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FAR FACTS
SEASON 2023, EPISODE TWELVE
FAR PARTS 17 AND 18

1. The key distinguishing difference between multi-year and multiple year contracts is that multi-year contracts buy more than one year's requirement of a product or service without establishing and having to exercise options for each subsequent contract year after the first. **FAR 17.103.**

2. The term of a "multi-year" contract may not be longer than 5 years, unless otherwise authorized by statute. **FAR 17.103 and FAR 17.104(a).**

3. "Multi-year" contracts do not need to be fully funded at the time of award for the entire period of the contract's performance. **FAR 17.104(a)**. However, the funds obligated for "multi-year" contracts at the time of award and the beginning of any future contract year must be sufficient to cover the price for the services or supplies provided as well as agreed to cancellation costs or termination costs that may arise from a cancellation or termination. **FAR 17.104(c).**

4. The use of multi-year contracting is encouraged to take advantage of one or more of the following:
   - lower costs;
   - enhancement of standardization;
   - reduction of administrative burden in the placement and administration of contracts;
   - substantial continuity of production or performance, thus avoiding annual startup costs, preproduction testing costs, make-ready expenses, and phase-out costs;
   - stabilization of contractor work forces;
   - avoidance of the need for establishing quality control techniques and procedures for a new contractor each year;
   - broadening the competitive base with opportunity for participation by firms not otherwise willing or able to compete for lesser quantities, particularly in cases involving high startup costs; and/or
   - providing incentives to contractors to improve productivity through investment in capital facilities, equipment, and advanced technology.

   FAR 17.105-2.

5. The Government may terminate a "multi-year" contract for convenience at any time during the life of the contract, for total quantity or partial quantity. **FAR 17.104(d).** In the event of a termination for convenience, the Government's obligation shall not exceed the amount specified in the contract's Schedule as available for contract performance, plus the cancellation ceiling. **FAR 17.106-1(h).**

6. The Department of Defense may only enter into a "multi-year" contract on a firm fixed price, fixed price with economic price adjustment or fixed price incentive basis only. **FAR 17.106-3(d).**

7. All “multi-year” contracts are required to include an agreed upon cancellation ceiling. **FAR 17.106-1**.

8. In determining a “reasonable” cancellation ceiling, the contracting officer must estimate reasonable preproduction or startup, labor learning, and other nonrecurring costs to be incurred by an “average” prime contractor or subcontractor, which would be applicable to, and which normally would be amortized over, the items or services to be furnished under the multi-year requirements. The cancellation ceiling, however, shall not include any costs of labor or materials, or other expenses which might be incurred for performance of subsequent program year requirements. **FAR 17.106-1(c)(2).**

9. A contractor is entitled to a cancellation payment (a.k.a. “cancellation charge”) in the event the Government is unable to continue contract performance due to the unavailability of funding following the completion of the first contract year. **FAR 52.217-2**

10. A CO shall not include options when
    - the contractor will incur undue risk (e.g., the price or availability of necessary materials or labor is not reasonably foreseeable),
    - the market price for supplies or services involved are likely to change substantially; or
    - the option represents known firm requirements for which funds are available.

    FAR 17.202(c).

11. **FAR 17.207(c)** lists the determinations that must be made before the contracting officer exercises an option.

12. **FAR subpart 17.4** discusses Leader Company Contracting, an extraordinary contracting technique. Its use is limited to special circumstances under which a developer or sole producer of a product or system is designated under this acquisition technique to be the leader company, and to furnish assistance and know-how under an approved contract to one or more designated follower companies, so they can become a source of supply.

13. Government agencies have the authority to outsource procurement activities to other Government agencies under what is known as “assisted acquisition” authority**. FAR 17.502-1.** Other agencies who procure product and services on behalf of the Department of Defense are required to follow all applicable DoD procurement regulations, guidance and procedures. **FAR 17.703.**

14. For assisted acquisitions, prior to requesting that another agency conduct an acquisition on its behalf, the requesting agency must make a determination that procurement approach satisfies the requesting agency’s schedule, performance, and delivery requirements, is cost

effective, and will result in the use of funds in accordance with appropriation limitations and compliance with the requesting agency's laws and policies. **FAR 17.502-1(a)(1)** & OMB guidance

16. The Economy Act (31 U.S.C. 1535) authorizes agencies to enter into agreements to obtain supplies or services from another agency, and it applies when more specific statutory authority does not exist. **FAR 17.502-2**.

17. Each Economy Act order must be supported by a determination and findings (D&F). The D&F must: (1) State that an interagency acquisition is in the best interest of the Government, (2) state that it cannot be obtained as conveniently or economically by contracting directly with private source, and (3) include statement that at least one of the following applies:
    - Acquisition will be appropriately made under an existing contract of the servicing agency, entered into before placement of the order, to meet the requirements of the servicing agency for the same or similar supplies or services;
    - Servicing agency has the capability or expertise to enter into a contract for such supplies or services that is not available within the requesting agency; or
    - Servicing agency is specifically authorized by law or regulation to purchase such supplies or services on behalf of other agencies.

    FAR 17.502-2(c).

18. *Management and operating contract* means an agreement under which the Government contracts for the operation, maintenance, or support, on its behalf, of a Government-owned or-controlled establishment. **FAR 17.601**. **FAR 17.603(a)** lists the limitations on the use management and operating contracts.

19. Emergency acquisition flexibilities may only be used: (a) In support of a contingency operation as defined in 2.101; (b) to facilitate the defense against or recovery from nuclear, biological, chemical, or radiological attack against the United States; or (c) when the President issues an emergency declaration, or a major disaster declaration. **FAR 18.001**. Available acquisition flexibilities are listed in **FAR Subpart 18.1**.