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Reagan Administration Programs to Combat Waste, Fraud and Abuse in the Federal Government

President Reagan has made the elimination of waste, fraud and abuse from the Federal government a high national priority. Ending fraud and waste in Federal programs is a major portion of his plan to reduce Federal spending and to ensure that all expenditures of taxpayers' funds are in accordance with both the law and the highest standards of efficiency and effectiveness. The American taxpayer should not spend a penny for programs or purposes that are unnecessary or improper, and the President has directed that all Federal programs be managed with this goal in mind. Some of the Administration's major initiatives include:

- Creation of the President's Private Sector Survey on Cost Control, also known as the Grace Commission, which in its report to the President presented, not counting duplicates, 2,160 specific recommendations for reducing government waste and improving management. On October 28, 1985 the White House Domestic Policy Council delivered a final report to the President on the Status of the Grace Commission recommendations. The report indicates that the Administration is going forward with over 80% of the Commission's ideas. Many have already been implemented. Others are included in the Fiscal Year 1987 budget. As the President has said, "Even with the recommendations deferred at this time, we have every intention of trying to implement as many of them as possible in the future."
- Formation of the President's Council on Integrity and Efficiency, chaired by the Deputy Director of the Office of Management and Budget, and including the Inspectors General of all Cabinet departments. Since its formation just two months into President Reagan's first term, the PCIE has put in excess of \$70 billion to better use and has been responsible for approximately 16,000 successful prosecutions of persons attempting to defraud the Federal government. Many of these reforms and prosecutions have resulted from tips received on special hotlines established in the offices of each Inspector General. By working together, these dedicated, highly skilled professionals have applied modern automation to significantly advance traditional auditing and investigative techniques and increase the government's ability to detect fraud and waste.

- **Initiation of Reform '88, an ambitious government-wide management improvement program. Working with the PPSSCC and the PCIE, Reform '88 seeks to improve management practices, make government more efficient and give taxpayers more for their money. On February 5, 1986 the President issued his annual Management Message to Congress citing progress made in improving government management by addressing specific problems relating to fraud prevention, payment integrity and simplification, procurement, reorganization authority, and reductions in regulatory and paperwork burdens. The President also explained Administration plans for the future. The President's Management Message and other documents are published in a booklet entitled "Management of the United States Government," available from the Government Printing Office.**

Waste in Defense Programs

- **The Reagan Administration has made the elimination of fraud and waste in the Armed Forces and defense contracting a top priority. Since 1981 efforts to find and eliminate such problems as overpricing by contractors, inefficient spare parts procurement practices, and wasteful inventory policies have borne substantial fruit. Many abuses uncovered and corrected by auditors of the Defense Department's Office of the Inspector General have received wide publicity, including a claw hammer worth \$17.00 for which the Navy paid \$436.00 (later refunded), and an Allen wrench worth 12 cents for which a defense contractor unsuccessfully attempted to charge the Air Force over \$9,000.00.**
- **Among the methods used to uncover waste are a toll-free hotline set up to receive reports of corruption and inefficiency in the Department of Defense and by its contractors. In the 6-month period from October 1985 to March 1986 the hotline handled 3,492 substantive complaints. False reports of overtime by Defense Department employees, harassment of a whistleblower, kickback schemes between contractors and government officials, overpricing of spare parts, and wasteful ordering practices are but a few examples.**

Other measures employed by the Administration to crack down on waste include:

- **Increasing the number of audits carried out by the DOD Inspector General's office and by each service's internal audit department;**

- Improving the technical training of auditors to enable them to understand increasingly complex defense technologies;
- Eliminating inefficient ordering of equipment and spare parts. Often different services or departments order identical or similar items separately. Consolidating orders lowers prices and inventory costs;
- Ending small batch orders of parts which result in unnecessarily high prices;
- Eliminating "single source" supply of items whenever possible, allowing competition to encourage lower prices.

The savings to the taxpayer have been substantial. In the second half of Fiscal Year 1985 corrective actions following audits saved almost \$1.45 billion, with a potential \$3.0 billion to be saved through actions still in progress. Criminal investigations resulted in 181 indictments and 203 convictions; and monetary restitutions, penalties, and fines totaled almost \$30 million.

To seek further improvements over the substantial success already achieved, the President appointed a Blue Ribbon Commission on Defense Management. The Commission filed initial recommendations in a report to the President on February 28. In his radio address to the nation the next day, the President pledged to "implement its recommendations even if they run counter to the will of the entrenched bureaucracies and special interests." On April 2 the President issued a directive to implement virtually all of these recommendations. This directive and separate instructions issued by Secretary of Defense Weinberger include all of the Commission's recommendations that can be implemented by Executive action. President Reagan sent a formal message to the Congress on April 24 asking it to join him in implementing the Commission's recommendations and in making those reforms which require Legislative action. On June 12, Commission Chairman David Packard met with the President and Secretary Weinberger and stated "that there has been some very effective progress" at implementing the Commission's recommendations. Finally, on July 1, the President signed a new military retirement bill which included the creation of the new position of Under Secretary of Defense for Acquisition. This new Under Secretary position was recommended by the Commission and endorsed by the President.

The Reagan Administration Regulatory Program

The Regulatory Program is the latest in a series of actions taken by the Reagan Administration to ensure that the government's regulatory actions are a sound and cost-effective benefit to our nation's economy, while at the same time

abiding by statutory requirements. The Administration believes that attacking the problems of waste and abuse in government programs would not be complete without an examination of how government regulatory actions cause similar problems in the private sector by imposing burdensome and unnecessary requirements on individuals and businesses.

Two days after his First Inauguration, the President established the Task Force on Regulatory Relief and appointed Vice President Bush as its chairman. In February 1981, the President issued Executive Order 12291, which set forth the Administration's regulatory principles. At the same time, under the Paperwork Reduction Act, the Administration began an attack on the mass of paperwork imposed on individuals and businesses by government. These initiatives sought to reduce the amount of bureaucratic and time-consuming paperwork required to do business with the Federal government, thus reducing not only private sector costs but administrative expenditures by the Federal government as well.

The Task Force on Regulatory Relief concluded its work in late 1983. As a result of its efforts and other Administration initiatives, unnecessary regulations and superfluous paperwork were sharply reduced. The Administration reported in March 1985 that 647 pages of regulations affecting State and local government had been eliminated, and the paperwork burden on State and local government had been cut by 90%. The President has pledged to continue working with State and local officials to identify Federal regulations that should be revised or revoked.

Administration actions have also cut hundreds of millions of hours from the paperwork burden imposed by the Federal government on small business. The Administration estimated in 1984 that such cost-saving actions, achieved without relaxation of appropriate and effective regulations, would save the public more than \$150 billion over a 10-year period.

To further improve the Federal government's management of regulatory activity, the President signed an Executive Order in January 1985 which established an annual process to develop and publish an Administration Regulatory Program. This Executive Order is designed to give those affected by the regulatory process a better opportunity to examine prospective regulatory actions and to determine whether these actions represent the most appropriate and least burdensome means of achieving a regulatory goal. Authority for collection, publication and analysis of prospective regulations is centered in the Office of Management and Budget. Federal agencies are required to demonstrate to OMB that proposed rules are consistent, to the extent permitted

by law, with the principles enunciated in the President's February 1981 Executive Order.

On August 7, 1986, President Reagan sent a Message to the Congress announcing the publication of *The Regulatory Program of the United States Government*, the second annual report in the Administration's continuing program to make the government more accountable to the people. The objectives of the Administration's Regulatory Program are to:

- Create a coordinated process for developing, on an annual basis, the Administration's Regulatory Program;
- Establish Administration regulatory priorities;
- Increase the accountability of agency heads for regulatory actions of their agencies;
- Reduce the burden of existing and future regulations;
- Minimize duplication and conflict of regulations;
- Enhance public and Congressional understanding of the Administration's regulatory objectives.

As the President noted in his Message to the Congress, today, more than ever, it is essential for us to coordinate regulatory activity among the agencies, to increase accountability for regulatory programs, and to ensure that the most significant regulatory activities are given priority and are properly managed. Only through a coordinated executive review can regulatory activities provide the greatest real benefits to society as a whole.

Of course, this *Regulatory Program* by itself cannot ensure that all regulation will be well-conceived and beneficial to society. It can, however, highlight important regulatory activities under consideration. Thus, this *Regulatory Program* is an important addition to our wide-ranging efforts of regulatory oversight and review – designed to make government regulation the servant, not the master, of the American people.

Federal Productivity Improvement Program and Executive Order Revocation

On February 25, 1986 the President signed two Executive Orders designed to improve significantly Federal government productivity. The first Order

dedicates the Federal government to a comprehensive program to improve productivity substantially by 1992, while the second revokes 386 obsolete and/or inactive Executive Orders.

Productivity Improvement Program for the Federal Government

The goal of this Executive Order is to achieve a 20% productivity increase in selected high-priority functions as a means of improving the quality, timeliness, and efficiency of government services. Every 1% increase in Federal productivity, which results in an estimated 1% reduction in Federal employment, could generate GAO-estimated savings of \$1 billion. The Office of Management and Budget is following up on the Executive Order by issuing a bulletin containing detailed guidelines for developing, implementing, and assessing agency productivity improvement programs. The President's Council on Management Improvement will play a major leadership role in implementing this government-wide effort to boost productivity.

The Executive Order recognizes that the participation and support of Federal managers and employees are essential to meet the President's goals. The Order requires measures to augment training in productivity techniques; to develop retraining and job placement alternatives; and to better use incentives, both monetary and nonmonetary, in order to reward and stimulate excellence. If a productivity gain is expected to result in a staff reduction, the OMB bulletin states that the agency is to take all possible steps to see that reductions occur through transfer and attrition and not through a reduction-in-force.

This Executive Order continues the momentum begun in July 1985, when President Reagan asked Congress to pass a joint resolution declaring productivity improvement in the Federal sector a national priority.

Executive Order Revocation

The second Executive Order signed on February 25 revokes 386 obsolete and/or inactive Executive Orders — the largest number ever revoked at one time. Based on a study conducted by the President's Council on Management Improvement, the revocations will simplify and clarify requirements placed on the Federal departments by the central management agencies of government (the General Services Administration, OMB and the Office of Personnel Management).

The Administration will continue its drive to reduce waste and mismanagement in the years ahead, both through targeted actions in

individual cases of abuse and fraud and through reform of government practices and policies. Public support for these efforts is vital. President Reagan is determined to continue working, as he pledged in his Second Inaugural Address, to reduce "the cost and size of government and its interference in people's lives." He welcomes your interest in this fundamental goal.

September 1986