



August 26, 2024

To: Defense Acquisition Regulations System  
Defense Pricing, Contracting, and Acquisition Policy

Submitted via email to: [osd.dfars@mail.mil](mailto:osd.dfars@mail.mil)

Subject: Financial Executives International (FEI) Comments on DFARS Case 2021-D006, Replacing Significant Deficiency with Material Weakness.

Reference: a) Recommendation 73, Volume 3 of the June 2018 Report of the Advisory Panel on Streamlining and Codifying Acquisition Regulations (Section 809 Panel)

Who We Are:

FEI is a leading international organization comprised of members who hold positions as Chief Financial Officers, Chief Accounting Officers, Controllers, Treasurers, and Tax Executives at companies in every major industry. This letter is submitted by FEI's Committee on Government Business (CGB) which formulates policy opinions on government contracting issues and represents the views of CGB and not necessarily the views of FEI or its members individually.

Comments:

The purpose of this letter is to provide public comments regarding DFARS Case 2021-D006 published in the Federal Register on June 27, 2024 regarding the replacement of "significant deficiency" with "material weakness" in each of the DFARS Business Systems clauses.

We strongly endorse the changes to replace the term "significant deficiency" in the DFARS Business Systems clauses with "material weakness" with your proposed definition below:

*Material Weakness* means a deficiency or combination of deficiencies in the internal control over information in contractor business systems, such that there is a reasonable possibility that a material misstatement of such information will not be prevented, or detected and corrected, on a timely basis. A reasonable possibility exists when the likelihood of an event occurring is-

- (1) Probable; or
- (2) More than remote but less than likely.

We agree that this change will provide a welcome alignment with Generally Accepted Auditing Standards (GAAS) and will provide more clarity to both DOD and industry for purposes of evaluating contractor business systems. We note that this change is consistent with Recommendation #73 of the June 2018 Section 809 Panel report in reference (a) above.

In addition, we further recommend including the definitions of “significant deficiency” and “other deficiency” in the DFARS business systems clauses to enable better classification of deficiencies according to their severity. We suggest language from Recommendation #73 of the 809 Panel as modified below for consistency with the proposed definition of “material weakness.”

*Significant Deficiency* means a deficiency, or combination of deficiencies, in the internal control over information in contractor business systems that is less severe than a material weakness yet important enough to merit the attention of those charged with governance.

*Other Deficiency* means a deficiency, or combination of deficiencies, in the internal control over information in contractor business systems that has a clearly trivial or inconsequential effect on the ability of the business system to prevent or detect and correct material noncompliances on a timely basis.

If you wish to engage with the FEI-CGB on this matter or have any questions, please contact Ms. Christina Coulter, Manager, Technical Committee Operations, via email at [ccoulter@financialexecutives.org](mailto:ccoulter@financialexecutives.org) or by phone at (973) 765-1047. You may also contact our technical point of contact Mr. Matthew Canavan at (703) 244-7747 or [matthew.canavan@gd-ms.com](mailto:matthew.canavan@gd-ms.com), or me directly at (508) 309-8118 or [david.k.ferrari@rtx.com](mailto:david.k.ferrari@rtx.com).

Sincerely,



David K. Ferrari  
Chair,  
Financial Executives International – Committee on Government Business

Distribution: Christina Coulter, Manager, Technical Committee Operations  
FEI-CGB Members