



DIRECTOR OF
NET ASSESSMENT

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OFFICE OF THE SECRETARY OF DEFENSE
1920 DEFENSE PENTAGON
WASHINGTON, D.C. 20301-1920

February 5, 2020

The Honorable Charles E. Grassley
Chairman
Senate Committee on Finance
Washington, DC 20510-6200

Dear Mr. Chairman:

I write in response to your letter of January 22, 2020. In that letter, you raised several questions to gain an understanding of this Office's contracting practices. I am happy to have this opportunity to respond and welcome the opportunity to meet with you to further discuss ONA's responses below, at your convenience.

1. ONA is required to conduct a yearly Net Assessment of DoDs military capabilities as compared to the military capabilities of other countries. When was the last time ONA completed a Net Assessment?

The Office of Net Assessment (ONA) has published two large-scale net assessment products since 2016. These assessments were on different topic areas. Each was highly classified, provided detailed analysis and recommendations, and relied on years of classified and unclassified research.

ONA has also published many other products since 2015 that meet the definition of "net assessment" in DoD Directive 5111.11. As with the large-scale works above, these have been read or briefed to the Secretary of Defense, the Deputy Secretary of Defense, the Joint Chiefs of Staff, various Combatant Commanders, and the National Security Advisor and his senior directors.

On at least four occasions in the past three years, ONA work that meets the definition in DoD Directive 5111.11 has been used in briefings to the President.

Some of these products have been delivered to the Department of Defense's congressional committees of jurisdiction. One ONA net assessment product was specifically lauded by Senator McCain and Representative Thornberry as decisive in educating the entire Congress on the dangers of sequestration and loss of U.S. military advantage relative to its adversaries. In FY19, Senator Inhofe and Senator Reed asked ONA to give that same net assessment briefing to new Members.

The Defense Budget Overview Book satisfies Title 10 U.S.C. § 113 (i).



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2. Please provide a list of all contracts issued for each year over the last five years, the title of each funded project, and the total cost of each contract to the taxpayer. Of those contracts, which ones called for classified research?

In accordance with Executive Order 13526, Sec. 1.7(e), the compilation of this information is classified, and is provided under a separate cover.

3. Please provide a list of the top five individuals or entities, in terms of dollar amount, over the last five years that have received awards, including the names of awardees, number of contracts awarded, dates of award, dollar amount per award, the project to be funded, and the authorizing official(s).

The top five entities from FY15-FY19 alphabetically are Dynamis, Inc., the Institute for Defense Analysis, Leidos, Long Term Strategy Group, and RAND. In any single year, the entities change.

In FY19, the breakdown of research dollar amount by type of entity was 45% to small companies, 21% to Federally Funded Research Development Centers, 12% to large companies, 8% to small companies in the 8(a) Business Development Program, 7% to non-profits, 6% to universities, and 1% to individuals.

Additional details are provided in the classified attachment.

4. Please describe ONA's process for how it evaluates research proposals and oversees the process of editing and managing the research paper. In your answer, please address the following:

- a. What role do pre-award evaluations play with respect to ONA's decision to award a contract to an individual or entity?

Proposals submitted through the Broad Agency Announcement (BAA) are evaluated in accordance with the process under Federal Acquisition Regulation 35.016. Each proposal is independently evaluated by ONA analysts. Pre-award evaluations review the merits, validity, and timeliness of the proposed topic, and how the proposed topic aligns with ONA's mission and research agenda. These evaluations are then considered by ONA leadership, as well as the proposal's merit, alignment with ONA's mission, and budget, before reaching a decision to forward the proposal to the independent contracting authority.

The approving official for contract awards is the independently appointed contracting officer, who is not under ONA direction or authority. This separation exists to ensure integrity in the contracting process. ONA establishes the requirement and evaluates proposals. ONA may recommend one or more proposals to the independent contracting authority based on the merits, validity, and timeliness of the proposed topic, how the topic aligns with ONA's mission,

and ONA's budget. The final decision to award a contract, after review of all information provided from ONA, is the independent contracting authority.

- b. Does ONA conduct any assessment of the validity of citations or supporting research used in the research paper? If not, why not?

Yes, ONA reviews the validity of citations or supporting research as a matter of course when reading delivered reports and when applying a commissioned report's insights to our own work.

- c. When entering into contracts does ONA require that research papers be peer reviewed to assure that the views within the deliverable are adequately vetted and not affected by bias or outside influence? If not, why not?

When entering into contracts, ONA and the independent contract authority follow the review process defined in the BAA.

Though the BAA does not require peer review, many vendors conduct their own peer review process prior to delivery. However, experience has shown that overly formalistic peer review can sometimes work against originality, analytic boldness, and methodological innovation. In light of ONA's mission to bring these very attributes into the Department, and as reflected in the guidance issued by successive Secretaries of Defense, ONA does not require peer review as part of our acceptance process for commissioned work.

- d. Does ONA believe that, for a research paper to be of significant value to furthering ONA's purpose of providing assessments of the standing, trends, and future prospects of United States military capabilities and military potential in comparison with those of other countries, statements within research papers must be accurate and adequately vetted? If not, why not?

Many kinds of research and analysis can be useful in the development of net assessments. These include commissioned work of all sorts such as papers, simulations, wargames, forecasts, or scenario-development exercises. The use of all of this material necessarily requires expert judgment and the formulation of hypotheses rather than only compilation of facts.

Studies can vary in their significance, due to the credentials, skill, and experience of the author, the precision of the question, and the needs and knowledge of the moment. We are a research organization, and sometimes research results in positive findings, and sometimes in negative findings. Sometimes studies that did not seem of value at first turn out to have utility later, and sometimes studies which may appear momentous at first are later found to be less significant.

In the course of their work, ONA analysts have access to all ONA unclassified studies, and classified studies for which they have an appropriate clearance.

- e. Does ONA currently require contractors to provide the name and dollar amount contributed by third parties to ensure a contractor's work is in no way influenced by foreign individuals or entities, or any other potential conflict of interest? If so, please provide this policy. If not, does ONA intend to develop or institute such a policy? If not, why not?

We take seriously our responsibility to identify and mitigate potential conflicts of interest. To identify and vet potential conflicts of interest, ONA leaders who develop the research agenda and ONA employees involved in pre-award evaluations sign a conflict of interest form that requires them to identify potential conflicts of interest in any ONA-sponsored activity. All ONA employees also attend in-person annual ethics training that includes detailed guidance on identifying and mitigating potential conflicts of interest.

Further, a common clause found in contracts is the Contractor Code of Business Ethics and Conduct, which requires contractors to disclose, in writing, to the Office of the Inspector General any violation of Federal criminal law involving fraud, conflict of interest, bribery, or gratuity violations to demonstrate the vendor's obligations to report any potential conflicts of interest to the government.

- f. For each of Halper's contracts, did ONA perform a post-contract evaluation? If so, please provide each evaluation. If not, why not?

The Department requires that contracts above a dollar value of \$1,000,000 be formally evaluated in the Contractor Performance Assessment Reporting System. Dr. Halper's contracts did not meet this cost threshold.

However, we take seriously the work provided through commissioned work given the sensitive nature of ONA's mission and the impact on Department decisions. We reviewed all of Dr. Halper's completed work for maturity of analysis, comprehensiveness of research, and clarity in writing. This performance would be taken into account when considering new proposals.

More broadly, we began in 2016 conducting an annual close examination of source contract types to identify and implement cost savings across the program. We also initiated an acquisition program review that continuously monitors alignment of the research program to the acquisition program.

We also sought and received external feedback on the research program. We met with the DoD Services Requirement Review Board which was chartered to "improve the outcome of contracted services," chaired by the Chief Management Officer (CMO) and the head of Acquisition, Technology, and Logistics (AT&L), later Acquisition and Sustainment (A&S). Their review of our contracted efforts

and process concluded that we were a model for others, and they have frequently waived the need for us to appear in person.

All of these actions were undertaken voluntarily to better ensure ONA receives the best research products and services available to support its mission, and not in response to any audit action or external request. These actions built on a strong foundation of professional acquisition practice coordinated between the independent contracting authority and ONA over many years.

5. If a contract has an exercisable option, which individual within ONA makes the determination as to whether that option is exercised? If ONA has the discretion to exercise an option in a contract, is the strategic value to ONA considered when that option is exercised? If not, why not?

As with all contracts, approval to exercise an option is given by the independently appointed contracting officer, who is not under ONA direction or authority. This separation exists to ensure integrity in the contracting process.

As with the initial award, ONA will review the merits, validity and timeliness of the topic(s) contained in an option. ONA will further review its requirements from a subject matter and budget perspective to determine the strategic value of exercising an option. ONA will then determine if exercising an existing option makes sense in light of its assessment described above. ONA will then provide its recommendation to the independent contracting authority. If ONA sees strategic value in exercising an option, the contracting officer will review ONA's recommendation as it does a pre-award evaluation to ensure consistency in the process and adherence to all regulations.

6. In response to DoD IG recommendation #3, ONA stated that "not every contract requires exhaustive or significant verification of the methods used to derive analytic content." Further, ONA stated, relating to Professor Halper's contracts, that "[t]he Government received deliverables that were high quality and conformed to the requirements set forth in the contract." ONA further states that quality controls will be established based on ONA's minimum needs.

- a. If a contractor does not actually interview individuals that they say they interviewed, or provide accurate sourcing, the deliverable does not meet contract specifications and the contractor should not be paid. Accepting and paying for a defective deliverable may be a violation of law. If ONA does not take any steps to verify a contractor's work product, how can ONA rely on that contractor or deliverable to provide accurate information in order to make a net assessment?

We review all deliverables to ensure they are consistent with the statement of work. We evaluate each deliverable to assess whether we should seek additional information or require a resubmission of commissioned work.

We apply judgment before using any element of any commissioned work to inform a net assessment product.

Our judgments are based on years of experience reviewing hundreds of commissioned reports, familiarity with existing literature (both classified and unclassified), our research agenda, and the needs of the Secretary or other senior leaders.

- b. What quality controls does ONA seek to establish in order to verify that contractors are adhering to, and fulfilling, every requirement in a given contract?

We conduct meetings with companies during the performance of the contract to ensure the company is on schedule to deliver the final deliverable in accordance with the contract terms and conditions. These discussions cover issues that might prevent the company from completing the contract.

In terms of quality, we evaluate each deliverable and assess whether we should seek additional information or require a resubmission of commissioned work. Our judgment is based on years of experience reviewing hundreds of commissioned reports, familiarity with existing literature, our research agenda, and the needs of the Secretary or other senior leaders.

In any situation in which a company was unable to fulfill the terms and conditions of the contract and the company was unable to meet an agreed upon solution that would benefit the Government's mission, the contract would be terminated.

As mentioned in ONA's letter of November 6, 2019, as a result of the IG inquiry and our internal process review, we added additional quality control measures to verify compliance to the contract, including file checklists, additional contract language, and aligning the Statement of Work with the Contract Line Item Structure, among others.

7. After a research paper is completed, are the papers shared outside ONA? If so, please describe the process by which research papers are shared within the federal government or private sector. If not, why not?

ONA work products, both externally commissioned and internally produced, are shared widely within the Department of Defense and across the U.S. Government, including with the National Security Council staff, the National Intelligence Council, the Central Intelligence Agency, and the State Department. Authority to release any report rests exclusively with the Director of Net Assessment.

ONA personnel routinely meet with policy makers and their staffs in the U.S. Government. When we believe that we have contracted or created something that would be useful for them to read, we send it along. ONA shares reports with the private sector or recommends reports for public release when we want to inspire debate or research or to inform on-going work.

In the past three years, ONA has distributed more than 2,500 copies of reports to more than 750 unique individuals inside the U.S. government.

8. Did Professor Halper ever disclose his relationship with former Deputy Foreign Minister for Russia Vyacheslav Trubnikov to yourself or any other ONA official prior to completion of contract number HQ0034-15-C-0100 (The Russia-China Relationship: The Impact on the United States Security)? Does this relationship with a Russian intelligence officer suggest that there may be biased and unreliable information contained within the deliverable?

Professor Halper listed Minister Trubnikov as a possible reference in his statement of work, and therefore this information was known to the office and the independent contracting authority. Professor Halper did not disclose any “relationship” with Minister Trubnikov to any ONA official, to the best of our knowledge.

When we received your letter of January 22, 2020, we asked the security agency that supports ONA for information on Professor Halper. That security agency found no derogatory information on Professor Halper.

We are not aware of any purported relationship, and therefore cannot judge to what impact it might have had on a single written report. We would not reach a judgment on any topic based on a single source.

9. Can ONA state for certain that Halper did not use taxpayer money provided by DoD to recruit, or attempt to recruit, sources for the FBI investigation into the now debunked theory of collusion between the Trump campaign and Russia?

ONA did not receive monies or direction of any kind from the FBI. If Professor Halper used any money provided by the DoD in the ways described, it would have been unlawful.

Professor Halper met the terms of his contractual obligations with ONA, and the DoD paid him — as obligated by law — for the products he provided.

When we received your letter of January 22, 2020, we asked the security agency that supports ONA for information on Professor Halper. That security agency found no derogatory information on Professor Halper.

10. Are you, or any other ONA official, aware of any other relationships Professor Halper had with foreign intelligence officers?

No, not beyond those individuals which Professor Halper indicated he would interview or consult with as part of his contract.

When we received your letter of January 22, 2020, we asked the security agency that supports ONA for information on Professor Halper. That security agency found no derogatory information on Professor Halper.

11. Does the research paper titled, “On the Nature of Americans as a Warlike People: Workshop Report,” authored by the Long Term Strategy Group, and the research paper titled, “A Technical Report on the Nature of Movement Patterning, the Brain, and Decision-Making,” further ONAs purpose and mission as stated in DoD Directive 5111.11? Please explain.

Both projects—now more than a decade old—were appropriate fits for our purpose and mission as stated in DoD Directive 5111.11 and in the guidance issued to ONA by successive Secretaries of Defense.

The 2009 LTSG Workshop Report addressed the past, current, and future willingness of U.S. elites and broader public to support a robust military and military action against adversaries. This question is a central aspect of ONA’s responsibility to examine not only the possible actions or behavior of U.S. adversaries, but of ourselves as well, per DoD Directive 5111.11.

The 2007-08 project resulting in “A Technical Report on the Nature of Movement Processing, the Brain and Decision-Making” was initiated by the founder and longtime Director of ONA, Andrew Marshall, and reflected his extensive experience working for senior government officials and the insights they wished to have about foreign leaders with whom they were dealing. The project’s emphasis on methodological innovation was in keeping with previous Secretaries’ guidance to ONA to “identify emergent analytic practices.” Beginning in FY18 and ending in FY19, as this project matured and as the lead researcher has found support within the academic community, we have steadily drawn down funding. We do not expect to sponsor this project in FY21.

12. How much did ONA pay Long Term Strategy Group for the research paper “On the Nature of Americans as a Warlike People: Workshop Report”? How much did ONA pay for “A Technical Report on the Nature of Movement Patterning, the Brain, and Decision-Making”?

The price of the 2009 Long Term Strategy Group project that resulted in the research paper “On the Nature of Americans as a Warlike People: Workshop Report” was \$47,677.28 .

The author of the 2007-08 project that resulted in the report “A Technical Report on the Nature of Movement Patterning, the Brain and Decision-Making” was an employee of a U.S. Government educational institution, which was reimbursed for the work. ONA paid \$31,062.25 for this report.

13. Does ONA share workspace with contracted, non-government, or detailed employees? If so, please provide a list of individuals, and what entity that individual worked for, to the Committee. Would these employees have been privy to ONA’s assessment of its future needs, in terms of future research projects? If so, do you believe that having a contractor’s employee privy to the future needs of ONA creates an appearance of conflict of interest, and inappropriate access to ONA internal discussion?

ONA currently has three individuals who are not DoD employees that share the workspace, including a military officer detailed from DHS, an employee of a Federally Funded Research and Development Center, and a Systems Engineering & Technical Assistance support contractor who has no research role with ONA. Appropriate information firewalls and procedures ensure a conflict of interest does not exist for contractors.

We have taken several additional steps over the last three years to remove any appearance of conflict of interest. For example, we relocated all fulltime contractors seated in the workspace that might have created an appearance of a conflict of interest outside of the ONA workspace. We also modified internal IT access controls.

14. Documents provided to my office suggest that ONA has spent a significant amount of money on Asia studies over the last 20 years.

a. How many studies related to Asia have been conducted over the last 20 years, and how much money has been spent on Asia studies?

From FY15-FY19, we requested about 50 or so studies and synthesized several products internally per year, but we do not categorize our work by geography. A plurality of our work in the last 20 years has been related to China and its military. The Secretary's guidance and our obligations under DoD Directive 5111.11 demands a broad understanding of geopolitical trends, history, strategy, technology, demography, culture, military trends, and so forth. Many commissioned works and internal products touch on several of these elements simultaneously.

b. Have those studies significantly aided ONA in its mission to conduct net assessments of Asian countries military capabilities? Please explain.

Studies can vary in their significance, due to the credentials, skill, and experience of the author, the precision of the question, and the needs of the research at the moment. We are a research organization, and sometimes research results in positive findings, and sometimes in negative findings. Sometimes studies that did not seem useful turn out to have utility later, and sometimes studies which may appear momentous at first are later found out to be less significant.

We have long foreseen that China would represent the most likely nation to change the balance of power globally, and therefore we have intensively studied Chinese and Asian allied military capabilities for many years. Many of these insights were included in the Department's recent National Defense Strategy. We have also studied broader questions about the underlying bases of national power that could affect military capabilities. Both sorts of commissioned work have been quite useful in producing net assessment work for the Department.

In summary, we have been constantly improving our internal processes for many years, as I described at length in previous correspondence with your office. We can always do better, and will strive to do so.

The ONA team is a very small and capable organization busy doing what it is chartered to do. It remains widely respected by its customers, including the senior-most policy makers and military leaders in the country. Deputy Secretary of Defense Norquist recently wrote: "Over the course of the past two years my office has received over 75 studies sponsored by ONA, in addition to more than 20 assessments, memos, and other original material produced by the office.... I have been familiar with ONA for nearly two decades and have found their recent work to be consistent with the best traditions of that office; the studies and papers I have seen have been analytically rigorous, thoughtful, and designed to help senior officials in our strategic management of the Department."

Thank you for your continued interest in ONA's work. I believe strongly in Congressional oversight and take my responsibility to be responsive to that oversight very seriously.

I would be pleased to brief you in detail, at your convenience.



James H. Baker
Director
Office of Net Assessment

Attachments

1. DoD Directive 5111.11, December 23, 2009
2. Secretary Carter, Guidance Memorandum to ONA, June 4, 2015
3. Secretary Mattis, Guidance Memorandum to ONA, April 14, 2017
4. Secretary Esper, Guidance Memorandum to ONA, October 1, 2019
5. Federal Acquisition Regulation 35.016
6. Federal Acquisition Regulation 6.102
7. Broad Agency Announcement (BAA) HQ0034-ONA-09-BAA-0002
8. Broad Agency Announcement (BAA) HQ0034-ONA-13-BAA-0001
9. Broad Agency Announcement (BAA) HQ0034-ONA-18-BAA-0001
10. ONA Broad Agency Announcement Standard Operating Procedures
11. Senior Services Requirement Review Board Outcome, E-mail
12. "On the Nature of Americans as a Warlike People: Workshop Report," Long Term Strategy Group, 2009.
13. "A Technical Report on the Nature of Movement Patterning, the Brain, and Decision-Making," Brenda Connors, 2008.

14. List of Select Professional Publications and Presentations by Brenda Connors

cc:

The Honorable Senator James M. Inhofe
Chairman, Committee on Armed Services

The Honorable Senator Jack Reed
Ranking Member, Committee on Armed Services

Glenn A. Fine
Principal Deputy Inspector General Performing the Duties of the Inspector General
Department of Defense