

## 49.303-5 Final settlement.

(a) The TCO *shall* proceed with the settlement and execution of a *settlement agreement* upon receipt of the audit report, if applicable, and the contract audit closing statement covering vouchered costs.

(b) The TCO *shall* adjust the fee as provided in [49.305](#).

(c) The final *settlement agreement* *may* include all demands of the Government and proposals of the contractor under the terminated contract. However, no amount *shall* be allowed for any item of cost disallowed by the Government, nor for any other item of cost of the same nature.

(d) If an overall settlement of costs is agreed upon, agreement on each element of cost is not necessary. If appropriate, differences *may* be compromised and doubtful questions settled by agreement. An overall settlement *shall* not include costs that are clearly not allowable under the terms of the contract.

**Parent topic:** [49.303 Procedure after discontinuing vouchers.](#)