

PRIME MINISTER

EFFICIENCY USA

*Priestley tells me this  
visit is proposed in  
the.*

*file. 1612*

1. This minute seeks your agreement for a week's visit to Washington by Mr Priestley and Mr Allen towards the end of September.

Background

2. Like you, President Reagan lays a heavy emphasis on the need for greater economy and efficiency in administration. Some departments of the Federal Government also have the problem, largely unknown to us, of graft and fraud.

3. Two agencies in the American system have been bearing down on these problems for some time. First, the Office of Management and Budget (OMB), part of the Executive Office of the President, prepares the budget and the fiscal programme. It also (among other things):

- advises the President on the effectiveness of the organisation and management of the Executive Branch "to ensure that they are capable of producing the intended results"
- helps to develop proposals for regulatory reform and reducing paperwork, especially the "reporting burdens of the public"
- plans and develops information systems to provide the President with "program performance data" and
- does evaluation work to help him "in the assessment of program objectives, performance and efficiency".

4. As you know, President Reagan has put one of his toughest associates, Mr David Stockman, in charge of OMB, with the



particular objective of reducing Federal expenditure.

5. Secondly, Congress on its part has the General Accounting Office, the more professional counterpart of our Exchequer and Audit Department. The Comptroller General of the United States, Mr Elmer B Staats, is a powerful and experienced servant of Congress.

6. Presidents Carter and Reagan have both felt that their own hand needed strengthening. Since 1978, major departments have each had an "Inspector-General" to

- conduct and supervise audits and investigations of its programmes and operations;
- lead, co-ordinate and recommend the policies to increase economy, efficiency and effectiveness in administering and to prevent and detect fraud and abuse in such programmes and operations; and
- report regularly to the head of each department and to Congress.

7. President Reagan has established the "President's Council on Integrity and Efficiency" to bring the Inspectors-General together - with the Justice Department and the FBI! - to "focus their total efforts in the places where it will do most good". This Council is chaired by one of his Assistants, Mr Edwin Harper, who is Mr Stockman's Deputy at OMB. I understand that the President's right-hand man at the White House, Mr Edwin Meese, provides the main driving force.

#### Purpose of the visit

8. American and British experience is not in direct parallel, nor are our approaches. The attached press release from the White House shows how much weight the President places on fraud prevention, even to the point of providing "hot-line" telephone



numbers so that Federal employees can shop their colleagues. But we have much in common, including enormous expenditures, the difficulty of knowing whether it is all producing the desired results and the patchy quality of management. And there are few fields in which it is not wise to see what the Americans are trying - or have discarded.

9. I would therefore like to start at the top in the White House and work downwards through OMB, the Office of Personnel Management and a sample of departments and agencies, with a side-ways step also to the General Accounting Office.

10. I attach an outline of the visit. I think it should take place in the week beginning 21 September. We have made provisional arrangements with the American Embassy here in London and expect no problems, subject to availability of taking in Messrs Meese, Stockman and Harper. The result would be a report - saying what the Americans do and suggesting in what ways if any we might benefit from their experience - and a series of useful contacts.

#### Cost

11. My own and Mr Priestley's experience of this sort of visit is that it is too much for one person to do alone. I would therefore like Mr Allen to accompany and assist Mr Priestley, especially as he (Mr Allen) has taken the lead for me on a number of matters likely to be covered in the visit (eg the scrutiny of administrative costs).

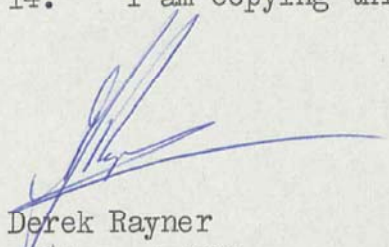
12. The cost of the visit would be roughly as follows:

|                   | <u>£</u>        |
|-------------------|-----------------|
| Salaries          | 1,100           |
| Travel            | 1,600 (maximum) |
| Accommodation etc | 650             |
| Total             | <u>3,350</u>    |

Conclusion

13. I should be grateful for your agreement to this visit. If you do approve it and there is an opportunity to give it a fair wind with the President, I should be glad to provide a form of words.

14. I am copying this to Sir Robert Armstrong.



Derek Rayner  
28 August 1981

Encs: White House Press Release, 16 April 1981  
Coverage of a possible visit



THE WHITE HOUSE  
Office of the Press Secretary

EMBARGOED FOR RELEASE UNTIL  
AFTER BRIEFING AT 2:30 P.M.

April 16, 1981

STATEMENT BY THE PRESIDENT

A study released yesterday reveals startling statistics that confirm much of what this Administration has said about the "national scandal" of waste, fraud and abuse in government.

Forty-five percent of Federal employees who responded to the survey said that in the last 12 months they had observed or had evidence of waste or illegality; 17 percent have personal knowledge of Federal property being stolen; 11 percent have personal knowledge of ineligible recipients getting funds, goods or services. These are far from trivial matters. Indeed, nine percent of the employees in the survey claimed to have observed specific incidents each involving over \$100,000 of waste or mismanagement.

The Study, conducted by the Merit Systems Protection Board and the Inspectors General, also found that much of the wasteful or illegal activities have gone unreported because of the belief that "nothing would be done."

This Administration means to change that attitude. As I said when I announced the appointment of the President's Council on Integrity and Efficiency on March 26: "We are going to follow every lead, root out every incompetent, and prosecute any crook we find who's cheating the people of this Nation."

Today the Council on Integrity and Efficiency is publicizing a series of "hotline" numbers that will be available to Federal employees who want to report wrongdoing in their departments.

But, more important, the Council is reasserting a point I want understood throughout the Government: Federal employees or private citizens who wish to report incidents of illegal or wasteful activities are not only encouraged to do so but will be guaranteed confidentiality and protected against reprisals.

I also want every member of this Administration -- from those in the Cabinet, to the sub-Cabinet, to Federal employees beginning their careers today -- to understand that we will not tolerate fraud, waste and abuse of the taxpayers' dollars. Every allegation of wrongdoing, every investigative lead will be pursued thoroughly and objectively.

The vital element in any program designed to fight fraud and waste is the willingness of employees to come forward when they see this sort of activity. They must be assured that when they "blow the whistle" they will be protected and their information properly investigated.

I want it made clear that today this Administration is providing that assurance to every potential whistleblower in the Federal Government.

Since I appointed the Council on Integrity and Efficiency, we have already begun to develop momentum in the fight against waste and



- Hundreds of additional investigative leads, some of great significance, on incidents of waste, fraud and abuse in government have been developed. Our Inspectors General are vigorously pursuing these leads.
- The Inspector General's office at AID secured a guilty plea from a former AID employee accused of extorting \$138,000 for channeling a rice-seed contract to a firm in the Far East. The individual also agreed to resign from AID immediately, and to return to the government, in the form of criminal and civil fines, some \$40,000 of the funds he allegedly extorted. In addition, he received a two-year suspended sentence and five years of probation.
- This Administration has announced its support of legislation creating additional Inspectors General who will have powers tailored to the specific needs of the Departments of Defense, Treasury and Justice.
- I have also approved six more individuals to be nominated as IG's. Their names will be announced as soon as they have successfully completed the initial clearance process.

During the past few decades, government programs have multiplied and expenditures have grown by quantum leaps. But during this time little attention has been paid to the serious problems of mismanagement and criminal fraud. One Department of Justice study has revealed that in social programs fraud alone could be as much as 1 to 10 percent of the expenditures for those programs.

It is time to put a halt to this waste and wrongdoing. These steps I have mentioned today represent only a beginning in one of the toughest and most important programs this Administration will undertake: eliminating waste and fraud, and restoring the public's faith in the integrity of government.

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COVERAGE OF A POSSIBLE VISIT TO WASHINGTON, SEPTEMBER 1981

1.     White House                     Mr Edwin Meese, Counselor to the President
2.     Office of Management and Budget  
                                          Director (Mr David Stockman)  
                                          Deputy Director (Mr Edwin Harper,  
                                          Chairman of the President's Council  
                                          on Integrity and Efficiency)  
                                          Topics  
                                          Developing and maintaining effective  
                                          government  
                                          Program performance and evaluation  
                                          Regulatory reform and paperwork  
                                          reduction  
                                          Training of auditors and investigators  
                                          "Joint (OMB/GAO) Financial Management  
                                          Improvement Program"  
                                          "Overhead Operations and Federal Work  
                                          Force Planning"  
                                          "Incentives in the Budget Process"
3.     General Accounting Office  
                                          Topic                     Economy, efficiency and effectiveness  
                                                                          audit
4.     Office of Personnel Management  
                                          Topic                     Implications of all the above for  
                                                                          personnel, especially training of  
                                                                          senior managers
5.     Two Departments or Agencies  
                                                                          Department/Agency Head and Inspector-  
                                                                          General  
                                          Topic                     Implications of all the above for  
                                                                          (1) Departmental managers and  
                                                                          (2) the Departmental Inspector-General

Possible Departments:

Defense

General Services Administration

Housing and Urban Development

Labor