

### 3416.603

services and the availability of funds. Award terms may be cancelled prior to the start of the period of performance at no cost to the Federal government if there is not a continued need or available funding.

(2) The extension or reduction of the contract term is affected by a unilateral contract modification.

(3) Award-term periods occur after the period for which the award term was granted. Award-term periods effectively move option periods to later contract performance periods.

(4) Contractors have the right to decline the award of an award-term period. A contractor loses its ability to earn additional award terms if an earned Award-Term Period is declined.

(5) Changes to the contract award-term plan must be mutually agreed upon.

(g) *Clause.* Insert a clause substantially the same as the clause at 3452.216-71 (Award-term) in all solicitations and resulting contracts where an award-term incentive contract is anticipated.

### Subpart 3416.6—Time and Materials, Labor-Hour, and Letter Contracts

#### 3416.603 Letter contracts.

##### 3416.603-3 Limitations.

If the HCA is to sign a letter contract as the contracting officer, the SPE signs the written determination under FAR 16.603-3.

## PART 3417—SPECIAL CONTRACTING METHODS

### Subpart 3417.2—Options

Sec.

3417.204 Contracts.

3417.207 Exercise of options.

### Subpart 3417.5—Interagency Acquisitions Under the Economy Act

3417.502 General.

### Subpart 3417.7—Modular Contracting

3417.70 Modular contracting.

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### Subpart 3417.2—Options

#### 3417.204 Contracts.

(e) Except as otherwise provided by law, contract periods that exceed the five-year limitation specified in FAR 17.204(e) must be approved by—

(1) The HCA for individual contracts; or

(2) The SPE for classes of contracts.

#### 3417.207 Exercise of options.

If a contract provision allows an option to be exercised within a specified timeframe after funds become available, it must also specify that the date on which funds “become available” is the actual date funds become available to the contracting officer for obligation.

(f)(2) The Federal government may accept price reductions offered by contractors at any time during contract performance. Acceptance of price reductions offered by contractors will not be considered renegotiations as identified in this subpart if they were not initiated or requested by the Federal government.

### Subpart 3417.5—Interagency Acquisitions Under the Economy Act

#### 3417.502 General.

No other Federal department or agency may purchase property or services under contracts established or administered by FSA unless the purchase is approved by SPE for the requesting Federal department or agency.

### Subpart 3417.7—Modular Contracting

#### 3417.70 Modular contracting.

(a) FSA—May incrementally conduct successive procurements of modules of overall systems. Each module must be useful in its own right or useful in combination with the earlier procurement modules. Successive modules may be procured on a sole source basis under the following circumstances: