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The Honorable Michael Duffey
Under Secretary of Defense for Acquisition and Sustainment
1010 Defense Pentagon
Washington, DC 20301-1010

Subj: Sections 808 and 811 of NDAA for FY 2027, House Version

Dear Hon. USD (A&S) Michael Duffey:

This letter updates my previous letters. It refers to Sections 808 and 811 of the NDAA for FY 2027 that was passed by the House. Section 811, Review of Defense Audit Agencies, replaces Section 806 of the Chairman's Markup. The previous letters follow:

- Subj: High Inherent Risk of Earned Value Management per AICPA GAAS, dated June 20, 2026.
- Subj: Insufficient Evidence for DCMA Earned Value Management Surveillance Opinions, dated June 11, 2026.

Section 811 requires the Secretary of Defense "to contract with an entity to review the standards, guidance, and policies of the defense audit agencies and identify opportunities to improve and streamline their processes."

My recommendation is also applicable to the objectives of Sec. 808—Risk-Based Approach to Monitoring Contractor Business Systems. This section would require the Secretary of Defense to implement an agile, streamlined, risk-based approach to the surveillance of contractor business systems.

My previous recommendations to improve and streamline audit processes regarding the DFARS Earned Value Management System (EVMS) Standard, EIA-748, are unchanged and the justifications are still valid.

1. Per AICPA Generally Accepted Auditing Standard (GAAS) criteria, there is a high risk that contractor performance reports contain material misstatements because of the following inherent risk factors:
   - Subjectivity
   - Uncertainty
   - Susceptibility to misstatement due to management bias or other fraud risk factors insofar as they affect inherent risk.

2. Per GAAS, the auditor should evaluate whether the entity's accounting policies are appropriate and consistent with the applicable financial reporting framework. Per GAAS criteria, there is a high risk that contractor performance reports contain material misstatements because of inherent risk factors in EIA-748.

My recommendations also meet the objectives of Sec. 808 which would require the Sec. of Def. to implement an agile, streamlined, risk-based approach to the surveillance of contractor business systems. My letter to PDO OUSD (A&S) Morani, Subj: Redeploy Extinct EVM Specialists to Positions Requiring Schedule Management and Requirements Management Technical Competencies, dated March 14, 2025, included a recommendation to “utilize the skills of extinct EVM specialists by transferring them to jobs where their technical competencies are essential and minimize terminations.” Implementation would meet the objective of HASC Report 119–698, to “free up valuable DCMA resources to assist contractors in developing corrective action plans and implementing remedial measures.”

Conclusion

Please improve and streamline DCMA processes and implement a streamlined, risk-based approach to the surveillance of contractor business systems. Terminate DCMA EVMS surveillance for which there is no statutory requirement. Then, replace EIA-748 EVM metrics with outcome-based metrics based on authoritative sources of truth from the digital engineering ecosystem and free up valuable DCMA resources to assist contractors in developing corrective action plans and implementing remedial measures.

Yours truly,

Paul Solomon
Cc:

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Hon. Mike Rogers, HASC	Hon. David Norquist NDIA
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