



## What to do When Your Contract has Been Terminated for Convenience (T4C)

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As the Federal Government's Super Committee works to slash spending from the budget, and other agencies must deal with the reality of tighter budgets, many small government contractors are going to feel the impact. Unfortunately for many, this could result in an unexpected termination! The government has at its disposal, an occasionally used contract clause "Termination for Convenience (T4C) of the Government" (FAR 52.249-1 to 52.249-7). These clauses give the government the right to terminate your contract upon notice, and unfortunately, it is **always** included in a government contract! Below is a list of steps you need to take if this happens to you:

<b>1. Call your program manager or lead and initiate the work stoppage.</b>
<b>2. Contact your working subcontractors and notify them that the T4C has been received and to stop all work.</b>
<b>3. Alert your accounting and contracts group that the termination was received.</b>
<b>4. As the termination is not a regular event, you may be entitled to recapture some costs in this transition phase.</b>
<b>5. Establish a new project reference number or charge code to capture these labor and other costs separately from the actual contract work.</b>
<b>6. Pass the word to everyone who has been working on the project that a new number exists. Capture all costs from the termination date forward.</b>
<b>7. The contractor is entitled to reimbursement of reasonable costs incurred in the performance of the work that was terminated. This would also include a reasonable profit.</b>
<b>8. Keep track of the costs in the newly formed charge number. Here is one time where overhead costs may be billed as direct costs. These settlement expenses can include accounting, legal, and clerical costs. Indirect costs related to salary and wages incurred as settlement expenses can be included as well.</b>
<b>9. Keep track of unexpired lease costs continuing after termination, as these costs are generally allowable as well</b>
<b>10. After T4C, the contractor must submit a timely termination proposal that outlines all of your expenses requested for reimbursement. The timely submittal is defined as mailing the proposal within one year of the notice of termination.</b>

ReliAscent, LLC is your one-stop source to help prepare your accounting system for DCAA compliance. **Call today at 303-999-3802 to schedule one of our qualified team members to assist you.**