

**PHASE II: CONTRACT ADMINISTRATION**

**Activity 50: Termination**

Identify indicators of the possible need to terminate a contract.

With other members of the government acquisition team, identify available alternatives for action and the associated pros and cons.

Select the appropriate alternative.

**Termination of Contracts for the Government's Convenience**

Document the need to terminate a contract partially or completely for convenience.

Issue a notice of termination for convenience.

Execute a no-cost settlement (when appropriate).

Conduct a conference with the prime contractor to develop a definite program for effecting the settlement.

Amend or rescind the termination notice (when appropriate).

Determine the disposition and termination treatment of completed end items.

Ensure the prime contractor's termination settlement proposal and, where appropriate, the subcontractors' settlement proposals are acceptable for settlement action.

Request any specialized assistance to analyze the contractor's settlement proposal.

**Non-Commercial Item Contract**

Determine whether to authorize contractors to settle subcontracts terminated in whole or in part without approval or ratification.

If no,

If yes,

Approve, ratify, or disapprove subcontract termination settlements.

When the prime contractor is unable to reach an acceptable negotiated settlement with a subcontractor, resolve the problem.

Establish the Government's prenegotiation position on the settlement and negotiation.

If no negotiation agreement can be reached, issue a unilateral settlement by determination.

**Commercial Item Contract or Simplified Acquisition**

Negotiate a settlement based on a percentage of price plus reasonable charges.

Prepare a settlement negotiation memorandum.

Obtain reviews and clearances of the proposed settlements.

Make final payment or, where the partial payment was in excess of the final amount of the settlement, demand repayment.

Calculate and release excess funds.

Given a contractor's request for an equitable adjustment on the remainder of a fixed-price contract partially terminated for convenience, make an equitable adjustment (when appropriate).

**Terminating for Cause or Default**

Document the case for terminating a contract partially or completely for cause or default.

Discuss the propriety of terminating a contract for cause/default with technical personnel and legal counsel.

Issue notice of termination for cause/default.

Inform parties who may be involved in or affected by the termination.

Conduct a conference with the prime contractor to review the termination process (when appropriate).

Amend or rescind the termination notice (when appropriate).

**Fixed-Price Contract**

Determine whether to accept completed supplies and/or manufacturing materials.

Review the contractor's proposal on the amount of payment for manufacturing materials delivered and accepted, and for the protection and preservation of the property in possession.

Issue a final decision, if no agreement is reached on the payment amount for any manufacturing materials delivered and accepted, and for any protection and preservation of the property.

Negotiate an agreement on the amount of payment for manufacturing materials delivered and accepted, and for the protection and preservation of the property.

Determine the amount owed the contractor (if any).

Select and apply one or more available remedies.

Reprocure the remaining requirement (when appropriate).

Demand payment by the contractor for any amount owed the Government for reprocurement costs.

**Cost-Reimbursement Contract**

Settle a cost-reimbursement contract termination for default.

Prepare a memorandum for the contract file explaining the reasons for the actions taken.

Ensure that information related to termination notices and any amendments are reported to the Federal Awardee Performance and Integrity Information System (FAPIS).