



National Aeronautics and  
Space Administration  
Washington, DC 20546

# Procurement Notice

PN 17-04

March 23, 2017

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## Revision of NFS 1832.702-70—Termination Liability (NFS Case 2015-N034)

**PURPOSE:** To revise NASA FAR Supplement (NFS) 1832.702-70, *Policy*, to incorporate the guidance regarding termination liability under incrementally-funded contracts from Procurement Information Circular (PIC) 12-04, dated March 26, 2012.

**BACKGROUND:** Procurement Information Circular (PIC) 12-04, *Termination Liability*, was issued on March 26, 2012, as a result of General Accountability Office (GAO) Report GAO-11-609R dated July 12, 2011, entitled, *NASA Needs to Better Assess Contract Termination Liability Risks and Ensure Consistency in its Practices*. Federal procurement policy requires that cost-reimbursable, incrementally-funded contracts contain a “limitation of funds” clause (see Federal Acquisition Regulation (FAR) clause 52.232-22). For incrementally-funded fixed-price contracts, NFS clause 1852.232-77, Limitation of Funds (Fixed-Price Contract) is required. These clauses delineate the amount of funding available on the contract to cover the costs of potential termination liability as well as the costs of performing work on the contract. If the contract is terminated, the clause limits the Government’s liability to the amount of funds obligated on the contract.

NASA relies on the appropriate limitation of funds clause to manage and fund potential contract termination liability. These clauses require contractors to manage their obligations and to include any potential termination liability costs within the allotted contract funding pursuant to the limitation of funds clause. Thus, contractors are required to include and submit potential termination liability costs, as well as the costs of performing work on the contract, in their incremental funding estimates in accordance with the limitation of funds clause.

In support of our continuing efforts to consolidate procurement policy as much as possible in one location (i.e. the NFS), the following guidance contained in PIC 12-04 has been incorporated into the NFS at 1832.702-70: “When reviewing incremental funding estimates, contracting officers should ensure contractors understand that the amount in the limitation of funds clause covers potential termination liability costs.”

**ACQUISITIONS AFFECTED BY CHANGES:** This NFS policy is applicable to all contracts that contain a limitation of funds clause.

**ACTION REQUIRED BY CONTRACTING OFFICERS:** Dissemination and compliance with this policy.

**CLAUSE CHANGES:** None.

**PARTS AFFECTED:** Part 1832, section 1832.702-70.

**PIC or PCD CHANGES:** PIC 12-04 is canceled.

**TYPE OF RULE AND PUBLICATION DATE:** The changes set forth herein do not have a significant effect beyond the internal operating procedures of NASA and do not have a significant cost or administrative impact on contractors or offerors, and therefore do not require codification in the Code of Federal Regulations (CFR) or publication for public comment.

**HEADQUARTERS CONTACT:** William Roets, Contract and Grant Policy Division, (202) 358-4483, email: [william.roets-1@nasa.gov](mailto:william.roets-1@nasa.gov).

/s/

**William P. McNally**  
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**Enclosure**

**PART 1832  
CONTRACT FINANCING**

**Subparts 1832.7—Contract Funding**

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**1832.702-70 NASA policy.**

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**[(f) When reviewing incremental funding estimates, contracting officers should ensure contractors understand that the amount in the limitation of funds clause covers potential termination liability costs.]**

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