

UNIT 53: OPTIONS

October 2003

Duty	Determine whether or not to exercise an available option.
Conditions	Given a contract with an option clause and relevant market data.
Overall Standard(s)	Exercise an option within the time frame established in the contract and only when the option represents the most advantageous offer that in all likelihood would be available from the market.

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Policies

<i>FAR</i>	<i>Agency Suppl.</i>	<i>Subject</i>
5.202(a)(11)		Option exception from synopsis requirements.
5.207		Preparation and transmittal of synopses.
6.001(c)		FAR competition requirements not applicable to the exercise of priced options that were evaluated as part of the initial competition.
6.3		Other than full and open competition.
9.405-1(c)		No extension of a contract with a suspended or debarred contractor.
17.207		Exercise of options.
52.217-6		Option of increased quantity.
52.217-7		Option for increased quantity – separately priced line item.
52.217-8		Option to extend services.
52.217-9		Option to extend the term of the contract.

Other KSAs

1. Knowledge of market research and sources of data on markets.
2. Knowledge of business trends, cycles, and forecasting.
3. Knowledge of the fundamentals of supply and demand, derived demand, and the determination of factor-prices.
4. Knowledge of on-line and other information resources.
5. Ability to analyze information and make accurate conclusions.
6. Ability to work with customers to assess needs and satisfy expectations.
7. Ability to persuade others within the Government concerning whether or not to exercise a contract option.
8. Ability to make sound, well-informed, and objective business decisions about whether to exercise a contract option.
9. Ability to effectively communicate orally and in writing on issues related to exercising a contract option.
10. Ability to maintain the honesty and integrity of the acquisition process.

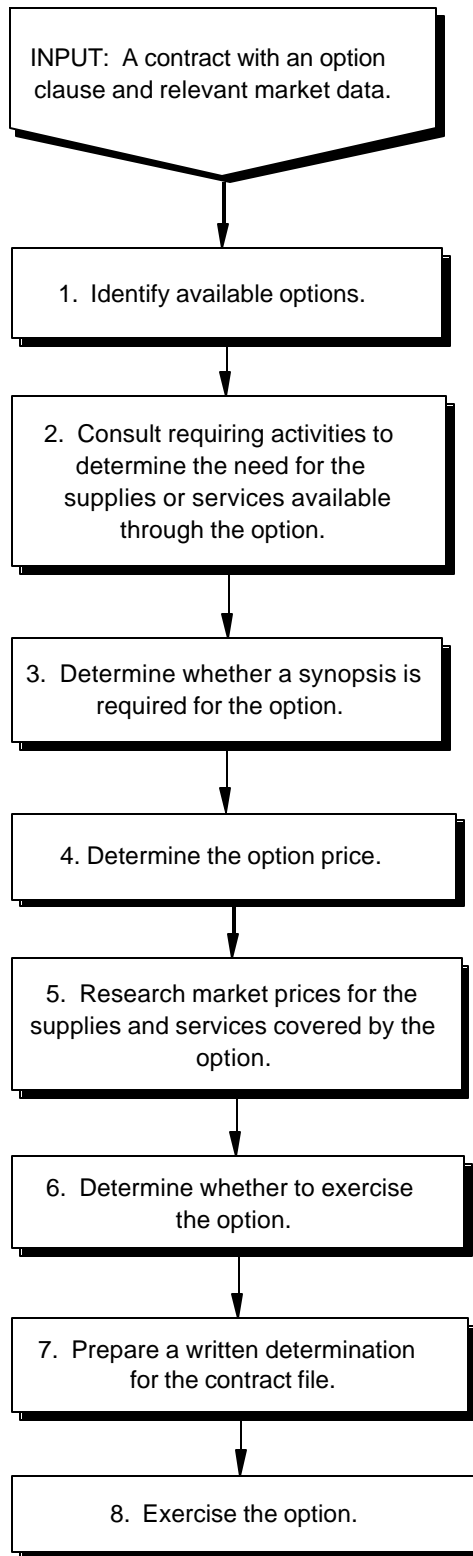
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Other Policies and References (Annotate As Necessary):

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Tasks	Related Standards
1. Identify available 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. • Determine whether the contractor is suspended, debarred, or proposed for debarment. No option can be exercised to extend a contract with a contractor that is suspended, debarred, or proposed for debarment. • Determine whether the option is exempted from requirements for full and open competition. If no exemption applies, the need must be met through full and open competition. <ul style="list-style-type: none"> – Options that were evaluated as part of the initial competition, within the scope, and under the initial terms of the contract are exempt. – Other options may be exempted under the procedures in FAR 6.3.
2. Consult requiring activities to determine the need for the supplies or services available through the option.	Verify that the: <ul style="list-style-type: none"> • Requirement covered by the option fulfills an existing Government need; and • Funds needed to exercise the option are available.
3. Determine whether a synopsis is required for the option.	Do not synopsise the option requirement if: <ul style="list-style-type: none"> • The existing contract was previously synopsized in sufficient detail to comply with the requirements of FAR 5.207; or • Another exception applies. <p>Otherwise the requirement for the supplies or services available through the option must be synopsized.</p>

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Tasks	Related Standards
4. Determine the option price.	<p>Correctly 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 Act wage determination).
5. Research market prices for the supplies and services covered by the option.	<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.

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Tasks

Related Standards

6. Determine whether to exercise the option.	Only exercise an option after determining that: <ul style="list-style-type: none">• Funds are available;• The requirement covered by the option fulfills an existing Government need;• The exercise of the option is the most advantageous method of fulfilling the Government's need, price and other factors considered (e.g., the need for continuity of operations and the potential cost or interrupting operations); and• The option was synopsisized in accordance with Part 5 unless an exemption applies.
7. Prepare a written determination for the contract file.	Before exercising an option, make a written determination that exercising the option is in accordance with: <ul style="list-style-type: none">• The terms of the contract;• The requirements of FAR 17.207; and• FAR Part 6.
8. Exercise the option.	Normally, options are exercised using a unilateral contract modification. 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.