



UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548

OFFICE OF GENERAL COUNSEL

APR 28 1966

B-156022

Chairman, Incentive Awards Committee

Subject: Coast Guard Employee's Suggestion No. CG-871-HQ

The above suggestion proposes that charges for materials, services, supplies, etc., furnished by one Government agency or office to another Government agency or office, be waived when the amount of such charges is less than \$50, except when the monthly cumulative total is \$50 or more.

In this connection the employee notes that the Coast Guard presently waives charges of less than \$25 except when the cumulative monthly total is \$25 or more. He also indicates that the military departments have waived billings against the Coast Guard when the amount was less than a specified sum.

General authority for the purchase of services and materials by a bureau or department from another bureau or department is contained in section 601 of the Economy Act of June 30, 1932, 47 Stat. 417, as amended, 31 U.S.C. 686. Such section, with respect to payment for services or materials, provides that the procuring agency " * * * shall pay promptly * * * all or part of the estimated or actual cost thereof as determined by [the requisitioned agency] * * * but proper adjustments on the basis of the actual cost of the [item or services] * * * paid for in advance, shall be made as may be agreed upon by the [agencies] * * * concerned * * *."

This language was discussed in 22 Comp. Gen. 74 and it was held that the statute required reimbursement to be made "on the basis of the actual cost of performing the service 'as may be agreed upon' by the agencies concerned." Such cost was construed in the said decision to include overhead or indirect costs--"items which commonly are recognized as elements of cost, notwithstanding such items may not have resulted in direct expenditures * * *." Also, it was stated that "the question as to the 'proper adjustments' to be made as reimbursement for services rendered under the

terms of the applicable statute is one primarily for administrative consideration to be determined by agreement between the agencies concerned."

The statute as thus construed clearly establishes the principle that payment for the services or materials shall be upon a cost basis and such principle is binding upon both the procuring and requisitioned agency in fixing the charges to be billed and paid. Unless otherwise provided by law, failure to obtain reimbursement, at least insofar as the direct cost of services or materials furnished by one department to another are concerned, would result in a violation of section 3678, Revised Statutes, 31 U.S.C. 628, which provides that sums appropriated for the various branches of expenditure in the public service shall be applied solely to the objects for which appropriated.

Consequently, in the absence of statutory provisions such as those contained in 10 U.S.C. 2571, whereby each of the military departments is authorized to furnish services or materials to another military department without reimbursement, an agency, as a general rule, may not provide services or materials to another agency without reimbursement or transfer of funds. However, as noted in 32 Comp. Gen. 479, the Congress in enacting section 601 of the Economy Act of June 30, 1932, apparently recognized the fact that both agencies involved in transactions thereunder are those of one Government and that slight under or over charges would not result in an actual loss of Government funds, and therefore did not require or contemplate that any detailed audit of costs would be made to determine actual costs incurred. In view thereof, it would seem unreasonable to assume that the Congress intended that reimbursement would be required in all cases including those where the cost of processing the transaction would be disproportionate to the services or materials involved.

Accordingly, while we are not in a position to state whether the minimum billing figure should be \$50 as suggested, or some other amount, we do not believe there exists any legal objection to a provision for permissive administrative waivers up to a specified amount, for reimbursement in cases where it would be uneconomical to process small transactions. We would not recommend adoption of the suggestion until a study is made to determine what limiting figure should be set and whether any other criteria should be established.

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