

Subpart 42.9 - Bankruptcy

Parent topic: [Part 42 - Contract Administration and Audit Services](#)

42.900 Scope of subpart.

This subpart prescribes policies and procedures regarding actions to be taken when a contractor enters into proceedings relating to bankruptcy. It establishes a requirement for the contractor to notify the *contracting officer* upon filing a petition for bankruptcy. It further establishes minimum requirements for agencies to follow in the event of a contractor bankruptcy.

42.901 General.

The *contract administration office* shall take prompt action to determine the potential impact of a contractor bankruptcy on the Government in order to protect the interests of the Government.

42.902 Procedures.

(a) When notified of bankruptcy proceedings, agencies *shall*, as a minimum-

(1) Furnish the notice of bankruptcy to legal counsel and other appropriate agency offices (*e.g.*, *contracting*, financial, property) and affected buying activities;

(2) Determine the amount of the Government's potential *claim* against the contractor (in assessing this impact, identify and review any contracts that have not been closed out, including those physically completed or terminated);

(3) Take actions necessary to protect the Government's financial interests and safeguard Government property; and

(4) Furnish pertinent contract information to the legal counsel representing the Government.

(b) The *contracting officer* shall consult with legal counsel, whenever possible, prior to taking any action regarding the contractor's bankruptcy proceedings.

42.903 Solicitation provision and contract clause.

The *contracting officer* shall insert the clause at [52.242-13](#), Bankruptcy, in all *solicitations* and contracts exceeding the *simplified acquisition threshold*.