



OFFICE OF THE UNDER SECRETARY OF DEFENSE  
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ACQUISITION  
AND SUSTAINMENT

MEMORANDUM FOR COMMANDER, UNITED STATES CYBER  
COMMAND (ATTN: ACQUISITION EXECUTIVE)  
COMMANDER, UNITED STATES SPECIAL OPERATIONS  
COMMAND (ATTN: ACQUISITION EXECUTIVE)  
COMMANDER, UNITED STATES TRANSPORTATION  
COMMAND (ATTN: ACQUISITION EXECUTIVE)  
DEPUTY ASSISTANT SECRETARY OF THE ARMY  
(PROCUREMENT)  
DEPUTY ASSISTANT SECRETARY OF THE NAVY  
(PROCUREMENT)  
DEPUTY ASSISTANT SECRETARY OF THE AIR FORCE  
(CONTRACTING)  
DEFENSE AGENCY AND DOD FIELD ACTIVITY DIRECTORS

SUBJECT: Managing the Effects of Inflation with Existing Contracts

Based on feedback from the Department's acquisition executives about how inflation is presently affecting the Defense Industrial Base and contractors' ability to perform under existing firm-fixed-price contracts, this guidance advises Contracting Officers about the range of approaches available to them.

As indicated in my guidance memo dated May 25, 2022, the ability to recognize any cost increases is largely dependent on contract type. Contractors performing under firm-fixed-price contracts that were priced and negotiated before the onset of the current economic conditions generally bear the risk of cost increases. However, there may be circumstances where an accommodation can be reached by mutual agreement of the contracting parties, perhaps to address acute impacts on small business and other suppliers. For example, provided adequate consideration is obtained for the Government, such an accommodation may take the form of schedule relief or otherwise amending contractual requirements.

For extraordinary circumstances where contractors have sought or may seek an upward adjustment to the price of an existing firm-fixed-price contract to account for current economic conditions, each of the Secretaries of Defense, Army, Navy and Air Force has authority under Public Law 85-804, as implemented by Part 50 of the Federal Acquisition Regulation (FAR) and the Defense FAR Supplement (DFARS), to afford Extraordinary Contractual Relief. While the law and regulation have established stringent criteria, the Department will consider contractor requests to employ this authority, subject, of course, to available funding. To ensure the Defense Acquisition Executive is made aware of any such Public Law 85-804, Part 50 requests that are attributed to inflation, DoD Components shall forward any such request within 10 business days of contractor submission to Defense Pricing and Contracting via [osd.pentagon.ousd-a-s.mbx.asda-dp-c-contractpolicy@mail.mil](mailto:osd.pentagon.ousd-a-s.mbx.asda-dp-c-contractpolicy@mail.mil).

As conditions warrant, we will continue to adapt our approach to meet the Department's mission requirements through the current economic environment, considering information from the Components.

John M. Tenaglia  
Principal Director,  
Defense Pricing and Contracting