Interagency Contracting: An Overview of Federal Procurement and Appropriations Law

Kate M. Manuel
Legislative Attorney

Carol J. Toland
Legislative Attorney

September 17, 2009
Summary

This report provides an overview of the federal procurement and appropriations laws governing interagency contracting. “Interagency contracting” is the term used to describe several procurement relationships between government agencies. The first is one of buyer and seller, where agency A directly purchases goods or services from agency B. Second is that of co-purchasers, where agency A joins with agency B to contract for goods or services to obtain economies of scale or some other benefit. Third, agency A might hire agency B to negotiate and/or manage agency A's contracts in toto or in a specific area. Interagency contracting is a marked departure from the traditional model of government contracting, wherein agencies have their own contracts with companies and rely upon the services of their own contracting officers in drafting and managing these contracts.

Interagency contracting can occur under several different statutory authorities, including (1) the Economy Act of 1932; (2) the Information Technology Management Reform Act of 1996, also known as the Clinger-Cohen Act, authorizing government-wide acquisition contracts (GWACs); (3) the Federal Property and Administrative Services Act of 1949, as amended by the Office of Federal Procurement Policy Act of 1974, underlying the Federal Supply Schedules (FSS), also known as the General Services Administration (GSA) Schedules or Multiple Award Schedules (MAS); and (4) the Government Management Reform Act and other authorities creating franchise funds and interagency assisting entities. Unlike multi-agency contracts, GWACs and the FSS, franchise funds and interagency assisting entities are not themselves contracting vehicles, but they play a prominent role in interagency contracting.

Interagency contracting generally implicates principles of appropriations law, as well as procurement law, because appropriated funds are transferred between federal agencies. Appropriations law specifies the ways in which appropriated funds may be spent, and agencies must comply with the various requirements that are attached to any appropriation. Additionally, appropriations law details how agencies must account for these funds and ensure payment is made to the appropriate accounts.

Increased use of interagency contracting, coupled with widely reported incidents of mismanagement and Antideficiency Act violations involving interagency contracts, has made interagency contracting a topic of interest to some Members of Congress and commentators. The Government Accountability Office designated interagency contracting a “high risk” area in 2005. The 111th Congress has enacted two statutes addressing interagency contracting (P.L. 111-5, P.L. 111-8) and is considering additional legislation (H.R. 1766, H.R. 2182, H.R. 2415, H.R. 2416, S. 920, S. 1064).
Contents

Introduction .............................................................................................................................................. 1
Key Terms in Interagency Contracting ........................................................................................................ 1
Key Concepts in Appropriations Law .......................................................................................................... 3
Interagency Contracting Vehicles ........................................................................................................... 5
  Multi-Agency Contracts Under the Economy Act of 1932................................................................. 6
  Transfers of Funds and Accounting for Transfers of Funds ............................................................... 8
  Government-Wide Acquisition Contracts Under the Clinger-Cohen Act........................................ 11
  Revolving Funds and Reimbursable Accounts under GWACs .......................................................... 13
Federal Supply Schedules Under the Federal Property and Administrative Services Act .................. 17
  Ordering Under the FSS ......................................................................................................................... 18
  Blanket Purchase Agreements under the FSS ..................................................................................... 20
  Other Requirements .............................................................................................................................. 21
  Expansion of the FSS to State and Local Governments ................................................................. 22
Franchise Funds and Interagency Assisting Entities Under the Government Management Reform Act and Other Authorities ................................................................. 22
Combining Various Types of Interagency Contracts ............................................................................. 24
Recently Enacted and Proposed Amendments to the Laws Governing Interagency Contracting .......... 26
  Legislation Enacted by the 111th Congress ......................................................................................... 28
  Legislation Proposed by the 111th Congress ..................................................................................... 28

Figures

Figure 1. Use of Interagency Contracting in Hiring Interrogators for Abu Ghraib ............................. 25

Tables

Table 1. Ordering Procedures Under the FSS ....................................................................................... 19
Table 2. Blanket Purchase Agreements Under the FSS ..................................................................... 20
Table 3. Comparison of Interagency Contracting Mechanisms ............................................................. 23

Contacts

Author Contact Information ..................................................................................................................... 29
Introduction

Traditionally, federal agencies procuring goods or services from private-sector companies had their own contracts with these companies and relied upon the services of their own contracting officers in drafting and managing these contracts. Recently, however, agencies have increasingly resorted to interagency contracting, relying on the contracts or contracting operations of other agencies to acquire goods and services. Increased use of interagency contracting, coupled with widely reported incidents of mismanagement and Antideficiency Act violations involving interagency contracts, has made interagency contracting a topic of interest to some Members of Congress and commentators. The Government Accountability Office designated interagency contracting a “high risk” area in 2005. The 111th Congress has enacted two statutes addressing interagency contracting (P.L. 111-5, P.L. 111-8) and is considering additional legislation (H.R. 1766, H.R. 2182, H.R. 2415, H.R. 2416, S. 920, S. 1064).

This report provides an overview of the federal procurement and appropriations laws governing interagency contracting. It defines key terms used in discussing interagency contracting; surveys the various interagency contracting vehicles; and describes recently enacted and proposed amendments to the laws governing interagency contracting.

Key Terms in Interagency Contracting

“Interagency contracting” is the term used to describe several procurement relationships between government agencies. The first is one of buyer and seller, where agency A directly purchases goods or services from agency B. Second is that of co-purchasers, where agency A joins with agency B to contract for goods or services to obtain economies of scale or some other benefit. This is sometimes known as “direct purchasing” or “unassisted purchasing.” Third, agency A might hire agency B to negotiate and/or manage agency A’s contracts in toto or in a specific area. Interagency contracting is a marked departure from the traditional model of government

1 See, e.g., Report of the Acquisition Advisory Panel to the Office of Federal Procurement Policy and the United States Congress, at 225 (Jan. 2007) (“Interagency contracting has been recognized as one of the fastest growing fields in federal acquisition.”). Forty percent of the government’s contracting funds were spent under some type of interagency contract in FY2004, and agencies spent $46 billion under government-wide acquisition or Federal Supply Schedule contracts in FY2006. Id. Spending on multi-agency contracts is more difficult to measure because it is unclear how many multi-agency contracts exist. Id. at 229.


5 See, e.g., Gov’t Accountability Office, Interagency Contracting: Need for Improved Information and Policy Implementation at the Department of State, GAO-08-578, at 2 (May 8, 2008) (discussing direct and assisted interagency contracting).
contracting, wherein agencies have their own contracts with companies and rely upon the services of their own contracting officers in drafting and managing these contracts. This is sometimes called “indirect purchasing” or “assisted purchasing,” where agencies are using the contracting operations of other agencies, instead of their own contracting officers, to acquire goods and services.  

The agency seeking to acquire particular goods or services is known as the “requesting agency,” while the agency that uses its contracts or contracting personnel to supply the requested goods or services is known as the “servicing agency.” The phrase “ordering agency” refers to the agency that issues task or delivery orders, or enters blanket purchase agreements, under existing contracts. Depending upon the legal authorities governing a particular acquisition, the ordering agency may be either the requesting agency or the servicing agency.

Interagency contracting often involves an indefinite delivery/indefinite quantity (ID/IQ) contract between the servicing agency and the vendor. In an ID/IQ contract, the vendor agrees to provide some yet-to-be-determined quantity of goods at predetermined prices at some yet-to-be-determined times. Once the ID/IQ contract is in place, the servicing agency, or other agencies, when authorized, may purchase goods or services from the vendor by submitting task or delivery orders to the vendor, or entering into blanket purchase agreements (BPAs) with the vendor. A BPA is a separate contract, essentially establishing a “charge account” for the agency with a vendor; agency personnel can take delivery of goods or services immediately and pay later. Because of the task or delivery orders issued under them, ID/IQ contracts are sometimes known as task- or delivery-order (TO/DO) contracts. They can also be described as “single-award contracts” or “multiple-award contracts” (MACs), depending upon the number of firms—one or more than one, respectively—eligible to receive orders under the contract. Because ID/IQ contracts are involved, agencies engaged in interagency contracting must generally comply with the requirements for competition in the issuance of orders created by Federal Acquisition Streamlining Act (FASA) of 1994 and amendments to it, such as the National Defense

---

6 Id.


8 See, e.g., 48 C.F.R. § 2.101 (defining “governmentwide acquisition contract”).

9The amount is above some assured minimum and, sometimes, below an agreed-upon maximum.

10 See, e.g., Library of Congress: Obligation of Guaranteed Minimums for Indefinite-Delivery, Indefinite-Quantity Contracts under the FEDLINK Program, B-318046 (Comp. Gen., July 7, 2009) (“[T]o provide adequate consideration for a binding IDIQ contract, an agency must establish a guaranteed minimum that is more than a nominal amount and reflects the amount the agency is fairly certain to order.”).

11 A task order calls for the performance of services, while a delivery order calls for the delivery of goods.

12 48 C.F.R. § 13.303-3 (stating that a BPA must contain the following terms and conditions: (1) a description of the agreement; (2) the extent of obligation; (3) pricing; (4) a purchase limitation; (5) notice of individuals authorized to purchase under the BPA and any dollar limitations on their purchases; (6) delivery tickets; and (7) invoices).


14 Some commentators refer to single-award ID/IQ contracts as “monopoly contracts,” but such usage obscures the fact that single-award ID/IQ contracts are themselves competitively awarded, even if task or delivery orders under them are not, and are of limited duration. See, e.g., U.S. House of Representatives, Comm. on Gov’t Reform—Minority Staff, Special Investigations Division, Dollars, Not Sense: Government Contracting Under the Bush Administration 13 (2006), available at http://oversight.house.gov/Documents/20060711103910-86046.pdf. Federal contracts are normally for one year, but can be extended to five years through agencies’ use of options. 48 C.F.R. § 17.204(e).

Authorization Act for FY2002, for Department of Defense (DOD) orders, 16 and the National Defense Authorization Act for FY2008, for non-DOD orders. 17 Such requirements are beyond the scope of this report, although they apply to multi-agency and government-wide acquisition contracts. 18

Key Concepts in Appropriations Law

Congress is given the power to appropriate funds in the Constitution. This congressional power is commonly called the “power of the purse” and is derived from several specific constitutional provisions. First, in Article I, Section 8, Congress is given the power to “pay the Debts and provide for the common Defence and general Welfare of the United States” and the power to “make all Laws which shall be necessary and proper for carrying into Execution the foregoing Powers, and all other Powers vested by this Constitution in the Government of the United States or in any Department or Officer thereof.” Later, the Constitution states that “[n]o Money shall be drawn from the Treasury, but in Consequence of Appropriations made by Law” in Article I, Section 9, clause 7 (first part). This means that “no money can be paid out of the Treasury unless it has been appropriated by an act of Congress.” 19

Additionally, Congress can “determine the terms and conditions under which an appropriation can be used” as long as it acts within its Constitutional limits. 20 These requirements may often include “the purposes for which the funds may be used, the length of time the funds may remain available for these uses, and the maximum amount an agency may spend on particular elements of a program.” 21 Congress also may impose other requirements on appropriated funds, such as preconditions for the appropriation’s use by an agency. 22

Following the enactment of an appropriations act by Congress, “[t]he Office of Management and Budget (OMB) apportions or distributes budgeted amounts to the executive branch agencies, thereby making funds in appropriated accounts ... available for obligation.” 23 These appropriated accounts are administered by the Treasury Department. 24 Following OMB’s apportionment of the

(...continued)
funds, agencies then make allotments, which are “delegation[s] of authority to agency officials that allows them to incur obligations within the scope and terms of the delegation.”25 These allotments are “pursuant to the OMB apportionments or other statutory authority.”26

After allotments have been made, agencies can then begin to incur obligations. Generally, an obligation is “some action that creates a legal liability or definite commitment on the part of the government, or creates a legal duty that could mature into a legal liability by virtue of an action that is beyond the control of the government.”27 It is permissible to make immediate payment or future payment of an obligation.28 Obligations are considered “officially charged against the spending agency’s appropriation” at the time they are “recorded.”29 The requirements for recording obligations is outlined in 31 U.S.C. § 1501(a), which states that “[a]n amount shall be recorded as an obligation to the United States Government only when [it is] supported by documentary evidence” of one of nine specified actions of an agency.30 A transaction is not a proper obligation (and therefore may not be recorded) if it does not meet one of these nine criteria.31 The transaction is required to be recorded as soon as one of the criteria is met, but it is still considered valid if the agency fails to record it, and it will be charged to the fiscal year in which it occurred.32 In some instances, agencies may need to deobligate funds,33 and those funds “may be reobligated within the period of availability of the appropriation.”34

In making obligations, an agency must comply with the Antideficiency Act. This act states that “[a]n officer or employee of the United States Government or of the District of Columbia

(...continued)

quarterly) or by activities,” an apportionment system which is intended “to achieve an effective and orderly use of available budget authority, and to reduce the need for supplemental or deficiency appropriations.” Id.

26 Id.
28 Id. at 7-4.
29 Id.
30 The nine specified actions that result in a recordable obligation for an agency when they are properly documented are “(1) a binding agreement between an agency and another person (including an agency) that is – (A) in writing, in a way and form, and for a purpose authorized by law; and (B) executed before the end of the period of availability for obligation of the appropriation or fund used for specific goods to be delivered, real property to be bought or leased, or work or service to be provided; (2) a loan agreement showing the amount and terms of repayment; (3) an order required by law to be placed with an agency; (4) an order issued under a law authorizing purchase without advertising – (A) when necessary because of a public exigency; (B) for perishable subsistence supplies; or (C) within specific monetary limits; (5) a grant or subsidy payable – (A) from appropriations made for payment of, or contributions to, amounts required to be paid in specific amounts fixed by law or under formulas prescribed by law; (B) under an agreement authorized by law; or (C) under plans approved consistent with and authorized by law; (6) a liability that may result from pending litigation; (7) employment or services of persons or expenses of travel under law; (8) services provided by public utilities; or (9) other legal liability of the Government against an available appropriation or fund.” 31 U.S.C. § 1501. For a more detailed discussion of the various issues surrounding these nine ways to incur a recordable obligation, see Principles of Federal Appropriations Law, Volume II, at 7-10–7-55.
32 Id.
33 Agencies may need to deobligate funds for a variety of reasons, including “[l]iquidation in amount less than amount of original obligation,” “[c]ancellation of project or contract,” “[i]nitial obligation determined to be invalid,” “[r]eduction of previously recorded estimate,” “[c]orrection of bookkeeping errors or duplicate obligations,” or even statutory requirements to deobligate funds. Principles of Federal Appropriations Law, Volume II, at 7-59–7-60.
government may not ... make or authorize an expenditure or obligation exceeding an amount available in an appropriation or fund for an expenditure or obligation; or ... involve either government in a contract or obligation for the payment of money before an appropriation is made unless authorized by law.”

If the Antideficiency Act is violated, an officer or employee “shall be subject to appropriate administrative discipline including, when circumstances warrant, suspension from duty without pay or removal from office.” Additionally, if the officer or employee “knowingly and willfully” violates the act, he or she “shall be fined not more than $5,000, imprisoned for more than two years, or both.”

An appropriation account expires “[a]t midnight on the last day of an appropriation’s period of availability” and is “no longer available for incurring new obligations.” However, an expired appropriation “remains available for 5 years for the purpose of paying obligations incurred prior to the account’s expiration and adjusting obligations that were previously unrecorded or under recorded.” Following the 5-year period, the account is closed, and “[a]ny remaining balance (whether obligated or unobligated) in the account shall be cancelled and shall thereafter not be available for obligation or expenditure for any purpose.” This means that the funds are “returned to the general fund of the Treasury.”

“Collections authorized or required to be credited to ... [the] appropriation account, but not received before closing of the account ... shall be deposited in the Treasury as miscellaneous receipts.” In the event that obligations or adjustments to obligations that should have been charged to an account are discovered after the account is closed, they “may be charged to any current appropriation account of the agency available for the same purpose” as the closed account as long as they are “not chargeable to any current appropriation account of the agency.” Congress may exempt appropriations from these rules through specific legislation.

**Interagency Contracting Vehicles**

Interagency contracting can occur under several different statutory authorities, including:

1. The Economy Act of 1932 and other authorities permitting multi-agency contracts, which are also known as interagency agreements;
2. The Information Technology Management Reform Act of 1996, also known as the Clinger-Cohen Act, authorizing government-wide acquisition contracts (GWACs);

3. The Federal Property and Administrative Services Act of 1949, as amended by the Office of Federal Procurement Policy Act of 1974, underlying the Federal Supply Schedules (FSS), also known as the General Services Administration (GSA) Schedules or Multiple Award Schedules (MAS); and


Unlike multi-agency contracts, GWACs and the FSS, franchise funds and interagency assisting entities are not themselves contracting vehicles. However, they play a prominent role in interagency contracting and are thus included here.45

**Multi-Agency Contracts Under the Economy Act of 1932**

Certain statutes, such as the Economy Act of 1932, as amended, and the Government Employees Training Act (GETA) of 1958, authorize federal agencies to purchase directly other agencies or to use the contracts or contracting operations of other agencies when procuring goods or services.46 The Economy Act governs when there are no specific statutory authorities, such as GETA,47 and is the focus of discussion here.

Congress enacted the Economy Act during the Great Depression with the hope that agencies might, at times, save money by relying upon existing contracts between other agencies and private companies when procuring goods or services.48 The act originally applied only to direct or unassisted purchasing, authorizing agency heads to use other agencies’ existing contracts to obtain goods or services whenever doing so was more convenient and cheaper than contracting out:

> Any executive department or independent establishment of the Government, or any bureau or office thereof, if funds are available therefor and if it is determined by the head of such executive department, establishment, bureau, or office to be in the interest of the Government to do so, may place orders with any other such department, establishment, bureau, or office for materials, supplies, equipment, work or services, of any kind that such requisitioned Federal agency may be in a position to supply or equipped to render ...

Provided, however, That if such work or services can be as conveniently or more cheaply

---

45 Cf. Report of the Acquisition Advisory Panel, supra note 1, at 236 (also including franchise funds and interagency assisting entities when discussing interagency contracting).


47 48 C.F.R. § 17.500(b).

48 See, e.g., 75 Cong. Rec. 9348 (1932). By relying on an existing contract, agencies could potentially avoid the administrative expenses associated with soliciting bids or offers, and they might be able to take advantage of lower prices negotiated under other contracts, especially when purchasing too few items to independently qualify for discounts based on sales volume.
performed by private agencies such work shall be let by competitive bids to such private agencies.\textsuperscript{49}

The act was amended in 1942 to allow other agencies to perform contracting services—also known as indirect or assisted purchasing—for certain defense-related agencies.\textsuperscript{50} A later amendment, in 1982, authorized any agency to perform contracting services for any other agency.\textsuperscript{51}

From the earliest days, agencies’ ability to use the contracts or contracting services of other agencies under the authority of the Economy Act was subject to the following four conditions:

1. The requesting agency had the funds available;
2. The head of the requesting agency determined that the order was in the best interests of the United States;
3. The servicing agency was able to provide the goods or services requested; and
4. The head of the requesting agency determined that the goods or services could not be provided as conveniently or cheaply under a contract with a commercial enterprise.\textsuperscript{52}

More recently, however, regulations promulgated under the authority of Section 1074 of the Federal Acquisition Streamlining Act (FASA) of 1994 further limited agencies’ exercise of Economy Act authority.\textsuperscript{53} These regulations prohibit agencies from entering into multi-agency contracts to (1) circumvent conditions imposed on the use of appropriated funds; (2) contract out inherently governmental functions; or (3) acquire goods or services contrary to an agency’s authority or responsibility.\textsuperscript{54} Additionally, all orders under multi-agency contracts that require “contracting actions” by the servicing agency must be supported by determinations and findings approved by contracting officers of the requesting agency that state, among other things:

\textbullet{} (1) \textit{The acquisition will appropriately 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 and services;}

\textbullet{} (2) \textit{The servicing agency has capabilities or expertise to enter into a contract for such supplies or services which is not available to the requesting agency; or}

\textsuperscript{49} P.L. 72-212, § 601, 47 Stat. 418 (codified, as amended, at 31 U.S.C. § 1535(a)).
\textsuperscript{50} An Act to Amend Section 7(a) of the act of May 21, 1920, P.L. 77-670, 56 Stat. 661-62 (July 20, 1942). The defense-related agencies included the War, Navy, and Treasury Departments, Civil Aeronautics Administration, and Maritime Commission. The Economy Act was itself an amendment to the act of May 21, 1920, which is why that statute is referenced here.
\textsuperscript{51} An Act to Amend the Economy Act to Provide That All Departments and Agencies May Obtain Materials or Services from Other Agencies by Contract, and for Other Purposes, P.L. 97-332, 96 Stat. 1622 (Oct. 15, 1982).
\textsuperscript{52} 15 U.S.C. § 1535(a)(1)-(4).
\textsuperscript{53} P.L. 103-355, § 1074, 108 Stat. 3271-72 (Oct. 13, 1994). This section is no longer effective because the regulations required under it have been in effect for over one year. See id. at § 1074(d)(“This section shall cease to be effective one year after the date on which final regulations prescribed pursuant to subsection (a) take effect.”).
\textsuperscript{54} 48 C.F.R. § 17.502(b)-(d).
(3) [t]he servicing agency is specifically authorized by law or regulation to purchase such supplies or services on behalf of other agencies.\textsuperscript{55} “Contracting actions” include soliciting bids or offers for a new contract, as well as issuing task or delivery orders under existing contracts.

\textbf{Transfers of Funds and Accounting for Transfers of Funds}

Unlike other statutes discussed below, the Economy Act provides detailed directions regarding interagency fund transfers under its authority. Under the act, the servicing agency may decide to use one of two types of authorized forms of payment - advance and reimbursement\textsuperscript{56} - and the payment may be made in a lump sum or in installments.

\textit{Authorized Forms of Payment}

1. Advanced Payment

The act authorizes advanced payment to the servicing agency by the requesting agency.\textsuperscript{57} Advanced payment is often based on cost estimates. As a result, after the actual cost is known, the amounts should be adjusted accordingly. If the advance exceeds the actual cost, the excess should be returned to the proper account at the requesting agency because retaining the excess amount is an “improper augmentation” of the funds of the servicing agency.\textsuperscript{58} When the excess is determined “while the appropriation charged with the advance is still available for obligation,” the servicing agency should attempt to return the funds in time for the requesting agency to use them.\textsuperscript{59} In the event that the requesting agency’s account has been closed, the excess should “be deposited in the Treasury as miscellaneous receipts.”\textsuperscript{60}

The act outlines that advanced payments are to be “credited to a special working fund that the Secretary of the Treasury considers necessary to be established.”\textsuperscript{61}

2. Reimbursement Payment

\textsuperscript{55} 48 C.F.R. § 17.503(b)(1)-(3).
\textsuperscript{56} 31 U.S.C. § 1535(b).
\textsuperscript{57} Id.
\textsuperscript{58} Id. (referencing 72 Comp. Gen. 120 (1993)), available at http://www.gao.gov/special.pubs/d08978sp.pdf. (This publication is commonly known as the Red Book.)
\textsuperscript{59} Id. (referencing GAO, Policy and Procedures Manual for Guidance of Federal Agencies, tit. 7, § 2.4.C.2d (May 1993)).
\textsuperscript{61} 31 U.S.C. § 1536(a). A working fund is “an account established to receive advance payments from other agencies or accounts.” Principles of Federal Appropriations Law, Volume III, at 12-35. Congress originally intended this fund to be established by the Treasury upon request of the servicing agency, but the 1982 recodification appears to give Treasury the final decision on the fund’s creation. Id.
The act also authorizes payment by reimbursement amounts, which allows the servicing agency to “temporarily use its own funds to do the ... [requesting] agency’s work.” Prompt payment by the requesting agency is required by the act.

Reimbursement payments are to be credited to the servicing agency’s appropriation that incurred charges for performance. As a result, the payment is credited to the fiscal year in which the appropriation incurred charges, not the fiscal year in which the reimbursement is made. If a reimbursement is made while the charged appropriation is still available for obligation, then the servicing agency may use the money for any of the purposes that were authorized for the appropriation. However, if a reimbursement is made when the charged appropriation is no longer available for new obligations, then the servicing agency must credit the money to the expired account. In the event the expired account has already been closed, the servicing agency again must deposit the money in the Treasury as miscellaneous receipts.

With respect to expired accounts, the Department of Defense has been granted a major exception to the above provisions. When the charged appropriation is no longer available for new obligations (and the account is therefore expired), the Department of Defense has the option to credit reimbursements for the expired appropriation to appropriations that are current at the time of the payment rather than crediting the money to the expired account. This means that the money will be available to the agency to obligate to a new expenditure during the period of availability of the current appropriation to a new expenditure. If the money were to return to the expired account, then it could only be spent to liquidate the obligations incurred during the period of availability of the appropriation associated with the expired account.

**Payment for Items Provided from Stock**

When a servicing agency provides items from stock on hand, special rules apply. The requesting agency’s payment for goods provided from stock typically is credited to replace the goods. However, if the “head of the executive agency filling the order decides that replacement is not necessary, ... the amount received is deposited in the Treasury as miscellaneous receipts.” Replacement items are not required to be identical, but they cannot be “dissimilar” from those authorized by the appropriation language.

---

62 Id. at 12-34.

63 31 U.S.C. § 1535(b).

64 Principles of Federal Appropriations Law, Volume III, at 12-35.


67 10 U.S.C. §§ 2205(a), 2210(a); Principles of Federal Appropriations Law, Volume III, at 12-36.

68 31 U.S.C. § 1536(b). These payments can be credited to another appropriation or fund if authorized by law. 31 U.S.C. § 1536(b)(1).


70 Principles of Federal Appropriations Law, Volume III, at 12-37 (citing 41 Comp. Gen. 671 (1962)).
Definition of Actual Cost

Agencies that use the Economy Act “must avoid the unauthorized augmentation of anyone’s appropriations,” which means the servicing agency cannot charge “too much” or “too little.”

Therefore the determination of “actual cost” is very important in any Economy Act transaction. Payments under the Economy Act are based on the “actual cost of goods or services provided,” but neither the act itself nor its legislative history define the term. However, as noted in a GAO General Comptroller’s decision, “actual cost” can be determined in a manner consistent with the objectives of the statute and the legislative history’s guidance by considering two categories of cost: required costs and situational costs.

Required costs include direct costs and indirect costs. A direct cost is any expenditure of the servicing agency that can be identified with the performance of the transaction, including salaries of employees, the cost of materials or equipment “furnished to the ... [requesting] agency or consumed in the course of performance” by the servicing agency, and related transportation costs. An indirect cost is overhead for the contract, including “administrative overhead applicable to supervision ... ; billable time not directly chargeable to any particular customer ... ; and rent paid to the General Services Administration attributable to space used in the course of performing Economy Act work.” In order to be recoverable under the Economy Act, an indirect cost must be “funded out of currently available appropriations” and bear a “significant relationship to the service or work performed or the materials furnished.”

Situational costs result from circumstances when “other competing congressional goals, policies or interests might require recoveries beyond that necessary to effectuate the purposes of the Economy Act.” For example, situational costs could be recovered for depreciation and interest based on the project’s specific circumstances. The servicing agency has discretion whether or not to include these costs in its charges. If the servicing agency fails to recover them, it is “not

---

71 Id. at 12-36–12-37.
72 31 U.S.C. § 1535(b).
74 Id. at 12-39–12-40.
75 This does not necessarily include every identifiable direct cost. For example, a judgment for an injury incurred by an employee during the contract’s performance is not necessarily reimbursable. Id. at 12-39 (citing 39 Comp. Gen. 650 (1960)).
76 The salaries of employees means gross compensation in this context, including the accrual of annual leave. Id. at 12-39 (citing 14 Comp. Gen. 452 (1934); 32 Comp. Gen. 521 (1953)).
77 Id. This means “historical cost and not current replacement or production cost.” However, this historical cost does not have to be “the original acquisition cost” and instead may be “the most recent acquisition cost of the specific kind of item provided” to the requesting agency. Id.
78 Id.
79 Id. at 12-40.
80 Id. (citing 56 Comp. Gen. 275 (1977)).
81 Id. (citing 57 Comp. Gen. 674 at 683 (1978)).
82 Id. at 12-40–12-41 (citing 57 Comp. Gen. 674 at 685-86 (1978)). An additional example would be instances where “the ... [servicing] activity is funded by a statutorily authorized stock, industrial, or similar fund which provides for ‘full cost’ recovery, that is, beyond what the Economy Act would otherwise require, and the fund’s Economy Act work is an insignificant portion of its overall work.” Id. at 12-41 (citing B-250377, January 28, 1993).
83 Id. at 12-41.
Interagency Contracting: An Overview of Federal Procurement and Appropriations Law

legally objectionable,” although “it could be shown to be an abuse of discretion” in very limited circumstances.84

The Economy Act does not require the “actual cost” determination to be “an exact science,” so “‘a bona fide attempt to determine the actual cost ... [that] reasonably approximates the actual cost’” is acceptable.85 GAO has found “billing on the basis of standard costs derived from documented costs of the last acquisition or production” to be reasonable and meet the Economy Act’s requirements.86 This determination of “actual cost” is limited, however, to a “reasonable approximation.”87 Additionally, the Economy Act, in attempting to promote interagency cooperation and harmony, does not require “an audit or certification in advance of payment” conducted by the requesting agency or “a detailed breakdown” of costs by the servicing agency.88

Obligation of Requesting Agency’s Appropriation

A requesting agency’s appropriations are obligated by an Economy Act agreement89 as long as they meet certain requirements to become a recordable obligation.90 For example, the agreement “must be for a purpose the ... [requesting] agency is authorized to accomplish.”91 Obligations for an Economy Act agreement must be incurred “within the period of availability of the appropriation being used,”92 and the funds must then “be deobligated at the end of their period of availability (fiscal year or multiple year period, as applicable) to the extent the ... [servicing] agency has not performed or itself incurred valid obligations as part of its performance.”93 This is different than an agency’s contract with a private party in which funds obligated in one fiscal year remain obligated in future fiscal years.94

Government-Wide Acquisition Contracts Under the Clinger-Cohen Act

Congress created the government-wide acquisition contracts (GWACs) in 1996 when it changed the way in which the federal government procures information technology (IT). Between 1965 and 1996, Section 111 of the Federal Property and Administrative Services Act, commonly known as the Brooks Act, governed federal purchases of IT, granting the General Services

---

84 Id.
85 Id. at 12-42 (citing B-133913, January 21, 1958).
86 Id. (citing B-250377, January 28, 1993).
87 Id. Cost allocations where “some customers are paying excessive amounts and effective subsidizing others,” for example, or allocations “based on the availability of appropriations” are not allowed. Id.
88 Id. at 12-41 (citing 39 Comp. Gen. 548, 549-50 (1960); 32 Comp. Gen. 479 (1953); B-116194, October 5, 1953).
89 31 U.S.C. § 1535(d).
91 Principles of Federal Appropriations Law, Volume III, at 12-44. The Economy Act “is not intended to permit an agency to avoid legislative restriction on the use of its funds, nor is it intended to permit an agency running short of money to dip into the pocket of another vulnerable and more budgetarily secure agency.” Id. at 12-46. For more information about the restrictions on a requesting agency’s appropriations and specific examples of how these restrictions impact certain types of Economy Act transactions, see id. at 12-46–12-50.
92 Id. at 12-44.
94 Principles of Federal Appropriations Law, Volume III, at 12-44.
Administration (GSA) sole authority to acquire IT for federal agencies. This changed in 1996, when Congress enacted the Information Technology Management Reform Act. This act and the Federal Acquisition Reform Act (FARA) of 1996 were later jointly designated as the Clinger-Cohen Act.

The Clinger-Cohen Act repealed the Brooks Act and made the director of the Office of Management and Budget (OMB) “responsible for improving the productivity, efficiency, and effectiveness” of federal IT programs. Among the things that the Director of OMB could do in fulfilling this responsibility under the Clinger-Cohen Act was designating “one or more heads of executive agencies as executive agent[s] for Government-wide acquisition of information technology.” These “executive agents” could create GWACs by entering into ID/IQ contracts with vendors of IT goods or services. Once the GWAC was formed, other agencies could then either (1) enter agreements authorizing the executive agents to order items from the GWACs on their behalf or (2) be authorized by the executive agents to place their own orders with GWAC vendors.

Four federal agencies were initially designated as executive agents under the Clinger-Cohen Act, the Department of Commerce, the National Institutes of Health (NIH), the National Aeronautics and Space Administration (NASA), and the Department of Transportation, although the GWAC programs of some of these agencies were later transferred to GSA.

95 See An Act to Provide for the Economic and Efficient Purchase, Lease, Maintenance, Operation, and Utilization of Automatic Data Processing Equipment by Federal Departments and Agencies, P.L. 89-306, § 111, 79 Stat. 1127-29 (Oct. 31, 1965) (then codified at 40 U.S.C. § 759). The law was designed to encourage vendors to offer the lowest possible prices and reduce the overhead associated with multiple acquisitions of IT products, especially for smaller agencies, through the aggregation of agency demand for IT products and services. Another “Brooks Act” was enacted in 1972 and governs the procurement of architect-engineer services. See P.L. 92-582, 86 Stat. 1278 (Oct. 27, 1972) (codified, as amended, at 40 U.S.C. § 541 et seq.).


99 P.L. 104-104, § 5112(b), 110 Stat. 680 (codified at 40 U.S.C. § 11302(b)).

100 P.L. 104-104, § 5112(c), 110 Stat. 681 (codified at 40 U.S.C. § 11302(c)).

101 See Report of the Acquisition Advisory Panel, supra note 1, at 230.


Additionally, because the Clinger-Cohen Act allowed the Federal Technology Service (FTS) at GSA to continue operating under previously granted authority to make IT purchases on behalf of the federal government, (P.L. 109-313, § 2(c), 120 Stat. 1734-35 (Oct. 6, 2006) the FTS also had authority to create GWACs. (P.L. 104-104, § 5124, 110 Stat. 684 (codified at 40 U.S.C. § 11314(b)). This authority was later transferred the Federal Acquisition Service (FAS) when the FTS was merged into this newly formed component of GSA.

GSA reportedly does not plan to renew some of its GWACs, including Millennia, Millennia Lite, and Applications ‘N Support for Widely-diverse End-user Requirements (ANSWER), when the existing ID/IQ contracts expire in 2010,
Revolving Funds and Reimbursable Accounts under GWACs

Unlike the Economy Act, the Clinger-Cohen Act did not specify how financial transactions between agencies are to be accounted for, nor did it expressly prohibit agencies from charging fees for use of their contracts or contracting services. Various executive agents thus structured their GWACs differently: GSA and NIH use existing revolving funds, while NASA and the Commerce Department use standalone reimbursable accounts.\(^{103}\)

**Revolving Funds**

A revolving fund is “a fund established by the Congress to finance a cycle of operations through amounts received by the fund.”\(^{104}\) A revolving fund has two key features: it is “a single combined account to which receipts are credited and from which expenditures are made,” and its “generated or collected receipts are available for expenditure for the authorized purposes of the fund without the need for further congressional action and without fiscal year limitation.”\(^{105}\) Revolving funds fall into three broad categories: public enterprise revolving funds,\(^{106}\) trust revolving funds,\(^{107}\) and intragovernmental revolving funds.\(^{108}\)

\(^{103}\) See Contract Management, supra note 102, at 9.


\(^{105}\) Id. at 12-88.

\(^{106}\) “A public enterprise revolving fund is a revolving fund which derives most of its receipts from sources outside of the federal government. It usually involves a business-type operation, which generates receipts, that are in turn used to finance a continuing cycle of operations. Although not a legal requirement, like a self-sustaining business operation the fund should be self-sustaining or nearly so.” Id. at 12-97. These funds finance most government corporations, and they are “commonly used for credit programs (direct loan, loan guarantee) of agencies such as the Department of Housing and Urban Development and the Small Business Administration.” Id.

\(^{107}\) A trust revolving fund is “a fund permanently established to finance a continuing cycle of business-type operations – except that it is used for specific purposes or programs in accordance with a statute that designates the fund as a trust fund.” Id. at 12-98. The Employees’ Life Insurance Fund and the Veterans Special Life Insurance Fund are examples. Id.

\(^{108}\) “An intragovernmental revolving fund ... [is] a revolving fund whose receipts come primarily from other government agencies, programs, or activities. It is designed to carry out a cycle of business-type operations with other federal agencies or separately funded components of the same agency.” Id. at 12-98. These funds have common elements: “receipts that the fund has earned through its operations are available without fiscal year limitation;” the authorizing statute “list[s] the services [to be covered] ... leave[s] it to the agency’s discretion ... , or provide[s] some combination;” payment for “goods or services the fund provides” is required; “some form of budgetary disclosure” may be required; and “a provision limiting the amount the fund may retain and requiring return of amounts exceeding the limitation to the general fund of the Treasury” may exist. Id. at 12-99. These funds “include stock funds, industrial funds, supply funds, working capital funds, and franchise funds.” Id. at 12-99–12-106.
An agency may only establish a revolving fund if it has been given statutory authority to do so. This authority must be explicit and contain at least the following attributes:

- “It must specify the receipts or collections which the agency is authorized to credit to the fund;”
- “It must define the fund’s authorizes uses, that is, the purpose or purposes for which the funds may be expended;” and
- “It must authorize the agency to use receipts for those purposes without fiscal year limitation.”

As long as these attributes are met, the statute does not have to use the words “revolving fund” in order to create a revolving fund. This specific statutory authority requirement applies to federal agencies but not “to the use of revolving fund financing by grantees or contractors unless prohibited by the relevant grant agreement or contract.”

Unless the statute includes a termination provision for the revolving fund, Congress must pass another statute to terminate a revolving fund.

The legislation authorizing the revolving fund typically furnishes “an initial infusion of working capital” (the “corpus”), which is intended to enable the fund to operate until the ongoing/operational receipts start being received by the fund. The corpus may come to the fund in various forms, such “an initial lump-sum appropriation, a transfer of balances from some existing appropriation or fund, a transfer of property and/or equipment, borrowing authority, or some combination of these,” and the fund may be required to repay the corpus.

With respect to ongoing receipts, the statute “will prescribe the types of receipts which may be credited to the fund and, where contextually appropriate, the method of payment.” At the very least, “payment by reimbursement is usually authorized,” but advanced payment may also be authorized. The statutory language can specify the recovery of indirect costs along with direct costs in the case of receipts “based on the cost of work or services;” however, the statute may be less specific and only require recovery of “actual cost.” Finally, if the fund needs more capital for one reason or another, additional appropriations can always be provided to the fund by Congress, whether explicitly stated in the statute or not, or the fund can borrow money if it has been granted that authority.

Funds in a revolving fund are available for expenditure without further appropriation, but, because they are considered appropriations, they are subject to the rules that apply to appropriated funds. Funds in a revolving fund are to be used for their intended purpose.

---

109 Id. at 12-90.
110 Id. at 12-91.
111 Id. at 12-92. “Legislation terminating a revolving fund should address the payment of existing debts if any remain, and the disposition of the fund’s balance and future receipts.” Id.
112 Id. at 12-92.
113 Id.
114 Id. at 12-94.
115 Id.
116 Id. at 12-95.
117 Id. at 12-96–12-97.
118 Id. at 12-106.
purpose(s). These purposes are determined by looking at the authorized expenditures in the statute that created the fund and by applying the “necessary expense” rule, which allows expenditures that are “directly related to, and which materially contribute to accomplish an authorized purpose of, the fund and which are not otherwise specifically provided for or prohibited.”

The purpose of the appropriations “from which the revolving fund is advanced or reimbursed” must also be considered. The amount of the revolving fund expenditure is limited by governmentwide restrictions and specific statutory restrictions for the fund. The most important law restricting the amount of an expenditure by a revolving fund is the Antideficiency Act, which prohibits overobligating the funds. Revolving funds can violate the Antideficiency Act by “creating an obligation in excess of available budgetary resources;” “overspending a specific monetary limitation;” charging “an obligation or expenditure to an appropriation which is not legally available for that item, regardless of how much money is in the account;” and “[o]verobligating or overspending an apportionment” of appropriations.

Finally, as with any other appropriation, obligations must be recorded, but the “amount to be recorded [under a multiyear or base-year-plus-options contract] ... depends on the nature and extent of the government’s commitment.”

Special rules and restrictions apply to intragovernmental revolving funds. Although revolving funds, by definition, do not have fiscal year limitations, an intragovernmental revolving fund is subject to the time rules of the appropriations of the requesting agency, and those appropriations must be obligated “for a bona fide need within the specific period of availability.” Also, in addition to the above limitations on the amount of the expenditures, intragovernmental revolving funds are subject to the amount restriction on the appropriations themselves. Finally, with an intragovernmental revolving fund, the obligational treatment for the appropriations must be considered. It is generally determined by applying the appropriate recording standard: either a “written, binding agreement” or an “order required by law to be placed with another agency.”

Special rules also govern purchases that are from stock or supply funds. With stock items that are either “on hand or on order and expected to be delivered promptly, placing

---

119 Id. at 12-109. This is because the fund is subject to 31 U.S.C. §1301(a), the purpose restriction for appropriated funds. Id.
120 Id. at 12-109–12-114.
121 Id. at 12-113.
122 Id. at 12-118–12-119.
123 For a complete discussion of the Antideficiency Act, see Principles of Federal Appropriations Law, Volume II, 6-34–6-159 (3d ed. 2006).
125 Id. at 12-119–12-121.
126 Id. at 12-122. “[I]f a multiyear contract does not restrict the government’s obligation to less than the full contract amount, then the full contract amount is the amount of the obligation.” However, “[i]f the contract consists of a basic period plus renewal options, the obligation is the cost of the base period plus any amounts payable for failure to exercise the options (termination costs).” Id. Congress can change these requirements by statute. Id.
127 Id. at 12-115–12-118.
128 Id. at 12-119.
129 Id. at 12-123.
130 Id. at 12-123–12-124.
the order obligates the ... [requesting] agency’s appropriations.”131 However, for “other
orders of items which are part of the stock fund system,” the fund has two options: (1) it
can develop a system “under which placing the order ‘accepts’ the offer and creates the
recordable obligation” (such as “a list of items which constitutes an offer to sell at the
published prices”), or (2) the fund must accept the ... [requesting agency’s] order (the
offer) in order for the obligation to become recordable, “unless the order is required by
law to be placed with the fund.”132 In the case of items outside of the stock fund system,
the fund must accept the requesting agency’s order “before the obligation can be
recorded.”133

A revolving fund must not be improperly augmented. Therefore, an agency is not allowed
to “[put] something in the fund which Congress has not authorized to be put there” or
“[leave] something in the fund, regardless of the propriety of the original deposit, beyond
the point Congress has said to take it out.”134 Because revolving funds are often designed
to break even in their long-term operations, frequently Congress will require a revolving
fund to make “periodic payment[s] of surplus amounts to the general fund of the
Treasury” to avoid improper augmentation of the fund.135 Because items of property
and equipment are considered assets of the revolving fund, various issues related to these
assets, such as equipment replacement and asset transfer, also raise concerns about
improper augmentation of the revolving fund.136

Revolving funds originated within the Department of Defense, and “they now play a
highly significant role in financing defense operations.”137 Congress has passed very
specific and extensive statutory authority for these funds over the past several decades.138
Still, “the legal issues they raise and the analytical approach used in resolving them are
not fundamentally different from other revolving funds.”139

**Standalone Reimbursable Accounts**

The term “standalone reimbursable account” is used by the Acquisition Advisory Panel in their
report.140 However, it is not a term of art in the budget and appropriations context and is not
defined by GAO publications on budget and appropriations.

---

131 *Id.*
132 *Id.* at 12-124.
133 *Id.*
134 *Id.* at 12-125. See *id.* at 12-125–12-130 for a more detailed discussion of the improper augmentation of funds in a
revolving fund.
135 *Id.* at 12-128. Examples of funds that have this requirement in statute are the General Services Administration’s
Acquisition Services Fund, 40 U.S.C. § 321(f); the Bureau of Engraving and Printing Fund, 31 U.S.C. § 5142(d); and
136 *Id.* at 12-130–12-136.
137 *Id.* at 12-136.
138 *Id.* at 12-136–12-140.
139 *Id.* at 12-140.
140 *See Report of the Acquisition Advisory Panel, supra* note 1, at 230.
Federal Supply Schedules Under the Federal Property and Administrative Services Act

The Federal Supply Schedules (FSS), also known as the GSA or Multiple Award Schedules (MAS), list vendors from whom government agencies can purchase “commercial supplies and services at prices associated with volume buying.” The GSA, or another agency exercising authority delegated to it by GSA, has entered into ID/IQ contracts with these vendors under the authority the Federal Property and Administrative Services Act of 1949, as amended by the Office of Federal Procurement Policy Act of 1974. The ID/IQ contracts typically obligate the vendors to supply the goods or services listed on a “Schedule” to agencies at the listed prices for the duration of the contract. The listed prices generally represent “most favored customer pricing,” or the best prices that the vendors give to their preferred commercial customers for requirements on a similar scale. Moreover, the contracts between the vendors and GSA, or an agency delegated authority by GSA, contain “price reductions clauses,” requiring vendors who subsequently offer more favorable prices or discount arrangements to certain governmental agencies.

141 Use of the FSS is generally voluntary for federal agencies, although each Schedule separately identifies agencies that are required to use it as the “primary source[] of supply.” 48 C.F.R. § 38.101(b)-(c); 48 C.F.R. § 8.002(a)(vi)-(vii).
142 48 C.F.R. § 8.402(a). For purposes of federal procurements, a “commercial item” means:

(any) item, other than real property, that is of a type customarily used by the general public or by non-governmental entities for purposes other than governmental purposes, and (i) has been sold, leased, or licensed to the general public; or (ii) has been offered for sale, lease, or license to the general public ... including installation services, maintenance services, repair services, training services, and other services if (i) such services are procured for support of a commercial item, regardless of whether such services are provided by the same source or at the same time as the item; and (ii) the source of such services provide similar services contemporaneously to the general public under terms and conditions similar to those offered to the Federal Government; or

... services of a type offered and sold competitively in substantial quantities in the commercial marketplace based on established catalog or market prices for specific tasks performed or specific outcomes to be achieved and use standard commercial terms and conditions.

48 C.F.R. § 2.101. This definition is itself controversial, in part because it includes the phrase “of a type” when referring to services as well as goods, while the statutory definition of commercial services on which it is based does not. Compare id. (regulatory definition of commercial services) with 41 U.S.C. § 403(12)(F) (statutory definition of commercial services). Some commentators worry that this definition, in part, enabled agencies to procure non-commercial services under the simplified acquisition procedures applicable with commercial items. The Acquisition Advisory Panel also studied commercial item authorities and made ten recommendations for improvements. See Report of the Acquisition Advisory Panel, supra note 1, at 31-38.
143 48 C.F.R. § 8.402(a). GSA has, for example, delegated authority to the Department of Veterans’ Affairs (VA) to contract for medical and nonperishable subsistence items under the VA Federal Supply Schedules Program. See 48 C.F.R. § 38.101(d).
145 48 C.F.R. § 8.402(a). FSS contracts typically last for five years and may be renewed three times, with each renewal lasting for five years. See Report of the Acquisition Advisory Panel, supra note 1, at 234.
146 48 C.F.R. § 538.270(a)-(c). This section of the Code of Federal Regulations is also known as the GSA Acquisition Manual (GSAM).
customers than were used in the FSS contract to extend the same prices or terms to agencies buying off the FSS. 147

Agencies may order items from the Schedules by placing oral or written orders against the contract; 148 using Optional Form 347 or an agency-prescribed order form; 149 using GSA’s online shopping site, GSA Advantage!, 150 or establishing a blanket purchase agreement (BPA) with the vendor. 151 Because of these and other simplified procedures that are discussed below, agencies generally can obtain goods or services under the FSS within 15 days, as opposed to 268 days in standard acquisitions. 152 Agencies may pay for FSS purchases by using “any authorized means,” including government-wide commercial purchase cards. 153 Because FSS contracts are not under the authority of the Economy Act, 154 GSA, or those agencies to whom GSA has delegated authority, may charge a fee for use of the Schedules. 155

Ordering Under the FSS

The requirements that agencies must comply with when ordering from the FSS vary depending upon (1) the nature of the items acquired; (2) whether a statement of work is required when ordering services; (3) whether the order involves brand name specifications for goods; and (4) the amount of the order. Table 1 illustrates these requirements in more detail. A “statement of work” (SOW) is a written description of the work to be performed, location of work, period of performance, deliverable schedule, applicable performance standards, and any special requirements (e.g., security clearances, travel). 156 A SOW is generally part of an invitation for bids or request for proposals in standard acquisitions, and a SOW must be provided, even when

---

147 See 48 C.F.R. § 552.238-75. Groups such as the American Bar Association Section of Public Contract Law and the Coalition for Government Procurement have long advocated modifications to or even removal of the “price reductions clause” on the grounds that it is “unworkable,” “unfair,” and not the sort of clause generally found in contracts for commercial items. See, e.g., Bar and Contractor Groups Urge GSA to Change Price Reductions Clause, 85 Fed. Cont. Rep. 475 (May 2, 2006). More recently, the Multiple Award Schedule Advisory Panel, created in April 2008, recommended deletion of the clause because “GSA does not have enough ... personnel to enforce [it]” and its purpose could be attained in other ways. Officials from GSA’s Office of Inspector General reportedly object to this recommendation, however. See, e.g., Matthew Weigelt, MAS Panel Recommendation Meets IG Resistance, Wash. Tech., May 1, 2009, available at http://www.washingtontechnology.com/Articles/2009/05/01/web-GSA-IG-MAS-panel.aspx.

148 48 C.F.R. § 8.403(a)(1); 48 C.F.R. § 8.406-1. Agencies must place written orders if they are ordering services for which a statement of work is required, or if they require name brand items costing more than $25,000. Id.


150 48 C.F.R. § 8.402(c)(1). Use of GSA Advantage! is always discretionary, unlike use of e-Buy, discussed below, which is mandatory when agencies issue orders containing brand name specifications. See 48 C.F.R. § 8.402(d).

151 48 C.F.R. § 8.403(a)(2). See supra note 12 and accompanying text for more discussion of BPAs.

152 Report of the Acquisition Advisory Panel, supra note 1, at 234.

153 48 C.F.R. § 8.402(c)(2); 48 C.F.R. § 8.405-7. These cards are like commercial credit cards and allow agency officials to obtain goods or services immediately and pay later. These cards have sometimes been misused, leading some Members of Congress and commentators to propose reforms. See, e.g., Government Charge Card Abuse Prevention Act, H.R. 2189, 111th Cong.

154 48 C.F.R. § 17.500(b)(1).

155 GSA historically charged an “industrial funding fee” of 1% of FSS purchases, resulting in $210.8 million in “profits” between FY1997 and FY2001. See Contract Management, supra note 102, at 11-13. Rather than lower the fee, GAO used the funds to support its stock and fleet programs, uses permitted by the revolving fund within which the FSS program resides. See id., at 3.

156 48 C.F.R. § 8.405-2(b).
ordering under the FSS, when ordering services priced at hourly rates.\textsuperscript{157} A “brand name specification” is one calling for a particular brand name product, or a product or feature of a product unique to one manufacturer.\textsuperscript{158} Agencies must comply with more stringent requirements when using brand name specifications because of the limits effectively imposed on competition whenever agencies will accept only the goods of certain manufacturers.\textsuperscript{159}

\begin{table}
\centering
\caption{Ordering Procedures Under the FSS}
\begin{tabular}{l|p{7cm}|p{7cm}}
\hline
Value of the Order & Supplies & Services Priced at Hourly Rates \\
& & at Hourly Ratesa \\
\hline
At or below the micro-purchase threshold (generally $3,000)b & No need to solicit offers from a specific number of Schedule contractors, but agencies should attempt to distribute orders among eligible contractors. & No need to solicit offers from a specific number of Schedule contractors, but agencies should attempt to distribute orders among eligible contractors. \\
Above the micro-purchase threshold but below the maximum order thresholdc & The order must be placed with the contractor that can provide the best value. Before placing the order, the ordering agency must consider reasonably available information about the goods or services by surveying at least three Schedule contractors. When the order includes brand name specifications, the ordering agency must post a Request for Quotations (RFQ), along with the justification required under 48 C.F.R. § 8.405-6.4 & The ordering agency must develop a statement of work (SOW) and provide a Request for Quotations (RFQ), including this SOW and evaluation criteria, to at least three Schedule contractors offering services meeting the agency’s needs, requesting that these contractors submit firm fixed prices to perform the services in the SOW. \\
Above the maximum order thresholdc & Once an order reaches this level, the ordering agency must seek a further price reduction from the vendor. Before doing this, agency must review price lists from additional Schedule contractors; seek price reductions from those considered best value; and place the order with the contractor that provides best value. The agency must also document: the contracts considered; the contractor from whom the purchase was made; the goods or services purchased; and the amount paid. & The ordering agency must provide the RFQ to an “appropriate number” of additional Schedule contractors offering services that could meet the agency needs, with the “appropriate number” being determined by the complexity, scope and value of the requirement, as well as findings from market research. The agency must then seek price reductions from these contractors.
\hline
\end{tabular}
\end{table}


\textbf{a.} In all cases, regardless of the value of the order, agencies must provide copies of their Requests for Quotations (RFQ) to all Schedule contractors that request one; evaluate all responses using the evaluation criteria provided in the RFQ; and document (1) the contracts considered, (2) the contractor from whom the service was purchased; (3) the service purchased; (4) the amount paid; (5) the evaluation methodology; (6) the price reasonableness; and (7) the rationale for using other than a firm-fixed price order or a performance-based order. The agency should also provide timely notification to unsuccessful offerors.

\textbf{b.} The micropurchase threshold varies somewhat depending upon the circumstances of the acquisition. It is $2,000 for acquisitions of construction services subject to the Davis-Bacon Act; $2,500 for acquisitions of

\textsuperscript{157} 48 C.F.R. § 8.405-2(a). When services are not priced at hourly rates, they are priced based upon the performance and completion of specific tasks.

\textsuperscript{158} 48 C.F.R. § 8.405-6(a)(2).

services subject to the Service Contract Act; $15,000 for acquisitions of supplies or services used in support of contingency operations or to facilitate defense against or recovery from nuclear, chemical, or radiological attacks when the contract is performed inside the United States; and $25,000 when a contract of the latter sort is performed outside the United States. See 48 C.F.R. § 2.101.

c. The maximum order threshold depends upon the nature of the goods or services ordered. See 48 C.F.R. § 8.405-1(d).

d. Agencies must post Requests for Quotations to e-Buy when orders contain brand name specifications. 48 C.F.R. § 8.402(d).

Blanket Purchase Agreements under the FSS

Blanket purchase agreements (BPAs) allow agencies to “fill repetitive needs for supplies or services” by taking delivery of goods or services now and paying later. The number of BPAs issued when purchasing particular goods or services is generally within the ordering agency’s discretion, although the number of BPAs used should be determined based on a strategy “expected to maximize the effectiveness” of the BPA(s) and the rules governing single BPAs differ somewhat from those governing multiple BPAs, as Table 2 illustrates. Multi-agency BPAs are permissible when the agreements identified the participating agencies and estimated requirements at the time when the BPA was established. A BPA generally cannot last for longer than five years, and the ordering agency must review the BPA each year to determine whether (1) the ID/IQ against which the BPA was issued is still in effect; (2) the BPA still represents the best value; (3) the estimated quantities or amounts have been exceeded; and (4) additional price reductions can be sought.

<table>
<thead>
<tr>
<th>Number of BPAs</th>
<th>Requirements</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single BPA</td>
<td>The agency must place the BPA with the vendor that represents the best value and results in the lowest overall costs for the government, as well as inform other vendors of the basis for its selection. Once the BPA is placed, authorized agency personnel who are not contracting officers may place orders directly against the BPA when the need arises.</td>
</tr>
<tr>
<td>Multiple BPAs</td>
<td>If the purchase is above $100,000, the agency must forward the requirement, or a statement of work and evaluation criteria, to an appropriate number of BPA holders and evaluate responses to make a best value determination prior to making a purchase.</td>
</tr>
</tbody>
</table>

Source: Congressional Research Service, based on 48 C.F.R. § 8.405-3(b)(1)-(2).

---

160 48 C.F.R. § 8.405-3(a)(1).
161 Id. In making this determination, agencies should consider the scope and complexity of the requirements; whether there is any need to periodically compare multiple technical approaches and prices; administrative costs; and the technical qualifications of the prospective vendors. Id.
163 48 C.F.R. § 8.405-3(c).
164 48 C.F.R. § 8.405-3(d)(1)(i)-(iii).
Other Requirements

Agency purchases under FSS contracts are exempt from many of the requirements governing federal procurements generally, or subjected to modified versions of these requirements. Such purchases are not subject to the requirements governing solicitations, awards, and other activities applicable when agencies use sealed bidding, negotiated procurement, or simplified acquisition procedures. They are similarly exempt from the small business requirements, other than those prohibiting “contract bundling,” although purchases from the Schedules can count toward agency goals for the percentage of contract dollars awarded to small businesses and agencies can consider socioeconomic status in selecting vendors. Purchases under the FSS are also generally not subject to the same competition and notice requirements as other federal contracts. This is, in part, because the competition requirements are intended to obtain the lowest priced or best-value items, and items listed on the FSS have already been determined by GSA to be fairly and reasonably priced. However, ordering agencies may seek price reductions at any time, and they are required to seek price reductions when (1) the goods or services are available at a lower price or (2) they establish a BPA. Similarly, when ordering from fewer than the number of schedule contractors required for orders of a specific type or amount, as indicated in Table 1, or when using brand name specifications, agencies must provide justifications and approvals like those required for noncompetitive awards. Additionally, as discussed below, with purchases wholly or partially funded under the American Recovery and Reinvestment Act, agencies must post (1) pre-award notices of proposed orders or BPAs in excess of $25,000 and (2) post-award notices. However, FSS purchases are subject to the general requirements concerning

165 The underlying contract against which the orders are made, or the BPAs are issued, are generally not similarly exempt.

166 48 C.F.R. § 8.404(a). The one exception to this rule is that agencies using the FSS must comply with the requirements for issuance of unpriced purchase orders found in 48 C.F.R. § 13.302-2(c)(3).

167 48 C.F.R. § 8.404(a) (requiring compliance with 48 C.F.R. § 19.202-1(e)(1)(iii). “Contract bundling” involves consolidating two or more requirements for supplies or services, previously provided or performed under separate smaller contracts, into a solicitation for a single contract that is likely to be unsuitable for award to a small business concern due to—(i) [t]he diversity, size, or specialized nature of the elements of the performance specified; (ii) [t]he aggregate dollar value of the anticipated award; (iii) [t]he geographical dispersion of the contract performance sites; or (iv) [a]ny combination of the factors described in paragraphs (1)(i), (ii), and (iii) of this definition.

168 48 C.F.R. § 8.404(a). There are goals for the percentage of federal contract dollars awarded to various categories of small businesses by individual agencies and by the federal government as a whole. See 15 U.S.C. § 644(g)(1)-(2). Small businesses are nonetheless arguably well represented in FSS purchases. It is estimated that 81% of all FSS contracts were held by small businesses as of October 2006. Report of the Acquisition Advisory Panel, supra note 1, at 234.

169 48 C.F.R. § 8.405-6(a). The notice requirements are generally intended to support the competition requirements by ensuring that potential competitors are aware of agencies’ proposed awards or awards and can submit bids or offers or protest awards. See, e.g., Competition in Contracting Act, supra note 159, at 2.

170 48 C.F.R. § 8.404(d). An agency’s decision to purchase from the FSS further indicates that it has concluded that the purchase represents the best value and results in the lowest overall cost alternative to meet the government’s needs. Additionally, BPAs and orders placed against FSS contracts are “considered to have been issued using full and open competition.” 48 C.F.R. § 8.404(a).

171 48 C.F.R. § 8.404(a).

172 48 C.F.R. § 8.405-4.


174 48 C.F.R. § 8.404(e)(1).
acquisition plans and IT acquisition strategies, and they must comply with all statutes and regulations governing the requesting agency’s acquisition of goods or services.175

“Open market items,” or items that are not on the FSS, may generally be included on orders or BPAs with FSS items only when (1) all applicable regulations governing purchase of non-FSS items have been complied with; (2) the contracting officer of the ordering activity has determined that the price for the items is fair and reasonable; (3) the items are clearly labeled as non-FSS items; and (4) the order includes all contract clauses applicable to non-FSS items.176

Expansion of the FSS to State and Local Governments

Congress has recently expanded use of the FSS by authorizing state and local governments to purchase goods or services from it in certain circumstances. First, the E-Government Act of 2002 allowed state and local governments to purchase IT items from GSA’s “Schedule 70” or the Consolidated Products and Services Schedule.177 Second, Section 833 of the John Warner National Defense Authorization Act for FY2007 expanded the range of schedules that state and local governments could use, authorizing them to use any Schedule to purchase goods or services to facilitate recovery from terrorism; nuclear, biological, chemical, or radiological attacks; or major disasters declared by the president.178 Third, the Local Preparedness Acquisition Act authorizes state and local government to purchase:

[alarm and signal systems, facility management systems, firefighting and rescue equipment, law enforcement and security equipment, marine craft and related equipment, special purpose clothing, and related services (as contained in Federal supply classification code group 84 or any amended or subsequent version of that Federal supply classification group).]179

Finally, as discussed below, the 111th Congress authorized private entities to use the FSS under certain circumstances.180

Franchise Funds and Interagency Assisting Entities Under the Government Management Reform Act and Other Authorities

Section 403 of the Government Management Reform Act (GMRA) of 1994 authorized the Director of the Office of Management and Budget (OMB), in consultation with certain congressional committees, to establish franchise funds in six executive agencies on a pilot

175 48 C.F.R. § 8.404(c)(1)-(3).
176 48 C.F.R. § 8.402(f)(1)-(4). However, the FSS may not be used for requirements that “substantially or to a dominant extent” specify the performance of architect-engineer services. 48 C.F.R. § 8.403(c). When such services are involved, agencies must instead follow the procedures outlined in 48 C.F.R. § 38.101(d).
A franchise fund is “a type of intragovernmental revolving fund designed to compete with similar funds of other agencies to provide common administrative services ... [such as] accounting, financial management, information resources management, personnel, contracting, payroll, security, and training.” The franchise funds created by GMRA were authorized to provide “administrative support services,” including contracting services, to other agencies, in the hope that centralized provision of these services would result in such services being “provided more efficiently.” Congress envisioned that the funds would compete with one another to provide their services and explicitly authorized them to charge fees for services and retain funds to create an operating reserve. The agencies that operate franchise funds under the authority of GMRA or other statutes, including the Economy Act, are all known as “interagency assisting entities,” although their operations differ somewhat because of their different statutory bases.

OMB designated the Environmental Protection Agency and the Departments of Commerce, Veterans Affairs, Health and Human Services (HHS), Interior and Treasury as interagency assisting entities for GMRA’s pilot program. This pilot program expired on October 1, 1999, but all funds other than those operated by HHS and Interior have apparently been granted permanent authorization. The Government Accountability Office identified 25 other interagency revolving funds, seven of which were explicitly authorized to charge and retain fees, in 2003.

The franchise funds can effectively allow agencies to retain funds beyond their appropriations period in certain circumstances, a fact which has given rise to concern among some Members of Congress and commentators.

### Table 3. Comparison of Interagency Contracting Mechanisms

<table>
<thead>
<tr>
<th>Contracting Mechanism</th>
<th>Authorizing Statutes</th>
<th>Goods or Services Covered</th>
<th>Who May Enter Underlying ID/IQ Contract</th>
<th>Procedures for Ordering Under ID/IQ Contract</th>
<th>Fee-for Service?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Multi-agency contracts</td>
<td>Economy Act of 1932; specific statutory authorities</td>
<td>Any</td>
<td>Any agency</td>
<td>Ordering and servicing agencies must authorize or approve orders</td>
<td>No</td>
</tr>
</tbody>
</table>

---

183 Id. at § 403(b).
184 Id.
185 Id. at § 403(c).
186 Report of the Acquisition Advisory Panel, supra note 1, at 236-37.
187 Id. at 237.
188 P.L. 103-356, § 403(f).
189 Report of the Acquisition Advisory Panel, supra note 1, at 237.
### Interagency Contracting: An Overview of Federal Procurement and Appropriations Law

<table>
<thead>
<tr>
<th>Contracting Mechanism</th>
<th>Authorizing Statutes</th>
<th>Goods or Services Covered</th>
<th>Who May Enter Underlying ID/IQ Contract</th>
<th>Procedures for Ordering Under ID/IQ Contract</th>
<th>Fee-for Service?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government-wide acquisition contracts</td>
<td>Clinger-Cohen Act of 1994</td>
<td>Information technology</td>
<td>Only designated &quot;executive agents&quot;</td>
<td>Agencies must obtain a delegation of authority to order, or authorize an executive agent to order for them</td>
<td>Yes</td>
</tr>
<tr>
<td>Federal Supply Schedules (GSA Schedules, Multiple Award Schedules)</td>
<td>Federal Property and Administrative Services Act of 1949; Office of Federal Procurement Policy Act of 1974</td>
<td>Commercial items</td>
<td>GSA or an agency delegated authority by GSA</td>
<td>Agencies may place orders or enter BPAs directly with vendors</td>
<td>Yes</td>
</tr>
<tr>
<td>Interagency assisting entities; franchise funds</td>
<td>Government Management Reform Act of 1994</td>
<td>Administrative support services, including contracting services</td>
<td>n/a</td>
<td>n/a (procedures would depend upon the contracting vehicles used)</td>
<td>Possibly</td>
</tr>
</tbody>
</table>

Source: Congressional Research Service

### Combining Various Types of Interagency Contracts

Although the different types of interagency contracts are governed by different statutory authorities, agencies can rely upon multiple types of interagency contracts in specific contracting situations. Perhaps the best illustration of agencies’ ability to do this, and the potential risks of doing so, is CACI International’s work for the Army in Iraq. Although CACI employees worked for the Army as interrogators at Abu Ghraib, where they were allegedly involved in prisoner abuse, the Army did not have a contract with CACI. Rather, the Army had a multi-agency contract with the Department of the Interior, under which Interior agreed to perform contracting services for the Army. The Interior Department fulfilled this contract, in part, by making orders against a FSS listing of vendors of information technology services. CACI was on this Schedule because it had into an ID/IQ contract with the GSA.

---

Among the other problems in this particular contracting situation, the absence of a contract directly between the Army and CACI effectively limited opportunities for the Army to manage and oversee the work of CACI employees. In this complex situation, as well as in “simpler” interagency contracting situations, the contracting officers generally work in one agency, while the contracting officers’ representatives (CORs) and technical representatives (COTRs), who are charged with overseeing performance of the contract work, work in another. This disjunction between contracting officers and CORs or COTRs is far from the only such disjunction to arise with interagency contracting. In fact, until fairly recently, the various interagency contracting authorities generally allowed units within agencies that required goods or services to work directly with contracting officers at other agencies, without even consulting contracting officers at their own agencies.

---

193 See, e.g., id. at 7-8 (noting that 10 of the 11 task orders that the Interior Department issued to CACI under the FSS were outside the scope of the underlying ID/IQ contract between CACI and GSA). Out-of-scope orders are in violation of the competition requirements, which require that agencies conduct a new solicitation for work not within the statement of work of an existing ID/IQ contract.

194 Id. at 11-13.


Recently Enacted and Proposed Amendments to the Laws Governing Interagency Contracting

Interagency contracting has recently been “one of the fastest growing fields in federal acquisition,” largely due to its ease and apparent value. Such growth, in itself, would probably have drawn increased attention to interagency contracting. However, this growth has also been coupled with highly publicized problems on particular interagency contracts, such as those resulting in CACI employees working as interrogators at Abu Ghraib, as well as numerous reports of contracting or appropriations violations under interagency contracts generally. The Government Accountability Office first listed interagency contracting as a “high risk” area in 2005 because, among other things, it results in a “much more complex [contracting] environment in which accountability has not always been clearly established,” and interagency contracting remained on GAO’s “high risk” list for DOD in 2009. The Acquisition Advisory Panel, created under Section 1423 of the Services Acquisition Reform Act of 2003, similarly included recommendations for improving interagency contracting in its 2007 report to Congress and the Office of Federal Procurement Policy. Commentators have also expressed concerns about whether the proliferation of interagency contracting vehicles offering similar goods or services dilutes the government’s buying power, or imposes excessive demands upon contractors, particularly small business contractors, which must incur the expenses associated with obtaining eligibility for orders under multiple contracts.

Responding to such concerns and recommendations, Congress and federal agencies have recently enacted or implemented several reforms to interagency contracting, as the following Chronology

197 Report of the Acquisition Advisory Panel, supra note 1, at 225. Questions have, however, been raised about whether agencies do obtain lower priced goods under interagency contracts. See, e.g., Gov’t Accountability Office, Interagency Contracting: Improved Guidance, Planning, and Oversight Would Enable the Department of Homeland Security to Address Risks, GAO-06-996 (Sept. 27, 2006).

198 See, e.g., Gov’t Accountability Office, Interagency Contracting: Need for Improved Information and Policy Implementation at the Department of State, GAO-08-578, at 3-4 (May 8, 2008) (finding that the State Department lacked “reliable information” on the nature and extent of its interagency contracts and did not adequately provide for oversight of contractor performance under interagency contracts); Dep’t of Def. Inspector General, Potential Antideficiency Act Violations on DoD Purchases Made Through Non-DoD Agencies, D-2007-042, at ii (Jan. 2007) (noting 69 potential violations of the Antideficiency Act in DOD’s interagency contracts between 2005 and 2006); Dep’t of Def. Inspector General, DoD Purchases Made Through the General Services Administration, Report No. D-2205-096 (July 29, 2005) (finding that 91% of the purchases lacked acquisition planning to determine that contracting though GSA was the best alternative available; 98% of the interagency agreements failed to outline the terms and conditions of the purchases; and 38% were inadequately funded).

199 GAO’s 2005 High-Risk Update, supra note 4, at 17.

200 Report of the Acquisition Advisory Panel, supra note 1, at 251-57. Among other things, the Panel suggested that “some of the most fundamental issues associated with interagency and enterprise-wide vehicles could be best addressed by establishing more formal procedural requirements for initially establishing such vehicles and subsequently for authorizing their continued use.” Id. at 222. An independent Multiple Awards Schedule Advisory Committee is presently examining the FSS. Its most recent meeting was on June 26, 2009, and it has yet to make final recommendations. See MAS Advisory Panel, available at http://www.acquisition.gov/comp/masap/index.html.

201 Report of the Acquisition Advisory Panel, supra note 1, at 247, 251. Intra-agency contracting vehicles, or internal enterprise-wide purchasing programs for goods or services like those offered under the FSS or through other interagency vehicles, could have similar effects and have also been proliferating. See Report of the Acquisition Advisory Panel, supra note 1, at 220 (discussing the Naval Sea Command’s SeaPort-e program).
illustrates. The 111th Congress has also enacted or is considering additional legislation, as is discussed below.

**Chronology of Recent Developments in Interagency Contracting**

<table>
<thead>
<tr>
<th>Date</th>
<th>Event Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>October 2002</td>
<td>DOD promulgates a rule implementing Section 803 of P.L. 107-107 that requires certain approvals for noncompetitive orders exceeding $100,000 under multiple-award contracts, including FSS contracts. The rule also requires that when DOD places orders for services valued at over $100,000 on FSS contracts, notice must be provided to all FSS contractors providing the service, or as many as practicable so as to ensure offers from at least three contractors. If written offers are not received from three contractors, contracting officers must make a written determination that no additional contractors could be identified despite reasonable attempts to do so.</td>
</tr>
<tr>
<td>July 2003</td>
<td>The Federal Acquisition Regulatory Council amends the Federal Acquisition Regulation to create a “Governmentwide database of contracts and other procurement instruments intended for use by multiple agencies.” All agencies must enter certain information into the database within ten days of the award of a GWAC, multi-agency contract, FSS, or similar procurement instrument.</td>
</tr>
<tr>
<td>October 2003</td>
<td>DOD promulgates a rule implementing Section 801(b) of P.L. 107-107 that requires DOD components to obtain certain approvals before acquiring services through a contract or order awarded by an agency other than DOD.</td>
</tr>
<tr>
<td>July 2004</td>
<td>The Federal Acquisition Regulation is amended to make clear that a contracting officer placing an order against the FSS on behalf of another agency is responsible for complying with that agency’s procurement statutes and regulations.</td>
</tr>
<tr>
<td>October 2004</td>
<td>Section 854 of the Ronald W. Reagan National Defense Authorization Act for FY2005 (P.L. 108-375) prohibits DOD from procuring goods or services through a contract or task order valued at more than $100,000 under an interagency contract unless DOD: (1) determines that an interagency contract is in its best interests given customer requirements, schedule, cost effectiveness, and contract administration; (2) determines that the goods or services to be acquired are within the scope of the contract to be used; (3) ensures that funding complies with appropriation limitations; (4) ensures that the contract complies with all statutes, regulations and other requirements applicable to DOD; and (5) collects data on the use of assisted acquisitions for subsequent analysis.</td>
</tr>
<tr>
<td>February 2006</td>
<td>The Office of Federal Procurement Policy initiates an effort to identify the number and scope of interagency contracts and collect other information related to interagency acquisitions.</td>
</tr>
<tr>
<td>October 2006</td>
<td>DOD implements a policy requiring that all orders in excess of $500,000 made under interagency contracts that are not under the authority of the Economy Act be reviewed by DOD contracting officials before they are sent to the non-DOD agency.</td>
</tr>
<tr>
<td>January 2008</td>
<td>Section 801 of the National Defense Authorization Act for FY2008 generally prohibits DOD from placing an order in excess of $100,000 through a non-defense agency unless the head of that agency certifies the agency will comply with the defense procurement requirements for that year or other conditions are met. Section 801 also requires DOD to promulgate regulations specifying: (1) the circumstances in which it is appropriate for DOD to use direct or assisted acquisitions; (2) the circumstances in which DOD may use interagency contracts to acquire items unique to DOD or items already being provided under a DOD contract; (3) the tools contracting officers should use to determine whether items are already being provided under a DOD contract; and (4) the procedures for ensuring that DOD requirements are adequately identified and communicated to other agencies involved in interagency contracting.</td>
</tr>
</tbody>
</table>

---

203 DOD did not promulgate the final rules implementing Section 854 until March 21, 2006.
### Legislation Enacted by the 111th Congress

Section 517 of Title V of the Omnibus Appropriations Act authorizes “relief and disaster assistance organizations,” as defined in Section 309 of the Stafford Act, to use the FSS to purchase goods or services for use in preparing for, recovering from, or responding to natural disasters or accidental or “man-caused” events. The Office of Management and Budget (OMB) has also construed Sections 1526(c)(4) and 1554 of the American Recovery and Reinvestment Act (ARRA) as creating additional notice requirements for FSS orders wholly or partially funded under the act. Under a regulation based, in part, on OMB’s interpretation of ARRA, agencies must post (1) pre-award notices for orders exceeding $25,000 and (2) post-award notices when spending ARRA funds under the FSS. Orders under the FSS are otherwise generally exempt from such notice requirements.

### Legislation Proposed by the 111th Congress

The 111th Congress is also considering several bills that would amend aspects of interagency contracting, although these bills generally would require or expand the use of certain interagency contracting vehicles rather than reform aspects of interagency contracting. The Veterans Small Business Opportunities Act (H.R. 2415) and Success after Service Act (H.R. 2416) would require

(...continued)

Defense Procurement and Acquisition Policy Director Shay Assad indicated that the Central Intelligence Agency is not authorized to purchase property or services costing over $100,000 for DOD in FY2009 because of its inability to certify compliance with DOD procurement requirements as required under Section 801. See DOD BarsProcurements Through CIA Valued in Excess of $100,000, 91 Fed. Cont. Rep. 435 (May 26, 2009).

206 The group is still working. It has issued a preliminary report and is conducting public meetings, the most recent of which was held June 26, 2009. See http://www.acquisition.gov/comp/masap/index.html.


212 See 48 C.F.R. § 8.404(a).
that the Department of Veterans’ Affairs and other federal agencies use FSS purchases to meet the government-wide goal for contracting with service-disabled veteran-owned small businesses (SDVOSBs). The Green Acquisition Act (H.R. 1766) would allow state and local governments to acquire “environmentally preferable ‘green’” goods and services though the FSS, while the Enhanced Oversight of State and Local Economic Recovery Act (H.R. 2182, S. 1064) would allow state and local governments to use the FSS in purchasing goods or services wholly or partially funded under ARRA. Further, the Information Technology Investment Oversight Enhancement and Waste Prevention Act of 2009 (S. 920) would allow the E-Gov Administrator, in conjunction with the Administrator of GSA, to establish competitively bid contracts with one or more qualified consultants independent of any GSA schedule.

Author Contact Information

Kate M. Manuel
Legislative Attorney
kmanuel@crs.loc.gov, 7-4477

Carol J. Toland
Legislative Attorney
ctoland@crs.loc.gov, 7-4659

---

213 Currently, the goal is that the federal government, as a whole, award 3% of its procurement dollars to SDVOSBs. See 15 U.S.C. § 644(g)(1). There are also separate, agency-specific goals regarding the percentage of procurement dollars awarded to SDVOSBs under the authority of 15 U.S.C. § 644(g)(2).

214 See H.R. 1766, § 2.


216 S. 920, § 5.