payments may be credited to the appropriation or fund against which charges were made to fill the order, or to replace stocks on hand used to fill the order, unless another law authorizes the amount to be credited to some other appropriation or fund; or the head of the performing agency decides that replacement is not necessary, in which case, the amount received is deposited in the United States (U.S.) Department of the Treasury (Treasury) as miscellaneous receipts.

F. [DoD Instruction 4000.19](#), “DoD Agreements,” establishes policy, assigns responsibilities, and provides direction for agreements within the DoD and between DoD and other entities.

G. Defense Federal Acquisition Regulation Supplement (DFARS) [Subpart 217.5](#), “Interagency Acquisitions,” and [Subpart 217.7](#), “Interagency Acquisitions: Acquisitions by Non-Defense Agencies on Behalf of the Department of Defense,” prescribe specific additional DoD acquisition policy involving interagency acquisitions.

H. Federal Acquisition Regulation (*FAR Subpart 17.5*, “Interagency Acquisitions,” provides federal-wide acquisition policy related to interagency acquisitions. Under this Subpart, *FAR 17.502-2* provides additional acquisition policy specifically related to Economy Act orders.

I. The Treasury Financial Manual (TFM) Volume I, Part 2, Chapter 4700, *Section 4706*, “Intragovernmental Quarterly and Year-End Requirements.”

#### \*0302 DEFINITIONS

##### 030201. Assisted Acquisition

*FAR Subpart 2.1* defines an assisted acquisition as a type of interagency acquisition where a servicing agency performs acquisition activities on a requesting agency’s behalf, such as awarding and administering a contract, task order, or delivery order. *DFARS 217.701* defines assisted acquisition similarly as the type of interagency contracting through which acquisition officials of a non-DoD agency award a contract, task, or delivery order for the acquisition of supplies or services on behalf of DoD.

##### 030202. Direct Acquisition

Per FAR Subpart 2.1, a direct acquisition is a type of interagency acquisition where a requesting agency places an order directly against a servicing agency’s indefinite-delivery contract. The servicing agency manages the indefinite-delivery contract but does not participate in the placement or administration of an order. *DFARS 217.701* defines direct acquisition as a type of interagency contracting through which DoD orders a supply or service from a Governmentwide acquisition contract maintained by a non-DoD agency.

##### 030203. Interagency Acquisition

As defined in FAR Subpart 2.1, an interagency acquisition is an action by which an agency needing supplies or services (the requesting agency) obtains them from another agency (the servicing agency) by an assisted acquisition or a direct acquisition. The term includes acquisitions under the Economy Act (31 U.S.C. § 1535) and Non-Economy Act acquisitions completed under other statutory authorities.

##### 030204. Multiple Year Appropriation

As used in this chapter, a multiple year appropriation means an appropriation that is available for obligation for a definite period of time in excess of one fiscal year.

##### 030205. Non-Severable Service

A non-severable service represents a single undertaking that cannot be feasibly subdivided. If the service produces a single or unified outcome, product, or report, the service is considered non-severable.

**030206. Requesting Agency**

The requesting agency is defined in FAR Subpart 2.1 as the agency that has the requirement for an interagency acquisition.

**030207. Servicing Agency**

The servicing agency is defined in FAR Subpart 2.1 as the agency that will conduct an assisted acquisition on behalf of the requesting agency.

**030208. Severable Service**

A severable service represents a service that is continuing and recurring in nature where the agency realizes a benefit at the time that the service is provided even if the contract has not been performed to completion. A service is considered severable if it can be separated into a component that independently provides value to meet an agency's need.

**0303 LEGAL AUTHORITY****030301. Statutory Conditions on Use**

31 U.S.C. § 1535 establishes four basic conditions on the use of Economy Act authorities. In accordance with the statute, the head of an agency or major organizational unit within an agency may place an order with a major organizational unit within the same agency or another agency for goods or services if:

- A. Funds are available;
- B. The head of the requesting agency or unit decides the order is in the best interest of the U.S. Government;
- C. The agency or unit to be asked to fill the order is able to provide or obtain by contract the ordered goods or services; and
- D. The head of the requesting agency decides that ordered goods or services cannot be provided by contract as conveniently or economically by a commercial enterprise.

**030302. Reimbursements to Appropriations**

As stated in 10 U.S.C. § 2205, reimbursements made to DoD appropriations under 31 U.S.C. §§ 1535 and 1536 for services rendered or supplies furnished may be credited to the appropriation or fund of the activity performing the reimbursable work.

**030303. Limitations**

Economy Act orders may not be used by an agency to:

A. Circumvent conditions and limitations imposed on the use of funds, including extending the period of availability of the cited funds;

B. Contravene provisions of the law or accomplish what regulations do not permit under commercial contracts;

C. Make acquisitions conflicting with any other agency's authority or responsibility (see [FAR 17.501](#)) or for which the servicing agency is required by law to provide and for which it received appropriations; or

D. Order work or services from another organizational unit under the same activity commander where the activity commander is in a position to fund the required goods or services through the use of direct funds.

**0304 USES OF ECONOMY ACT ORDERS**

Economy Act orders may be used for any required goods, supplies or services that are appropriate and legal. [Acquisition policies contained in the FAR, DFARS, and within individual DoD Component's implementation guidance govern the potential uses of Economy Act orders.](#) Typical uses include, but are not limited to, base support (host-tenant) services such as administrative services, civilian personnel services, community services, environmental compliance, fire protection, food service, health service, mail service, police service, security/guard services, and warehousing.

**0305 INITIATING AN ECONOMY ACT ORDER****\*030501. Determinations and Findings Requirement**

[FAR 17.502-2\(c\)](#) requires each Economy Act order to be supported by a determinations and findings (D&F) [that must be furnished to the servicing agency with the order.](#) Specific D&F requirements are stated in [FAR 17.502-2\(c\)](#) and [DFARS 217.503](#).

**\*030502. Ordering Procedures and Requirements**

[FAR 17.503](#), [DFARS Subpart 217.5](#), and [DFARS Subpart 217.7](#) address the procedures that apply to all interagency acquisitions, including those made under the authority provided within the Economy Act.

**\*030503. Treasury Guidance**

A. The TFM Volume I, Part 2, Chapter 4700, Section 4706, "Intragovernmental Quarterly and Year-End Requirements," discusses the requirements necessary to properly report intragovernmental transactions resulting from business activities (i.e., buy/sell



transactions) between two Federal government entities, called trading partners. It further references the Intragovernmental Transaction Guide (Appendix 6) as containing the business rules and processes to properly record, report, and reconcile intragovernmental transactions, including the processes for dispute resolution.

B. The guidance in TFM, Volume I, Part 2, Chapter 4700, Appendix 6, Section 9 provides the standard *Interagency Agreement (IAA)* containing two Fiscal Service (FS) Forms: *FS Form 7600A*, General Terms and Conditions (GT&C) and *FS Form 7600B*, Order Form. Treasury has mandated the use of these two forms to ensure the proper recording and reporting on intragovernmental buy/sell transactions, and to eliminate the federal-wide reporting deficiencies impacting the Financial Report of the U.S. Government. Accordingly, all DoD Components must use the latest published versions of FS Forms 7600A/B when completing an Economy Act Order and these must comply with the Federal Intragovernmental Data Standards when using the Treasury's *G-Invoicing* system, DoD Ordering systems, Enterprise Resource Planning, or when completing the FS Forms 7600 A/B manually.

C. The Treasury's G-Invoicing system must be used to negotiate, broker, and electronically store the GT&Cs and associated transactions between buyers and sellers for all inter- and intragovernmental reimbursable transactions as appropriate system capabilities come online for individual DoD Components. This requirement is for all IAAs with a performance period extending to June 30, 2021 or later. In instances where G-Invoicing is not available, such as remote deployments or other austere conditions, DoD Components must use hardcopies of FS Forms 7600A/B. DoD Components must establish internal policies and procedures for designating signature authority for GT&Cs.

D. The requesting scope of work on the FS Form 7600A should cover relatively broad categories of goods or services when feasible. However, the FS Form 7600B must discretely describe the goods or services ordered with the associated FS Form 7600A. When practical and legally permissible, the agreement period on the FS Form 7600A should cover multiple years.

## 0306 POLICY

### 030601. Specific, Definite, and Certain

Economy Act orders **must** be specific, definite, and certain both as to the work encompassed by the order and the terms of the order itself.

### 030602. Certification of Availability for Purpose

Economy Act orders are subject to the same fiscal limitations that are contained within the appropriation from which they are funded. However, the performing entity may not be aware of all such appropriation limitations. Therefore, the requesting official must provide a certification, on or attached to the Economy Act order, **stating** that the funds cited on the Economy Act order are properly chargeable for the purposes cited in the order.

## 030603. Bona Fide Need

Economy Act orders citing an annual or multiple year appropriation must serve a bona fide need arising, or existing, in the fiscal year(s) for which the appropriation is available for obligation (refer to 31 U.S.C. § 1502). Otherwise, a valid obligation is not accomplished. Bona fide need generally is a determination of the requesting activity and not that of the servicing activity. A servicing activity should, however, refuse to accept an Economy Act order if it is obvious that the order does not serve a need existing in the fiscal year for which the appropriation is available.

## 030604. Appropriation Policy

A. Obligation. An Economy Act order obligates the applicable appropriation of the requesting agency or unit upon acceptance of the order by the servicing agency. Thus, the requesting agency should obligate the entire amount of a reimbursable order when the order is accepted by the servicing agency.

1. Annual appropriations are not available for requirements that are bona fide needs of a subsequent fiscal year, except pursuant to statutory authority. DoD Components that enter into Economy Act agreements with other organizations to satisfy requirements for severable services, non-severable services, and supplies must ensure that obligations for the Economy Act agreements constitute a bona fide need of the annual appropriation charged. Consequently, any supply or service contract entered into by the servicing agency must be entered into before the end of the period of availability of the annual appropriation.

2. To constitute a bona fide need of the requesting activity's annual appropriation, any resultant contract for supplies or services entered into by the servicing agency must satisfy the same obligational requirements set forth in Volume 3, Chapter 8, as would any contract directly entered into by the requesting activity. For example, an Economy Act agreement for severable services may be performed by issuance of a contract that crosses fiscal years only if the awarded contract satisfies the requirements of 10 U.S.C. § 2410a, the contract period does not exceed 1 year, and the contract period commences during the period of availability for the requesting agency's appropriation(s).

3. Multiple year appropriations may be obligated for requirements that constitute bona fide needs of the multiple year period of availability of the appropriation. Multiple year appropriations obligated for Economy Act orders are subject to the same bona fide need standards as would a contract directly entered into by the requesting activity. Resultant supply and service contracts must be entered into during the period of availability of the appropriation funding the Economy Act order, and are subject to the same budgetary full funding or incremental funding policies prescribed in Volumes 2A and 2B.

4. Resultant contracts for non-severable services that cross fiscal years must be supported entirely by the requesting agency's appropriations available for new obligations at the time the contract is awarded.

\* 5. Because Research, Development, Test and Evaluation (RDT&E) requirements are iterative in nature, RDT&E programs, projects and activities are not subject to full funding policies. For example, [DFARS 232.703-1](#) permits DoD organizations to incrementally fund a fixed-price contract for severable services if the contract is funded with research and development appropriations. Refer to [DFARS 232.703-1](#) for additional guidance and restrictions. Similarly, DoD budgetary policy in Volume 2A, Chapter 1 provides that RDT&E budget estimates are prepared on an incrementally funded basis and only those funds required for work in a given fiscal year **must** be included in the RDT&E request for that fiscal year. DoD Components are encouraged to fully fund RDT&E contracts for non-severable services.

6. Obligating funds for an Economy Act order where the resultant fixed-length severable services contract will exceed the 1-year limit set forth in 10 U.S.C. § 2410a or will not commence until a subsequent fiscal year, may result in an Antideficiency Act violation under [31 U.S.C. § 1341](#).

B. Deobligation. Transactions undertaken in reliance on authority conferred by the Economy Act are subject to statutory requirements imposed by 31 U.S.C. § 1535(d) governing when excess funds must be deobligated. The amount obligated by the [requesting](#) agency or unit must be deobligated to the extent that the servicing agency has not incurred obligations before the end of the period of availability of the ordering appropriation. It is critical that activities reconcile the obligation status of Economy Act orders and deobligate unused funds, as needed, before the end of the funds availability. Funds must be deobligated by both the requesting and servicing agency to the extent that the servicing agency or unit filling the order has not (1) provided the goods or services, or (2) entered into an authorized contract with another entity to provide the requested goods or services before the end of the period of availability (fiscal year or multiple year period, as applicable) of the appropriation of the requesting or ordering agency.

#### 030605. Commencement of Work

The work to be performed under Economy Act orders **must** be expected to begin within a reasonable time after its acceptance by the [servicing agency](#).

#### 030606. Contingent Event Prohibition

Economy Act orders **must** not be issued if commencement of work is contingent upon the occurrence of a future event or authorizing action by the requesting [agency](#).

### 0307 PAYMENT PROCEDURES

#### 030701. Payments

A. Payment **must** be made promptly upon the written request (or billing) of the agency or unit filling the order. Unless the DoD Component is specifically authorized by law, legislative action or Presidential authorization, funds are not to be advanced to non-DoD Federal entities or be used to pay for advance billings without the receipt of goods or services. Refer to Volume 4, Chapter 5 for the conditions and requirements related to advances and prepayments.

B. For those few exceptions where DoD is specifically authorized by a specific appropriation or law to advance funds, the specific appropriation or law authorizing the advance must be cited on the obligating and/or interagency agreement documents and orders. Advance payments, when authorized, are based on estimated costs, but the final payment amount must be adjusted to account for actual costs. Any unused amounts of the advance **must** be collected from the performing agency immediately and returned to the fund from which originally made.

C. The requesting official must be fully aware of the non-DoD Federal agency's billing practices and methods. If an advance of funds is permitted, the DoD agency requesting official **must** ensure that the written agreement with the servicing agency requires it to specifically account for the funds advanced. The requesting official **must** also take appropriate action to ensure DoD funds are not disbursed in advance of contract performance. Additionally, DoD Components must work with their servicing disbursement sites to ensure trading partner agreements restrict other Federal agencies' ability to withdraw funds prior to the delivery of goods or performance of services.

#### 030702. Small Amounts

A. DoD working capital funds, the Corps of Engineers Civil Works Revolving Fund, and other DoD revolving funds may not waive reimbursement of any amount. This does not preclude identification of a central payment office by a DoD Component to pay small bills. Guidance on financial management of working capital funds is in Volume 11B.

B. When an appropriated fund activity is the performer and the amount to be billed within the same DoD Component or to another DoD Component is less than \$1,000, the billing may be suspended by the billing organization until the end of the fiscal year, or until the total billed exceeds \$1,000. However, no later than the end of the fiscal year, all suspended amounts must be billed even though the amount to be billed is less than \$1,000.

C. When the amount to be billed to a non-DoD U.S. Government activity is less than \$1,000, the billing may be suspended by the billing organization until the end of the fiscal year, or until the total billed exceeds \$1,000. However, no later than the end of the fiscal year, all suspended amounts must be billed to non-DoD U.S. Government activities even though the amount to be billed is less than \$1,000.

### 0308 REIMBURSEMENTS

#### 030801. Appropriated Funds

Reimbursement under the Economy Act is to be made on the basis of actual cost as determined by the servicing agency. The requesting agency must pay the servicing agency the actual costs of the goods or services provided. Actual costs include all direct costs attributable to providing the goods or services, regardless of whether the servicing agency's expenditures are increased. Actual costs also include indirect costs (overhead) to the extent they have a significant relationship to providing the goods or services and benefit the requesting agency. Indirect costs (overhead) **must** be computed in accordance with Chapter 1. DoD activities not funded by working

capital funds normally do not charge indirect costs to other DoD activities. In accordance with FAR 17.502-2.d.(4), the servicing agency may not require a payment of, or the requesting agency pay, any fee or charge in excess of the actual cost (or estimated cost if the actual cost is not known) of entering into and administering the contract or other agreement under which the order is filled. Chapter 1 provides the general rules that DoD Components must follow when determining amounts to be collected as reimbursements.

030802. Working Capital Fund Activities

Reimbursable costs in the case of servicing DoD activities operating under a working capital fund **must** be determined in accordance with Volume 11B.

0309 ACCOUNTING

030901. Direct Fund Cite Orders

Economy Act orders may be issued as direct fund cite orders where the requesting unit identifies the appropriate fund citation for the servicing unit to place on the requested contract or reimbursable order. Economy Act orders **must** neither be administered nor accounted for by servicing DoD activities as separate subdivisions of appropriations or funds similar to an allotment. Appropriation-type (e.g., annual, no-year, multiyear) accounting for an Economy Act order **must** be performed by the requesting DoD Component in accordance with Volume 3, Chapter 15.

030902. Working Capital Fund

The operations of servicing DoD activities financed under a working capital fund **must** be accounted for in accordance with Volume 11B.

030903. Obligation Authority

Economy Act orders received and accepted are the source of obligational authority in the amount of the order for the performance of the work requested.

030904. Cost Account

A cost account, or other device, **must** be used to accumulate the costs of performance for all Economy Act orders. The cost account serves as a historical basis for determining the amount reimbursable for cost-reimbursement Economy Act orders and as a basis of determining a fixed-price for similar future fixed-price Economy Act orders.

## 030905. Records

The servicing DoD Component **must** establish procedures that identify and retain a record of the requestor's appropriation accounting classification(s) for each order received. **Establishment and compliance with these procedures** will facilitate auditability of the requestor's source of funding.

## \*030906. Billings

Billings covering reimbursements **must** identify costs by each item listed in the Economy Act order. **Volume 10, Chapter 10 contains the DoD policy for executing intragovernmental payments.**

## \*030907. Reconciliation and Elimination of Intragovernmental Transactions

**Volume 6B, Chapter 13 contains DoD policy and guidance for adjustments, eliminations, and other special intragovernmental reconciliation procedures.**