



DEPARTMENT OF THE NAVY
NAVAL FACILITIES ENGINEERING COMMAND
200 STOVALL STREET
ALEXANDRIA, VA 22332 2300

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From: Commander, Naval Facilities Engineering Command

Subj: CONTRACTS FUNDED WITH MULTIPLE-YEAR APPROPRIATIONS
TERMINATED FOR THE CONVENIENCE OF THE GOVERNMENT (39-96)

Encl: (1) OASN (RD&A) (A&BM) memorandum of 24 July 1996

1. Enclosure (1) is a reminder from the Office of the Assistant Secretary of the Navy (Research, Development and Acquisition), reminding contracting officers of their fiduciary duties, under the Anti-deficiency Act, to remove excess funds from terminated contracts at the earliest practical date.

2. Please advise all appropriate personnel of the procedures to deobligate excess funds for Navy contracts funded with multiple-year appropriations and subsequently terminated for the convenience of the government.

A handwritten signature in black ink, appearing to read "J. D. Schneider".

J. D. SCHNEIDER
By direction

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24 Jul 1996

MEMORANDUM FOR DISTRIBUTION

Subj: CONTRACTS FUNDED WITH MULTIPLE-YEAR APPROPRIATIONS
TERMINATED FOR THE CONVENIENCE OF THE GOVERNMENT

Ref: (a) ASN(RDA)ABM memo of 21 May 1996; same subject

A recent Naval Audit Service Draft Audit Report (95-0035) concluded that excess current and expired funds, obligated on Navy contracts funded with multiple-year appropriations and subsequently terminated for the convenience of the government, remained unnecessarily obligated during the termination process. FAR 49.105-2(a) states that the initial deobligation of excess funds should be accomplished in a timely manner. Contracting officers are reminded that they have a responsibility, consistent with their fiduciary duties under the Anti-deficiency Act, to remove excess funds from terminated contracts at the earliest practical date.

In the case of notification of excess funds by the Termination Contracting Officer (TCO), when such notification is based on adequate information such as a contractor's proposal and/or a DCAA audit, the PCO should take immediate steps to deobligate the excess funds. In the event the PCO disagrees with the TCO's recommendation to release excess funds, the PCO must document why he/she does not believe it is in the best interest of the government to do so, and provide a date when the issue will be revisited. If the PCO does not feel compelled to deobligate because he/she is waiting for additional information such as a sub-contractor's proposal or a DCAA audit, and that information has been requested to be provided within a specific timeframe, a decision to deobligate or not should be made shortly after the requested information is received. It is important to remember that in these times of shrinking budgets, we must be diligent in our funds management.

Please ensure that your contracting officers are aware of their responsibilities in this area.

This memorandum supersedes reference (a).

Elliott B Branch

Elliott B. Branch
Executive Director
Acquisition & Business
Management

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