49.206-1 Submission of settlement proposals.

(a) Subject to the provisions of the termination clause, the contractor *should* promptly submit to the TCO a *settlement proposal* for the amount claimed because of the termination. The final *settlement proposal must* be submitted within oneyear from the effective date of the termination, unless the period is extended by the TCO. Termination charges under a single prime contract involving two or more divisions or units of the prime contractor *may* be consolidated and included in a single *settlement proposal*.

(b) The *settlement proposal must* cover all cost elements including settlements with subcontractors and any proposed profit. With the consent of the TCO, proposals *may* be filed in successive steps covering separate portions of the contractor's costs. Such interim proposals *shall* include all costs of a particular type, except as the TCO *may* authorize otherwise.

(c) *Settlement proposals must* be on the forms prescribed in 49.602 unless the forms are inadequate for a particular contract. *Settlement proposals must* be in reasonable detail supported by adequate accounting data. Actual, standard (appropriately adjusted), or average costs *may* be used in preparing *settlement proposals* if they are determined under generally recognized accounting principles consistently followed by the contractor. When actual, standard, or average costs are not reasonably available, estimated costs *may* be used if the method of arriving at the estimates is approved by the TCO. Contractors *shall* not be required to maintain unduly elaborate cost accounting systems merely because their contracts *may* subsequently be terminated.

(d) The contractor *may* use the *Settlement Proposal* (Short Form), SF 1438 (see 49.602-1(d) and 53.249), when the total proposal is less than $10,000, unless otherwise instructed by the TCO. *Settlement proposals* that would normally be included in a single *settlement proposal*; *e.g.,* those based on a series of separate orders for the same item under one contract, *should* be consolidated whenever possible and not divided to bring them below $10,000.

(e) The Schedule of Accounting Information, SF 1439, *must* be submitted for each termination under a contract for which a *settlement proposal* is submitted, except when the Standard Form 1438 is used. Although several interim proposals *may* be submitted, SF 1439 need be submitted only once unless, subsequent to filing the original form, major changes occur in the information submitted.

Parent topic: 49.206 Settlement proposals.