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ACQUISITION  
TECHNOLOGY  
AND LOGISTICS

JUN 23 2009

MEMORANDUM FOR DEPUTY ASSISTANT SECRETARY OF THE ARMY  
(PROCUREMENT), ASA(ALT)  
DEPUTY ASSISTANT SECRETARY OF THE NAVY  
(ACQUISITION AND LOGISTICS MANAGEMENT),  
ASN(RDA)  
DEPUTY ASSISTANT SECRETARY OF THE AIR FORCE  
(CONTRACTING), SAF/AQC  
DIRECTORS, DEFENSE AGENCIES  
DIRECTORS, DOD FIELD ACTIVITIES

SUBJECT: GAO Report No. GAO-08-379, "Defense Acquisitions: Termination Costs Are Generally Not a Compelling Reason to Continue Programs or Contracts That Otherwise Warrant Ending," March 14, 2008

In the subject final report, the Government Accountability Office (GAO) recommended that DoD review, and as needed amend, guidance on terminations across the military services and DoD. The review was to ensure that termination guidance consistently identifies the conditions under which it is appropriate to end programs or contracts, and that current guidance provides the knowledge needed to use terminations as an investment portfolio tool.

We have completed our review of the termination guidance within the military departments and the Defense Contract Management Agency (DCMA). A request to verify the adequacy of all termination guidance within the Defense Agencies and DoD Field Activities is currently pending. Recently, there have been proposed FAR revisions submitted to the DAR Council for consideration. Once these FAR cases have been appropriately addressed, we will complete our review and amend as needed, current guidance on termination policy within the Department.

Contracting officers are reminded to carefully consider all aspects of contract terminations. Contract termination costs should be an important factor in any decision to end a program or contract. FAR Part 49, Termination of Contracts, provides the Contracting officer required guidance for the complete or partial termination of contracts for the convenience of the Government or for default.

My staff point of contact for this subject is Mr. Warren Arneson. He can be reached at 703-695-4258 or [warren.arneson@osd.mil](mailto:warren.arneson@osd.mil).

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