Subpart 2432.7 - Contract Funding

Parent topic: PART 2432 - CONTRACT FINANCING

2432.703-1 General.

(b)

(1) Except as described herein, a fixed-price contract may be funded incrementally only if -

(i) Sufficient funds are not available to the Department at the time of contract award or exercise of option to fully fund the contract or option; and

(ii) The contract (excluding any options) or any exercised option -

(A) Is for severable services; and

(B) Does not exceed one year in length; and

(C) Is incrementally funded using funds available (unexpired) as of the date the funds are obligated; and

(iii) If applicable, the contract uses funds available from multiple (2 or more) fiscal years and Congress has otherwise authorized incremental funding.

(2) An incrementally funded fixed-price contract shall be fully funded as soon as funds are available.

2432.703-3 Contracts crossing fiscal years.

(b) The contracting officer may enter into a contract, exercise an option, or place an order under a contract for severable services for a period that begins in one fiscal year and ends in the next fiscal year if the period of the contract awarded, option exercised, or order placed does not exceed one year.

2432.704 Limitation of cost or funds.

2432.704-70 Incrementally funded fixed-price contracts.

(a) Upon receipt of the contractor's notice under paragraph (c) of the clause at 2452.232-72, Limitation of Government's Obligation, the contracting officer shall promptly provide written notice to the contractor that the Government is -

(1) Allotting additional funds for continued performance and increasing the Government's limitation of obligation in a specified amount;

(2) Terminating the affected contract line items (CLINs) or contract, as applicable; or

(3) Considering whether to allot additional funds; and

(i) The contractor is required by the contract terms to stop work when the Government's limitation of obligation is reached; and

(ii) Any costs expended beyond the Government's limitation of obligation are at the contractor's risk.

(b) Upon learning that the contract will receive no further funds, the contracting officer shall promptly give the contractor written notice of the Government's decision and terminate the affected CLINs or contract, as applicable, for the convenience of the Government.

(c) The contracting officer shall ensure that, in accordance with paragraph (b) of the clause at 2452.232-72, “Limitation of Government's obligation,” sufficient funds are allotted to the contract to cover the total amount payable to the contractor in the event of termination for the convenience of the Government.

2432.705 Contract clauses.

(a) The Contracting Officer shall insert the clause at 2452.232-72, “Limitation of Government's Obligation,” in solicitations and resultant incrementally funded fixed-price contracts as authorized by 2432.703-1. The Contracting Officer shall insert the information required in the table in paragraph (b) and the notification period in paragraph (c) of the clause.

(b) The Contracting Officer shall insert the clause at 2452.232-74, “Not To Exceed Limitation” in all solicitations and contracts where the total estimated funds needed for the performance period are not yet obligated.