

Interagency Transactions

Frequently Asked Questions Regarding Interagency Transactions

Q. 1. What authority governs an agency's transactions with an intragovernmental revolving fund, such as a franchise fund, a working capital fund, or a public enterprise fund?

A. 1. Generally, transactions with an intragovernmental revolving fund are governed by the authority establishing the revolving fund.

Unless authorized by law, transfers of funds between federal agencies and instrumentalities are prohibited by law. 31 U.S.C. § 1532. B-289380, July 31, 2002. Congress enacted the Economy Act, 31 U.S.C. § 1535, to permit a federal agency to provide goods or services to another federal agency, or to another account within the same agency, on a reimbursable payment basis. B-301561, June 14, 2004.

The Economy Act governs interagency transactions when there is no other, more specific, authority. 59 Comp. Gen. 415, 416 (1980). When an intragovernmental revolving fund statute provides specific authority for funds to be transferred between agencies, the Economy Act does not govern the transaction. B-301561, June 14, 2004.

Q. 2. How do the obligational requirements for interagency transactions governed by the Economy Act differ from the requirements for transactions governed by a more specific authority?

A. 2. Probably the most significant difference relates to the Economy Act requirement that the ordering agency deobligate its appropriation at the end of its period of availability to the extent that the performing agency has not performed. That requirement is specific to Economy Act transactions. The requirement does not apply to revolving fund transactions, unless the statute governing the revolving fund at issue provides otherwise.

- When an ordering agency enters into an Economy Act agreement and incurs an obligation using fiscal year funds, the Economy Act requires the ordering agency to deobligate the appropriation at the end of the fiscal year to the extent that the performing agency has not performed or incurred a valid obligation on behalf of the ordering agency. 31 U.S.C. § 1535(d); 34 Comp. Gen. 418, 419 (1955).
 - Under the Economy Act, if the performing agency incurs a valid obligation during the period of availability of the appropriation and work performed or service rendered covers more than one fiscal year, the ordering agency's obligation remains available to pay the performing agency from the annual appropriation for the particular fiscal year in which the work was

performed or services were rendered. B-301561, June 14, 2004; 55 Comp. Gen. 1497, 1499 (1976).

- If an interagency transaction is not governed by the Economy Act, the amount obligated remains available for payment once the work is completed. The fiscal year appropriation current at the time of the order should be charged for the full cost of the order, notwithstanding that the work may not be completed during that fiscal year. B-301561, June 14, 2004.

See generally Transfer of Fiscal Year 2003 Funds from the Library of Congress to the Office of the Architect of the Capitol, B- 302760, May 17, 2004. The Economy Act requirement that the ordering agency deobligate a fiscal year appropriation at the end of the fiscal year to the extent that the performing agency has not performed does not apply to transactions governed by statutory authority other than the Economy Act. An interagency transaction that permits the transfer of funds between the two agencies is, in some ways, not unlike a contractual transaction. Similar to a contractual transaction, at the time the agencies involved in the transaction enter into an interagency agreement, the ordering agency incurs an obligation for the costs of the work to be performed, and the amount obligated remains available to pay these costs once the work is completed.

Q. 3. When an agency enters into a transaction with an intragovernmental revolving fund, does an agency's fiscal year appropriation become available without fiscal year limitation?

A. 3. No.

- **Just like with a contract with a private vendor, when an agency, using fiscal year funds, incurs an obligation with an intragovernmental revolving fund, the amount obligated remains available for payment once the work has been completed. These funds, however, do not lose their fiscal year identity.**

If the work an agency orders through an agreement with an intragovernmental revolving fund is completed in a subsequent fiscal year, and the total amount that the ordering agency had obligated is in excess of what is needed to pay for the scope of work ordered, the excess amount is deobligated and included in the ordering agency's expired appropriation. That amount is not available to incur a new obligation.

See Matter of: Continued Availability of Expired Appropriation for Additional Project Phases, B-286929, April 25, 2001 (agency incurring an obligation during the period of availability of the appropriation only for the first phase of a project may not apply the expired balance of the amount originally obligated for the first phase of the project to complete the remaining project phases).

Similarly, if an ordering agency advances funds to an intragovernmental revolving fund (pursuant to statutory authority), the revolving fund may retain the funds until it has paid for the completed work. However, it may not retain any unexpended fiscal year funds

obligated and advanced by the customer agency that are not needed to fill the original scope of work for which the funds were obligated. If any excess, expired, funds remain after the original order has been filled, the revolving fund must return these funds to the ordering agency.

See Implementation of the Library of Congress FEDLINK Revolving Fund, B-288142, Sept. 6, 2001 (Section 103(e) of Pub. L. No. 106-481, which specifies that amounts in the FEDLINK revolving fund are available to the Librarian “without fiscal year limitation” to carry out the FEDLINK program, does not permit the Library to retain unexpended fiscal (or fixed) year appropriations advanced by a customer agency that are not needed for costs the Library incurred in filling the order. The Library may not reserve the unexpended amounts to cover future year orders placed by the customer agency).

- **Only funds that an intragovernmental revolving fund has earned, for example proceeds from an administrative or operating fee, remain available until expended.**

See Implementation of the Library of Congress FEDLINK Revolving Fund, B-288142, Sept. 6, 2001. (The Library earns the reimbursements for accounting services and administrative costs when they are received. Because the Library intends for these amounts to reimburse the Library for the administrative costs of running the program rather than as an advance to cover the customer's order for goods and services, the Library may retain these amounts without fiscal year limitation. “[U]ntil the amounts are ‘earned,’ they are not part of the corpus of the fund that is available to the Librarian ‘without fiscal year limitation.’”)

Q. 4. What are “franchise funds” and how do they differ from other intergovernmental revolving funds?

A. 4. Franchise funds are one type of intragovernmental revolving fund. Intragovernmental revolving funds are established to collect funds from other agencies and appropriations accounts to finance a continuing cycle of business-type operations.

Generally, franchise funds are self-supporting business-like entities that provide support services common to federal agencies. They operate on a reimbursable basis.

The Government Management and Reform Act of 1994 (GMRA) authorized OMB to designate six franchise fund pilots. OMB designated pilots at the following agencies:

Department of Interior (May 17, 1996)
Department of Treasury (May 17, 1996)
Department of Commerce (May 20, 1996)
Environmental Protection Agency (EPA) (May 30, 1996)
Veterans Affairs (VA) (May 30, 1996)
Department of Health and Human Services (HHS) (January 24, 1997)

Subsequent to designation as a pilot, Congress individually authorized each fund. Commerce, EPA, VA, Treasury, and HHS were reauthorized most recently in the Omnibus Appropriations Act for Fiscal Year 2005 for one fiscal year. EPA has a permanent authorization.

Congress also established a “franchise fund” within FAA that has authorities similar to the six pilot funds, but it was not established pursuant to GMRA.

The six franchise fund pilots differ from most other intragovernmental revolving funds in that they have the explicit statutory authority to charge for “a reasonable operating reserve,” and to retain “up to 4 percent of total annual income for acquisition of capital equipment and financial management improvements.” This ability to retain up to 4 percent of total annual income is generally perceived as one of the benefits of a franchise fund; however, all funds have the authority to recover their costs, including indirect costs. Because franchise funds need to be competitive with other intragovernmental revolving funds, most of the franchise funds do not charge a fee that would permit the funds to accumulate this level of reserves.

See Budget Issues: Franchise Fund Pilot Review, GAO-03-1069 (Washington, D.C.: August 2003).

Q. 5. Are intragovernmental revolving funds subject to the Antideficiency Act?

A. 5. Yes. Revolving funds are subject to the Antideficiency Act.

See, e.g., Matter of: The General Services Administration’s General Supply Fund, 60 Comp. Gen. 520 (1981) (inventory in the General Supply Fund does not constitute a budgetary resource against which obligations may be incurred. The Antideficiency Act is violated when obligations are incurred in excess of budgetary resources).