



DEPARTMENT OF THE NAVY
OFFICE OF THE ASSISTANT SECRETARY
RESEARCH, DEVELOPMENT AND ACQUISITION
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WASHINGTON DC 20350-1000

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MEMORANDUM FOR DISTRIBUTION

Subj: CONTRACTING WITH MILITARY EXCHANGES AND OTHER
NONAPPROPRIATED FUND INSTRUMENTALITIES (NAFI) FOR
GOODS AND SERVICES

Ref: (a) 10 U.S.C. 2482a

Reference (a) provides legislative authority for Department of Defense NAFIs to enter into contracts or other agreements with Federal agencies to provide or obtain goods and services beneficial to the efficient management and operation of these activities. The statute does not waive existing laws and regulations applicable to the procurement process or alter in any manner the requirements governing competitive procurement. The restrictions of U.S.C. 2423 and 2424, applicable to overseas NAFI activities, remain in effect.

There is no established dollar threshold for contracting with NAFI activities. Department of the Navy policy that the Commercial Purchase Card is the preferred method of procurement for micropurchases applies to NAFI purchases. You are also cautioned that use of an exchange or MWR activity does not automatically establish price reasonableness. Therefore, Contracting officers and cardholders are responsible for independently determining the price of goods and services obtained from NAFIs is fair and reasonable.

The authority provided by reference (a) is an outstanding opportunity to efficiently fulfill many of our procurement requirements. We must ensure actions under this authority adhere to high standards of fairness and good business judgment, and that even the appearance of NAFIs being accorded undue consideration in the source selection process is avoided.

Elliott B. Branch

Elliott B. Branch
Executive Director
Acquisition and Business
Management

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