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Executive Order Calls for Sweeping Review of Government Contracts



On February 26, 2025, an Executive Order (EO) calling for a sweeping review of government contracts over the next 30 days and directing that contracts be terminated or modified to reduce overall federal spending or reallocate spending to promote efficiency and “advance the policies” of the administration.

The EO also directs agencies to adopt systems to track, justify, and publicize “every payment” under government contracts and grants. The EO carves out narrow exceptions for certain types of contracts, including contracts related to the “military.”

The EO—titled “[Implementing the President’s ‘Department of Government Efficiency’ Cost Efficiency Initiative](#)”—will set in motion a series of steps across the federal government with a direct and immediate impact on large swaths of the government contracting industry. Heads of procuring agencies are tasked with undertaking significant steps in coordination with the Department of Government Efficiency (DOGE). Numerous questions remain as to the implications of the 30-day review and its implementation, including the EO’s call for a new system for tracking payments to contractors. Contractors should be prepared for potential terminations and changes and be mindful of their contractual remedies.

Key Elements of the EO:

The EO requires agency heads to carry out several actions in consultation with the DOGE:

- **Review of Contracts and Grants Leading to Possible Terminations and Modifications:** Review all existing “covered” contracts and grants and, “where appropriate and consistent with applicable law,” terminate or modify such contracts and grants to reduce overall federal spending or reallocate spending to promote efficiency and “advance the policies” of the administration. Agency heads are directed to complete the review within 30 days of the order; that is, by March 28, 2025. “Covered” contracts exclude those related to immigration, law enforcement and public safety, the military, and the intelligence

community.

- **Payment Tracking System:** Agency heads are tasked, in consultation with the agency’s “DOGE Team Lead,” with building a centralized system to “seamlessly” record “every payment” issued by the agency pursuant to each of the agency’s covered contracts and grants, along with a “written justification for each payment submitted by the agency employee who approved the payment.” To the maximum extent permitted by law and deemed practicable by the agency head, the payment justifications are to be posted publicly.
- **Contracting Process Review:** Agency heads are instructed to conduct a comprehensive review of their contracting policies, procedures, and personnel. No contracting officer warrants (which provide contracting authority) are to be awarded during the 30-day review unless deemed necessary by the agency head. Also, covered credit cards held by agency employees are frozen during the review period.
- **Contract and Grant Approval:** Following the agency’s review and “prior to entering into new contracts,” each agency head shall, in consultation with the DOGE, “issue guidance on signing new contracts or modifying existing contracts” to promote governmental efficiency and advance the administration’s policies. The agency head may approve new contracts before such guidance is issued on a case-by-case basis.
- **Nonessential Travel Justification:** Agency heads must develop a system to track federally funded travel for conferences for nonessential purposes and prohibit such travel unless approved through a written justification by a travel-approving official.
- **Real Property Disposition:** Agency heads are required to review all real property leases and determine whether to exercise termination rights for property no longer needed.

The EO has narrow exemptions. It does not apply to law enforcement officers; contracts or grants directly related to federal criminal or immigration law, U.S. Customs and Border Protection, and U.S. Immigration and Customs Enforcement; the uniformed services; and classified information or classified information systems.

The EO contains a clause specifying that nothing in the order shall be construed to impair or otherwise affect the authority granted by law to an executive department or agency or the head thereof. Also, the EO states that it shall be “implemented consistent with applicable law and subject to the availability of appropriations.”

Implications for Industry

The EO signals a broad effort to institute major changes to federal procurement with immediate consequences for much of the government contracting industry. Contractors can expect significant changes to contracts and contracting procedures among federal agencies and their acquisition workforces, with the DOGE “Team Leads” playing substantial coordinating roles. Further, it remains unclear how the language exempting “military” contracts will be interpreted with respect to the wide array of defense contracts.

Contractors should prepare for changes in federal award policies and procedures and, in the near term, engage with agency contracting officers to understand the EO’s implications for new and existing contracts. As mentioned earlier, the EO directs agency heads to issue guidance on approving new contracts “prior to entering into new contracts,” unless a new contract receives specific approval from the agency head. This requirement raises questions about whether pending or upcoming procurements or contract awards will be slowed down or postponed.

Over the next 30 days and beyond, contractors should anticipate an increase in agencies exercising their rights to terminate or modify contracts. Contractors should bear in mind that such termination and modification rights depend on the particular terms of the contract. Standard Federal Acquisition Regulation (FAR) clauses entitle contractors to reimbursement of costs incurred up until the time of termination, depending on the contract type. Contract modifications may require a contractor’s agreement, depending on the contract type, and contractors

may also be entitled to equitable adjustments pursuant to the FAR's Changes clause. An increase in terminations or change orders in response to the EO increases the likelihood of contractors pursuing disputes under the Contract Disputes Act, including disputes related to costs.

The EO also highlights considerations for contractors in future procurements, including the extent to which agencies incorporate government "efficiency" objectives into specific solicitation and evaluation terms.

Authors

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