

## 49.101 Authorities and responsibilities.

(a) The termination clauses or other *contract clauses* authorize *contracting officers* to terminate contracts for convenience, or for default, and to enter into *settlement agreements* under this regulation.

(b) The *contracting officer shall* terminate contracts, whether for default or convenience, only when it is in the Government's interest. The *contracting officer shall* effect a no-cost settlement instead of issuing a termination notice when-

(1) It is known that the contractor will accept one,

(2) Government property was not furnished, and

(3) There are no outstanding payments, debts due the Government, or other contractor obligations.

(c) When the price of the undelivered balance of the contract is less than \$5,000, the contract *should* not normally be terminated for convenience but *should* be permitted to run to completion.

(d) After the *contracting officer* issues a notice of termination, the termination *contracting officer* (TCO) is responsible for negotiating any settlement with the contractor, including a no-cost settlement if appropriate. Auditors and TCO's *shall* promptly schedule and complete audit reviews and negotiations, giving particular attention to the need for timely action on all settlements involving small business concerns.

(e) If the same item is under contract with both large and small business concerns and it is necessary to terminate for convenience part of the units still to be delivered, preference *shall* be given to the continuing performance of small business contracts over large business contracts unless the chief of the *contracting office* determines that this is not in the Government's interest.

(f) The *contracting officer* is responsible for the release of excess funds resulting from the termination unless this responsibility is specifically delegated to the TCO.

**Parent topic:** [Subpart 49.1 - General Principles](#)