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United States General Accounting Office
Washington, DC 20548

Office of
General Counsel

April 5, 1979

In Reply
Refer to: B-194348

Mr. T. G. Cassidy, Acting Director
Defense Acquisition Regulatory Council
Office of the Under Secretary of Defense
Department of Defense

DLG-00571
Public Reading

Dear Mr. Cassidy:

By letter dated March 5, 1979, you submitted for our comment a proposed revision to DAR 15-205.42 Termination Costs.

You indicate that this proposed revision was developed as a result of advice received from the Cost Accounting Standards Board that not all contractors establish separate work orders for the identification of termination-related costs. The CAS Board recommended the establishment of a requirement for a final cost objective for termination-related costs for any contract termination. You state that these costs could be better measured if specifically identified at the time of incurrence. It is your view that a requirement to account for costs related to a contract termination in a separate final cost objective established for such costs would facilitate settlements.

In the proposed revision to DAR 15-205.42, the term "termination-related costs" is defined as those costs caused by the termination which would not have been incurred but for the termination; e.g., settlement expenses. The term does not encompass those costs which would have been incurred even though there had been no termination; e.g., the cost of the termination inventory. DAR 15-205.42 also is revised to require the establishment of a separate final cost objective for each contract termination to accumulate all termination-related costs.

We have no objection to the revision as proposed.

Sincerely yours,

Milton J. Socolar
General Counsel



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