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# **SUBPART 16.6 - TIME-AND-MATERIALS, LABOR-HOUR, AND LETTER CONTRACTS**

**Parent topic:** [PART 16 - TYPES OF CONTRACTS](#)

## **16.601 Time-and-materials contracts.**

(d) Limitations.

(S-90) The contracting officer shall include “not to exceed” price ceilings in each option and delivery order.

(S-91) Contracting officers shall migrate time-and-material and labor-hour (T&M/LH) vehicles to other contract types, preferably a fixed- price arrangement, when the service becomes repetitive and more predictable in nature.

(S-92) HCAs shall annually monitor their percentage of acquisition dollars being spent on T&M/LH contracts and orders. HCAs shall report to the CAE at the close of the calendar year any percentages of T&M/LH contract action dollars for the preceding fiscal year exceeding 8 percent of service dollars, including a discussion of the HCA’s strategy to decrease the use of T&M/LH contract type and the risk mitigation measures used in administering these contract types.