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

Subj: Insufficient Evidence for DCMA Earned Value Management Surveillance Opinions

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

This letter augments my letter to you, Subj: Compliance-focused Training at DAU and Other Savings, dated November 7, 2025. It justifies “Going the whole 9 yards and terminating Earned Value Management System (EVMS) compliance reviews.”

No Evidence of Reliable and Verifiable Information for Contract Performance Reports and IMS

The AICPA Generally Accepted Auditing Standard (GAAS) states that, when there is no or insufficient evidence about accuracy and completeness on which to base an opinion, the audit should result in a disclaimer of opinion. DCMA reviews for compliance with the EIA-748 EVMS standard may find that a contractor is compliant. However, compliance provides false assurance that the contractor’s Contract Performance Report (CPR) contains reliable, verifiable information, as required by FAR 252.234-7002.

Per GAAS, the auditor should disclaim an opinion when the auditor is unable to obtain sufficient, appropriate audit evidence on which to base the opinion, and the auditor concludes that the possible effects on the financial statements of undetected misstatements, if any, could be both material and pervasive.

GAAS is relevant to acquisition reform because it is referenced in the NDAA for FY 2027 HASC Chairman’s markup, Section 806 REVIEW OF DEFENSE AUDIT AGENCIES, as follows:

The Secretary of Defense shall enter into a contract to conduct a review that compares the DCMA standard for surveillance with the industry best practices for such processes and standards.

Section 806 cites “the standard used in generally accepted auditing standards (GAAS). The GAAS best practice is in *AICPA AU-C Section 500*, Audit Evidence.

Arguments regarding the lack of reliable, verifiable information in CPRs are provided in the following letters and reports by independent commissions.

Reliable, Verifiable

Letters Regarding Lack of Reliable, Verifiable Information			
To	Subject	Date	Excerpts
Morani	Further Reduction in Scope of DCMA EVMS Compliance Reviews - Surveillance	3/18/25	The outcomes of the surveillance process are (intended to be) used to develop insight and influence the contractor’s technical, cost, financial,

			and schedule contractual performance. However, as previously reported, even if DCMA concluded that the contractor was compliant with EVMS requirements, there is no assurance that the contractor's reports contain valid, not manipulated, information that can be used to develop insight and influence the contractor's technical, cost, schedule contractual performance.
Vought	Recommendations to Request Cancellation of SAE/EIA-748 EVMS Standard	10/12/25	EIA-748 does not meet the OMB technical performance criteria in its Capital Programming Guide that a performance-based management system should be used to monitor contractor performance in achieving the cost, schedule, and performance goals during the contract period.
Michael	Pending SAE/EIA-748 EVMS Standard is Unfit for Use	1/29/26	EIA-748E remains silent on risk responses and rework, technical performance measures (TPM) and product scope.
Rogers	15 Years of Unfinished Business with Your Committee; Part 2	10/25/25	<p>Chairman Buck McKeon, 2013</p> <p>"We need metrics that tell us not just what we're spending, but what we're getting. Without clear performance measures, we're flying blind on programs costing billions."</p> <p>"We cannot afford a costly and ineffective acquisition system,"</p> <p>"The current system is unsustainable."</p> <p>Chairman Buck McKeon, 2013</p> <p>"We need metrics that tell us not just what we're spending, but what we're getting. Without clear performance measures, we're flying blind on programs costing billions."</p> <p>"We cannot afford a costly and ineffective acquisition system,"</p> <p>"The current system is unsustainable."</p>

			<p style="text-align: center;">Chairman Ike Skelton, 2009</p> <p style="text-align: center;">"This legislation is a major overhaul of the defense acquisition system, addressing long-standing problems that have resulted in billions of dollars in cost overruns and years of schedule delays."</p> <p style="text-align: center;">"The Panel on Defense Acquisition Reform's work on metrics is vital —poor measurement hides waste that risks our forces."</p>
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Section 809 Panel Report, Part 1:

Sec. 809 advisory panel reported that "another substantial shortcoming of EVM, as defined by ANSI EIA Standard 748, is that it does not measure product quality. According to the EIA 748 guidelines, a program could perform ahead of schedule and under cost based on EVM metrics but still deliver a capability that is unusable by the customer."

PBBE Final Report

The Commission on Planning, Programming, Budgeting, and Execution Reform Final Report, 2024, includes an assessment of the DoD use of performance metrics, such as those outlined in the ANSI EIA Standard 748. These EIA 748 guidelines indicate that the metrics provide information solely on the pace of spending, rather than on the actual value received. Furthermore, while EVM systems claim to evaluate expenditures against established delivery benchmarks according to the EIA 748 guidelines, they have faced longstanding criticism for being easily manipulated and inadequate for their intended purpose.

DoD Assessment of EVMS Response to WSARA

The utility of EVM, particularly in relation to the EIA Standard 748, has declined to a level where it no longer serves its intended purpose. Contractors may circumvent proper EIA 748 guidelines to maintain favorable EVM metrics and keep problems hidden.

Programs could report 100 percent of earned value according to the ANSI EIA Standard 748, even when behind schedule in validating requirements, completing the preliminary design, meeting weight targets, or delivering software releases that meet the EIA 748 guidelines. The Program Manager should ensure that the Earned Value Management (EVM) process measures the quality and technical maturity of technical work products, rather than just the quantity of work performed. The EIA 748 guidelines dictate that the EV process is only reliable and accurate if systems engineering products are costed and included in the EVM.

GAAS Discussion

According to AU-C Section 500, Audit Evidence, the auditor must evaluate the information to be used as audit evidence for relevance and reliability. Paragraph .08 requires the auditor to evaluate:

1. Whether the information is sufficiently precise and detailed for the auditor's purposes
2. The reliability of the information (considering its source, nature, and circumstances).

Per, Section 500, when accuracy and completeness are relevant attributes (e.g., for information produced by the entity, such as reports, listings, or data used in substantive testing or analytical procedures), the auditor should obtain audit evidence about those attributes. However, the DCMA standard and guides for surveillance is silent on "reliable, verifiable" information with regard to technical performance and relating schedule performance to technical performance.

My letter to USD (R&E) Emil Michael, Subj: DCMA EVM Compliance Metrics (DECM) Still Exclude Technical Performance, dated October 14, 2025, included the following excerpts:

My letter to Lt. Gen Bassett, dated May 16, 2021, cited integrated TPM and EVM. Both the DCMA EVMS compliance procedures and DECMs were silent on technical performance and still are. My letter to USD LaPlante, Subject: Recommendations for Pending Program Management Guides and DCMA EVMS Compliance Metrics, dated June 5, 2022, stated: ...there is no assurance that the DCMA EVMS Center can accomplish its mission of "assessing contractor effectiveness which provides stakeholders with expectations of future performance and potential impacts on individual contractors and/or programs." The DECMs are also silent on progress against requirements, development maturity, and Minimum Viable Products. The gaps should be closed. My assessment...to former HASC Chair McKeon, 9/13/11, Subj: Defense Acquisition Reform, is still valid. "Even if a DCMA compliance review determines that a contractor is compliant with the guidelines, the loopholes enable a contractor to overstate progress and understate final costs. Consequently, a DCMA compliance review can provide false assurance to the Program Manager. This is like relying on Standard & Poor's "no risk" ratings of mortgage-backed securities before the financial collapse."

Conclusion

Per GAAS, when there is no or insufficient evidence about accuracy and completeness, the audit should result in a disclaimer of opinion. So, even before Section 806 becomes law, DCMA EVMS surveillance should be terminated. Then, implement my recommendations to replace EIA-748 EVM metrics with outcome-based metrics based on authoritative sources of truth from the digital engineering ecosystem.

Yours truly,



Paul Solomon

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