(i) Dispose of termination inventory, as directed or authorized by the TCO.

49.105 Duties of termination contracting officer after issuance of notice of termination.

(a) Consistent with the termination clause and the notice of termination, the TCO shall—
   (1) Direct the action required of the prime contractor;
   (2) Examine the settlement proposal of the prime contractor and, when appropriate, the settlement proposals of subcontractors;
   (3) Promptly negotiate settlement with the contractor and enter into a settlement agreement; and
   (4) Promptly settle the contractor's settlement proposal by determination for the elements that cannot be agreed on, if unable to negotiate a complete settlement.

(b) To expedite settlement, the TCO may request specially qualified personnel to—
   (1) Assist in dealings with the contractor;
   (2) Advise on legal and contractual matters;
   (3) Conduct accounting reviews and advise and assist on accounting matters; and
   (4) Perform the following functions regarding termination inventory (see subpart 45.6): (i) Verify its existence.
   (ii) Determine qualitative and quantitative allocability.
   (iii) Make recommendations concerning serviceability.
   (iv) Undertake necessary screening and redistribution.
   (v) Assist the contractor in accomplishing other disposition.

(c) The TCO should promptly hold a conference with the contractor to develop a definite program for affecting the settlement. When appropriate in the judgment of the TCO, after consulting with the contractor, principal subcontractors should be requested to attend. Topics that should be discussed at the conference and documented include—
   (1) General principles relating to the settlement of any settlement proposal, including obligations of the contractor under the termination clause of the contract;
   (2) Extent of the termination, point at which work is stopped, and status of any plans, drawings, and information that would have been delivered had the contract been completed;
   (3) Status of any continuing work;
   (4) Obligation of the contractor to terminate subcontracts and general principles to be followed in settling subcontractor settlement proposals;
   (5) Names of subcontractors involved and the dates termination notices were issued to them;
   (6) Contractor personnel handling review and settlement of subcontractor settlement proposals and the methods being used;
   (7) Arrangements for transfer of title and delivery to the Government of any material required by the Government;
   (8) General principles and procedures to be followed in the protection, preservation, and disposition of the contractor's and subcontractors' termination inventories, including the preparation of termination inventory schedules;
   (9) Contractor accounting practices and preparation of SP 1459 (Schedule of Accounting Information (49.602–3));
   (10) Form in which to submit settlement proposals;
   (11) Accounting review of settlement proposals;
   (12) Any requirement for interim financing in the nature of partial payments;
   (13) Tentative time schedule for negotiation of the settlement, including submission by the contractor and subcontractors of settlement proposals, termination inventory schedules, and accounting information schedules (see 49.206–3 and 49.303–2);
   (14) Actions taken by the contractor to minimize impact upon employees affected adversely by the termination (see paragraph (g) of the letter notice in 49.601–2); and
   (15) Obligation of the contractor to furnish accurate, complete, and current cost or pricing data, and to certify to that effect in accordance with 15.403–4(a)(1) when the amount of a termination settlement agreement, or a partial termination settlement agreement plus the estimate to complete the
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49.107 Audit of prime contract settlement proposals and subcontract settlements.

(a) The TCO shall refer each prime contractor settlement proposal of $100,000 or more to the appropriate audit agency for review and recommendations. The TCO may submit settlement proposals of less than $100,000 to the audit agency. Referrals shall indicate any specific information or data that the TCO desires and shall include facts and circumstances that will assist the audit agency in performing its function. The audit agency shall develop requested information and may make any further accounting reviews it considers appropriate. After its review, the audit agency shall submit written comments and recommendations to the TCO. When a formal examination of settlement proposals under $100,000 is not warranted, the TCO will perform or have performed a desk review and include a written summary of the review in the termination case file.

(b) The TCO shall refer subcontract settlements received for approval or ratification to the appropriate audit agency for review and recommendations when (1) the amount exceeds $100,000 or (2) the TCO wants a complete or partial accounting review. The audit agency shall submit written comments and recommendations to the TCO. The review by the audit agency does not relieve the prime contractor or higher tier subcontractor of the responsibility for performing an accounting review.

(c)(1) The responsibility of the prime contractor and of each subcontractor (see 49.108) includes performance of accounting reviews and any necessary field audits. However, the TCO should request the Government audit agency to perform the accounting review of a subcontractor’s settlement proposal when—