UNITED STATES DEPARTMENT OF COMMERCE
Chief Financial Officer and
Assistant Secretary for Administration
Washington, D.C. 20230

OCT 2 7 2010

**PROCUREMENT MEMORANDUM 2011-02 (Revised)**

**ACTION**

**MEMORANDUM FOR:** **BUREAU PROCUREMENT OFFICIALS**
**HEADS OF CONTRACTING OFFICES**

**FROM:** Helen Hurcombe
Senior Procurement Executive
and Director for Acquisition Management

**SUBJECT:** Determination of Advantage Prior to Exercising an Option

**Background**
The Department of Commerce (DOC) is determined to ensure that the exercise of any option to a contract or order is carefully analyzed prior to execution to determine whether market conditions continue to justify the option or if an alternative approach to acquiring the goods or services is more advantageous to the government. The DOC Office of General Counsel was solicited for an opinion which has been incorporated into this policy.

**Purpose**
The purpose of this memorandum is to prescribe the requirements for determination that the exercise of an option is the most advantageous method of fulfilling the Government's need, price and other factors considered, in accordance with Federal Acquisition Regulation (FAR) subpart 17.207 and this policy.

**Applicability**
The requirements of this policy are applicable to all Department of Commerce (DOC) contracts and orders for which the exercise of an option is contemplated.

**Required Actions**
Contracting officers shall:

1. Specify sufficient lead time in FAR clauses 52.217-6, 52.217-7, 52.217-8 or 52.217-9, as appropriate, to ensure that aggressive market analysis including a new solicitation, if practicable, is considered when addressing the requirements of FAR subpart 17.207.

2. Accept a voluntary price reduction through bilateral modification with the contractor as an alternative to exercising an option when it is determined that price reduction is reasonable given market conditions.

3. Award a new contract or order when it is determined based on market conditions and other considerations that exercising an option is not the most advantageous method of acquiring the goods and/or services.

**Effective Date**
The requirements herein are effective immediately until rescinded.

The point of contact for this matter is Lori Donovan, 202-482-1716 or **ldonovan@doc.gov**.