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MEMO

October 15, 1980-

TO: ED MEESE

FROM: ANTHONY R. DOLAN

RE: HARD-HITTER FOR THIS WEEK

1. Yesterday Carter challenged us on how we would pay for tax cuts and defense spending.
2. These points are directly addressed by waste and fraud theme.
3. Sections in South Carolina speech dealing with this were left out and other sections supporting this view also left out.
4. Even so, the waste and fraud theme got a good play -- CBS and a lead story in the Washington Star.
5. This happened despite the fact the press was focusing on the Carter-Reagan confrontation in Florida over the social security issue.
6. Have had some press reaction that if Reagan goes after this once or twice more, they will focus on GSA and waste and fraud issue.
7. Let's go with this again. It turns Carter's attack right back on him. Might even give us a good ride for a week or two.

Columbia, South Carolina
WASTE, FRAUD, AND ABUSE

Earlier in this campaign, I challenged Mr. Carter--I challenged him to acknowledge the enormity of the problem of waste and fraud in the federal government. I asked him to account for his administration's four-year failure to cope with this unrelenting national scandal.

Mr. Carter chose to ignore that challenge.

Today I am again placing that issue: government waste and fraud--a scandal that grows worse as government grows larger--on the campaign agenda.

This is a problem that not only marks another serious failure by the Carter administration and another broken promise from 1976, it is a problem that is undermining the faith of the American people in our democratic institutions.

No one was more vocal in 1975 and 1976 in denouncing federal waste than Candidate Carter. He told the Atlanta Constitution he might abolish 1,700 federal agencies; he said in the Washington Star "we must abolish and consolidate hundreds of obsolete and unnecessary federal programs and agencies." He told the Atlanta Constitution that the "whole government is just a great big horrible bureaucratic mess in Washington."

He promised again and again that he would cut waste, increase efficiency, reorganize the executive branch and streamline government. After nearly four years and billions of wasted tax dollars we are still waiting for him to act.

Mr. Carter must explain his failure to streamline the executive branch, his failure to introduce systematic management and auditing procedures for hundreds of government programs.

Above all, Mr. Carter must explain his failure to combat waste and fraud in the General Services Administration. Mr. Carter must explain his administration's attempt to cover up one of the most costly scandals in the history of the federal government.

Let me recite just a few facts about this scandal:

- in its initial stages more than 130 indictments were handed up;
- GSA auditors concluded that more than 100 million was lost every year to fraud and corruption and another 160 million to waste and mismanagement;
- GSA officials were receiving thousands of dollars in bribes that ranged from cash payoffs to free vacations to contractor-supplied prostitutes;
- corrupt employees walked off with a quarter of a million dollars in camera film; contractors submitted fake invoices for \$300,000 worth of remodeling work at one building in Boston, while other contractors charged for tiling the same floor six times over at another building. One contractor even charged for painting 40 miles of pipe--pipe that just happened to be impossible to paint because it was embedded in the walls of a federal building.

Now the exposure of this scandal in 1977 and 1978 was due in large part to the work of a good Democrat and a dedicated public servant, GSA Administrator, Jay Solomon.

Mr. Solomon and GSA's Inspector General, Vincent Alto, pledged to clean out GSA once and for all.

But then Mr. Solomon tried to dismiss a deputy administrator whom he felt was obstructing his efforts to clean up the agency, ~~and~~ that deputy administrator was a close political friend of Speaker of the House, Tip O'Neill.

To the Carter administration, which has always valued loyalty more than competence, that was an unforgiveable mistake.

~~Soon~~, Mr. Carter's old political crony from Atlanta, Charlie Kirbo, entered the picture ~~and soon~~ ^{and soon} the Carter administration's tawdry political cover-up was underway. Soon Mr. Solomon found himself on the outs with the White House. Soon there was a new administrator at GSA. Soon there was a new inspector general at GSA.

I ask no one to accept just my view on the cover-up at GSA. Just listen to the words of dedicated corruption fighters at the agency itself.

General Counsel, Irwin Borowski left his office and told the Associated Press that Mr. Carter's change in leadership at GSA had "basically brought to a halt" the investigation of internal corruption in that agency. (Washington Star, February 9, 1977)

William Clinkscales, the chief of GSA inspections, said that Mr. Carter's new regime at GSA was busy "removing people from office who might uncover something."

Under oath before a Senate subcommittee, Mr. Clinkscales said Mr. Carter's new appointees "have not only repeatedly disrupted our legitimate investigations but they took away from our office total control of several investigations which had potentially far-reaching effects on highly visible public figures."

(Statement of William A. Clinkscales, Jr., page 11 before Senate Governmental Affairs Subcommittee on Fed. Spending Practices, open government, 1980)

Mr. Clinkscales described the Carter administration's actions this way:

"Mr. Kirbo held a meeting with Messrs. Solomon and Vincent Alto and it was shortly thereafter that Solomon and Alto advised me that the White House was no longer behind us. Shortly thereafter Alto left GSA and it became public knowledge that Solomon, for whatever reason, was in disfavor at the White House. Why?" (Federal Times, February 11, 1980.)

Howard Davia, GSA's chief auditor, told the same Senate subcommittee that his auditors were bullied and threatened by Mr. Carter's new leadership at GSA.

"...I feel peril," he said, "when I issue audit reports which make significant disclosure of misconduct. Strangely, I am often regarded as the villian for making disclosures. Those responsible for the mismanagement I disclose often seem to be defended--often protected."

(Federal Times, February 11, 1980.)

Today I want to make a pledge to you about the General Services Administration and a pledge about simple justice:

The next administration is going to put the corruption fighters back in charge at GSA. And they are going to be told; clean that agency out from top to bottom, don't stop until the waste and fraud is ended and every last corrupt, employee is dismissed, indicted and brought to trial.

The scandal at the GSA is only an example of how waste and fraud have gone unchecked in the federal bureaucracy. The Carter administration has given us government without planning, without management, without direction, without competence.

It is an administration where waste and fraud prosper. As Al Smith used to say: Let's look at the record:

--A May 31, 1979, Joint Economic Committee of the

Congress report cited a Justice Department estimate that deliberate fraud and abuse accounted for one to ten percent of federal expenditures.

"That excludes waste," the report noted, "including waste would give a much higher figure."

--The same report said that fraud, abuse, and waste in HEW's programs alone ranged between \$6.3 billion and \$7.4 billion. Jimmy Carter's own Secretary of Health, Education, and Welfare estimated a few years ago that at least \$7 billion was wasted every year by his department.

--The Joint Economic Committee noted that in the opinion of Comptroller General Elmer Staats, fraud, waste, and abuse continue in the federal government because of a lack of adequate management systems, low priority given to fraud detection and the inadequacy of agency investigators. The Comptroller General testified on one occasion that "opportunities for defrauding the government are virtually limitless."

--In his annual report, the Inspector General of HEW noted that he had relatively few investigators chasing after billions in fraud and noted--after projected staff losses to the new Department of Education--that it is "impossible to develop any meaningful anti-fraud program given this staff size."

--A November 13, 1979, GAO report noted that of its 262 cost-cutting recommendations in the health care field, fewer than half had been implemented, even though some were first proposed in 1974.

One congressional study issued a few months ago documented the "use it or lose it" approach of the federal bureaucracy. The study found government agencies wasting at least \$2 billion annually in year-end sprees.

The picture was not entirely bleak, however. The Department of the Interior showed it took very seriously the problem of year-end spending sprees. The Department hired a consultant,

on the last working day of the fiscal year, to find out why the Department was spending so much money at the end of the year.

Some months ago, the Chairman of the House Civil Service Subcommittee inserted statistics in the Congressional Record showing seven major federal departments spent more than 20 percent of their fiscal 1979 appropriations in the last two months of the year. HUD spent 47.2 percent, EPA spent 41.7 percent, Commerce spent 30.3 percent ... all in two months.

The conclusion is obvious:

Either Jimmy Carter knows about the waste, fraud and abuse of tax dollars and chooses to do nothing about it--or else he doesn't know about it and doesn't want to know.

Well, he knows now. I say it's time Mr. Carter started doing something about waste of billions of dollars instead of telling taxpayers that they have to do with less.

There is something fundamentally wrong with an administration that won't cope with the problem of billions lost to waste and fraud but then tells the American people--who are concerned about navy ships that can't leave port, fighters that can't fly, helicopters that don't work--that the money isn't there for military readiness or for strategic programs vital to our national security.

There's something wrong with an administration that won't deal with waste and fraud and then tells the American people--

in the face of record unemployment, inflation, and taxes-- the money isn't there for substantial tax cuts.

By contrast, I'd like to call attention to a recent report by the non-profit Urban Institute which showed what a government can do if it employs management experts to cut waste while at the same time carrying out the legitimate function of taking care of the truly needy.

I'm proud to note that the Institute called the program I initiated to stop sky-rocketing welfare costs in California "a major policy success." The report noted that welfare costs stopped escalating while benefits to the needy were actually increased.

This is the kind of government we need in Washington. This is the kind of government we intend to give the American people.

The failure of Mr. Carter to live up to his promises to the American people is not some question of technical, managerial efficiency. It is, instead, a question of failed leadership. It is a question of not meeting the great responsibilities of his high office.