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United States Senate

COMMITTEE ON FINANCE

WASHINGTON, DC 20510-6200

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July 12, 2019

VIA ELECTRONIC TRANSMISSION

The Honorable Mark Esper
Acting Secretary
Department of Defense

Dear Acting Secretary Esper:

On January 16, 2019, I requested that the Department of Defense Office of Inspector General (DoD IG) review whether Department of Defense Office of Net Assessment (ONA) contracts with Professor Stefan Halper were used to support potential partisan political or other improper or wasteful activities. On July 2, 2019, DoD IG provided a summary of its audit of those contracts with Professor Halper between 2012 and 2018. The DoD IG's audit revealed significant flaws in ONA's contract management and oversight process that clearly indicate ONA's internal controls over taxpayer-funded work are weak or non-existent. This is just one example of why DoD is unable to earn clean opinions on its annual financial audits.

The audit of Professor Halper's contracts noted all four of his contracts with ONA "did not require Professor Halper to submit justification or obtain prior approval before traveling."¹ The audit further stated that Professor Halper's travel to Japan for one contract was paid for by a third-party, who is not identified in the audit.² Additionally, ONA "did not require Professor Halper to submit any evidence that he interviewed personnel cited in his proposals and statements of work," which includes former Russian diplomats and intelligence officers.³ In conclusion, the audit found that ONA "could not provide sufficient documentation that Professor Halper conducted all of his work in accordance with applicable laws and regulations," "did not identify whether Professor Halper's work while traveling to different countries and conducting interviews with individuals was conducted in accordance with the FAR" and that ONA "could not be certain" that payments related to his travel complied with OMB Circular A-123, Appendix C.⁴

¹ Letter to Sen. Charles E. Grassley from the Dep't of Def. Inspector General, dated July 2, 2019.

² *Id.*

³ *Id.*

⁴ *Id.*

Shockingly, the audit found that these types of discrepancies were not unique to contracts with Professor Halper, which indicates ONA must take immediate steps to shore up its management and oversight of the contracting process. Accordingly, no later than July 25, 2019, please explain to the Committee the steps DoD has taken to address the recommendations that DoD IG made with respect to ONA's contracting procedures and produce to the Committee all records related to Professor Halper's contracts with DoD.⁵ In addition, I request that ONA provide a briefing to my Committee staff regarding the Halper contracts.

I anticipate that your written reply and most responsive documents will be unclassified. Please send all unclassified material directly to the Committee. In keeping with the requirements of Executive Order 13526, if any of the responsive documents do contain classified information, please segregate all unclassified material within the classified documents, provide all unclassified information directly to the Committee, and provide a classified addendum to the Office of Senate Security. Although the Committee complies with all laws and regulations governing the handling of classified information, it is not bound, absent its prior agreement, by any handling restrictions.

Should you have any questions, please contact Joshua Flynn-Brown or Quinton Brady of my Committee staff at (202) 224-4515. Thank you for your attention to this important matter.

Sincerely,



Charles E. Grassley
Chairman
Committee on Finance

CC:
Glenn A. Fine
Acting Inspector General
Department of Defense

⁵ "Records" include any written, recorded, or graphic material of any kind, including letters, memoranda, reports, notes, electronic data (emails, email attachments, and any other electronically-created or stored information), calendar entries, inter-office communications, meeting minutes, phone/voice mail or recordings/records of verbal communications, and drafts (whether or not they resulted in final documents).