



DEPARTMENT OF THE NAVY
OFFICE OF THE ASSISTANT SECRETARY
(FINANCIAL MANAGEMENT AND COMPTROLLER)
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WASHINGTON, DC 20350-1000

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MEMORANDUM FOR DISTRIBUTION

Subj: ACCEPTANCE OF REIMBURSABLE ORDERS FOR WORK OR SERVICES

Ref: (a) DoD FMR Volume 11A Chapter 2
(b) DoD FMR Volume 11A Chapter 3

The purpose of this memorandum is to reiterate Department of the Navy (DoN) policy on the percentage of in-house performance necessary to accept a project order or a reimbursable Economy Act order.

A project order is a specific, definite and certain order placed with and accepted by a separately managed Department of Defense (DoD) activity. A project order obligates appropriations in the same manner as orders or contracts placed with commercial enterprises. By reference (a), DoD policy provides that ordering activities issue project orders only to those DoD activities that are capable of substantially performing the work ordered. The reference (a) guidance defines "substantial" as not less than 51 percent of the total costs attributable to rendering the work ordered. The cost of commercial goods or services necessary to perform the work accepted is incorporated as a component of total cost.

Reimbursable Economy Act orders are authorized for use by all components of the DoN for requesting work or services from any Government-owned and operated establishment, when the order does not meet the criteria of a project order specified in reference (a). Economy Act orders may be accepted on a reimbursable basis by any DoN activity that is equipped and in a position to perform all or a substantial part of the requirements of the order. It is still DoN policy that 51 percent of the work or services of a reimbursable Economy Act order be performed in-house by the accepting activity, even though reference (b) does not specify a percentage for in-house work to be performed for Economy Act orders. The accepting activity must perform 51 percent of the work or services with in-house resources and not merely be in a position to potentially do so. "In-house" includes the cost of all direct labor, material and supplies, travel and minor equipment. Chargeable overhead costs of Navy Working Capital Fund activities are also included. Also included are those contracts that provide technical support of organic in-house effort.

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Excluded from the definition of in-house performance are those contractual efforts that produce the product or service required by the requesting activity with only contractual oversight provided by the accepting activity and work ordered from other government activities by the accepting activity.

Exceptions to the 51% rule for project orders cannot be granted, since this requirement is delineated in reference (a). To the extent specific situations arise for which it appears reasonable to grant an exception to the DoN reimbursable Economy Act order 51% policy, requests should be forwarded to: Office of Assistant Secretary of the Navy (Financial Management and Comptroller), Office of Budget, Budget Policy and Procedures Division (FMB-5).



GLADYS J. COMMONS
Principal Deputy
Assistant Secretary of the Navy
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