THE STEM CONSULTING GROUP LLC
The Modernization Governance Firm

FAR 2026-007 Readiness Brief

What the Revolutionary FAR Overhaul's Parts 3 & 49 Changes Mean for Your Termination and Audit Procedures — and How to Comment Before July 23, 2026

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Why this matters right now

On June 23, 2026, the FAR Council published proposed rules under FAR Case 2026-007, covering FAR Parts 3 and 49. The public comment period is open for 30 days only — comments are due July 23, 2026. After that date, the window to influence the final rule text closes. Contractors who wait until the rule is final lose the chance to flag ambiguity, transition burden, or conflicts with existing practice.

1. Executive Summary

FAR Case 2026-007 is one of four proposed rules issued so far under the Revolutionary FAR Overhaul (RFO) — the first comprehensive rewrite of the Federal Acquisition Regulation in more than four decades, directed by Executive Order 14275 and OMB Memorandum M-25-26. This case specifically revises FAR Part 3 (Improper Business Practices and Personal Conflicts of Interest) and FAR Part 49 (Termination of Contracts), along with the associated clauses in FAR Part 52.

This brief summarizes what is changing, who is affected, what is at stake if you don't act, and the concrete steps your organization can take before the comment window closes.

2. What Is Actually Changing

2.1 — FAR Part 3 (Improper Business Practices)

The Part 3 changes are largely stylistic: the FAR Council is streamlining language, removing non-mandatory guidance, and eliminating outdated or duplicative text, consistent with the RFO's plain-language goals.

- **Key change:** The proposed rule revises FAR 3.104-4(d), clarifying the process a contracting officer follows when they believe a contractor has improperly marked material as proprietary, as contractor bid or proposal information, or under the data-restriction clause at FAR 52.215-1(e).

Practical takeaway: if your proposals or technical data routinely carry proprietary markings, this is the clause that governs what happens when a CO disputes that marking. The revised process is worth reviewing even though the surrounding language is mostly streamlining.

2.2 — FAR Part 49 (Termination of Contracts) — the substantive changes

The Part 49 changes are more consequential and directly affect how you manage a termination for convenience or default, including the documentation timelines that protect your cost recovery.

- **Change 1:** Termination settlement proposal submission deadline shortens from 1 year to 90 days.
- **Change 2:** Termination inventory schedule submission deadline shortens from 120 days to 60 days, with extension requests now due within 30 days of the termination notice (rather than tied to the original 120-day window).
- **Change 3 (verified):** The proposed rule also replaces the mandatory audit requirement for termination settlement proposals (FAR 49.107) with a permissive, risk-based approach. The certified cost-or-pricing-data threshold is removed as the automatic audit trigger; instead, the termination contracting officer (TCO) has discretion to require audit support based on the facts and risk of the settlement.
- **Change 4:** Separately, the contractor's extension-request window for termination settlement proposals themselves is shortened from 1 year to 60 days — distinct from the 30-day inventory-schedule extension window above.

Practical takeaway: these are not minor administrative tweaks. A contractor whose closeout and sub-tier accounting processes are built around the old 1-year / 120-day timelines — and who has relied on automatic, mandatory audits to validate settlement proposals — will be out of step with the new framework the moment the rule is finalized. The shift to TCO discretion on audits also means outcomes may vary more by contracting officer than under the old mandatory-threshold rule, which is itself worth flagging in any comment letter.

3. Who Is Affected

- Any organization holding or pursuing federal contracts subject to standard termination-for-convenience or default clauses (most FAR Part 49-governed awards).
- Prime contractors and subcontractors on multi-award and IDIQ vehicles (e.g., SeaPort-NxG and similar logistics/technical-service vehicles), where termination and closeout documentation discipline directly affects cost recovery.
- Contracts administration, business development, and accounting teams responsible for sub-tier documentation and closeout tracking.
- Organizations that rely on proprietary data markings in proposals or technical submissions (Part 3 relevance).

4. What's at Stake if You Don't Act

- Comments submitted after July 23, 2026 will not be considered in the rulemaking record — the opportunity to flag operational burden, ambiguous language, or transition issues closes permanently for this rule.
- Once finalized, the compressed termination timelines (90-day settlement proposals, 60-day inventory schedules) apply regardless of whether your internal processes are ready.
- Organizations that wait until the final rule is published will have had no input into provisions that may not reflect operational reality for their contract types.

5. Recommended Action Plan

1. Inventory your active and recent terminations. Identify any contracts where the current 1-year settlement / 120-day inventory timelines were used, and assess whether your documentation process could realistically meet 90-day / 60-day windows instead.
2. Review FAR 3.104-4(d) against your current proprietary-marking practices, particularly for proposals containing cost or pricing data.
3. Draft and submit a comment letter to the FAR Council before July 23, 2026, addressing any operational burden the compressed timelines would create for your contract portfolio.
4. Update internal closeout procedures now, in anticipation of the new timelines, rather than waiting for the final rule — early alignment reduces disruption regardless of what changes between proposed and final text.

6. Comment Letter Template Outline

Use this structure as a starting point for a formal comment submitted to the Regulatory Secretariat Division on or before July 23, 2026, citing FAR Case 2026-007, Docket No. FAR-2026-0007.

5. Identification: Company name, DUNS/UEI, relevant contract vehicles, and a one-sentence statement of interest in FAR Case 2026-007.
6. Summary position: State whether you support, oppose, or seek modification of the specific provision(s) at issue.
7. Operational impact: Describe concretely how the compressed Part 49 timelines (or the Part 3 marking-dispute process) would affect your organization's actual closeout, accounting, or proposal operations — with specifics, not generalities.
8. Recommended modification: Propose specific alternative language or a transition period, if applicable.
9. Closing: Offer to provide further detail if useful to the FAR Council's deliberations.

How STEM can help

The STEM Consulting Group can: (a) conduct a closeout/termination timeline gap assessment against the new 90-day / 60-day windows, (b) draft a tailored comment letter reflecting your specific contract portfolio, and (c) update your internal closeout SOPs ahead of the final rule. Contact outreach@thestemconsultinggroup.com to scope this work before the July 23, 2026 comment deadline.

7. Sources

This brief is based on the full Federal Register notice for FAR Case 2026-007, "Federal Acquisition Regulation: Revolutionary Federal Acquisition Regulation Overhaul Parts 3 and 49" (91 FR 37698, published June 23, 2026, RIN 9000-AO92), verified directly against the published rule text. All deadline and provision details in Section 2 reflect the official proposed rule language as published.

Official PDF: govinfo.gov/content/pkg/FR-2026-06-23/pdf/2026-12562.pdf

Federal Register web version: federalregister.gov/documents/2026/06/23/2026-12562/federal-acquisition-regulation-revolutionary-federal-acquisition-regulation-overhaul-parts-3-and-49

Comment docket / submission portal: regulations.gov/docket/FAR-2026-0007