



## DCMA Manual 2501-06 Termination for Convenience of the Government

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<b>Office of Primary Responsibility</b>	<b>Contract Administration Lifecycle Management Capability Board</b>
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<b>Labor Codes:</b>	Located on the resource page
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<b>Approved by:</b>	David H. Lewis, VADM, USN, Director
<b><i>Change 2 Approved by:</i></b>	<i>G. L. Masiello, Lieutenant General, U.S. Marine Corps, Director</i>

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**Purpose:** This issuance, in accordance with the authority in DoD Directive 5105.64:

- Implements DCMA Instruction 2501, "Contract Maintenance," in accordance with Part 49 of the Federal Acquisition Regulation and Part 249 of Title 48, Code of Federal Regulations.
- Prescribes procedures for negotiating settlements of contracts terminated for convenience of the Government.

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## **SECTION 1: GENERAL ISSUANCE INFORMATION**

### **1.1. APPLICABILITY.**

This issuance applies to all DCMA activities that perform contract maintenance activities.

### **1.2. POLICY.**

In accordance with DCMA Instruction 2501, "Contract Maintenance," it is DCMA policy to:

- a. Establish, deliver, and maintain a Contract Maintenance capability to fulfill the agency's mission and comply with laws, regulations, and DoD issuances.
- b. Execute the processes of this manual in a safe, efficient, effective, and ethical manner within DCMA workplaces.

### **1.3. SPECIFIED FORMS AND INFORMATION COLLECTION.**

#### **DCMA Form (DCMAF) 1797, "Request for MOCAS Action/Information."**

In accordance with DCMA Manual 2501-07, "Contract Closeout," the purpose of the DCMAF 1797 is to submit simple adjustment requests caused by short pays, shipments paid incorrectly, corrected DD Form 250, "Material Inspection and Receiving Report," etc. DCMAF 1797 is linked on the resource page for this manual.

### **1.4. SUMMARY OF CHANGES.**

This manual replaces DCMA Manual 2501-06 and has been significantly changed. Users must review this issuance in its entirety. Significant changes include:

- Added responsibilities and procedures for termination of non-Federal Acquisition Regulation (FAR) based cooperative agreements and other transactions.
- Clarified administrative contracting officer (ACO) responsibilities regarding complete versus partial terminations for convenience coding in Mechanization of Contract Administration Services (MOCAS).
- Included language on acceptable submissions to the Terminations Inbox.
- Included the requirement on settlement support request for the overaged terminations.
- Added language for estimating the funds required to settle the termination within 30 days after the receipt of the termination notice.
- Included language for obtaining certified cost or pricing data in accordance with FAR 15.403 and 49.105(c)(15).
- Clarified the requirement on pre-negotiation objectives memorandums (PNOM) and settlement negotiation memorandums (SNM).
- Included Government Furnished Property Module Plant Clearance Capability (GFP-PCC).
- Included administrative updates.

## **SECTION 2: RESPONSIBILITIES**

### **2.1. TERMINATIONS GROUP DIRECTOR.**

The Terminations Group Director must:

- a. Plan and direct Terminations Group mission accomplishments.
- b. Evaluate and resolve operational issues.
- c. Provide technical expertise as the senior government expert for all terminations for convenience actions.
- d. Foster teamwork and provide resource management.
- e. Ensure group compliance with regulatory requirements and guidance.
- f. Review PNOM for termination settlement proposals in excess of \$10 million.
- g. Ensure Boards of Review are conducted in accordance with agency policy.
- h. Evaluate support requests received for cooperative agreements and other transactions for compliance to DCMA's workload acceptance policy and Termination Group's capability.
- i. Review work being returned due to lack of information or funding.
- j. Review all Contracting Officer's Final Decisions (COFD) with SNM regardless of the dollar thresholds.

### **2.2. TERMINATIONS TEAM SUPERVISOR.**

The Terminations Team Supervisor must:

- a. Monitor the terminations inbox and assign termination dockets within 30 days upon receipt of an adequate package.
- b. Provide guidance and assistance to the termination contracting officer (TCO) and termination contracts specialist.
- c. Oversee and manage TCO workload as assigned.
- d. Ensure group compliance with regulatory requirements and guidance.
- e. Review proposed settlements in excess of \$2 million for General Schedule (GS)-12 TCO and in excess of \$4 million for GS-13 TCO. Please see the Termination Group Threshold for Reviews on the resource page for this manual.

- f. Oversee TCO compliance with required annual and functional training.
- g. Review partial payment packages submitted by termination contracts specialist.
- h. Assign cooperative agreements and other transactions cases to TCOs that hold Grants and Agreement Warrants.
- i. Review work returned due to lack of information or funding.

### **2.3. TCO.**

The TCO will:

- a. Execute the duties of a TCO in accordance with FAR 49.105 (a) and ensure that all training requirements are met.
- b. Maintain the termination contract file.
- c. Prepare and distribute the DD Form 1598, "Contract Termination Status Report," to the ACO and procuring contracting officer (PCO). The DD Form 1598 must be uploaded to the agency system of record.
- d. Review the notice of termination.
- e. Establish initial contact and promptly hold a conference with the contractor to develop a definite program for effecting the settlement in accordance with FAR 49.105(c) procedures.
- f. Notify PCO and ACO of excess funds eligible for release or request additional funding if required.
- g. Review the contract for funds at risk of cancelling in accordance with DCMA Manual 2501-03, "Funds Lifecycle."
- h. Coordinate disposition and disposal of government property if the contract contains the property clause FAR 52.245-1 and document in the PNOM, if required, and SNM.
- i. Coordinate plant clearance action(s) and review the contractor's inventory schedule.
- j. Review contractor's settlement proposal for sufficiency.
- k. Request Defense Contract Audit Agency (DCAA) audit of contractors' proposal(s) and assist audits of subcontractor(s) settlement proposal(s), as applicable.
- l. Ensure compliance with Contract Audit Follow-Up in accordance with DCMA Manual 2501-04, "Contract Audit Follow Up," including sending SNM and COFD to DCAA.

- m. Request technical review as applicable.
- n. Ratify subcontractor settlement proposals.
- o. Execute a PNOM.
- p. Negotiate termination settlement.
- q. Execute a SNM.
- r. Execute a settlement modification.
- s. Send final termination settlement package(s) to the ACO and PCO.

#### **2.4. ACO.**

The ACO must:

- a. Review Termination for Convenience (T4C) notices to ensure that the contract administration is assigned to DCMA.
- b. For complete terminations, complete a DCMAF 1797 to update and move terminated contract to Section 3 and ensure R3- Reason Code TERM-C and R9-Reason Code "09" is added into MOCAS. For partial terminations, the contract remains in Section 1. Ensure the R9 Reason Code '09' is present and add an ACO remark that includes the T4C date in MOCAS.
- c. Provide the T4C package to the Terminations Inbox for TCO assignment to include: contract award document, T4C modification and termination notice, PCO and contractor contact information such as name, email, phone number. Completion of a Request for Settlement Support - Overaged Termination is required for cases submitted to the Terminations Inbox later than 1 year from the effective date of termination. See the Terminations Inbox and Request for Settlement Support - Overaged Termination information on the resource page for this manual.
- d. Review the notice and notify the TCO of any outstanding issues and claims.
- e. Coordinate with the TCO regarding funds at risk of cancelling in accordance with DCMA Manual 2501-03.
- f. Perform contract closeout functions.
- g. Issue inventory transfer modifications when applicable. Prior to issuance, the ACO must coordinate with the assigned PCO.
- h. Coordinate with functional specialists to support technical report request submitted by TCO.

- i. Provide support for any contract administration issues that arise.

## **2.5. PLANT CLEARANCE OFFICER (PLCO).**

The PLCO must:

- a. Accept termination inventory schedules submitted into the GFP-PCC only after receiving concurrence from the TCO. Upon acceptance, provide the TCO with the Plant Clearance case number, acceptance date of the inventory schedule, and other pertinent information as needed by the TCO.
- b. Ensure inventory verification and allocability reviews are completed and documented on Standard Form (SF) 1423, "Inventory Verification Survey." Provide the TCO with a copy of the SF 1423 upon completion.
- c. Coordinate disposal plan with the TCO prior to issuing disposition instructions to the contractor. Provide a copy of the SF 1424, "Inventory Disposal Report," to the TCO immediately upon closure of Plant Clearance cases associated with the termination inventory.
- d. Ensure inventory verifications, allocability reviews, and witnessing demilitarization actions are performed when required. Coordinate these activities and request support from other PLCOs, property administrators, quality assurance specialists, or other qualified functional specialists to minimize travel costs.
- e. Understand that inventory schedules for Special Program terminations are manually created documents; and the GFP-PCC is not used.

## **2.6. QUALITY ASSURANCE SPECIALIST.**

The quality assurance specialist must:

- a. Support termination inventory verifications and demilitarization upon receipt of request from the PLCO.
- b. Provide technical assistance when requested by the ACO.

## **2.7. ACO, DCMA INTERNATIONAL.**

The ACOs of DCMA International must coordinate with Host Nation partners as applicable.

## **2.8. ACO, DCMA SPECIAL PROGRAMS.**

The ACOs of the DCMA Special Programs retain the authority to negotiate and settle terminations for convenience.

## SECTION 3: T4C PROCEDURES

### 3.1. OVERVIEW.

Part 49 of the FAR, “Termination of Contracts,” and the FAR clauses that apply the Government’s termination rights to contractors provide authorization for contracting officers to terminate contracts and to enter into settlement agreements. Termination authority resides with the PCO. T4C responsibility is prescribed under Subpart 42.3 of the FAR; further delegation from the PCO is not required.

a. Upon receipt of an executed termination notice, the TCO must:

(1) Provide cradle-to-grave settlement services.

(2) Advise the PCO of any excess funds that can be released from the contract and provides status reports when the termination docket is initially assigned, semiannually by 30 April and 30 October, and upon final settlement.

(3) Contact the contractor advising on the settlement process, settlement forms, instructions on creating a settlement proposal, and guidelines on termination inventory, if applicable.

(4) Evaluate settlement proposals and obtain the appropriate field reviews, if required.

(5) Coordinate the return of government furnished property (GFP).

(6) Disposition termination inventory.

(7) Issue the final settlement modification.

(8) After final settlement upload the closing documents to the agency system of record and notify the assigned ACO to process contract closeout.

b. A termination docket may be returned if requests for assistance or additional information is not provided to the assigned TCO. If a case is returned, a request to restart termination settlement support may be submitted if the required information is obtained and provided as part of the resubmission.

c. For funding shortage issues, the TCO must receive the adequate funding on the contract within 30 days of notification in accordance with FAR 49.105-2.

d. The responsibility for settling Terminations for Default remains with the PCO and cannot be delegated to the TCO. The TCO provides settlement support for cooperative agreements and other transactions consistent with the termination provisions of the agreement.

e. This manual provides guidance for executing the termination settlement process.

### 3.2. RECEIVE THE TERMINATION NOTIFICATION.

a. The PCO issues a written termination notice to the contractor. The executed notice is distributed to the contractor and ACO. Upon receipt, the ACO must upload the termination notice and all documents related to the termination into the Agency system of record for termination files. In some instances, termination notices are submitted directly to the Terminations Group from the PCO via email or the termination inbox. The terminations inbox email address is located on the resource page for this manual. Notification of the termination must be received in the terminations inbox within 1 year of the effective date of termination. Each termination must be sent in separate email correspondence and should contain the information identified in the Terminations Quick Reference Guide found on the resource page for this manual. When received by the Terminations Group, a termination supervisor creates a termination docket and assigns it to the TCO.

b. The TCO must:

(1) Review the termination notice to ensure compliance with the requirements of Part 49 of the FAR, Part 12 of the FAR, and Part 249 of the Defense Federal Acquisition Regulations Supplement (DFARS).

(2) Review the notice to ensure it contains the requirements outlined in FAR 49.102. If the notice is not in compliance, the TCO must coordinate with Termination Supervisor for review and approval before notifying the PCO. The termination notice must state:

(a) The contract is being terminated for convenience of the Government under the contract clause authorizing the termination.

(b) The effective date of termination.

(c) The extent of termination.

(d) Any special instructions.

(3) Review the notice and contract for applicability to the appropriate termination clause.

(4) Review the notice to ensure the PCO has not included settlement language (i.e., “no cost cancellation, canceled in its entirety, or is authorized to invoice”). If settlement language is included in the termination notice, the TCO must coordinate with the termination supervisor for review and approval before returning the termination to the PCO.

(5) Review the notice to confirm the date of termination.

(6) Review the notice to determine if the contract was completely or partially terminated.

### 3.3. CONDUCT POST-TERMINATION CONFERENCE.

The TCO must conduct a post-termination conference as outlined in FAR 49.105(c) and direct the action required of the prime contractor. The TCO will:

- a. Estimate the funds required to settle the termination within 30 days after the receipt of the termination notice in accordance with FAR 49.105-2 (a). See Termination Group Standard Operating Procedure for Release of Excess Funds for the steps to estimate the funds required to settle the termination even when the contractor does not provide an estimate and the “Post Termination Initial Contact with Contractor Letter Template” on the resource page for this manual.
- b. Provide the PCO with an initial release of excess funds notification after receipt of the termination notice in accordance with FAR 49.105-2. Once a sufficient proposal is received, the TCO must provide the PCO an interim release of funds notification. This notice is sent via email and a copy is uploaded to the contract file.
- c. Notify the contractor that complete inventory schedules, to include termination inventory located at subcontractor(s) facilities, are due within 120 days of the effective date of the termination notice in accordance with FAR 49.206-3 or FAR 49.303-2. Advise on general principles and procedures to be followed in the protection, preservation, and disposition of the contractor’s and subcontractors’ termination inventories, including the preparation of termination inventory schedules. The contractor is required to submit inventory in the GFP-PCC. The TCO will make arrangements for transfer of title and delivery to the government of any material required by the government in accordance with FAR 49.105(c)(7).
- d. Notify the contractor of the forms required to submit a settlement proposal.
- e. Advise the contractor of the timeline requirement for submission of a termination settlement proposal. Non-commercial termination proposals must be submitted to the TCO within 1 year of the effective date of the termination notice unless extended by the TCO in accordance with FAR 49.206-1 and FAR 49.303-1. In the instance of a commercial contract that is terminated for convenience of the Government, the settlement proposal must be submitted within 6 years from the effective date of the termination notice. TCOs must consult with assigned counsel prior to informing a contractor that the contractor's termination settlement proposal is untimely in accordance with FAR 49.206-1 or the contractor failed to timely submit a complete inventory disposal schedule in accordance with FAR 49.206-3.
- f. Obtain a list of subcontractors and the date subcontractor termination notices were issued.
- g. Review contract to determine existence of first article testing requirements. If identified, obtain information on whether approval was issued by the Contracting Officer.
- h. Determine if there are any government claims or claims against the government.

i. Coordinate with Host Nation Partners, as applicable, when the termination involves DCMA International.

### **3.4. TERMINATION DOCKET FILE.**

The TCO responsible for negotiating the final settlement must maintain a separate case file for each termination in accordance with FAR 49.105-3. The files should be uploaded into the agency system of record contract file. The file will include:

- a. Memoranda and records of all actions relative to the settlement
- b. Copy of the termination notice
- c. Opening letters to PCO, ACO, and contractor
- d. All applicable DD Form 1598s (initial, semiannual(s), and final)
- e. Funding documents (MOCAS or Shared Data Warehouse)
- f. Contractor Proposal
- g. Subcontractor Proposal, if applicable
- h. Audit Report and correspondence
- i. Technical Reports
- j. Negotiation Memorandum(s)
- k. Inventory Schedules and Disposal Report

### **3.5. ISSUE DD FORM 1598.**

a. The TCO will:

- (1) Prepare the initial DD Form 1598.
- (2) Send one copy to the PCO and one copy to the ACO in accordance with DFARS Procedures, Guidance, and Information (PGI) 249.105-1.
- (3) Continue reporting semiannually to cover the 6-month periods ending March and September. The semiannual reports must be submitted within 30 days after the end of the reporting period.
- (4) Submit a final report within 30 days after closing the termination.

b. The TCO distributes the reports via email to the ACO and PCO and a copy will be uploaded in the agency system of record contract file. The DD Form 1598 will be filed in the agency system of record.

### **3.6. RELEASE OF EXCESS FUNDS.**

The TCO must estimate the funds required to settle the termination and, within 30 days after the receipt of the termination notice, recommend the release of excess funds to the contracting officer. Therefore, the TCO must notify the PCO and the ACO the amount of excess funds that can be removed from the contract in accordance with FAR 49.105-2. This notification is completed via letter. The notification letter will be filed in the agency system of record.

### **3.7. REVIEW SETTLEMENT PROPOSAL.**

The contractor must submit a final settlement proposal within 1 year from the effective date of termination unless the period is extended by the TCO. The contractor must use the form(s) prescribed in FAR 49.602-1 unless it is a commercial contract as stated in FAR 49.002(a)(2). When the contractor submits a settlement proposal, the TCO must review the proposal for sufficiency. The TCO must:

- a. Review the proposal to ensure the appropriate proposal form(s) was utilized.
- b. Ensure the proposal contains all required contractor information (i.e., signature and date).

### **3.8. OBTAIN FIELD REVIEWS.**

The TCO must obtain the appropriate field review for each prime contractor settlement proposal, if applicable. After review of contractor's settlement proposal, the TCO may request assistance from other functional or technical specialists. The TCO will:

a. Ensure contractor provides certified cost and pricing data in accordance with FAR 49.105(c)(15) and FAR 15.403(a)(1) requirements. Refer all settlement proposals at either the prime or subcontract level at or above the threshold for obtaining certified cost or pricing data set forth in FAR 15.403-4(a)(1) to the appropriate audit agency for review and recommendation. The referral should indicate any specific information or data that the TCO desires and should include facts and circumstances that will assist the audit agency in performing the evaluation function. The TCO will utilize the Audit Request memorandum located in the Agency system of record when requesting an audit.

b. Determine the appropriate branch office by inquiring through the DCAA web page. The audit request is submitted to DCAA via email. The TCO must:

(1) Check for any current audit threshold deviations on the resource page for this manual in accordance with FAR 49.107.

(2) Request an agreed-upon procedures audit from DCAA for complete termination of a cost-reimbursable contract and upon receipt of final voucher from contractor.

c. Ensure the contractor submits the complete inventory disposal schedules in the GFP-PCC reflecting inventory that is allocable to the terminated portion of the contract. The inventory schedules must be submitted within 120 days from the effective date of the termination unless otherwise extended by the TCO based on written justification to support the extension. The TCO must request plant clearance for terminations requiring disposition of termination inventory. The TCO must:

(1) Ensure the contractor submits complete inventory schedules in the agency system of record, the GFP-PCC.

(2) Complete a request for Plant Clearance Memorandum and a DD Form 1640, "Request for Plant Clearance." The request is then submitted to the appropriate PLCO via email. The request will include the contract number, the Inventory Schedule number (if known), and any available information regarding other technical reviews requested as it pertains to termination inventory. The TCO will identify the assigned PLCO by emailing the plant clearance inbox or accessing the Award Management Team in Procurement Integrated Enterprise Environment or utilizing the Plant Clearance Group's Workload Listing on the DCMA Manual 2501-04, "Plant Clearance," resource page. The DD Form 1640 will be filed in the agency system of record.

(3) For classified inventory or data, request that the contractor prepare a listing of all classified inventory or data. Classified inventory cannot be submitted in the GFP-PCC. The listing must be coordinated with the security office of the buying command, the contractor, and the DCMA Special Programs Property Center.

d. Notify the PLCO if the contract contains a First Article requirement by annotating the DD Form 1640, "This contract has a first article testing requirement. Please contact the TCO prior to inventory verification/allocability review."

e. Request Technical assistance through the assigned ACO to:

(1) Obtain the contract percentage of completion for commercial contract terminations.

(2) Obtain percent complete for partial terminations.

(3) Support a request from DCAA in support of a termination proposal audit.

### **3.9. PREPARE PNOM.**

The PNOMs are required for proposed contractor settlements valued at or above the threshold for certifying cost or pricing data as set forth in FAR 15.403-4(a)(1). The TCO may prepare a PNOM for proposals less than the threshold for obtaining certified cost or pricing data when deemed necessary.

a. The TCO must:

(1) Where required, establish pre-negotiation objectives before entering into settlement negotiation.

(2) Resolve and disposition all contract audit and technical findings.

b. The pre-negotiation objectives must include results from DCMA field support and the DCAA audit as applicable (refer to DFARS 249.110). The contractor proposed amounts, audit questioned amounts, and the TCO's position must also be included in the pre-negotiation position.

c. The PNOM should also include evidence that sufficient funding is available. The PNOM template is located on the resource page of this manual.

### **3.10. OBTAIN APPROPRIATE CLEARANCE.**

The TCO must obtain the appropriate level of review prior to entering negotiations.

a. Supervisor review is required for a proposed settlement amount in excess of \$2 million for GS-12 TCO and in excess of \$4 million for GS-13 TCO. Please see the Termination Group Threshold for Reviews on the resource page.

b. Termination Group Director's review is required for a proposed settlement amount in excess of \$10 million.

c. DCMA Manual 2201-05, "Boards of Review," requires a Board of Review for a proposed settlement amount greater than \$10 million. Please see the Board of Review Matrix on its resource page for details.

d. Office of General Counsel's review is required for proposed settlements needing a Board of Review and as deemed appropriate by the TCO.

### **3.11. NEGOTIATE SETTLEMENT AND ISSUE SETTLEMENT MODIFICATION.**

The TCO should proceed with the settlement and execution of a settlement agreement upon completion of required reviews. At the completion of negotiation, and if agreement is reached, the TCO must:

a. Prepare a SNM supporting the amount, if any, that is due to the contractor. See FAR 49.110 for more information. See DFARS PGI 249.110 for guidance regarding fixed-price and cost-reimbursement contracts. The TCO must prepare a SNM for all settlement methods prescribed in FAR 49.103.

b. Disallow for any item of cost disallowed by the government or any other item of cost of the same nature. The final settlement agreement may, however, include all demands of the government and contractor proposals.

c. Obtain PCO's approval to deobligate excess funds as part of the final settlement modification, when applicable.

d. Issue a final settlement modification if an agreement can be reached in accordance with FAR 49.109. Modifications are completed through the Agency system of record for modifications identified on the resource page for this manual. If the TCO does not have access to the terminated contract in the agency system of record for modifications, or if adequate funding is not on the contract, the termination file will be returned to the buying command for issuance of the settlement modification. A request to resume termination support will be considered if the TCO receives the adequate funding on the contract within 30 days of funding shortage notification in accordance with FAR 49.105-2.

e. Issue a COFD and follow the process steps in DCMA Manual 2201-04 and complete Contract Audit Follow Up checklist on its resource page when the contractor and the TCO cannot agree on a full termination settlement. Before the issuance of a final decision, the TCO must issue a 15-day notice giving the contractor the opportunity to submit additional information in accordance with FAR 49.109-7(b). The 15-day notice must be sent by certified mail with return receipt requested. The TCO must coordinate the issuance of the 15-day notice and any final decisions with the Terminations Supervisor, Terminations Group Director, and Office of General Counsel before release. The 15-day notice will be filed in the agency system of record.

(1) After considering the additional information provided, if any, and an agreement is reached, the TCO must issue the final settlement modification.

(2) If, after considering the additional information an agreement is not reached, the TCO will use Alternate Dispute Resolution, when appropriate, prior to issuing a final decision. If an agreement cannot be reached, the TCO will then issue a final decision. See FAR 49.109-7 and DFARS PGI 249.109-7 for use of SF 30, "Amendment of Solicitation/Modification of Contract." All COFDs must be reviewed by the Terminations Supervisor, Terminations Group Director, and the Office of General Counsel before release. The TCO should retain the file until the appeal period for a final decision has passed and the TCO is sure that the contractor has not appealed its determination.

f. Issue the final DD Form 1598. The TCO will submit a final contract termination report after closing the termination in accordance with DFARS PGI 249.105-1. A copy of the final DD Form 1598 must be filed in the agency system of record.

### **3.12. NOTIFICATION TO PROCEED WITH CLOSEOUT.**

Once the TCO executes the final settlement modification, the ACO will be advised to proceed with contract closure.

a. The TCO must provide notification of settlement to the ACO advising if there are excess funds to be deobligated. A deobligation is the downward adjustment of the obligation recorded in a contract document. It is caused by factors such as termination of a part of the project, reduction in material prices, cost under-run, or correction of recorded amounts. The ACO will proceed with normal administration activities on the balance of the remaining contract or coordinate with the PCO to ensure funds are deobligated.

b. If the termination is partial, the documents are included in the active contract file. If the termination is complete, the ACO will be notified to proceed with close out of the contract.

## **SECTION 4: UNILATERAL AND NO COST SETTLEMENT PROCEDURES**

### **4.1. UNILATERAL SETTLEMENTS.**

If the TCO does not receive the settlement proposal within the 1-year time requirement as stated in FAR 49.206-1, and the time period has not been extended by the TCO, the TCO will consider issuing a unilateral determination settlement modification with the concurrence of the assigned legal counsel if the termination was submitted to the Terminations Inbox within 1 year of the date of termination. Completion of a Request for Settlement Support – Overage Termination is required for cases submitted to the Terminations Inbox later than 1 year from the effective date of termination. See the Request for Settlement Support – Overage Termination information on the resource page for this manual.

- a. Prior to issuing the unilateral modification, the TCO must collect any unliquidated progress payments remaining on the contract or debts owed to the Government (i.e., overpayment made to contractor).
- b. The TCO must also obtain from the property administrator or the contracting officer a confirmation indicating the status of GFP or contractor acquired under the contract, if applicable.
- c. The TCO must issue a unilateral modification by creating it in the agency system of record for modifications.

### **4.2. NO COST SETTLEMENTS.**

- a. The TCO will issue a no cost agreement when:
  - (1) The contractor has not incurred costs for the terminated portion of the contract.
  - (2) The contractor is willing to waive the costs incurred.
  - (3) No amounts are due to the Government under the contract.
- b. When the TCO determines that a no cost settlement is appropriate, the TCO will ensure the collection of any unliquidated progress payments remaining on the contract or debts owed to the government (i.e., overpayment made to contractor) are processed prior to issuance.
- c. The TCO must also obtain confirmation, if applicable, indicating the status of GFP or material furnished to, or acquired by, the contract from the property administrator, the contracting officer, or the PLCO.
- d. The TCO will issue a bilateral no cost modification reflecting the settlement agreement.

#### **4.3. NOTIFY THE ACO FOR CLOSEOUT.**

Once the TCO executes the final settlement modification, all files are uploaded into the agency system of record for incorporation into the official contract file. The TCO will advise the ACO of any excess funds to be deobligated and to proceed with close out functions.

## GLOSSARY

### G.1. ABBREVIATIONS AND ACRONYMS.

<b>ACRONYM</b>	<b>MEANING</b>
ACO	administrative contracting officer
COFD	Contracting Officer's Final Decisions
DCAA	Defense Contract Audit Agency
DCMAF	DCMA Form
DCMA Form 1797	Request for MOCAS Action/Information
DD Form 250	Material Inspection and Receiving Report
DD Form 1598	Contract Termination Status Report
DD Form 1640	Request for Plant Clearance
DFARS	Defense Federal Acquisition Regulation Supplement
FAR	Federal Acquisition Regulation
GFP	government furnished property
GCP-PCC	Government Furnished Property Module Plant Clearance Capability
GS	General Schedule
MOCAS	Mechanization of Contract Administration Services
PCO	procuring contracting officer
PGI	Procedures, Guidance, and Information
PLCO	Plant Clearance Officer
PNOM	pre-negotiation objectives memorandum
SF	Standard Form
SF 30	Amendment of Solicitation/Modification of Contract
SF 1423	Inventory Verification Survey
SF 1424	Inventory Disposal Report
SNM	settlement negotiation memorandum
TCO	termination contracting officer
T4C	Termination for Convenience

## GLOSSARY

### G.2. DEFINITIONS.

<b>TERM</b>	<b>MEANING</b>
<b>complete termination</b>	A contract terminated in its entirety, regardless of contract performance prior to termination. No additional work is to be done on the contract after the termination effective date.
<b>First Article</b>	A preproduction model, initial production sample, test sample, first lot, pilot lot, or pilot models.
<b>government property</b>	Government property means all property owned or leased by the government. Government property includes both government furnished and contractor acquired property. Government property includes material, equipment, special tooling, special test equipment, and real property. Government property does not include intellectual property and software. (FAR 52.245-1)
<b>partial termination</b>	Termination of a severable portion of a contract. (i.e., a line item or a modification). When a contract is partially terminated, work continues on the remainder of the contract requirement.
<b>settlement agreement</b>	A written agreement in the form of a contract modification settling all or a severable portion of a settlement proposal. (FAR Part 49.001, Definitions).
<b>settlement proposal</b>	A proposal for effecting a settlement of a contract terminated in whole or partially, submitted by a contractor or subcontractor in the form, and supported by the data, required from Part 49 of the FAR. A settlement proposal is included within the generic meaning of the work “claim” under false claims acts. (FAR 49.001, Definitions)
<b>T4C</b>	The exercise of the Government’s right to completely or partially terminate performance of work under a contract when it is in the Government’s interest.
<b>termination inventory</b>	Property purchased, supplied, manufactured, furnished, or otherwise acquired for the performance of a contract subsequently terminated and properly allocable to the terminated portion of the contract. It includes GFP. It does not include any facilities, material, special test equipment, or

special tooling that are subject to a separate contract or to a special contract requirement governing their use or disposition (FAR 2.101, Definitions).

## REFERENCES

Code of Federal Regulations, Title 48, Part 249  
DCMA Manual 2201-05, "Boards of Review," December 20, 2021  
DCMA Manual 2201-04, "Contract Audit Follow Up," November 25, 2022  
DCMA Manual 2501-03, "Funds Lifecycle," September 30, 2022  
DCMA Manual 2501-04, "Plant Clearance," February 14, 2019, as amended  
DCMA Manual 2501-07, "Contract Closeout," January 14, 2019  
Defense Federal Acquisition Regulations Supplement, Part 249, current edition  
Defense Federal Acquisition Regulations Supplement Procedures, Guidance, and Information  
249.1 Termination of Contracts, General Principles  
DoD Directive 5105.64, "Defense Contract Management Agency (DCMA)," January 10, 2013,  
as amended  
Federal Acquisition Regulation, current edition