

Publications

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Executive Order Implementing the President's Department of Government Efficiency Cost Efficiency Initiative – Mandatory Agency Review of Federal Contracts, Grants and Loans

On February 26, 2025, President Trump issued an Executive Order (EO), "Implementing the President's 'Department of Government Efficiency' Cost Efficiency Initiative," aiming to transform Federal spending related to covered Government contracts, grants and loans to ensure Federal spending is transparent. This order requires that agencies, in consultation with the Department of Government Efficiency (DOGE), **immediately review all existing covered contracts and grants**, and, where appropriate, either terminate or modify such contracts and grants. In this review, which **must be completed within 30 days**, agencies must prioritize the review of funds disbursed to educational institutions and foreign entities for review of waste, fraud and abuse.

What Covered Contracts and Grants are Subject to Review?

Covered contracts and grants include discretionary spending through Federal contracts, grants, loans and related instruments. Covered contracts and grants **exclude** direct assistance to individuals; expenditures related to immigration enforcement (including U.S. Customs and Border Protection and U.S. Immigration and Customs Enforcement in the Department of Homeland Security), law enforcement, the military, public safety and the intelligence community (including classified information or classified information systems); and other critical, acute or emergency spending, as determined by the relevant agency.

What Does this Review Mean for Contractors and Grantees?

This new EO indicates that the administration, acting through DOGE, will continue to increase its level of scrutiny of grants and contracts, resulting in more substantial cuts. Contractors and federal award recipients should be prepared to exercise their rights in the event of complete or partial termination of any agreements, especially with regard to financial recovery. This preparation involves understanding the termination provisions applicable to your agreements and having thorough documentation and justification of all costs incurred in support of work under each agreement.

You also should consider contingency planning in the event your contract is terminated.

Related People

- Gregory S. Jacobs
- Olivia Velasco

Related Capabilities

- Government Contracts
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Your obligations under the federal Worker Adjustment and Retraining Notification (WARN) Act and state law equivalents may be implicated if you were to terminate employees who were working on the cancelled contract. With reductions in force, there also could be discrimination or retaliation issues depending on how you select employees for termination. You may have certain obligations under the Age Discrimination in Employment Act (ADEA), depending on those selected for termination. Understanding your responsibilities under these laws will help you better plan for responding to a cancellation.

Additional Requirements

- **Payment Justification Records.** Each agency, in collaboration with DOGE, must build a centralized system to record every payment (including those for federally funded travel) issued by the agency pursuant to its covered contracts and grants, along with a written justification by the agency employee who approved the payment. These written payment justifications must be publicly posted, subject to some exceptions.
- **New Guidance.** Going forward, agencies must issue guidance on signing new contracts or modifying existing contracts. Agencies may approve new contracts prior to the issuance of such guidance on a case-by-case basis.
- **Credit Card Freeze.** All credit cards held by agency employees are frozen for 30 days from the date of this order, subject to limited exceptions.
- **Real Property Disposition.** Within seven days, agencies must provide confirmation to the Administrator of General Services that the Federal Real Property Profile Management System is up to date and reflects a complete and accurate inventory of the agency's real property. Within 30 days, each agency must identify all termination rights under existing leases of government-owned real property and, in consultation with DOGE and the Administrator of General Services, determine whether to exercise such rights. Within 60 days, the Administrator of General Services must submit a plan to the Director of the Office of Management and Budget (OMB) for the disposition of government-owned real property which each agency deemed as no longer needed.

If you have any additional questions, please feel free to reach out to the authors, Polsinelli's Executive Action Working Group or your regular Polsinelli attorney.