

Contract Administration

Activity 34: Options

Procedures for executing options under a contract to purchase additional supplies or services called for by the contract, or to extend the term of the contract.

Related Flow Charts: [Flow Chart 35](#)

Tasks	FAR Reference(s)	Additional Information
1. Determine whether there is an existing need and if so, whether the existing need can be fulfilled by exercising the option.	FAR 17.207(c)(2) Exercise of options.	Identify all available options in sufficient time to: <ul style="list-style-type: none">• Verify the government need for the supplies or services covered by the option and research current market prices.• Verify that the funds needed to exercise the option are available. The Government's need must be met through full and open competition except for options that were evaluated as part of the initial competition, within the scope, and under the initial terms of the contract. Other options may be exempt under the procedures in FAR Subpart 6.3.
2. Provide a written notice to the contractor of the intent to exercise the option.	FAR 17.207 Exercise of options.	The contracting officer must provide written notice to the contractor within the time period specified in the contract.
3. Determine that funds are available.	FAR 17.207(c)(1) Exercise of options.	Only exercise an option after determining that funds are available.
4. Determine whether a synopsis is required for the option.	FAR 17.207(c)(4) Exercise of options.	Do not synopsise the option requirement if the existing contract was previously synopsized in sufficient detail to comply with the requirements of FAR 5.207 or if another exception applies. Otherwise, the requirement for the supplies or services available through the option must be synopsized.

Tasks	FAR Reference(s)	Additional Information
5. Determine whether the contractor is responsible and has satisfactory performance.	FAR 17.207(c)(5) Exercise of options. FAR 17.207(c)(6) Exercise of options. FAR 17.207(c)(7) Exercise of options.	<p>Only exercise an option after determining that:</p> <ul style="list-style-type: none"> • The contractor is not listed in the System for Award Management Exclusions (see FAR 9.405-1); • The contractor’s past performance evaluations on other contract actions have been considered; and • The contractor’s performance on this contract has been acceptable, e.g., received satisfactory ratings.
6. Determine the option price.	FAR 17.207(f) Exercise of options.	<p>Determine the option price from the terms of the basic contract. For example:</p> <ul style="list-style-type: none"> • A specific dollar amount; • An amount determined by applying the provisions (or a formula) provided in the basic contract, but not including renegotiation of the price for work in a fixed-price type contract; • In the case of a cost-reimbursement contract a: <ul style="list-style-type: none"> ○ Fixed or maximum fee; or ○ Fixed or maximum fee amount that is determinable by applying a formula contained in the basic contract as long as the pricing arrangement is not cost-plus-percentage-of-cost; • A specific price that is subject to an economic price adjustment provision; or • A specific price that is subject to change as the result of changes to prevailing labor rates provided by the Secretary of Labor (e.g., adjusted based on changes in the Service Contract Labor Standards statute wage determination).

Tasks	FAR Reference(s)	Additional Information
7. Research market prices for the supplies and services covered by the option.	FAR 17.207(d) Exercise of options.	<p>Consider the following when researching market prices:</p> <ul style="list-style-type: none"> • Normally, an informal analysis is adequate to determine current market prices. • A new solicitation may be used if there is a question about whether the exercising of the option is more advantageous than awarding a new contract. Do not use this method of testing the market, if it appears that the option price is the best price available. • If the time between the contract award and consideration of exercising is short, the original competition may provide adequate evidence that the option is the most advantageous offer available. Take into consideration such factors as: <ul style="list-style-type: none"> ○ Market stability; and ○ A comparison of the time since award with the usual duration of contracts for such supplies or services.
8. Prepare a written determination for the contract file.	FAR 17.207(f) Exercise of options.	<p>Before exercising an option, make a written determination that exercising the option is in accordance with:</p> <ul style="list-style-type: none"> • The terms of the contract; • The requirements of FAR 17.207; and • FAR Part 6. <p>To satisfy requirements of FAR Part 6 regarding full and open competition, the option must have been evaluated as part of the initial competition and be exercisable at an amount specified in or reasonably determinable from the terms of the basic contract.</p>
9. Exercise the option.	FAR 17.207 Exercise of options.	<p>Normally, options are exercised using a unilateral contract modification.</p> <p>Whether unilateral or bilateral, the modification or other written document exercising the option must cite the option clause as the authority for the government action.</p>