

**VOLUME 11A, CHAPTER 3: “ECONOMY ACT ORDERS”****SUMMARY OF MAJOR CHANGES**

Changes are identified in this table and also 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 [September 2019](#) is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Implemented administrative updates to include revised hyperlinks and minor clarifying language in accordance with Department of Defense Financial Management Regulation Revision Standard Operating Procedures.	Revision
7.2.3 (previous version)	Deleted section 7.2.3 and incorporated requirements into section 7.2.2.	Revision

**Table of Contents**

VOLUME 11A, CHAPTER 3: “ECONOMY ACT ORDERS” .....	1
1.0 GENERAL .....	4
1.1 Purpose .....	4
1.2 Authoritative Guidance .....	4
2.0 DEFINITIONS .....	5
2.1 Assisted Acquisition.....	5
2.2 Direct Acquisition .....	5
2.3 Interagency Acquisition .....	5
2.4 Multiple Year Appropriation.....	5
2.5 Non-Severable Service .....	5
2.6 Requesting Agency .....	6
2.7 Servicing Agency .....	6
2.8 Severable Service .....	6
3.0 LEGAL AUTHORITY.....	6
3.1 Statutory Conditions on Use .....	6
3.2 Reimbursements to Appropriations.....	6
3.3 Limitations .....	7
4.0 USES OF ECONOMY ACT ORDERS .....	7
5.0 INITIATING AN ECONOMY ACT ORDER.....	7
5.1 Determinations and Findings Requirement.....	7
5.2 Ordering Procedures and Requirements.....	7
5.3 Treasury Guidance .....	7
6.0 POLICY .....	8
6.1 Specific, Definite, and Certain .....	8
6.2 Certification of Availability for Purpose.....	8
6.3 Bona Fide Need .....	9
6.4 Appropriation Policy .....	9
6.5 Commencement of Work .....	10
6.6 Contingent Event Prohibition.....	10
7.0 PAYMENT PROCEDURES.....	10
7.1 Payments .....	10
7.2 Small Amounts .....	11

## Table of Contents (Continued)

8.0	REIMBURSEMENTS.....	11
8.1	Appropriated Funds.....	11
8.2	Working Capital Fund Activities .....	12
9.0	ACCOUNTING.....	12
9.1	Direct Fund Cite Orders .....	12
9.2	Working Capital Fund.....	12
9.3	Obligation Authority .....	12
9.4	Cost Account .....	12
9.5	Records.....	12
9.6	Billings .....	13
9.7	Reconciliation and Elimination of Intragovernmental Transactions.....	13

## CHAPTER 3

### ECONOMY ACT ORDERS

#### 1.0 GENERAL

#### 1.1 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.

#### 1.2 Authoritative Guidance

1.2.1. [10 U.S.C. § 3133](#) provides statutory authority for severable service contracts for periods crossing fiscal years.

1.2.2. [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.

1.2.3. [31 U.S.C. § 1502](#) stipulates the bona fide needs rule.

1.2.4. 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.

1.2.5. [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.

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

1.2.7. Defense Federal Acquisition Regulation Supplement ([DFARS](#)) [Subpart 217.5](#), “Interagency Acquisitions,” and [DFARS 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.

1.2.8. 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.

1.2.9. The Treasury Financial Manual (TFM) Volume I, Part 2, Chapter 4700, [Section 4750](#), “Intragovernmental Quarterly and Year-End Requirements.”

## 2.0 DEFINITIONS

### 2.1 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.

### 2.2 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.

### 2.3 Interagency Acquisition

FAR Subpart 2.1 defines an interagency acquisition as 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.

### 2.4 Multiple Year Appropriation

A multiple-year appropriation means an appropriation that is available for obligation for a definite period of time in excess of one fiscal year.

### 2.5 Non-Severable Service

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

## 2.6 Requesting Agency

FAR Subpart 2.1 defines the requesting agency as the agency that has the requirement for an interagency acquisition or that needs services.

## 2.7 Servicing Agency

FAR Subpart 2.1 defines the servicing agency as the agency that will conduct an assisted acquisition on behalf of the requesting agency or that provides services.

## 2.8 Severable Service

A severable service is ongoing and recurring, providing value to the agency at the time of delivery, regardless of contract completion and is a unique component that independently provides value to meet an agency's need.

## 3.0 LEGAL AUTHORITY

### 3.1 Statutory Conditions on Use

3.1.1. 31 U.S.C. § 1535 establishes four basic conditions for 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:

3.1.2. Funds are available;

3.1.3. The head of the requesting agency or unit decides the order is in the best interest of the U.S. Government;

3.1.4. 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

3.1.5. The head of the requesting agency decides that ordered goods or services are unavailable by contract as conveniently or economically by a commercial enterprise.

### 3.2 Reimbursements to Appropriations

10 U.S.C. § 2205 states to credit reimbursements made to DoD appropriations under 31 U.S.C. §§ 1535 and 1536 for services rendered or supplies furnished to the appropriation or fund of the activity performing the reimbursable work.

### 3.3 Limitations

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

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

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

3.3.3. 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

3.3.4. 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.

## 4.0 USES OF ECONOMY ACT ORDERS

Use Economy Act orders 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: 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.

## 5.0 INITIATING AN ECONOMY ACT ORDER

### 5.1 Determinations and Findings Requirement

Each Economy Act order submitted to the servicing agency must include a copy of the determinations and findings (D&F) report as required by [FAR 17.502-2\(c\)](#). Specific D&F requirements are stated in FAR 17.502-2(c) and [DFARS 217.503](#).

### 5.2 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.

### 5.3 Treasury Guidance

5.3.1. The TFM Volume I, Part 2, Chapter 4700, Section 4750, "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 5) as containing the business rules and processes to properly record, report, and reconcile intragovernmental transactions, including the processes for dispute resolution.

5.3.2. The TFM 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.

5.3.3. The system used to negotiate, broker, and electronically store the GT&Cs and associated transactions between buyers and sellers for all inter and intragovernmental reimbursable transactions is [Treasury's G-Invoicing system](#). 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.

5.3.4. The requesting scope of work on the FS Form 7600A [must](#) 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 [must](#) cover multiple years.

## 6.0 POLICY

### 6.1 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.

### 6.2 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 [in](#) the Economy Act order are properly chargeable for the purposes cited in the order.



### 6.3 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). Bona fide need generally is a determination of the requesting activity and not that of the servicing activity. A servicing activity **must**, 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.

### 6.4 Appropriation Policy

6.4.1. **Obligation.** An Economy Act order obligates the applicable appropriation of the requesting agency or unit upon acceptance of the order by the servicing agency. The requesting agency **obligates** the entire amount of a reimbursable order when the servicing agency **accepts** the order.

6.4.1.1. **DoD Components cannot use** annual appropriations for requirements that are bona fide needs of a subsequent fiscal year, except as allowed by 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, the servicing agency must **enter into** any supply or service contract before the end of the period of availability of the annual appropriation.

6.4.1.2. 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 **outlined** in Volume 3, Chapter 8, as would any contract directly entered into by the requesting activity. For example, **an agency may issue** a contract for severable services under an Economy Act agreement that crosses fiscal years only if the awarded contract satisfies the requirements of 10 U.S.C. § 3133, the contract period does not exceed 1 year, and the contract period begins during the availability period for the agency's appropriation(s).

6.4.1.3. **DoD Components can** obligate multiple-year appropriations for requirements that constitute bona fide needs during 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. **DoD Components** must enter resultant supply and service contracts during the period of availability of the appropriation funding the Economy Act order, and these contracts are subject to the same budgetary full funding or incremental funding policies prescribed in Volumes 2A and 2B.

6.4.1.4. **Agencies must** support resultant contracts for non-severable services that cross fiscal years entirely **with their** appropriations available for new obligations at the time they award the contract.

6.4.1.5. 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. In Volume 2A, Chapter 1 of the DoD budgetary policy, [budget estimates for RDT&E](#) are prepared on an incrementally funded basis, [requiring that](#) only the funds necessary for work in a given fiscal year be included in the RDT&E request for that year. The DoD Components encourage fully funding RDT&E contracts for non-severable services.

6.4.1.6. Obligating funds for an Economy Act order where the resultant fixed length severable services contract will exceed the 1-year limit [outlined](#) in 10 U.S.C. § 3133 or will not commence until a subsequent fiscal year, may result in an Antideficiency Act violation under [31 U.S.C. § 1341](#).

6.4.2. [De-obligation](#). 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 de-obligated. The amount obligated by the requesting agency or unit must be de-obligated 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 de-obligate unused funds, as needed, before the end of the funds' availability. Funds must be de-obligated 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.

## 6.5 Commencement of Work

[Work](#) performed under Economy Act orders must begin within a reasonable time after its acceptance by the servicing agency.

## 6.6 Contingent Event Prohibition

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

## 7.0 PAYMENT PROCEDURES

### 7.1 Payments

7.1.1. [DoD Components must make](#) payments promptly upon the written request (or billing) of the agency or unit filling the order. [DoD Components are not allowed to advance](#) funds to non-DoD Federal entities or pay for advance billings without the receipt of goods or services [unless](#) the DoD Component is specifically authorized by law, legislative action or Presidential

authorization. Refer to Volume 4, Chapter 5 for the conditions and requirements related to advances and prepayments.

7.1.2. In cases where a specific appropriation or law authorizes DoD Components to advance funds, the obligating and/or interagency agreement documents and orders must cite the specific appropriation or law that authorizes the advance. When authorized, DoD Components base advance payments on estimated costs, and must adjust the final payment amount to account for actual costs. The performing agency must immediately collect any unused amounts of the advance and return them to the fund from which they were originally made.

7.1.3. The requesting official must be fully aware of the non-DoD Federal agency's billing practices and methods. If the servicing agency is permitted to advance funds, the requesting official from the DoD agency must ensure that the written agreement requires the servicing agency to specifically account for the advanced funds. The requesting official must take appropriate action to ensure that they do not disburse DoD funds 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.

## 7.2 Small Amounts

7.2.1. 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 the identification of a central payment office by a DoD Component to pay small bills. Guidance on the financial management of working capital funds is in Volume 11B.

\* 7.2.2. The billing organization can suspend billing until the end of the fiscal year, or until the total billed exceeds \$1,000 when an appropriated fund activity is the performer and the billable amount within the same DoD Component or to another DoD or non-DoD Component is less than \$1,000. The billing organization must bill all suspended amounts to the DoD Component or to another DoD or non-DoD Component no later than the end of the fiscal year even though the billable amount is less than \$1,000.

## 8.0 REIMBURSEMENTS

### 8.1 Appropriated Funds

8.1.1. The servicing agency determines the basis of the actual cost for reimbursement under the Economy Act. 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 goods or services. The servicing agency's increased expenditures do not increase actual costs. 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. Chapter 1 outlines how to calculate indirect costs (overhead). DoD activities not funded by working capital funds normally do not charge indirect costs to other DoD activities.

8.1.2. The servicing agency is **not allowed to** require a payment of any fee or charge in excess of the actual cost (or estimated cost if the actual cost is not known) and the requesting agency **is not required** to 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 per FAR 17.502-2.d.(4). The general rules **for** DoD Components **to** follow **regarding** amounts collected as reimbursements are in Chapter 1.

## 8.2 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.

## 9.0 ACCOUNTING

### 9.1 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. Servicing DoD activities must not **administer or account** for Economy Act orders as separate subdivisions of appropriations or funds similar to an allotment. The Requesting DoD Component must account for appropriation type (e.g., annual, no-year, multiyear) Economy Act orders in accordance with Volume 3, Chapter 15.

### 9.2 Working Capital Fund

**Volume 11B contains DoD policy and guidance for accounting of** the operations of servicing DoD activities financed under a working capital fund.

### 9.3 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.

### 9.4 Cost Account

Accumulate the costs of performance for all Economy Act orders **with a cost account or other device**. The cost account serves as a historical basis for determining the amount reimbursable for cost reimbursement Economy Act orders and as a basis **for** determining a fixed price for similar future fixed-price Economy Act orders.

### 9.5 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 **the** auditability of the requestor's source of funding.

## 9.6 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.

## 9.7 Reconciliation and Elimination of Intragovernmental Transactions

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