

AUDIT REFORM & SAFE HARBOR

Small Defense Tech Contractors Need Audit Frequency Reduction + Good-Faith Safe Harbor — Not Audit Surprise on First Contract

VEVRAA Recordkeeping | 38 U.S.C. §4212 | Due: MARCH 9, 2026 | regulations.gov

⚠️ URGENT — COMMENT DEADLINE: MARCH 9, 2026 ⚠️

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Filer	James Hunter Poole, Executive Chairman & CEO — Obelisk Tech Systems Inc.
CAGE / UEI	9S0L8 U34MSJ6A6413 Thomasville, Thomas County, Georgia (Rural, ~23% poverty, ~14% BA attainment)
Contracts	Navy · Army · SOCOM · AFSOC — Cybersecurity, AI, Quantum Comms, Encrypted Comms, Submarine/Aerial Drone Systems
Standing	ETAAC Nominee DARPA SBIR HR0011SB20254-12 14-Patent Portfolio DTIC AD1348980 NIST 800-171 ITAR DS-2032 BIS SNAP-R S745686 FinCEN MSB DOE Energy-AI Nexus
Entity	Delaware Corporation — Defense Technology CAGE 9S0L8 SAM.gov Active SBIR Applicant

I. THE AUDIT THREAT AS COMPLIANCE MULTIPLIER

OFCCP conducts compliance evaluations (audits) of covered federal contractors. The existence of audit risk — even when the probability of any given contractor being audited is low — forces small contractors to maintain audit-ready compliance files at all times, generating the 20–30 hours of audit-preparation recordkeeping identified in Comment 1 as a burden category not captured in OFCCP's estimate. For a large contractor with dedicated compliance staff, audit-readiness is embedded in normal operations. For Obelisk, it requires active, ongoing effort that displaces engineering and business development time.

OFCCP's scheduling methodology — which can include neutral scheduling, complaint investigations, and compliance check desk audits — does not differentiate between first-time contractors in their first year of compliance system buildout and established contractors with decade-long compliance histories. This is not rational enforcement: it imposes equal audit risk on unequal compliance capacities.

II. DEMANDED AUDIT REFORMS

A. Reduced Audit Frequency for Small Compliant Contractors

- OFCCP to publish a rule establishing that contractors with fewer than 50 employees who demonstrate good-faith VEVRAA compliance (self-ID invitations sent, basic AAP or certification in place, no unresolved complaints) are not subject to scheduled compliance evaluations more than once every 5 years.
- Current practice allows OFCCP to audit the same small contractor annually if selected through neutral scheduling. This is disproportionate and must be capped.

B. Good-Faith Safe Harbor — Penalty and Finding Limitation

- Create a good-faith safe harbor for first-time contractors in their first 3 years: OFCCP may not issue a Notice of Violation or finding of non-compliance based solely on recordkeeping deficiencies (as opposed to actual discriminatory acts) when the contractor demonstrates good-faith effort to comply.
- 'Good-faith' defined as: self-identification invitations sent to all applicants and new hires; written non-discrimination policy in place; documented outreach to at least one veteran service organization; and no pattern of veteran underrepresentation in offers made.

C. Advance Notice for Small Contractors

- Require OFCCP to provide at least 90 days advance notice before conducting a compliance evaluation of a contractor with fewer than 50 employees, allowing the contractor to cure any systemic recordkeeping deficiencies before the evaluation begins.
- Current practice: desk audits may begin with a submission request with 30 days to respond — often the first notice the small contractor receives that it is under evaluation.

III. NATIONAL SECURITY CONTRACTOR PROTECTION

For defense contractors with active CAGE codes, NIST 800-171 compliance, ITAR registrations, and classified/CUI work environments, VEVRAA compliance evaluations that require disclosure of workforce data, hiring records, and AAP details create potential security risks if conducted without appropriate handling protocols. OFCCP must establish a national security contractor handling protocol for compliance evaluations involving contractors working on controlled programs — ensuring that sensitive workforce data is handled with the same care as the contractor's CUI obligations require.

Respectfully submitted,

James Hunter Poole

Executive Chairman & CEO | Obelisk Tech Systems Inc.

CAGE: 9S0L8 | UEI: U34MSJ6A6413 | Thomasville, Georgia

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