



1. PURPOSE

The purpose of this document is to convey the SPAWAR policy and procedures for the inclusion and exercise of options under [FAR Subpart 17.2](#).

Related guidance is available under CMPG section [5.3.1.2 Exercising Options](#).

2. POLICY

Pursuant to [FAR 17.2](#), [DFARS 217.2](#), and [NMCARS 5217.2](#) prior to including option provisions in solicitations and contracts, contracting officers must determine in writing the quantities or the term under option, the notification period for exercising the option, and any limitation on option price.

The Chief of Contracting shall approve contracts exceeding 5 years. Please refer to the  [1.2.2.2 Service Contract Term Waiver](#) for period of performance (PoP) standards for services and the waiver process for extending beyond standard PoP ([NMCARS 5217.204\(e\)](#)).

Recent policy changes to be considered for inclusion at option exercise:

- A. **5252.237-9603** *Required Information Assurance and Personnel Security Requirements for Accessing Government Information Systems and Nonpublic Information* ([SPAWAR Component Clause](#)) - Include in new solicitations and existing contracts (at option exercise) or earlier, if mutually agreed upon ([SPAWAR Policy Alert Policy Alert 11-112](#)).
- B. Include the **SPAWAR MSR CDRL** to count contractors, track and monitor GFP and identify the required Contractor Staffing Plan in all service contracts and task orders. See  [1.2.9.2.3 Contractor Reporting Requirements](#) SCPPM for details. SPAWAR 2.0 is responsible for informing SPAWAR 8.1 when a contract includes this CDRL requirement. SPAWAR 8.1 notifies SPAWAR 2.0 when a contractor is late submitting the monthly report or has submitted a report which is not in the prescribed format.
- C. [52.203-16](#) *Preventing Personal Conflicts of Interest* is applicable to all task or delivery orders awarded, regardless of when the parent contract was awarded. See  [OCI](#) SCPPM for details.
- D. Contracting officers shall modify, on a bilateral basis, in accordance with [FAR 1.108\(d\)\(3\)](#), existing task- or delivery-order contracts to include the FAR clause for future orders. If a contractor refuses to accept such a modification, the contractor will not be eligible to receive further orders under such contract.

3. RESPONSIBILITIES

3.1 Contracting Officer - (1) Determines and documents that an option exercise is in accordance with the terms of the contract and is in the Government's best interest and (2) includes options in solicitations and contracts.

3.2 SPAWAR 2.0 - (1) Approves contract term length waivers and (2) approves early option exercise for IDIQ contracts.

3.3 SPAWAR 2.3.1 - Collects and reviews IDIQ early option exercise documentation and rationale.

4. PROCEDURES

4.1 Use of Options

Regulation: [FAR 17.2](#) | [DFARS 217.2](#) | [NMCARS 5217.2](#)



Prior to including option provisions in solicitations and contracts, contracting officers must justify in writing that inclusion of option(s) is/are in the Government's interest with a discussion of the quantities or the term under option, the notification period for exercising the option, and any limitation on option price.



4.2 Option to Extend Services

If you have included [FAR 52.217-8](#), Option to Extend Services, in your solicitation, you must include the Option period (not to exceed 6 months) and evaluate the costs prior to award of the contract. The Contracting Officer must properly evaluate all option prices, including any periods anticipated to be covered by [FAR 52.217-8](#), in order to exercise at the amount specified in the contract. If the prices were not evaluated prior to award, then you must follow Bridge Contract Procedures pursuant to [NMCARS 5206-303-1 \(S-90\)](#). For additional information, see [DASN\(AP\) Memo Feb 2013](#). If your requirement is to extend services on a Task Order, refer to the  [Multiple Award Contracts \(MAC\) Procedures SCPPM](#) or the  [SeaPort-e Task Orders SCPPM](#).

4.3 Site specific procedures regarding the justification and documentation required in paragraph 3.1 above. Note: The Business Clearance is the preferred method of documentation.

- A. **SPAWAR HQ:** Document the inclusion of options in the Business Clearance. See  [Business Clearance Memorandum](#) SCPPM.
- B. **SSC-LANT:** Documentation should be included in Section 3 of the Contract Plan in the Contract Review Board. (See SSC-LANT Sample Contract Plan in [Toolbox](#).)
- C. **SSC-PAC:** The justification should be included in Section 5 of the Contract Plan.

4.4 Option Exercise

Regulation: [FAR 17.207](#) | [DFARS 217.207](#) | [DFARS PGI 217.202](#)

4.4.1 GENERAL

- A. Before exercising an option, the Contracting Officer shall make a **written determination for the contract file**. This documentation is discussed in the  [Determination and Findings](#).
- B. Preliminary **notification to the Contractor** of intent to exercise an Option is recommended at least 60 days prior to the Option performance start date or 30 days prior to issuance of unilateral modification or lead time as otherwise agreed to in the contract.

4.4.2 FFP SPARE PARTS

Prior to exercising an option for firm-fixed-price contracts containing spare parts, the contracting officer shall perform a cost or price analysis of the proposed spare parts. The contracting officer shall use an appropriate sampling technique or request field pricing assistance, and document the contract file with the results of the cost or price analysis ([DFARS PGI 217.207](#)).

4.4.3 EARLY OPTION EXERCISE ON IDIQ CONTRACTS

Provide the approved AP (if applicable), the basic contract and the proposed contract modification including early exercise rationale to SPAWAR Contracts Policy 2.3.1 at HQ_CONTRACTS_POLICY@navy.mil. SPAWAR 2.0 approval is required prior to issuing the exercise of option modification. This does not include task orders with options under SeaPort-e or any task orders with options issued under an IDIQ contract vehicle or GSA Federal Supply vehicle.



5. APPROVALS

Contract Type	Approval Authority
IDIQ Early Option Exercise	SPAWAR 2.3.1; SPAWAR 2.0
PoP Exceeds 5 years*	SPAWAR 2.0
All	Contracting Officer

6. TOOLBOX

6.1 General

1. [Option Exercise Checklist](#)
2. [Model Determination & Findings to exercise the contract option](#)
3. [Memo to exercise option](#)
4. [Sample Language for Modification](#)
5. [Director of Defense Pricing memorandum 'Cost and Price Analysis of Spare Parts Required Before Exercising an Option'; \(S. Assad, 12/15/11\)](#)
6. [1.2.2.2 Service Contract Term Waiver](#)
7. [1.2.9.2.3 Contractor Reporting Requirements](#)
8. [OCI](#)
9. [Multiple Award Contracts \(MAC\) Procedures](#)
10. [Seaport-e Task Orders](#)
11. [Business Clearance Memorandum](#)
12. [Determination and Findings](#)
13. [Use of FAR Clause 52.217-8, Option to Extend Services – DASN\(AP\), Feb 2013](#)



6.2 SSC LANT

14. [Inclusion and Evaluation of Option Memorandum for the file \(Supply Contract\)](#)
15. [Inclusion and Evaluation of Option Memorandum for the file \(Indefinite Delivery Supply Contract\)](#)
16. [Inclusion and Evaluation of Option Memorandum for the file \(Service Contract\)](#)
17. [SSC-LANT Sample Contract Plan](#)

7. CHANGE HISTORY

Updated material is highlighted by *purple text* and an Alert/New icon.

Date	Description of Changes
April 2015	Updated format and reorganized content. Updated SCPPM references and added content regarding FAR 52.217-8, Option to Extend Services.
February 2012	Last version created in old format; recent updates were not noted.