



DEPARTMENT OF VETERANS AFFAIRS  
DEPUTY ASSISTANT SECRETARY FOR ACQUISITION AND MATERIEL MANAGEMENT  
WASHINGTON DC 20420

IL 049-05-8  
March 22, 2005

**OFFICE OF ACQUISITION AND MATERIEL MANAGEMENT INFORMATION LETTER**

**TO:** Under Secretaries for Health, Benefits, and Memorial Affairs; Assistant Secretary for Management; Chief Facilities Management Officer, Office of Facilities Management; Veterans Integrated Service Network Directors; Directors, VA Medical Center Activities, Domiciliaries, Outpatient Clinics, Medical and Regional Office Centers, and Regional Offices; Directors, Denver Distribution Center, Austin Automation Center, Records Management Center, VBA Benefits Delivery Centers, and VA Health Administration Center; and the Executive Director and Chief Operating Officer, VA National Acquisition Center

**ATTN:** Heads of the Contracting Activity and VA Contracting Officers

**SUBJ:** Option Year Contracts and Terms Exceeding 5 Years

1. Federal Acquisition Regulation (FAR) 17.204(e) limits option year contracts to a total term of 5 years unless agency procedures provide otherwise. (Note that the Government's authority to extend a contract for up to 6 months under FAR clause 52.217-8, Option to Extend Services, is not limited by this FAR provision.) This Information Letter (IL) provides guidance on the use of options and establishes Department of Veterans Affairs (VA) procedures for authorizing the use of option year contracts that exceed a total term of 5 years. This IL replaces rescinded IL 049-02-8.

2. FAR 17.204(e) does not apply to all types of contracts. VA is authorized by virtue of delegations of authority from the General Services Administration or by statute to award certain types of contracts that have option year terms exceeding 5 years, such as contracts for telephone systems and utilities. Other types of contracts, such as service contracts subject to the Service Contract Act, may be limited by statute to a maximum term of 5 years. In addition, the limitations of FAR 17.204(e) do not apply to information technology contracts. Therefore, these types of contracts are not covered by this IL. However, for most other supply and service option year contracts where the 5-year limitation imposed by FAR 17.204(e) would otherwise apply, this IL provides agency procedures for obtaining an exemption to that limitation.

3. Circumstances requiring the use of option year contracts that exceed 5 years should be rare. Any options, even a single 1-year option, should be included in a solicitation and contract only after all of the limitations in FAR 17.202(b) and (c) have been addressed by the contracting officer and only after the use of options is

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justified and documented in the contract file (see FAR 17.205). Options should not be included in solicitations where the price of necessary materials or labor is not reasonably foreseeable. Once options are included in a contract, contracting officers must ensure that exercise of each option is in the best interest of the Government. Contracting officers may exercise an option only after considering all of the provisions contained in FAR 17.207. Contracting officers could be held personally liable for excess costs to the Government resulting from the exercise of an option at a price much higher than the going market rate for the same goods or services (see Comp. Gen. B-262168, Matter of: John Martino, May 24, 1996). Contracting officers could possibly also be held liable if the Government incurs increased costs due to a failure to exercise an option. The inclusion of option years in contracts and the exercise of those options must not be just a routine practice.

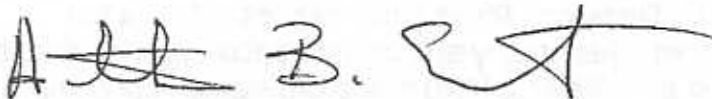
4. Contracting officers must receive the approval of the Deputy Assistant Secretary for Acquisition and Materiel Management prior to awarding an option year contract that exceeds the 5-year term limitation specified in FAR 17.204(e). The request for approval must include the following:

a. Supporting documentation, rationale, and justification for the use of options (see FAR 17.205) and for exceeding the 5-year term limitation.

b. Documentation that the contracting officer has considered and addressed all of the limitations specified in FAR 17.202(b) and (c).

5. Solicitations that require technical and/or legal review in accordance with Department of Veterans Affairs Acquisition Regulation 801.602-70 shall be submitted for review concurrently as provided therein.

6. Please direct any questions regarding this IL or the use of options to Don Kaliher, Acquisition Policy Division (049A5A), at 202-273-8819 or via e-mail to [donald.kaliher@mail.va.gov](mailto:donald.kaliher@mail.va.gov).



*Tom*  
Thomas J. Cooper  
Acting Director  
Acquisition Resources Service

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