

REPLY TO:

- ☐ 135 HART SENATE OFFICE BUILDING
WASHINGTON, DC 20510-1501
(202) 224-3744
www.grassley.senate.gov
- ☐ 721 FEDERAL BUILDING
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(515) 288-1145
- ☐ 111 7TH AVENUE, SE, Box 13
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(319) 363-6832

United States Senate

CHARLES E. GRASSLEY
PRESIDENT PRO TEMPORE

WASHINGTON, DC 20510-1501

REPLY TO:

- ☐ 120 FEDERAL BUILDING
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- ☐ 201 WEST 2ND STREET
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- ☐ 307 FEDERAL BUILDING
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COUNCIL BLUFFS, IA 51501-4204
(712) 322-7103

July 29, 2019

The Honorable James Inhofe
Chairman
Senate Armed Services Committee
Russell Senate Office Building, Room 228
Washington, D.C. 20510

The Honorable Jack Reed
Ranking Member
Senate Armed Services Committee
Russell Senate Office Building, Room 228
Washington, D.C. 20510

The Honorable Adam Smith
Chairman
House Armed Services Committee
Rayburn House Office Building, Room 2216
Washington, D.C. 20515

The Honorable Mac Thornberry
Ranking Member
House Armed Services Committee
Rayburn House Office Building, Room 2216
Washington, D.C. 20515

Dear Chairman Inhofe, Chairman Smith, Ranking Member Reed, and Ranking Member Thornberry:

I write with concerns about Amendment 190, which was included in H.R.2500, the National Defense Authorization Act for Fiscal Year 2020. This amendment, if included in the final version of the bill, would effectively repeal section 1006, Transparency of Accounting Firms Used to Support the Department of Defense Audit, from the John S. McCain National Defense Authorization Act for Fiscal year 2019.

Section 1006 of the fiscal year 2019 NDAA ensures that the Department of Defense is aware of any enforcement actions against public auditing and accounting firms that are hired to complete the annual audit of the Department. This is based on legislation that I have introduced with Senator Reed that would require increased transparency when it comes to enforcement actions by the Public Company Accounting Oversight Board (PCAOB). While similar enforcement actions by the Securities and Exchange Commission are required to be publically disclosed, PCOAB proceedings are kept confidential.

The inclusion of Amendment 190 would allow audit firms to hide disciplinary proceedings from the Department until all appeals have been exhausted, which can take years. This would undermine confidence in the audit process both within the DOD and externally. The DOD has already implemented Section 1006 of the fiscal year 2019 NDAA, and has not requested its repeal.

CHAIRMAN,
FINANCE

Committee Assignments:

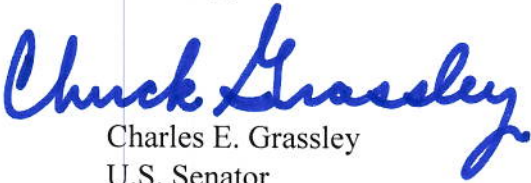
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Throughout my career, I have been concerned about the DOD's repeated failures to obtain a clean audit opinion. In 2018, the DOD spent \$413 million directly on the audit, with \$192 million in direct payments to auditing companies. One critical component of the success of the audit is ensuring that the Pentagon is working with only the most qualified and reputable accounting and audit firms.

As you work in conference towards reconciling differences between the House and Senate versions of the National Defense Act for Fiscal Year 2020, I respectfully urge you to make no changes to Section 1006 from the FY19 NDAA.

Sincerely,

A handwritten signature in blue ink that reads "Chuck Grassley". The signature is fluid and cursive, with the first name "Chuck" and last name "Grassley" clearly legible.

Charles E. Grassley
U.S. Senator