

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 February 2008 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
030101	Clarify that Project Orders (41 U.S.C. §6307) do not fall under the Economy Act statute (31 U.S.C. §1535).	Add
030101	Insert a statement to reference chapter 1 for overall guidance and discussion of reimbursements.	Add
030103	Add new paragraph on “Definitions” to define and clarify commonly used terms in the chapter. Examples include “requesting agency” with “ordering agency”; and “servicing agency” with “performing agency” to clarify consistency with descriptions in the FAR Subpart 17.5.	Add
030103	Synchronize definitions of interservice and intra-agency between and within DoD components; and intergovernmental and interagency non-DoD Federal government agencies. FMR and FAR Subpart 17.5.	Update
030104	Emphasize that the four conditions on use of 31 U.S.C. §1535 were established as the basic conditions that must met.	Update
030105	Clarify that Economy Act may not be used for services between the requestor and provider that are already required by law and received in its appropriation.	Add
0302	Changed terms consistent with the terms established in the new paragraph 030103.	Update
030404A	Insert language to clarify how to fund severable and non-severable contracts when using multiple-year appropriations, in particular, those using research, development, test, and evaluation funds.	Add
030404C	Emphasize that the requirement to deobligate Economy Act transactions when servicing agency has not incurred obligations before the end of the period of availability of the ordering appropriation is a statutory (31 U.S.C. §1535(d))	Add

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
030501	Correct MIPR Acceptance form number.	Correction
030501	Add the DD Form 1144 as an acceptable mechanism for obligating funds under Economy Act orders.	Update
030502A	Clarify that advance payments, when authorized, are based on estimates that must be adjusted to account for actual costs.	Update
030502B	Add language that requires the requesting official to document the non-DoD servicing agency agrees to account for DoD funds.	Add
030601	Emphasize that reimbursement under the Economy Act is to be made on the basis of actual cost as determined by the servicing agency.	Update
030705	Require servicing DoD Components to maintain a record of the purchasing Components funding accounting classification.	Add
030706	Renumbered from 030705.	Update
Multiple	Hyperlinked references updated throughout the chapter.	Update
References	List various references for this chapter.	Add

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CHAPTER 3

ECONOMY ACT ORDERS

0301 GENERAL

*030101. Purpose

This chapter prescribes policies and procedures applicable to transactions where goods or services are procured from other federal agencies under the Economy Act, [Title 31, United States Code \(U.S.C.\) Sections 1535](#) and [1536](#). Transactions include [interagency](#) and [intra-agency](#) support, where an activity needing supplies or services (requesting or ordering agency) obtains them from another activity (servicing or performing agency). Within the Department of Defense (DoD), Economy Act orders typically are executed by issuance of a [DD Form 448](#), “Military Interdepartmental Purchase Request (MIPR).” Project orders are outside the scope of the Economy Act, defined under [41 U.S.C. §6307](#), and discussed in Chapter 2. Chapter 1 shall be referenced for overall guidance and discussion of [General Reimbursement Procedures and Supporting Documentation](#).

*030102. Overview

The Economy Act [31 U.S.C. §1535](#) provides authority for federal agencies to order goods and services from [major organizations within the same agency](#) or other federal agencies and to pay the actual costs of those goods and services. The Congress passed the Act in 1932 to obtain economies of scale and eliminate overlapping activities of the Federal Government. Within the Department, an activity within a DoD Component may place an order [for goods or services](#) with (1) another activity within the same DoD Component, (2) another DoD Component, or (3) with another federal agency.

*030103. Definitions

The following definitions apply to this chapter:

A. [Requesting Agency](#). The requesting agency is the customer activity that places an order for goods or services to another federal agency or DoD component. The term is synonymous with and referenced throughout various Federal government agreements as the “ordering agency”.

B. [Servicing Agency](#). The servicing agency is the provider activity that fills an order for goods or services from another federal agency or DoD Component. The term is synonymous with and referenced throughout various Federal government agreements as the “performing agency”.

C. [Interagency Support](#). Transactions for goods or services between DoD and non-DoD Federal government agencies, also known as intergovernmental support.

D. **Intra-agency Support.** Transactions for goods or services within and between DoD and other DoD Components, also known as interservice support.

E. **Fiscal Year Appropriation.** An appropriation that is available for obligation only during a specific fiscal year. This is the most common type of appropriation. It is also known as a “one-year” or “annual” appropriation.

F. **Multiple Year Appropriation.** An appropriation that is available for obligation for a definite period of time in excess of one fiscal year.

G. **Severable Services.** Services that are continuing and recurring in nature where the agency realizes a benefit at the time that services are provided even if the contract has not been performed to completion. Services are considered severable if they can be separated into components that independently provide value to meet an agency’s needs.

H. **Non-Severable Service.** Services that represent a single undertaking that cannot be feasibly subdivided. If the services produce a single or unified outcome, product, or report, the services are considered non-severable. Requires the contractor to complete and deliver a specified end product.

*030104. Legal Authority

A. **31 U.S.C. §1535** establishes four (4) basic conditions on 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:

1. Funds are available;
2. The head of the requesting agency or unit decides the order is in the best interest of the United States (U.S.) Government;
3. The agency or unit to be asked to fill the order is able to provide or get by contract the ordered goods or services; and
4. 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.

B. **31 U.S.C. §1536** provides for the crediting of payments from purchases between executive agencies so as to be available to replace stocks on hand, unless:

1. Another law authorizes the amount to be credited to some other appropriation **or fund**, or

2. The head of the performing agency decides that replacement is not necessary, in which case, the amount received is deposited in the Treasury as miscellaneous receipts.

C. 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 ([10 U.S.C. §2205](#)).

*030105. Limitations

Because of previous instances of abuse of Economy Act orders, limitations on the use of Economy Act orders have been imposed. Economy Act orders may not be used by an agency to circumvent conditions and limitations imposed on the use of funds, including extending the period of availability of the cited funds. Acquisitions under the Economy Act are subject to the requirements of [FAR Subpart 7.3](#), “Contractor Versus Government Performance.” The Economy Act may not be used to make acquisitions conflicting with any other agency’s authority or responsibility (see [FAR Subpart 17.502](#)), or for services which the servicing agency is required by law to provide and for which it received appropriations. An Economy Act order cannot be used by one organizational unit to 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. [The Economy Act may not be used for services which the servicing agency is required by law to provide the requesting agency and for which it receives appropriations.](#)

*0302 USES OF ECONOMY ACT ORDERS

Subject to the provisions [herein](#), Economy Act orders may be used for any required goods, supplies or services that are appropriate and legal. Typical uses include, but are not limited to:

A. [Intra-agency Support Agreements](#). This type of agreement typically is used for, but 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, warehousing, etc. Services such as testing and evaluation, and level of effort workyears may be covered by Economy Act orders.

B. [Interagency Support Agreements](#). This includes support provided to non-DoD federal agencies that is not provided pursuant to other statutory authority.

0303 INITIATING AN ECONOMY ACT ORDER

030301. Authorities

An agency or unit head may initiate an Economy Act order provided that all the conditions specified in subparagraph 030104.A. are met.

030302. Determinations and Findings Requirements

A. Each Economy Act order must be supported by a Determinations and Findings (D&F) that the use of interagency support capabilities are in the best interest of the government and that the required goods, supplies or services cannot be obtained as conveniently or economically by contracting directly with a private source. (Refer to [FAR 17.502-2\(c\)](#) for D&F requirements.

B. Economy Act orders that require a contract action by a non-DoD servicing agency also will include a statement on the D&F that supplies and services provided comply with one or more of the following provisions:

1. The acquisition appropriately will be made under an existing contract of the servicing agency, entered into before placement of the order, to meet the requirements of the servicing agency for the same or similar goods, supplies or services;

2. The servicing agency has the capabilities or expertise to enter into a contract for such goods, supplies or services which are not available within the requesting agency; or

3. The servicing agency specifically is authorized by law or regulation to purchase such goods, supplies or services on behalf of other agencies.

*030303. [Intra-agency Support](#)

DoD activities shall render requested support to other DoD activities when the head of the requesting activity determines that it would be in the best interest of the U.S. Government, and the head of the servicing activity determines that capabilities exist to render the support without jeopardizing assigned missions. These determinations are accomplished by signing a Support Agreement (blocks 8 and 9 on [DD Form 1144](#), "Support Agreement"). No further written determinations generally are required for agreements between DoD activities.

*030304. [Interagency Support](#)

DoD activities may enter into support agreements with non-DoD federal activities when the head of the major organizational unit ordering the support determines that funding is available to pay for the support, it is in the best interests of the U.S. Government, the supplying activity is able to provide the support, the support cannot be provided as conveniently or economically by a commercial enterprise, and it does not conflict with any other agency's authority. This authority may be delegated, although designees may not be lower than Senior Executive Service, Flag, or General Officer levels.

0304 POLICY

030401. Specific, Definite and Certain

Economy Act orders (interservice and intragovernmental support agreements) shall be specific, definite, and certain both as to the work encompassed by the order and the terms of the order itself.

030402. 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, that the funds cited on the Economy Act order are properly chargeable for the purposes cited in the order.

030403. Bona Fide Need

Economy Act orders citing an annual or multiyear appropriation must serve a bona fide need [31 U.S.C. §1502](#) arising, or existing, in the fiscal year(s) for which the appropriation is available for obligation. 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.

030404. 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. The entire **properly made** amount of a reimbursable order should be obligated by the requesting agency when the order is accepted.

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 agency filling the Economy Act order must be entered into before the end of the period of availability of the annual appropriation. To constitute a bona fide need of the ordering activity's annual appropriation, any resultant contract for supplies or services entered into by the activity filling the order must satisfy the same obligational requirements set forth in Volume 3, Chapter 8, as would any contract directly entered into by requiring 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 customer appropriations.

2. 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 requiring 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.

3. Resultant contracts for non-severable services that cross fiscal years in reliance on 10 U.S.C. § 2410a must be supported entirely by customer appropriations available for new obligations at the time the contract is awarded.

4. Because research and development test & 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 if the contract is funded with research and development appropriations. Similarly, DoD budgetary policy Volume 2A Chapter 1, Paragraph 010214 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 shall be included in the RDT&E request for that fiscal year. These policies apply equally to budgeting and obligating for requirements that in execution involve placement of Economy Act orders. Components are encouraged to fully fund RDT&E contracts for non-severable services.

5. Obligating funds for placing 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 Anti-Deficiency 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 ordering 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, 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, (1) provided the goods or services, or (2) entered into an authorized contract with another entity to provide the requested goods or services.

030405. Commencement of Work

The work to be performed under Economy Act orders shall be expected to begin within a reasonable time after its acceptance by the servicing DoD Component or organizational unit.

030406. Contingent Event Prohibition

Economy Act orders shall not be issued if commencement of work is contingent upon the occurrence of a future event or authorizing action by the requesting DoD Component.

030407. Prohibitions

Economy Act orders may not be used to contravene provisions of the law or to accomplish what regulations do not permit under commercial contracts. Economy Act orders may not be issued to extend the availability of appropriations.

0305 ORDERING AND PAYMENT PROCEDURES

*030501. Ordering Procedures

An Economy Act order may be placed on [DD Form 1144](#) or any form that is acceptable to both the requesting and servicing agencies involved based upon the documentation standards in Chapter 1, Paragraph 010204 of. Typically, between DoD Components, a DD Form 448, MIPR is used to place the order. A [DD Form 448-2](#), "Acceptance of MIPR," is used to acknowledge acceptance. Economy Act orders may be placed on a reimbursable or direct fund citation basis. Whether the order is on a reimbursable or direct cite basis it should be negotiated between the two parties. An Economy Act order should include ([FAR 17.503](#)):

- A. A description of the supplies or services ordered;
- B. Delivery requirements;
- C. A funds citation (either direct or reimbursable);
- D. A payment provision which may include the citation of the account number associated with a DoD purchase card (acquired under the General Services Administration Smart Pay Program) or the United States of America Card (acquired from the Treasury Department); and
- E. Acquisition authority as may be appropriate.
- F. Additional ordering procedures are contained in [DFARS 217.503](#).

030502. Payment Procedures

Payment shall 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 FMR Volume 4, Chapter 5 for the conditions and requirements related to advances and prepayments.)

- A. 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 shall be collected from the performing agency immediately and returned to the fund from which originally made.

B. 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 shall ensure that the written agreement with the servicing agency requires it to specifically account for funds advanced. The requesting official will 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.

030503. 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.

0306 REIMBURSEMENTS

030601. 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) shall 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.

When contracting out for goods or services, the servicing agency may not require payment of a fee or charge which exceeds the actual cost of entering into and administering the contract (reference [FAR 17.502-2e4](#)). Chapter 1 Paragraph 010203, specifies billing policies and procedures for Economy Act orders. Payment shall be made in accordance with paragraph 030502.

030602. Working Capital Fund Activities.

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

0307 ACCOUNTING

030701. 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 orders. Economy Act orders shall 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 Economy Act orders shall be performed by the requesting DoD Component in accordance with Volume 3, Chapter 15.

030702. Working Capital Fund

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

030703. 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.

030704. Costs Account

A cost account, or other device, shall be used to accumulate the costs of performance for all Economy Act orders. Those cost accounts shall serve 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.

*030705. Records

[The servicing DoD Component shall establish procedures that identify and retain a record of the requestor's appropriation accounting classification\(s\) for each order received. This will facilitate auditability of the requestor's source of funding.](#)

***030706. Billings**

Billings covering reimbursements shall identify costs by each item listed in the Economy Act order. Such billings shall accommodate the use of a DoD (SmartPay) purchase card or the Department of the Treasury's Intra-governmental Payment and Collection (IPAC) System.

* REFERENCES

- A. 31 U.S.C. §1535 and 1536 - Economy Act
- B. 31 U.S.C. §1502 - Bona Fide Needs Rule
- C. 10 U.S.C. §2205 - Reimbursements
- D. 10 U.S.C. §2410a - Contracts for Periods Crossing Fiscal Years: Severable Service Contracts; Leases of Real or Personal Property
- E. [DoD Instruction \(DoDI\) 4000.19](#) - Support Agreements
- F. [Federal Acquisition Regulation \(FAR\), Subpart 17.502](#) - Interagency Acquisitions Under The Economy Act
- G. Defense Federal Acquisition Regulation Supplement (DFARS), Subpart 217.5 - Interagency Acquisitions Under The Economy Act
- H. Defense Federal Acquisition Regulation Supplement (DFARS), Subpart 217.7802 - Policy
- I. [Defense Federal Acquisition Regulation Supplement \(DFARS\), Subpart 232.7](#) - Contract Funding
- J. [Defense Federal Acquisition Regulation Supplement \(DFARS\), Subpart 204.7](#) - Uniform Contract Line Item Numbering System
- K. Office of Management and Budget, Circular A-11 - Preparation, Submission, and Execution of the Budget