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COMMITTEE ON GOVERNMENT REFORM AND OVERSIGHT
U.S. HOUSE OF REPRESENTATIVES

OCTOBER 24, 1995

WHITE HOUSE TRAVEL OFFICE—DAY ONE

ERRATUM

On both the Cover and the Title Page—Change "SECOND SESSION" to "FIRST SESSION".

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WHITE HOUSE TRAVEL OFFICE—DAY ONE

HEARING

BEFORE THE

COMMITTEE ON
GOVERNMENT REFORM
AND OVERSIGHT
HOUSE OF REPRESENTATIVES

ONE HUNDRED FOURTH CONGRESS

SECOND SESSION

OCTOBER 24, 1995

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WHITE HOUSE TRAVEL OFFICE—DAY ONE

TUESDAY, OCTOBER 24, 1995

HOUSE OF REPRESENTATIVES,
COMMITTEE ON GOVERNMENT REFORM AND OVERSIGHT,
Washington, DC.

The committee met, pursuant to notice, at 9:13 a.m., in room 2154, Rayburn House Office Building, Hon. William F. Clinger, Jr. (chairman of the committee) presiding.

Members present: Representatives Clinger, Gilman, Burton, Morella, Schiff, Ros-Lehtinen, McHugh, Horn, Mica, Davis, McIntosh, Fox, Tate, Gutknecht, Souder, Martini, Scarborough, Shadegg, Flanagan, Bass, LaTourette, Ehrlich, Collins of Illinois, Waxman, Slaughter, Kanjorski, Condit, Peterson, Thurman, Maloney, Barrett, Moran, Green, Brewster, and Holden.

Staff present: Jim Clarke, staff director; Judy Blanchard, deputy staff director, Kevin Sabo, general counsel; Judith McCoy, chief clerk; Cheri Tillett, assistant chief clerk/calendar clerk; Cissy Mittleman, professional staff; Jonathan Yates, associate counsel; Ed Amorosi, communication director; Timothy Fitzpatrick, press assistant; Barbara Bracher, chief investigator; Barbara Comstock, special counsel; Joe Loughran, investigator/professional staff; David Jones, staff assistant; Bud Myers, minority staff director; David Schooler, minority chief counsel; Ronald Stroman, minority deputy staff director; Donald Goldberg, minority assistant to counsel; Ellen Rayner, minority chief clerk; and Cecelia Morton, minority office manager.

Mr. CLINGER. The Committee on Government Reform and Oversight will come to order.

The committee is meeting today to hear testimony on the firings of the entire staff at the White House Travel Office in May 1993, and related events leading up to their firings, the individuals prompting these firings, the appropriateness of the actions taken, possible conflicts or ethical violations that occurred, the subsequent investigations of these matters, and the levels of candor and cooperation by those involved in both responding to the investigations and conducting the investigations.

The committee is undertaking this investigation in order to fulfill its constitutional obligations under Article I to oversee executive branch operations. These obligations are reflected in the authorities and responsibilities set out in Rules X and XI of the House of Representatives.

In accordance with discussions and agreements with ranking member Collins, I would now ask unanimous consent that the time for opening statements be limited to 60 minutes, with the time equally divided between majority and minority, and that all other opening statements not delivered orally be included in full in the record, together with supporting documents which members may want to include.

Without objection, so ordered.

[The prepared statements of Hon. Benjamin A. Gilman, Hon. John L. Mica, Hon. Joe Scarborough, and Hon. Carolyn B. Maloney follow:]

PREPARED STATEMENT OF HON. BENJAMIN A. GILMAN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW YORK

Thank you Mr. Chairman. I commend you for holding these hearings and want to thank each of our witnesses for their participation.

Mr. Chairman, this inquiry today is important—important that the Congress and this Committee in particular gain a more comprehensive understanding of the events surrounding the firing of the 7 employees in the White House Travel Office.

Some of our colleagues contend that the Travel Office affair is insignificant. On the contrary, these matters are highly important to those who were fired. After some 9 to 33 years of public service, including work for both the Democratic and Republican administrations dating back to the Kennedy Administration, these Travel Office employees were fired under a cloud of impropriety. After these employees were publicly dismissed, and after their reputations were publicly impugned, no wrongdoing was found with respect to the five employees who were given jobs elsewhere in the Executive Branch as well as one employee who voluntarily retired. We owe it to those individuals to investigate the circumstances surrounding their firings.

The White House conceded that the events surrounding the Travel Office warranted scrutiny when Administration officials commissioned their own internal "White House Travel Office Management Review."

Other Executive Branch agencies also recognized the need for formal inquiries into these matters.

These Executive agency reviews are an obvious manifestation that the Executive branch believed that the events surrounding the Travel Office firings implicated matters of public trust. The Congress endorsed these sentiments in adopting a resolution directing a GAO inquiry into matters relating to the White House Travel Office.

Omissions from the aforementioned reports should not be excused on the grounds of narrow purview. They appear to be the result of less-than-exhaustive inquiry and investigation. This hearing provides an opportunity to probe and identify such weaknesses.

Moreover, even those studies that purport to undertake a more integrated approach—specifically the GAO and White House reports—fail to answer a number of material questions. Some of these questions will be addressed today. Some of these questions may require further hearings. This hearing provides an opportunity to probe the defects in previous reports on matters relating to the Travel Office and to undertake a deliberative analysis of the events surrounding the firings.

Mr. Chairman we look forward to the testimony of today's witnesses. Thank you, Mr. Chairman.

PREPARED STATEMENT OF HON. JOHN L. MICA, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF FLORIDA

Mr. Chairman, thank you for holding these hearings today. I appreciate your efforts and work to bring to light the events surrounding the Clinton White House Travel Office and the firing of the employees.

As the chairman of the House Civil Service Subcommittee, I have a great interest in the personnel aspects of this scandal. Like everyone, I am appalled at the shabby treatment long-term employees in the Travel Office received when they were fired. They were given no notice and no opportunity to respond to the charges of mismanagement leveled against them. It appears they were used as pawns in a bungled political patronage plot. In short, they did not receive due process. As bad as that is, however, it is even worse for anyone, let alone a long-term employee to learn that he has been fired from a family member who heard it on television. That is inexcusable. And it was inexcusable for the White House to tarnish the reputation of each and every one of these employees. The White House itself acknowledges that it had no grounds for firing most of these employees.

In addition to this lack of due process, I am deeply concerned about accountability in government. From the documents I have seen, I know there are employees in the White House who have not been held accountable for their actions. We have a duty to expose that lack of accountability. Finally, I am also deeply disturbed by possible misuse of the FBI and IRS for political cover. If nothing else, this hearing must send a clear message to the Clinton White House and future Administrations that Congress will not tolerate this type of misuse and abuse of Federal employees and enforcement agencies.

PREPARED STATEMENT OF HON. JOE SCARBOROUGH, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF FLORIDA

Mr. Chairman, thank you for the opportunity to comment on this committee's efforts to look at the reviews of what happened at the White House before and after the Travel Office employees were initially fired. You are to be commended for the professional manner in which this committee has handled the oversight of this matter and I look forward to hearing from the witnesses appearing here today.

Mr. Chairman there have been serious concerns raised since the initial firings of the seven career employees of the White House Travel Office in 1993. As you may know, my district is one of the largest in terms of numbers of federal employees and retirees so I have a vested interest in their well-being. It is dismaying when career employees in the federal government are subjected to politics and nepotism. Our system was designed to prevent such incidents and we must ensure that we continue to shelter these employees from politics. If these employees were indeed guilty of some kind of misconduct then I would be the first to advocate their dismissal. However, it appears that most of the employees in the Travel Office were victims of false allegations and five are still working in the federal government after being cleared of the charges. I am aware of Mr. Dale's situation and this hearing no way involves those allegations which are for a court of law to pursue.

Though two years have passed and several reviews have been performed, a complete analysis of the firings and White House conduct with respect to these firings has yet to be undertaken. Further, many of the principles involved in the firings have since left the White House for various reasons. Many questions on this matter remain unanswered including: what was the extent of the FBI and IRS involvement: were White House officials actually reprimanded; what was Mr. Thomason's role in the White House; and was the White House cooperative in the subsequent reviews. I look forward to hearing from the various witnesses today and I hope that many of these questions will be answered. Mr. Chairman, I would also like to commend you for your persistence in pursuing hearings on this important matter.

PREPARED STATEMENT OF HON. CAROLYN B. MALONEY, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW YORK

Mr. Chairman, I have some very serious concerns with this hearing. First, this hearing seems to have a blatantly political motive, like so many other Republican hearings. The line-up includes: 26 days of hearing on Whitewater; 20 days on Waco; 8 days on Ruby Ridge. Today we begin a hearing on the White House Travel office. These hearings have been held in a clear attempt to embarrass a Democratic administration.

When the Republicans will spend weeks on issues of past history, the one day of hearings on a present and future issue of incredible importance—Medicare—is a travesty. I would say that the Republican priorities are dangerously out of line with reality.

Everyone agrees that the Clinton administration, in the first months of its tenure, handled this incident ineptly. There have been no less than 5 detailed reports on various aspects of the White House Travel office incident: an 80 page internal management review conducted by the White House; a 94 page report to Congress from the General Accounting Office; a review of FBI contacts with the White House; a report of the Justice Department's office of Professional Responsibility; and an IRS report. All inquiries reached the same conclusion—that the Clinton adminstration did nothing illegal.

At best this hearing is a waste of time. At its worst it stands to interfere with the legal system of the United States. The trial of Billy Ray Dale for embezzlement is scheduled to begin in two short days. Both Attorney General Reno and Ranking Member Collins have asked Chairman Clinger to postpone this hearing.

We also cannot ignore the serious conflict of interest questions. The lead investigator for the Committee in this matter, and the Republican investigator during the last Congress, is Mr. Phil Larsen—a man who knows Billy Ray Dale well and was his direct superior in the Bush White House. This relationship certainly creates the appearance of a conflict of interest for the Majority's lead investigator. Unfortunately, nothing seems to temper the Republican drive for politically motivated hearings.

Mr. Chairman, this week we will be debating Budget Reconciliation, perhaps the most important single bill of this Congress, with its sweeping changes to Medicare, Medicaid and a host of other programs vital to all of our constituents. Frankly, I resent the fact that I am being forced to waste time on a political witch hunt at this crucial juncture.

Thank you Mr. Chairman.

Mr. CLINGER. The committee's Travel Office investigation will prove instructive to the Congress on legislative and oversight fronts. The Travel Office matter is a case study in how the abuse of power by those with political access can cause great harm to innocent individuals and the public trust, and in the hypocrisy of those who impose one set of rules on government employees and a very different set on political appointees and friends, and finally in how the White House, any White House, should not respond to an investigation.

Sadly, the Travel Office matter reflects yet again a disturbing pattern of White House resistance to appropriate oversight, mandated in law by a Democratic Congress or requested by the President's own Deputy Attorney General. Too often, administration attorneys responded to investigations like private defense attorneys, rather than public servants charged with preserving our trust with the highest office in the land. This pattern was established when former counsel Bernard Nussbaum apparently secreted away the Vince Foster Travel Office file, which eluded investigators in the public until this year. Mr. Nussbaum justifies his actions by stating, quote, if this were IBM, a smart lawyer would have removed the documents before the subpoena ever got here, close quote. Mr. Nussbaum too often created problems where none may have existed, and he and his successors have exacerbated real problems by playing hide and seek with documents.

Most importantly, from my point of view, this inquiry will also illustrate pitfalls confronting investigators, exercising appropriate White House oversight, especially when both the executive branch and the legislative branch are controlled by the same political party, as was the case from 1993 until January of this year. Unlike all other Federal agencies, the White House has no Inspector General. Yet since Watergate, Congress recognized the need for congressional oversight of the White House. The highest office in the land cannot be held to a lower level of accountability. So in the 103d Congress, I led efforts to create an Office of Inspector General for the White House.

While there are obviously particular needs and sensitive concerns unique to investigating the White House, it is essential for the public trust to have independent evaluations of allegations of ethical, financial or criminal wrongdoing. The legislation which I supported recognized the need to insulate Presidential policymaking deliberations and decisions from premature scrutiny, but afforded the right of Congress to conduct oversight of the administrative functions of the White House. As the primary oversight committee in Congress, this committee oversees the operations of all government agencies, including the GAO, IRS, FBI, and the Justice Department. This includes the White House and Executive Office of the President. Its necessary and proper role is to evaluate how White House appropriations are spent, how White House personnel adhere to governmentwide standards of conduct, and how the White House responds to allegations of possible wrongdoing. In the Travel Office matter, the White House itself acknowledged limited appearances of wrongdoing.

When the White House fails to fully comply with investigations mandated by Congress or senior Justice Department officials and the oversight role critical to our system of checks and balances is compromised, it is incumbent upon this committee to assert its jurisdiction. Interestingly, many of the issues we will address were identified by Deputy Counsel Vince Foster in the Travel Office file the White House only recently disclosed. And these issues remain unresolved.

As the witnesses here today will testify, providing oversight of 1600 Pennsylvania Avenue entails unique challenges. More than 2 years ago, I requested Travel Office hearings after the White House's investigation was led by the Chief of Staff, who had approved the firings. And The New York Times characterized the White House management review as a, quote, Stealthy, evasive confession, replete with the "mistakes were made" format of White House dodges of the past, close quote. Documents disclosed today will reaffirm that evaluation.

That is why I supported the July 1993 House Resolution of Inquiry calling on the White House to provide Congress documents relevant to the issue. Ironically, among those who moved to sidetrack the resolution, then Judiciary Committee Chairman Brooks, acknowledged, and I quote, The appropriate time to assess whether additional congressional oversight is indicated is after the ongoing independent reviews are completed, close quote.

In fact, the August 15, 1993 Washington Post reported that, according to a committee aide, then-Chairman Brooks had told White House Chief of Staff Mack McLarty he needed an independent review of the Travel Office matter and questioned whether the White House reprimands were commensurate with what was needed. In a July 13, 1993 letter to Chairman Brooks, President Clinton pledged that the Attorney General would have the administration's, quote, full cooperation, close quote. Unfortunately, that was not to be the case.

In September 1993, I actually withdrew my initial request for hearings in consideration of the ongoing GAO and OPR investigations, which I hoped would definitely dispose of the matter. However, our review of the GAO report and its work papers revealed GAO failed to consider significant findings of its own investigators and failed to follow up obvious discrepancies and omissions. In fairness, it must be noted that GAO was denied access to documents and witnesses which it deemed relevant and important to its investigation. Then-Chairman Conyers wrote me last year, quote, You have raised serious questions about GAO's report to Congress, close quote, and asked that GAO provide a detailed response to my letter. But hearings were never held during the 103d Congress. So when I became chairman, I committed to get the facts out once and for all.

Let me say I think it is highly unlikely that we would be sitting here today if Republicans were still the minority party in the House of Representatives. Had I been a Democrat during the last 2 years, I would also likely have resisted the holding of hearings which promised to embarrass the White House, just as I am sure that Republicans were reluctant to hold hearings on matters such as Watergate when the White House was in Republican hands. The difference, of course, was that as the minority party in Congress, we could not forestall hearings had we wanted to, and the fact that we have been unable to hold hearings on this matter until now convinces me that we should adopt a change in the House rules which we Republicans have long promoted.

Very simply, the rule would provide that where the White House is controlled by one party and the Congress by the same party, that the principal oversight committees in the House and Senate be controlled by the minority party. Had such a rule been in effect in the last Congress, hearings on the White House Travel Office would have long since been concluded. At the very least, where both the executive and legislative branches are under one party control, the minority should be afforded the power to issue subpoenas without the concurrence of the majority.

On May 19, 1993, all seven White House Travel Office employees were fired abruptly. White House statements that day indicated the firings followed an audit performed pursuant to Vice President Gore's National Performance Review which uncovered, quote, abysmal mismanagement and shoddy accounting practices, close quote. Spokesperson Dee Dee Myers added that the FBI was investigating possible criminal violations by the fired employees. The employees themselves first heard those allegations on television while packing their personal belongings to leave the White House.

Almost a week before, on May 13, 1993, Associate White House Counsel Bill Kennedy had summoned the FBI because those at, quote, the highest level in the White House, close quote, wanted prompt action on a matter allegedly involving possible financial wrongdoing in a White House office. The FBI dispatched two sets of agents to figure out the jurisdictional issues.

The first two agents tried to tell their superiors they weren't the right guys for the job and recommended sending a field agent, as would normally occur. But nothing about this case would take the normal course. Kennedy was adamant that someone from headquarters with a national perspective be involved and the FBI obtained senior FBI approval to accommodate him. The acting Chief of the Violent Crimes and Major Offender section was sent to, of all places, the White House Travel Office.

The second set of FBI agents met with Presidential cousin Catherine Cornelius, who had been dispatched by David Watkins to the Travel Office, where she copied and removed some documents. Ms. Cornelius' own meetings with Mr. Thomason had generated an awareness of kickback allegations which she embroidered with claims that Travel Office employees led high-flying lifestyles. Her allegations provided predication for the FBI investigation.

Suddenly, the Counsel's office shifted gears, telling the agents the White House would conduct an outside audit first and allow the FBI to investigate if warranted. The FBI insisted it should be present at the audit, but Mr. Foster and Mr. Kennedy said no. The FBI acquiesced. An FBI E-mail to Larry Potts, then head of the Criminal Division at the FBI, at 7:40 p.m. that evening, reads, quote, On several occasions Mr. Foster expressed his sincere appreciation for the help rendered by the FBI, close quote. At the time, Mr. Potts was under scrutiny for his role in Ruby Ridge and former FBI Director Sessions was fighting to keep his job. This was a difficult time for the Bureau, and while FBI agents maintain the White House did not intimidate them, their departures from standard procedure suggest more subtle pressure may have been in play. Why were more than two dozen FBI employees involved in a matter which should have been a job for a field agent?

Meanwhile, the White House brought in an independent auditor which was neither independent nor an auditor. Inexplicably, the White House retained the management consulting, not the public accounting, arm of KPMG Peat Marwick. And as Peat Marwick documents make clear, the White House directed its efforts in the Travel Office.

On Monday, May 17, Watkins wrote a memo to Chief of Staff Mack McLarty regarding the firings and copied the memo to the First Lady. The memo was faxed to Director of Media Affairs Jeff Eller. At the time, Mr. Eller was traveling with the President, Bruce Lindsey, and two of the Travel Office staffers, among others in California. Mr. Eller told Mr. Podesta he shared the memo with Bruce Lindsey, who in turn told Mr. Podesta he discussed the memo with the President. Neither of these accounts was included in the White House management review, and Mr. Eller said he destroyed all his Travel Office documents shortly after the matter broke in the press.

While the FBI awaited the Peat Marwick report, the White House decided to fire the Travel Office employees on Wednesday, May 19, 1993. The FBI said that this would harm the investigation that it had initiated on May 14. The White House ignored its concerns and neither the FBI nor the Justice Department ever subsequently complained of this action.

When word of the firings reached Justice, its Criminal Division drafted an "urgent memo," noting the FBI was involved due to the "kickbacks" allegation. Justice's role in initiating or confirming the investigation never was independently considered anywhere.

Peat Marwick's report was unavailable when the White House announced the firings on May 19. In fact, it was not even written yet. As a result, its author, Peat Marwick partner Larry Herman, was called into a meeting with George Stephanopoulos, Dee Dee Myers, Vince Foster, Bill Kennedy, Ricki Seidman and Harry Thomason, and greeted with the question, quote, Where the hell is the report?, close quote. The White House had no more than a few pages of draft material at the time it announced the firings it said were based on Peat Marwick's report. The press repeatedly asked for the report in the May 19 press conference, leaving the White House with a difficult political situation, from which only its so-called "independent auditor" and the FBI could extricate it.

In other words, while claiming it had "predication" for an investigation on May 14, the FBI allowed the White House to call the shots on its investigation for well over a week. In a previously undisclosed phone conversation between White House Counsel Mr. Nussbaum and Deputy Attorney General Phil Heymann on the morning of Friday, May 21, Mr. Nussbaum asked Heymann if the White House could announce there was an investigation. Nussbaum later claimed George Stephanopoulos had pressed him to take action. Nussbaum also said FBI Deputy Director Floyd Clarke happened to be in Heymann's office when Heymann gave the go-ahead to announce an investigation. As a field agent who had been brought in and briefed at the time told OPR investigators, the White House called the shots in the Travel Office investigation, and FBI dealings with the White House were, quote, deferential, close quote. The FBI did not receive the Peat Marwick report until 7:30 p.m., on Friday, May 21, long after the report had been released to the press.

Both the President and First Lady were informed of the Travel Office matter prior to the May 19 firings. Harry Thomason, Vince Foster and David Watkins appeared to advise the First Lady about Travel Office developments. Harry Thomason worked at the White House late into the night on May 13, and Mr. Foster's Travel Office file indicates the First Lady received updates from Foster and Watkins that evening.

Mr. Thomason returned to the White House early the next day, May 14, which is the day that the Peat Marwick team arrived, and stayed there throughout the weekend. One witness from World Wide Travel, Ms. Fan Dozier, told Mr. Podesta she ran into Harry Thomason on Sunday, May 16, and Thomason said to her, quote, You mean you are not up there working? [in the Travel Office], close quote, and added that he would call the First Lady and she would be very upset to hear that World Wide Travel was not already in place.

Mr. Thomason claimed to have heard from friends in the air charter industry that the Travel Office employees were accepting, quote, kickbacks, close quote. Mr. Thomason also told Watkins, Deputy Counsel Vince Foster and others at the White House that firing the employees would be a "good story." He told another White House employee, Jennifer O'Connor, quote, These guys are ripping us off, they're bastards; it is a great press story, Bill Clinton cleaning house, close quote. Ms. O'Connor asked Harry Thomason if he had any evidence. He said he did. Steve Davison of World Wide Travel told Mr. Podesta that he had heard Mr. Thomason had hired a private investigator to check out the Travel Office.

As the press quickly revealed, Ms. Cornelius and Harry Thomason were the primary sources of the rumors and allegations that led to the firings and set this "stage" in motion. Despite the President's claims there were rumors everywhere, all the rumors appeared to have originated with Harry Thomason. As we will learn today, Presidential friend Harry Thomason was involved in a number of other activities at the White House, which I believe will require subsequent examination.

Thomason spoke with President Clinton and the President's personal adviser and current Deputy Counsel Bruce Lindsey about obtaining their assistance in his effort to win a sole source government contract at GSA to audit the entire Federal civilian aircraft fleet and "revitalize" the aircraft industry. Apparently Mr. Martens was working out some kind of arrangement to consult for the Interagency Committee on Aviation Policy, ICAP, to do this audit. Mr. Martens, with his own privileged White House access, secured assistance from OMB and GSA to get his proposal rolling. While the White House claims it pulled the plug on the scheme late in the summer of 1993, one has to wonder whether this occurred because ongoing investigations threatened to expose it. As it was, none of these documents was ever turned over to GAO despite its requests for documents relating to Mr. Thomason and Mr. Martens.

Having just finished the major procurement bill, a major procurement, I find this behavior particularly offensive while rules governing government contracting are more burdensome than necessary, we all must follow the rules, even those of us with access. The process by which Mr. Martens sought to obtain this business from GSA certainly warrants further review. Would the process he suggested have avoided conflict of interest issues? Would he and his partner, Harry Thomason, have stood to benefit from the changes he proposed?

Quote, Put me in front of the right person at the White House, and I will prove the value of both the project and Thomason's capabilities, close quote, Darnell Martens wrote his TRM business partner, Harry Thomason while touting his loyalty to the administration. Subsequent memos spoke of "a memo to Harry Thomason which was presented to and discussed with the President in mid-February," and a request indicating the President needed to, quote, issue an Executive order, close quote, and, quote, enter into a consulting agreement with TRM, close quote, to get this project going.

Mr. Thomason said at the time, "I do find it surprising that a person who was as instrumental as I was in the Clinton campaign cannot pick up a phone in the White House and ask for information for people." Mr. Thomason's blatant inconsistency in seeking a sole source aviation contract for his own business partner while alleging that the Travel Office employees' failure to competitively bid press charters proved that they were "on the take" is, frankly, astounding. The President read right from the Thomason script when he too said the firings were undertaken to promote, quote, competitive bidding, close quote.

The White House and Mr. Thomason disregarded inherent conflicts in Thomason's far-ranging role while the White House management review disingenuously claimed Thomason was only at the White House working on the "staging" of Presidential events. Mr. Thomason was meeting on several other matters, as we will learn today.

Catherine Cornelius, the President's 25-year-old cousin, was, quote, selected, close quote, to replace the veteran Travel Office employees whose tenures spanned between 9 and 33 years in that office. She brought in World Wide Travel agency from Little Rock, AR, without a competitive bid. However, the press uproar which followed the firings caused World Wide Travel itself to withdraw before the White House completed its sole source process. Yet before it left the White House, World Wide was told, "We will do anything if you will stay." World Wide Travel told the White House to give it back the fired Travel Office workers.

The press seized upon leaked memos indicating that Cornelius had proposed early on in the administration that she be placed in charge of the White House Travel Office and resume the role she had in the Clinton campaign. Senior administration officials David Watkins and Patsy Thomasson asked her to say Watkins never read it.

Thomason partner Darnell Martens, who appeared at the White House with a White House employee pass on May 12, pitched in and summoned Penny Sample, president of Air Advantage, without a competitive bid. Ms. Sample also had worked on travel on the Clinton-Gore campaign. She immediately came to the White House to assist with press travel arrangements. Furthermore, when Ms. Sample received what were touted as "erroneous commissions," serious questions about the propriety of her actions, raised within the White House itself, were never addressed. No one called the FBI concerning the suspicions they had about their actions.

On May 21, just 2 days after the firings, when World Wide Travel decided to leave the White House, senior administration official Patsy Thomasson held a closed door meeting with American Express. Ms. Thomasson brought in Secret Service agents to guard the door during this meeting. Later that day, George Stephanopoulos announced in a press conference that American Express would be brought into the White House, but the White House subsequently backed away from his remarks, claiming instead it was putting the contract out to bid. But did the other two companies participating in the alleged "competitive bid" have the benefit of a closed door meeting with Ms. Thomasson?

May 21 was also the day the IRS came to Smyrna, TN, descending on the offices of UltrAir, a small company that had provided most of the Travel Office's domestic press charter services. And UltrAir was the firm Harry Thomason ensnared in his kickback allegations. It took the IRS 2 years to clear UltrAir of wrongdoing, and no additional tax liability was found.

For more than 2 years, I have sought information and documents concerning the White House Travel Office matter. Many of the White House documents that have been produced were received only after I announced this hearing. More than 300 pages of White House documents remain in White House custody, yet to be reviewed by the committee in any form until recently—too recently, unfortunately, to enable to us evaluate their importance or relevance prior to this hearing. The delay in receiving documents has in turn delayed our ability to interview the witnesses.

Though the passage of time can cloud memory, the unusually hazy recollection of those we have interviewed make documents essential if we are to proceed. The documents we are only now receiving include many the White House withheld from other investigators. In the case of GAO, Mr. Podesta described more than 400 pages of notes and more than 300 pages of drafts and chronologies as, quote, a thimbleful of notes, close quote. GAO counsel has told this committee that in his opinion Mr. Podesta and Associate Counsel Neil Eggleston lied to the GAO.

In short, we need to conduct this review because serious questions remain:

Why did the White House resist these reviews?

Why did the White House ignore significant information uncovered by its own management review concerning misconduct by senior White House officials who asked subordinates to lie about events involved in this matter?

What other activities was Harry Thomason involved in at the White House, and why weren't they reported?

Why did the same people who criticized the White House Travel Office employees for failing to competitively bid press charters try to maneuver a series of sole-source contracts benefiting a tight circle of political friends?

And why didn't the White House provide critical documents to investigators, and why did they impose such restrictive and burdensome requirements on investigators?

Did Harry Thomason, Darnell Martens, Catherine Cornelius, Bruce Lindsey, and others at the White House have conflicts of interest related to these events?

How did the IRS come to investigate UltrAir, which already had cooperated voluntarily with the IRS on a separate tax issue?

Were Harry Thomason and/or Darnell Martens special Government employees?

Did any White House officials violate standards of conduct? If so, what? who?

If senior White House officials will bend the rules over so seemingly inconsequential an issue as this and then spend 2 years keeping the true story from coming out, what lengths might they go to, to frustrate oversight of areas of far more serious consequence?

After five reviews, these and other significant issues remain unaddressed. Key witnesses either could not or would not cooperate in the past. The fired Travel Office employees, some of whom are in the audience today, were not heard from in a single investigation.

The committee has interviewed the six employees who have been exonerated of any wrongdoing. Their story deserves to be told. They deserve a forum to redeem their good names.

Harry Thomason, the producer/director of the White House Travel Office fiasco, refused to cooperate fully with investigators, including the White House. Bob Bennett, attorney for Harry Thomason as well as the President, has informed this committee that Harry Thomason will not voluntarily comply with any of our document requests, or requests for an informal interview.

Finally, let me note that today's hearing is not at all about the pending criminal case against the former director of the Travel Office. In April of this year, I initiated contact with the Justice Department before beginning the committee's inquiry into the White House Travel Office matter, and I assured the Department my inquiry would not impinge upon the criminal case.

Since the Justice Department already had cooperated with other investigations conducted by the White House and GAO, it concerns me that the Department sought to warn Congress alone off this matter. I am aware of no such written warnings made by the Department when the White House fired the Travel Office employees over the objections of the FBI agents, and I am aware of no such written warnings to the White House when it undertook its White House management review and was allowed to interview key witnesses, FBI agents, and senior Justice officials involved in the matter, often prior to their respective interviews by Public Integrity prosecutors charged with undertaking the criminal investigation.

Despite having obtained some disturbing information, this committee scrupulously has avoided anything that may impinge on the upcoming criminal case. The committee has received no documents from the Public Integrity Section concerning that case and very likely has much less information than the White House ever had about it.

The committee has not interviewed the agent involved, even though the White House, the FBI, and Justice Department did so in their respective inquiries. The safeguards we have operated under in this investigation far surpass those of the White House or other investigations.

So any suggestion that this hearing could result in tainting the jury pool due to exposure to media reports should be put in the context of the many successful jury selections here in Washington, DC, in cases such as the Ollie North trial, the Marion Barry trial, Abscam trial, all of the Watergate trials, and the everyday criminal matters that receive media attention on a regular basis.

The committee's investigation will be the first truly independent and open investigation of the entire Travel Office matter and the ensuing reports and investigations. Serious questions will be raised, questions which I believe merit further investigation, review, and resolution by this committee, and I hope we can resolve these issues in a thoughtful manner with an eye toward improved procedures in the future.

[The prepared statement of Hon. William F. Clinger, Jr. follows:]

PREPARED STATEMENT OF HON. WILLIAM F. CLINGER, JR., A REPRESENTATIVE IN CONGRESS FROM THE STATE OF PENNSYLVANIA

The Committee will come to order.

Good morning. The Committee is meeting today to hear testimony on the firings of the entire staff of the White House Travel Office in May 1993, the related events leading up to their firings, the individuals prompting these firings, the appropriateness of actions taken, possible conflicts or ethical violations that occurred, the subsequent investigations of these matters and the levels of candor and cooperation by those involved in both responding to the investigations and conducting the investigations.

The Committee is undertaking this investigation in order to fulfill its Constitutional obligations under Article I to oversee Executive Branch operations. These obligations are reflected in the authorities and responsibilities set out in Rules X and XI of the House of Representatives. In accordance with discussions with Ranking Member Collins, I ask unanimous consent that the time for opening statements be limited to 60 minutes with the time equally divided between majority and minority.

THE IMPORTANCE OF OVERSIGHT

The Committee's Travel Office investigation will prove instructive to the Congress on legislative and oversight fronts. The Travel Office matter is a case study: in how the abuse of power by those with political access can cause grave harm to innocent individuals and the public trust; and in the hypocrisy of those who impose one set of rules on government employees and a very different set on political appointees and friends; and, finally, in how the White House—any White House—should not respond to an investigation.

Sadly, the Travel Office matter reflects yet again a disturbing pattern of White House resistance to appropriate oversight mandated in law by Democrat Congress or requested by the President's own Deputy Attorney General. Too often, Administration attorneys responded to investigations like private defense attorneys rather than public servants charged with preserving our trust in the highest office in the land.

This pattern was established when former Counsel Bernard Nussbaum apparently secreted away the Vince Foster Travel Office file which eluded investigators and the public until this year. Nussbaum justified such actions by stating: "If this were IBM, a smart lawyer would have removed the documents before the subpoena ever got here." Mr. Nussbaum too often created problems where none may have existed. He and his successors have exacerbated real problems by playing hide and seek with documents.

Most importantly from my point of view, this inquiry will also illustrate pitfalls confronting investigations exercising appropriate White House oversight, especially when both the Executive Branch and the legislative branch are controlled by the same political party as was the case from 1993 until January of this year. Unlike all other federal agencies, the White House has no Inspector General. Yet since Watergate, Congress recognized the need for congressional oversight of the White House. The highest office in the land cannot be held to a lower level of accountability.

In the 103rd Congress, I led efforts to create an Office of Inspector General for the White House. While there are obviously particular needs and sensitive concerns unique to investigating the White House, it is essential for the public trust to have independent evaluations of allegations of ethical, financial or criminal wrongdoing. The legislation I supported recognized the need to insulate Presidential policy-making deliberations and decisions from premature scrutiny but afforded the right of Congress to conduct oversight of the administrative functions of the White House.

As the primary Oversight Committee in Congress, this Committee oversees the operations of all government agencies, including the GAO, IRS, FBI and Justice Department. This includes the White House and Executive Office of the President. Its necessary and proper role is to evaluate how White House appropriations are spent, how White House personnel adhere to government-wide standards of conduct and how the White House responds to allegations of possible wrongdoing. In the Travel Office matter, the White House itself acknowledged only limited appearances of wrongdoing.

When the White House fails to fully comply with investigations mandated by Congress or senior Justice Department officials and the oversight role critical to our system of checks and balances is compromised, it is incumbent upon this Committee to assert its jurisdiction. Interestingly, many of the issues we will address were identified by Deputy Counsel Vince Foster in the Travel Office file the White House only recently disclosed. These issues remain unresolved.

HEARINGS WERE REQUESTED OVER TWO YEARS AGO ON THIS MATTER

As the witnesses here today will testify, providing oversight of 1600 Pennsylvania Avenue entails unique challenges. More than two years ago, I requested Travel Office hearings after the White House's investigation was led by the Chief of Staff who approved the firings. The New York Times characterized the White House Management Review as a "Stealthy, Evasive Confession" . . . . "replete with the 'mistakes were made' format of White House dodges of the past." Documents disclosed today will reaffirm that evaluation.

That is why I supported the July, 1993 House Resolution of Inquiry calling upon the White House to provide Congress documents relevant to the issue. Ironically, among those who moved to sidetrack the Resolution, then-Judiciary Committee Chairman Brooks acknowledged: "The appropriate time to assess whether additional congressional oversight is indicated is after the ongoing, independent reviews are completed."

In fact, the August 15, 1993 Washington Post reported that, according to a Committee aide, then-Chairman Brooks had told White House Chief of Staff Thomas Mack McLarty he needed an independent review of the travel office matter and questioned whether the White House reprimands were commensurate with what was needed. In a July 13, 1993 letter to Brooks, President Clinton pledged that the Attorney General would have the Administration's "full cooperation." That was unfortunately not to be the case.

In September 1993, I actually withdrew my initial request for hearings in consideration of the ongoing GAO and OPR investigations which I hoped would definitely dispose of the matter. However, our review of the GAO report and its work papers revealed GAO failed to consider significant findings of its own investigators and failed to follow up obvious discrepancies and omissions. In fairness, it must be noted that GAO was denied access to documents and witnesses which it deemed relevant and important to its investigation.

Then-Chairman Conyers wrote me last year, "You have raised serious questions about GAO's report to Congress" and asked that GAO provide a "detailed response" to my letter but hearings were never held during the 103rd Congress. When I became Chairman, I committed to get the facts out once and for all.

Let me say I think it is highly unlikely that we would be sitting here today if Republicans were still the minority party in the House of Representatives. Had I been a Democrat during the last two years, I would also likely have resisted the holding of hearings which promised to embarrass the White House. Just as I am sure that Republicans were reluctant to hold hearings on matters such as Watergate when the White House was in Republican hands. The difference, of course, was that as the minority party in Congress, we could not forestall hearings had we wanted to and the fact that we have been unable to hold hearings on this matter until now convinces me that we should adopt a change in the House Rules which we Republicans have long promoted. Very simply, the Rule would provide that where the White House is controlled by one party and the Congress by the other that the control of the principal oversight committees in the House and the Senate be controlled by the minority. Had such a Rule been in effect in the last Congress, hearings on the White House Travel Office would have long since been concluded. At the very least where both the Executive and Legislative branches are under one party control, the minority should be afforded the power to issue subpoenas without the concurrence of the majority.

THE FIRINGS IN THE TRAVEL OFFICE AND RELATED EVENTS

On May 19, 1993, all seven White House Travel Office employees were fired abruptly. White House statements that day indicated the firings followed an audit performed pursuant to Vice President Gore's National Performance Review which uncovered "abysmal mismanagement" and "shoddy accounting practices." Spokesperson Dee Dee Myers added that the FBI was investigating possible criminal violations by the fired employees. The employees themselves first heard those allegations on television while packing their personal belongings to leave the White House.

Almost a week before, on May 13, 1993, Associate White House Counsel Bill Kennedy had summoned the FBI because those at "the highest level" in the White House wanted prompt action on a matter allegedly involved possible financial wrongdoing in a White House office. The FBI dispatched two sets of agents to figure out jurisdictional issues. The first two agents tried to tell their superiors they weren't the right guys for the job and recommended sending a field agent as would normally occur. But nothing about this case would take the "normal course." Kennedy was "adamant" that someone from headquarters with a "national perspective" be involved and the FBI obtained senior FBI approval. The acting chief of the Violent Crimes and Major Offenders section was sent to—of all places—the White House Travel Office.

The second set of FBI agents met with Presidential cousin Catherine Cornelius who had been dispatched by David Watkins to the Travel Office, where she copied and removed documents. Cornelius' own meetings with Mr. Thomason had generated an awareness of kickback allegations which she embroidered with claims that Travel Office employees led high-flying lifestyles. Her allegations provided predication for the FBI investigation.

Suddenly, the Counsel's office shifted gears, telling the agents the White House would conduct an outside "audit" first and allow the FBI to investigate if warranted. The FBI insisted it should be present at the audit but Mr. Foster and Mr. Kennedy said no. The FBI acquiesced. An FBI e-mail to Larry Potts (then head of the Criminal Division, FBI) at 7:40 p.m. that evening reads, "On several occasions, Mr. Foster expressed his sincere appreciation for the help rendered by the FBI."

At the time, Mr. Potts was under scrutiny for his role in Ruby Ridge and former FBI Director Sessions was fighting to keep his job. This was a difficult time for the Bureau and while FBI agents maintain the White House did not intimidate them, their departures from standard procedure suggest more subtle pressure may have been at play. Why were more than two dozen FBI employees involved in a matter which should have been a job for a field agent?

Meanwhile, the White House brought in an "independent" auditor which was neither independent nor an auditor. Inexplicably, the White House retained the management consulting—not the public accounting—arm of KPMG Peat Marwick. And Peat Marwick documents make clear the White House directed its efforts in the Travel Office.

On Monday, May 17, Watkins wrote a memo to Chief of Staff Mack McLarty regarding the firings and copied the memo to the First Lady. The memo was faxed to Director of Media Affairs Jeff Eller, traveling with the President, Bruce Lindsey and two of the Travel Office staffers in California. Mr. Eller told Mr. Podesta he shared the memo with Bruce Lindsey who in turn told Mr. Podesta he discussed the memo with the President. Neither of these accounts was included in the White House Management Review and Mr. Eller says he destroyed all his Travel Office documents shortly after the matter broke in the press.

While the FBI awaited a Peat Marwick report, the White House decided to fire the Travel Office employees on Wednesday, May 19, 1993. The FBI said that it would harm the investigation it initiated on May 14. The White House ignored its concerns and neither the FBI nor the Justice Department ever subsequently complained of this action. When word of the firings reached Justice, its Criminal Division drafted an "Urgent Memo" noting the FBI was involved due to the "kickbacks" allegation. (Justice's role in initiating or confirming the investigation never was independently considered anywhere.)

Peat Marwick's report was unavailable when the White House announced the firings on May 19. In fact, it was not yet written. As a result, its author, Peat Marwick partner Larry Herman, was called into a meeting with George Stephanopoulos, Dee Dee Myers, Vince Foster, Bill Kennedy, Ricki Seidman and Harry Thomason and greeted with the question, "Where the hell is the report?" The White House had no more than a few pages of draft material at the time it announced the firings it said were based on Peat Marwick's report. The press repeatedly asked for the report in the May 19 press conference, leaving the White House with a difficult political situation from which only its so-called "independent auditor" and the FBI could extricate it.

In other words, while claiming it had "predication" for an investigation on May 14, the FBI allowed the White House to call the shots on its investigation for well over a week. In a previously undisclosed phone conversation between White House Counsel Bernie Nussbaum and Deputy Attorney General Phil Heymann on the morning of Friday, May 21, Mr. Nussbaum asked Heymann if the White House could announce there was an investigation. Nussbaum later claimed George Stephanopoulos had pressed him to take action. Nussbaum also said FBI Deputy Director Floyd Clarke happened to be in Heymann's office when Heymann gave the go ahead to announce an investigation. As a field agent who had been brought in and briefed at the time told OPR investigators, the White House called the shots in the Travel Office investigation and FBI dealings with the White House were "deferential." The FBI did not receive the Peat Marwick report until 7:30 p.m. on Friday, May 21, long after the report had been released to the press.

THE ROLE OF PRESIDENTIAL FRIENDS AND FAMILY

Both the President and First Lady were informed of the Travel Office matter prior to the May 19 firings. Harry Thomason, Vince Foster and David Watkins appear to have advised the First Lady about Travel Office developments. Harry Thomason worked at the White House late into the night on May 13 and Mr. Foster's Travel Office file indicates the First Lady received updates from Foster and Watkins that evening.

Mr. Thomason returned to the White House early the next day, May 14—the day the Peat Marwick team arrived—and stayed there throughout the weekend. One witness from World Wide Travel, Ms. Fan Dozier, told Mr. Podesta she ran into Harry Thomason on Sunday, May 16. Thomason said to her, "you mean you're not up there working? [in the Travel Office]" and added that he would call the First Lady and she would be very upset to hear that World Wide Travel was not already in place.

Mr. Thomason claimed to have heard from friends in the air charter industry that the Travel Office employees were accepting "kickbacks." Mr. Thomason also told Watkins, Deputy Counsel Vince Foster and others at the White House that firing the employees would be a "good story." He told another White House employee, Jennifer O'Connor "these guys are ripping us off, they're bastards . . . it is a great press story, Bill Clinton cleaning up house." Ms. O'Connor asked Harry Thomason if he had any evidence. He said he did. Steve Davison of World Wide Travel told

Mr. Podesta that he had heard Mr. Thomason had hired a private investigator to check out the Travel Office.

As the press quickly revealed, Ms. Cornelius and Harry Thomason were the primary sources of the rumors and allegations that led to the firings and set this "stage" in motion. Despite the President's claims there were rumors everywhere, all the rumors appear to have originated with Harry Thomason. As we will learn today, Presidential friend Harry Thomason was involved in a number of other activities at the White House which will require subsequent examination.

Thomason spoke with President Clinton and the President's personal adviser and current Deputy Counsel Bruce Lindsey about obtaining their assistance in his efforts to win a sole source government contract at GSA to audit the entire federal civilian aircraft fleet and "revitalize" the aircraft industry. Apparently Mr. Martens was working out some kind of arrangement to consult with the Interagency Committee on Aviation Policy to do this audit. Mr. Martens, with his own privileged White House access, secured assistance from OMB and GSA to get his proposals rolling. While the White House claims it pulled the plug on this scheme late in the summer of 1993, one has to wonder whether this occurred because ongoing investigations threatened to expose it. As it was, none of these documents was ever turned over to GAO despite its requests for documents relating to Mr. Thomason and Mr. Martens.

Having just finished a major procurement bill, I find this behavior particularly offensive. While rules governing government contracting are more burdensome than necessary, we all must follow the rules, even those of us with access. The process by which Mr. Martens sought to obtain this business from GSA certainly warrants further review. Would the process he suggested have avoided conflict of interest issues? Would he and his partner, Harry Thomason have stood to benefit from the changes he proposed?

"Put me in front of the right person at the White House and I will prove the value of both the project and Thomason's capabilities," Darnell Martens wrote his TRM business partner Harry Thomason while touting his loyalty to the Administration. Subsequent memos spoke of "a memo to Harry Thomason which was presented to and discussed with the President in mid-February" and a request indicating the President needed to "issue an executive order" and "enter into a consulting agreement with TRM" to get this project going.

Mr. Thomason said at the time, "I do find it surprising that a person who was as instrumental as I was in the Clinton campaign cannot pick up a phone in the White House and ask for information for people." Mr. Thomason's blatant inconsistency in seeking a sole source aviation contract for his own business partner while alleging that the Travel Office employees failure to competitively bid press charters proved they were "on the take" is astounding. The President read right from the Thomason script when he too said the firings were undertaken to promote "competitive bidding." Competitive bidding for whom?

The White House and Mr. Thomason disregarded inherent conflicts in Thomason's far-ranging role while the White House Management Review disingenuously claimed Thomason was only at the White House working on the "staging" of Presidential events. Mr. Thomason was meeting on several other matters as we will learn of today.

Catherine Cornelius, the President's 28 year-old cousin, was "selected" to replace the veteran Travel Office employees whose tenure spanned between 9 to 33 years in that office. She brought in World Wide Travel agency from Little Rock, Arkansas, without a competitive bid. However, the press uproar which followed the firings caused World Wide Travel itself to withdraw before the White House completed its sole source process. Yet before it left the White House, World Wide was told, "we will do anything if you will stay." World Wide Travel told the White House to give it back the fired Travel Office workers!

The press seized upon leaked memos indicating that Cornelius had proposed early on in the Administration that she be placed in charge of the White House Travel Office and resume the role she had in the Clinton campaign. Senior Administration officials David Watkins and Patsy Thomasson asked her to say Watkins never read it.

Thomason partner Darnell Martens, who appeared at the White House with a White House employee pass on May 12, pitched in and summoned Penny Sample, president of Air Advantage, without a competitive bid. Ms. Sample also had worked on travel on the Clinton/Gore campaign. She immediately came to the White House to assist with press travel arrangements. Furthermore, when Ms. Sample received what were touted as "erroneous commissions," serious questions about the propriety of her actions—raised within the White House itself—were never addressed. No one called the FBI concerning the suspicions they had about her actions.

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WHY WE NEED TO CONDUCT THIS REVIEW

For more then two years, I have sought information and documents concerning the White House Travel Office matter. Many of the White House documents that have been produced were received only after I announced this hearing. More than 300 pages of White House documents remain in White House custody yet to be reviewed by the Committee in any form until recently—too recently to enable us to evaluate their importance or relevance prior to this hearing. The delay in receiving documents has in turn delayed our ability to interview witnesses. Though the passage of time can cloud memories, the unusually hazy recollections of those we have interviewed make documents essential if we are to proceed. The documents we are only now receiving include many the White House withheld from other investigators. In the case of GAO, Mr. Podesta described more than 400 pages of notes and more than 300 pages of drafts and chronologies as a "thimbleful of notes." GAO counsel has told this Committee that in his opinion, Mr. Podesta and Associate Counsel Neil Eggleston lied to GAO.

In short, we need to conduct this review because serious questions remain:

- Why did the White House resist these reviews?
- Why did the White House ignore significant information uncovered by its own Management Review concerning misconduct by senior White House officials who asked subordinates to lie about events involved in this matter?
- What other activities was Harry Thomason involved in at the White House? Why weren't they reported?
- Why did the same people who criticized the White House Travel Office employees for failing to competitively bid press charters try to maneuver a series of sole source contracts benefiting a tight circle of political friends?
- Why didn't the White House provide critical documents to investigators and why did they impose such restrictive and burdensome requirements on investigators?
- Did Harry Thomason, Darnell Martens, Catherine Cornelius, Bruce Lindsey and others at the White House have conflicts-of-interest related to these events?
- How did the IRS come to investigate UltrAir which already had voluntarily-cooperated with the IRS on a separate-tax issue?
- Were Harry Thomason and/or Darnell Martens special government employees?
- Did any White House officials violate standards of conduct? If so, who?
- If senior White House officials will bend the rules over so seemingly inconsequential an issue as this and then spend two years keeping the true story from government investigators and the American public, what lengths might they go to to frustrate oversight of areas with far more serious consequences, such as foreign policy or national security?

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WHAT THIS HEARING IS NOT ABOUT

Finally let me note that today's hearing is not at all about the pending criminal case against the former Director of the Travel Office. In April of this year, I initiated contact with the Justice Department before beginning the Committee's inquiry into the White House Travel Office matter. I assured the Department my inquiry would not impinge upon the criminal case.

Since the Justice Department already had cooperated with other investigations conducted by the White House and GAO, it concerns me that the Department sought to warn Congress alone off the matter. I am aware of no such written warnings made by the Department when the White House fired the Travel Office employees over the objections of the FBI agents. I am aware of no such written warnings to the White House when it undertook its White House Management Review and was allowed to interview key witnesses, FBI agents and senior Justice officials involved in the matter often prior to their respective interviews by Public Integrity prosecutors charged with undertaking the criminal investigation.

Despite having obtained some disturbing information, this Committee has scrupulously avoided anything that may impinge on the upcoming criminal case. The Committee has received no documents from the Public Integrity Section concerning that case and very likely has much less information than the White House ever had about it. The Committee has not interviewed the agents involved even though the White House, the FBI and Justice Department did so in their respective inquiries. The safeguards we have operated under in this investigation far surpass those of the White House or other investigations.

Any suggestion that this hearing could result in tainting the jury pool due to exposure to media reports should be put in the context of the many successful jury selections here in Washington, DC, in cases such as the Ollie North trial, the Marion Barry trial, ABSCAM trials, all of the Watergate trials and the everyday criminal matters that receive media attention on a regular basis.

The Committee's investigation will be the first truly independent and open investigation of the entire Travel Office matter and the ensuing reports and investigations. Serious questions will be raised; questions which I believe merit further investigation, review and resolution by this Committee. I hope we can resolve these issues in a thoughtful manner with an eye toward improved procedures in the future.

THE ROLE OF

THE

PRESIDENT

AND

THE FIRST LADY

"THE HIGHEST LEVELS"
THE ROLE OF THE PRESIDENT AND THE FIRST LADY

"LOOK AT THE FACTS, EVALUATE THE FACTS AND DRAW YOUR OWN CONCLUSIONS"

- President Clinton on May 21, 1993 after the Travel Office firings

* "let's just say it's THE highest level"

  - Bill Kennedy in response to FBI Agent Apple who asked "What do you mean the highest levels?" on May 13, 1993

* "Mrs. Clinton has a general recollection of having conversations with Mr. Foster and Mr. McLarty about the Travel Office situation prior to the termination of the Travel Office employees. She has no specific recollection of any particular conversation with Mr. Thomason on this issue at that time."

  - First Lady responses to GAO questions about her conversations about the Travel Office, April 6, 1994

* "Hillary telephone conversation with David Watkins on Friday, May 14...'Harry says his people can run things better; save money, etc. And besides we need those people out - We need our people in - We need the slots..."

  - Notes by David Watkins of conversation with the First Lady

- "While waiting to see Mr. McLarty, Mr. Foster mentioned that 'his clients,' meaning President and Mrs. Clinton, were concerned about the White House Travel Office matter."

    - Patsy Thomason in GAO interview on September 22, 1993

- "Dinner that night [May 17]...mentioned to President..he asked what it's about..I repeated back what I'd read in memo ...audit, cash in drawers, etc."

    - Bruce Lindsey in White House Management Review interview, June 9, 1993

PRESIDENT CLINTON
LETTER TO
CHAIRMAN BROOKS

THE WHITE HOUSE
WASHINGTON

July 13, 1993

The Honorable Jack Brooks
Chairman
Committee on Judiciary
House of Representatives
Washington, D.C. 20515

Dear Mr. Chairman:

I understand that your Committee will soon be considering a resolution, H. Res. 198, relating to the White House Travel Office. In connection with the pending resolution, you have inquired about what steps the Administration has taken to review decisions and events surrounding the dismissal of seven employees from the White House Travel Office and what actions may be taken in the future.

As you are aware, Chief of Staff Mack McLarty and OMB Director Leon Panetta undertook an intensive review of actions by the White House staff regarding the White House Travel Office. A copy of the Report of that review was provided to you on July 2, 1993.

Mr. McLarty and Mr. Panetta also asked Attorney General Reno to review the report.

The Attorney General asked David Margolis, a career prosecutor, to review the report. Mr. Margolis found that the report was in substance consistent with the FBI's own internal review. The Attorney General also confirmed that no contact occurred between the White House and the IRS concerning this matter.

The Attorney General is in the process of reviewing any matters relating to the Travel Office and you can be assured that the Attorney General will have the Administration's full cooperation in investigating those matters which the Department wishes to review.

Sincerely,

Bill Clinton

THE FIRST LADY

WHITE HOUSE MANAGEMENT REVIEW

INTERVIEW

ARC 6-30

Heard about TV pre- w/ comments
Dinner Ecuador saying we
may no longer be able to
travel exp.
Then watch [illegible]
Asked a couple people what happened
asked Mark HT & DV & VF

Asked person at dinner that's
what they talking about

not recalling asking DV re ~~PM~~ PM
not know (B) being called in
at time

Didn't see DV-mm memo at the
time - saw it a couple wks ago

Google coming to her & she going to them

DV called ARC

THE WHITE HOUSE
WASHINGTON

April 6, 1994

Nancy R. Kingsbury
Director
Federal Human Resource Management Issues
General Government Division
General Accounting Office
Washington, D.C. 20548

Re: GAO Requests for Responses to Written Questions.

Dear Ms. Kingsbury:

Attached please find written responses to the questions that GAO posed to Mrs. Clinton.

Very truly yours,

W. Neil Eggleston
Associate Counsel to the President
(202) 456-7901

RESPONSES TO GAO QUESTIONS FOR MRS. CLINTON

1. Mrs. Clinton does not know the origin of the decision to remove the White House Travel Office employees. She believes that the decision to terminate the employees would have been made by Mr. Watkins with the approval of Mr. McLarty.

2. Mrs. Clinton was aware that Mr. Watkins was undertaking a review of the situation in the Travel Office, but she had no role in the decision to terminate the employees.

3. Mrs. Clinton did not direct that any action be taken by anyone with regard to the Travel Office, other than expressing an interest in receiving information about the review.

4. Mrs. Clinton does not recall this conversation with the same level of detail as Mr. Watkins. She recalls that on Friday, May 14, she had a very short telephone call with Mr. Watkins. Mr. Watkins stated that Mr. Foster had mentioned that Mrs. Clinton was interested in knowing what was going on with the Travel Office. Mrs. Clinton knew that Mr. Watkins was out of town. Mr. Watkins conveyed to her that even though he was not in Washington, his office was taking appropriate action.

5. Mrs. Clinton has a general recollection of having conversations with Mr. Foster and Mr. McLarty about the Travel Office situation prior to the termination of the Travel Office employees. She has no specific recollection of any particular conversation with Mr. Thomason on this issue at that time.

Mrs. Clinton believes that she spoke with Mr. Foster about the Travel Office before her telephone call with Mr. Watkins. She also believes that she had a very brief conversation with Mr. McLarty sometime before she spoke with Mr. Watkins. In that conversation, she told Mr. McLarty that she had heard about problems in the Travel Office and wanted Mr. McLarty to be aware of it.

Mrs. Clinton does not recall seeing the May 17 memorandum from Mr. Watkins to Mr. McLarty until after the Travel Office employees were terminated.

GAO
United States
General Accounting Office
Washington, D.C. 20548

General Government Division

14Q

March 16, 1994

Mr. Neil Eggleston
Associate Counsel to the President
The White House

Dear Mr. Eggleston:

As part of our review of the White House Travel Office, we have identified additional information we need from a few individuals. We would appreciate your assistance in having the following individuals provide responses to me addressing the questions indicated in the enclosures: Mrs. Clinton, Mr. Panetta, Ms. Williams, and Ms. Thomasson.

We would appreciate receiving this information by March 25, 1994. Unless the responses raise other unresolved issues, these questions would close our outstanding requests for interviews with these individuals. We appreciate your immediate attention to this request and recognize the short timeframe we are requesting. If you have any questions regarding this request, please call me at (202) 512-5074.

Sincerely yours,

/s/ Nancy

Nancy Kingsbury
Director
Federal Human Resource Management
Issues

Enclosures

GAO QUESTIONS FOR MRS. CLINTON

The White House Management Report describes, on page 9, the following:

> "That afternoon [May 13], before Foster talked to Watkins about Peat Marwick, Foster went to see the First Lady on a matter unrelated to the Travel Office. The First Lady told Foster that she had heard about problems in the Travel Office. Foster replied that Kennedy was looking into it. Late that afternoon, she saw McLarty and inquired about the situation in the Travel Office. Foster subsequently informed her that Peat Marwick was going to conduct a review of the Office."

In our interview with Mr. David Watkins, he stated that (a) on May 14, Mrs. Clinton (through Mr. Foster) had expressed an interest or awareness of the situation in the Travel Office; and (b) that it was Mr. Watkins' understanding that Mr. Harry Thomason asked to have an update on the situation. Mr. Watkins reported that in a subsequent conversation on the same day, Mrs. Clinton (a) mentioned the 25 percent (White House) staff reduction goal; (b) said it would be good to have "our people" working in the Travel Office; and (c) said that the administration had been criticized at the time for being slow in filling positions, and had delayed too long. We also note that the White House Travel Office Management Review contains a copy of a memorandum from Mr. Watkins to Mr. McLarty which was marked as "cc" to Mrs. Clinton, and which describes the steps taken to review the Travel Office matter and the decisions made to remove the employees and carry out the functions with other staff.

We respectfully request Mrs. Clinton's official response to the following questions:

1. How would you describe and to whom would you attribute the origin of the decision to remove the Travel Office employees?

2. How would you characterize your role in that decision?

3. Did you ask or direct that any action be taken by anyone in regard to the White House Travel Office?

4. Is Mr. Watkins' characterization of his discussion with you, as recorded by us, accurate? If not, how would you describe the discussion?

5. Did you participate in any other discussions with White House staff or Mr. Thomason concerning the White House Travel Office matter during the period leading up to the removal of the Travel Office employees on May 19, 1993? If so, when and how would you describe those discussions?

TO: Mark Gearan
FR: Lisa Caputo
RE: Talking Points on Travel Report
DT: July 2, 1993

SUMMARY:

Mrs. Clinton heard rumblings about problems in the Travel Office as did most White House staff. During a meeting with Vince Foster unrelated to the Travel Office, Mrs. Clinton mentioned to Foster that she had heard about problems in the Travel Office. Foster told her Bill Kennedy was looking into the matter. Later that same day, Mrs. Clinton saw Mack McLarty in passing and asked about the situation in the Travel Office. McLarty told Mrs. Clinton that the matter was being looked into. Subsequently, Foster told Mrs. Clinton that Peat-Marwick was conducting an audit.

David Watkins, who was out of town in Tennessee, received updates on the audit from Patsy Thomasson. Watkins called Foster with reports. Foster told Watkins the First Lady was interested in the matter and suggested Watkins call Mrs. Clinton to update her. Watkins called Mrs. Clinton and updated her on audit.

When the audit was completed on May 17, Watkins recommended that seven Travel Office employees be fired. McLarty approved it. Watkins wrote a memo to McLarty and cc'ed Mrs. Clinton.

HRC TALKING POINTS ON TRAVEL OFFICE REPORT

Q: How did Mrs. Clinton hear about problems in the Travel Office?

A: Mrs. Clinton heard about potential problems and alleged wrong doing in the Travel Office from talk circulating around the White House.

Q: Did Mrs. Clinton talk to Harry Thomasson about the Travel Office?

A: Mrs. Clinton doesn't recall who mentioned it to her initially. Thomasson may have mentioned it to her among other people in passing.

Q: Why did Mrs. Clinton meet with Vince Foster on matters that were unrelated to the Travel Office on May 13?

A: Mrs. Clinton met with Foster on health care related issues.

Q: Why during that meeting did Mrs. Clinton ask Foster about the Travel Office?

A: She had heard a number of rumors and mentioned it to Foster. Foster told Mrs. Clinton Bill Kennedy was looking into the matter. (NOTE: Bill Kennedy is assigned the duty of handling internal White House security. Kennedy was involved in the Travel Office matter because it fell under his job description.)

Q: Did Mrs. Clinton ever have a conversation with Bill Kennedy about the Travel Office?

A: No. Mrs. Clinton never had conversations or discussions with Kennedy on the Travel Office.

Q: Why did Mrs. Clinton ask Mack McLarty about the Travel Office?

A: Mrs. Clinton, who works in the West Wing, obviously sees McLarty. She asked him in passing about the situation in the Travel Office. McLarty told Mrs. Clinton the matter was being looked into. Vince Foster subsequently called Mrs. Clinton and told her Peat-Marwick was going to conduct a review of the office.

Q: Did Mrs. Clinton ask for updates and specific information on the Travel Office?

A: No. Mrs. Clinton raised her concern about the possible wrong doing in the White House Travel Office with Vince Foster and with Mack McLarty. Foster later took it upon himself to suggest to Watkins that he update the First Lady on the situation. At no time did Mrs. Clinton ask for any update or information on the audit. Watkins updated Mrs. Clinton on the audit and later cc'ed her on a memo because he was being responsive to Foster's suggestion.

Mrs. Clinton never asked for the memo and did not read the memo. Mrs. Clinton had the memo routed to Maggie Williams, Mrs. Clinton's Chief of Staff, as an FYI.

Q: Why did Watkins call Mrs. Clinton and update her on the audit?

A: Watkins was just being responsive in updating Mrs. Clinton because she had expressed an interest to Foster.

Q: Why did Watkins cc Mrs. Clinton on the memo to McLarty?

A: Again, Watkins was just being responsive.

Q: Was Mrs. Clinton interviewed for this report on the Travel Office?

A: Yes. She talked to John Podesta and Todd Stern. The interview lasted approximately for 5-10 minutes. She knew few specifics about the matter.

PATSY THOMASSON

WHITE HOUSE

OPR INTERVIEW

FEDERAL BUREAU OF INVESTIGATION

Date of transcription 9/29/93

Patsy Lee Thomasson was advised of the identities of the interviewing agents. Ms. Thomasson was interviewed in the presence of Judith Wish, Office of Professional Responsibility, Department of Justice, W. Neil Eggleston, Associate Counsel to the President, Timothy Dudley, Counsel for Ms. Thomasson from Little Rock, Arkansas, based law firm of Wilson, Engstrom, Corum, Dudley and Coultar.

Ms. Thomasson is the Special Assistant to the President for Management and Administration and Director of the Office of Administration, White House. She has been a Special Assistant to President Bill Clinton since 3/1/93. She reports directly to David Watkins, Assistant to the President for Management and Administration.

Ms. Thomasson first became aware of the White House Telegraph and Travel Office (WHTTO) in late April, 1993, in connection with her duties as part of the National Performance Review. From a conversation with David Watkins in early to mid-May, 1993, she was aware of the role of the WHTTO and that there were rumors of problems in the WHTTO.

She attended a briefing regarding the WHTTO with David Watkins and Catherine Cornelius, Special Assistant to the Assistant to the President for Management and Administration, where Ms. Cornelius described "extravagant lifestyles" of WHTTO employees, including ownership of race horses and vacation homes. Because of a lack of pertinent details about the race horses and vacation homes, she was not convinced that there was a problem. Ms. Cornelius was unable to provide details such as what percentage of the horses was owned by the WHTTO employee and whether or not the vacation homes had been inherited.

After Ms. Cornelius left the meeting, Mr. Watkins was concerned that "where there was smoke, there might be fire." In April there had been a comment at the White House Correspondents' dinner that the press was paying too much to travel with the

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Investigation on 9/22/93 at Washington, D.C. File # 62A-HQ-1056361

by Assistant Inspectors Allyson A. Simons and Gail Marie Seavey AAS:mfs Date dictated 9/22/93

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President and that comment had been reported in the press. Mr. Watkins was concerned that the White House would be criticized if they did nothing.

They then discussed what should be done. Ms. Thomasson knew that the WHTTO handled reimbursable accounts and she thought that they needed to have the WHTTO accounts audited. Since the White House executive management did not have an auditor, she recommended that they hire a certified public accounting firm.

Ms. Thomasson knew Larry Herman from the KPMG Peat-Marwick firm because he had volunteered his services as part of the National Performance Review. She consulted with the White House Procurement Office and learned that she could hire the Peat-Marwick firm since she had "compelling and exigent circumstances" based on the information thus far gained.

On 5/13/93, Mr. Watkins discussed the situation concerning the WHTTO with Vincent Foster, Deputy White House Counsel. Later that same day, she and Messrs. Watkins and Foster briefed Chief of Staff Thomas F. "Mack" McLarty. While waiting to see Mr. McLarty, Mr. Foster mentioned that "his clients," meaning President and Mrs. Clinton, were concerned about the WHTTO matter. Mr. McLarty agreed to hire the Peat-Marwick firm. Mr. Watkins hired them that day by telephone and made Patsy Thomasson their point of contact. The Peat-Marwick firm agreed to start their audit of the WHTTO reimbursable accounts the next day, 5/14/93. Mr. Watkins had to go out of town and Ms. Thomasson agreed to keep him informed while he was away.

Ms. Thomasson, William Kennedy, Associate White House Counsel, Jennifer O'Conner, and Mathew Moore, from the Office of Management and Administration, met with the Peat-Marwick auditor at about 7:00 a.m. on 5/14/93. Ms. O'Conner and Mr. Moore were supposed to determine what functions the WHTTO performed and evaluate whether or not all of the WHTTO employees were needed. The audit began around 7:30 a.m. on 5/14/93. The auditors briefed Ms. Thomasson and Messrs. Foster or Kennedy every hour or two. Late Friday, 5/14/93, Mr. Foster came to Ms. Thomasson's office and asked how the audit was progressing. Mr. Foster heard Ms. Thomasson call Mr. Watkins and give him an update. Mr. Watkins asked to speak to Mr. Foster. Mr. Foster encouraged Mr. Watkins to update "the clients" (the Clintons) on the WHTTO matter.

On 5/14/93, Mr. Kennedy mentioned to Ms. Thomasson that the FBI had been called, and Mr. Kennedy would be the FBI's point of contact. The audit continued on 5/15/93.

During the afternoon of 5/15/93, two FBI agents came to the White House to be briefed by the Peat-Marwick auditor. Ms. Thomasson was present. The auditor reported that there were not enough records to perform a "real audit." The WHTTO operated as follows: They would estimate the cost of a trip and bill the press people taking the trip. When the bills came in, the next group of press people were charged more or less to make up any overcharge or undercharge from the previous trip, even if different press representatives were on the second trip. There was a discussion of whether the Peat-Marwick review would continue or whether the FBI should come in and start their own investigation. All agreed that the Peat-Marwick review should continue and the results would be given to the FBI as soon as possible. Ms. Thomasson did not recall any discussion of whether or not the WHTTO employees should be terminated.

The Peat-Marwick auditor worked on Sunday, 5/16/93, while Ms. Thomasson worked at her desk. On Monday, 5/17/93, Ms. Thomasson gave Mr. Watkins the complete update. Ms. Thomasson had grave concerns over the management of the WHTTO and they talked about terminating the WHTTO employees. Ms. Thomasson thinks Mr. Watkins discussed the termination of the WHTTO employees with Messrs. Foster, Kennedy and McLarty and recommended that they be fired. She has a vague recollection of some discussion regarding the WHTTO employees staying on so they could be available for the FBI investigation. By late Monday, Mr. Watkins had decided to terminate the WHTTO employees.

Ms. Thomasson's next role was helping to arrange for the handling of commercial travel for White House office staff and charter business which had previously been performed by the WHTTO. She called the Personnel Director and advised that the WHTTO employees would be leaving. Brian Foucart, Acting Director of the White House Administrative Office, went with David Watkins to fire the WHTTO employees. Jennifer O'Conner prepared the press talking points about their termination.

Either late Wednesday, 5/19/93, or on Thursday, 5/20/93, Mr. Watkins called Ms. Thomasson and asked her to bring Larry Herman, the Peat-Marwick auditor, to George Stephanopoulos' office. They were meeting with some members of the press and were trying to answer questions. Ms. Thomasson could provide no further information regarding this meeting.

On 5/21/93, Ms. Thomasson was with Mr. Kennedy answering a letter from Senator Bond when Mr. Kennedy was called away to a meeting in Mr. Stephanopoulos' office. She continued to work on the response. Later, Mr. Watkins told her that he had been at the same meeting, but did not elaborate on its purpose.

Ms. Thomasson was interviewed for the White House Travel Office Management Review by Andre Oliver. She had two conversations with Vince Foster after the report was issued. In the first conversation, Mr. Foster asked her if she had read the report and she told him she had not. When he asked her why she had not, she told him that she had gone home in tears after republicans had misrepresented their handling of the WHTTO matter and she did not want to do it again. He told her that she had made a wise choice because the report would make her angry. Mr. Foster did not agree with some of the inferences in the report. For example, Harry Thomason, Thomason, Richland and Martens (TRM), had complained about the actions of the WHTTO but was not interested in their business. However, the report made it appear as though he was motivated by his own self-interest. Mr. Foster asked her how Mr. Watkins was dealing with the reprimand. She told him that Mr. Watkins was angry because he had been advised to hire a lawyer. All of them were upset because they had been trying to make things better and it had turned into something very negative.

The second conversation with Mr. Foster took place in his office. He had called Ms. Thomasson and asked her to come to his office. He wanted to know if she and Mr. Watkins were all right. She told him that they were fine. At the time, she did not think Mr. Foster was any more consumed by the WHTTO matter than any of the rest of them. Mr. Foster did not mention the FBI.

Everyone in her office thought that the press accounts of the WHTTO matter were unfair. Mr. Foster never specifically mentioned the FBI to her. Mr. Kennedy never discussed his contacts with the FBI with her.

BRUCE LINDSEY

WHITE HOUSE MANAGEMENT REVIEW

INTERVIEW

Y:0057

[illegible] Watkins [illegible] [illegible] [illegible]

Sometime, Feb.-March-April

- H.T. said to me that travel office
  - ' [illegible] not competitive that [illegible] office
  - He said, "I discussed that they were demanding kickbacks
  - "we're looking into it"

- casual conversation, background noise

Didn't know CC was

Next I know is on plane. Los Angeles - CA

- Jeff comes to ask if I know what's happening in travel office
- I asked if involved w/HT's concerns, Jeff said yeah, all that.

On same day. Jeff came back and showed me big thick memo

Dinner that night at [illegible]

- returned to [illegible]
- HC asked what was that
- I repeated back what I'd read in memo { audit / cash in drawer / [illegible]

Next I heard was around or 2 o'clock (Thu. Wed.)

- I got concerned with what she was saying because it sounded like [illegible]
- went to Mack or George or Mark to express concern that we might have gone further than...

In 8am mtg. shortly after, we were talking about need for statement from FBI

- I [illegible] that we needed to be careful with this, not to dig deeper
- I think [illegible] agreed immediately

Next I know is that we're ~~at~~ in Mack's office doing chronology, and FBI was following

②

Bernie came to see me @ one point to explain that counsel's office and he had been hurt
- assumption that WH counsel there, ok for TRI to be this way
- He came to the only WH invited, not because he blessed, etc.

Q Did you know what WHTO does?

- Didn't really know. I thought it was more of a formal office
. And I think I thought maybe it was a govt. place.

ICAP

- HT probably called me, told me he had assoc. who had proposal for cheaper way to do govt. employees, model making
↳ I said Fine
- I know about Thomason Associates, I don't know if I had any sense that Harry is connected with TRM.
↳ Hi. and said

& this

→ Darnell came in
said met with GSA that morning (don't know how he got mtg. anything. I don't know I didn't do it)
↳ said we did screen well, didn't see well, couldn't re-do and save money
↳ and maybe ~~now~~ revise small streams industry in the process
I got the impression he
He wanted a study
said he needed an Executive order to authorize $ ICAP to do the study
↳ don't have any recollection that he said we should hire them to do study
↳ I told him to put down on paper what he thought we ought to do
↳ he sent memo

B

- B 1 paragraph made me think I ought to kick this over to VP
↳ I don't think I copied it to Chris, but I never discussed with him about it

BL undercover [illegible]

talk [illegible] [illegible]
mentioned to BL

ICAB memo to Elaine?

DAVID WATKINS
WHITE HOUSE
NOTES ON
TRAVEL OFFICE

WH Travel Office 6-2-93

- Hillary telephone conversation with D. Watkins on Friday, May 14
  - "Harry says his people can run things better; save money, etc. And besides we need those people out — ~~[illegible]~~ - We need our people in - - We need the slots —
- POTUS real relationship with Catherine Cornelius
- Travel Office Review has become an inquisition — Neel, Podesta, Gearan, McLarty Panetta -
  - * No Teamwork
  - * Attitude of Guilty or stupidity
  - * Need ~~[illegible]~~ War Room to house - computers, etc.
- Is the real story to be told?

JEFF ELLER

WHITE HOUSE MANAGEMENT REVIEW

INTERVIEW

Eller Interview
DCH Notes
6/2/93

John Podesta opened with explanation that this interview is for the purposes of a *management review*, not an investigation. He noted that while the FBI may call upon Jeff for their investigation, that is not the purpose of the current interview.

John then asked about Jeff's role during the transition and about his current role in media affairs. Jeff explained that he spent a day in the WH during transition, discussion press operations with Shawn Walsh of the Bush Press Office. They did not discuss the Travel Office, except for passing mention when Jeff was given a tour.

Jeff said his current role is in the office of media relations, which is responsible for dealing with all press outside of the White House press corps. His responsibilities during travel include managing interviews with local press outlets. Jeff does not have responsibility for travel arrangements for WH press.

John asked when Jeff next heard about the WHTO. Jeff said he heard "bits and pieces" about the office from Catherine Cornelius during the spring. He said he advised her that if "they" were going to make significant changes at the office, then "they" should involve someone from communications early on, since this would be a serious move as far as the press is concerned.

Jeff added that he did not see Catherine's memo on reorganization until it broke in the press. He said he first heard about possible improprieties and changes at the office was late April or early May, from Catherine. He indicated that he was not involved in and knew little from Catherine's move to the Travel Office.

John asked if Catherine told her anything about the office. Jeff responded that she mentioned "inefficiencies," and he deduced that there were problems. When asked what she had done to follow up on Jeff's suggestion that someone from communications be involved in this process, Jeff said Catherine asked Jeff to play this role REDACTED

Jeff described his next significant involvement as occurring the Wednesday or Thursday before the Travel Office story became public [5/12 or 5/13]. On that day, Jeff was called by "Harry or Catherine" and told they "wanted to move forward" on the Travel Office. Jeff walked over to the East Wing office used by Harry to discuss the matter. During the meeting, Harry recounted Darrel Martens' conversation with Billy Dale. After about 10 minutes of discussion, the three walked over to David Watkins' office.

The meeting with David also included Patsy Thomason and possibly Matt Moore or Brian Fouquart. At this meeting, Jeff recommended taking action as soon as possible. Jeff says he was concerned that action should be taken before any representatives from the WH travel office left on the pre-advance to Tokyo. Further, he said he understood from Catherine that she believe staff at the WHTO knew action was imminent. If this was true, Jeff suggested, then action should be taken before the Travel Office employees had time to market the story to the press with their spin. Jeff says he had spoken with Dee Dee and George and recommended pre-briefing press with the wires, the Post, and George Condon of the Correspondents Association. Jeff reports that George had told him if the WHTO staff really did something wrong, we should take action. Jeff says he specifically recommended to the group meeting with David that the employees be sent a very simple letter, without mentioning the FBI, etc.

At this point in the interview with Jeff, Mark Gearan asked about Jeff's knowledge of FBI involvement at this point. Jeff said he thought he had been told that there was some level of involvement.

Jeff said that it was after the meeting with David that "tempers got hot". On Friday, he met with Mack, Ricki and Vince to discuss the subject. [Jeff later noted that Ricki was present coincidentally, and that he could not remember having discussed the issue her on another occasion.] At this meeting, Jeff again recommended that if action was imminent, it should be taken soon so the WHTO staff couldn't set the spin for the action.

Jeff does not remember any action over the weekend. He says David faxed him draft talking points and the Martens memo in California.

Gearan asked Eller if the Friday meeting had led to closure to take this action. Jeff responded no, the meeting had been open-ended.

On Tuesday morning, Jeff shared the memo and talking points with Dee Dee and Dreyer. Dreyer had no real reaction, but Dee Dee seemed to think it would be a big deal. Jeff and Dee Dee spoke again about a pre-briefing plan. Jeff says Dee Dee was uncomfortable about including the wires, so they decided to meet with Condon and Al Kamen. Jeff said their intent was to make this into a column note rather than a full-blown story.

On Tuesday night, David called Jeff and told him he planned to proceed with dismissals on Wednesday.

On Wednesday, Jeff scheduled and did pre-briefs with Kamen and Condon. Then "all hell broke loose".

Jeff said it was at this point that Devroy started pushing the Eller-Cornelius relationship. George and Dee Dee recommended Jeff drop out of the issue, and as of Thursday morning, he ended his involvement.

At this point in the interview, John asked if Jeff recalled whether the talking points had included mention of the FBI investigation.

Jeff responded that David had brought him a new version on Wednesday morning which did mention the FBI. [Jeff is not certain whether or not the draft faxed to him in San Diego included an

FBI reference.] David returned to see Jeff later on Wednesday morning and told Jeff to delete Eller mention of the FBI. Jeff later spoke with Dee Dee and mentioned the change. Dee Dee said David had not told her of the change. As of their conversation, Dee Dee had already confirmed for a reporter the fact that the FBI was involved--working from the earlier talking points.

At this point in the interview, Todd asked Jeff if there was ever discussion of who would handle travel once the WHTO employees were dismissed. Jeff responded that his understanding from Catherine had been that Worldwide would handle commercial travel for staff, and that she would handle press charters.

Todd asked if Jeff was aware of TRM's role in seeking the change at WHTO. Jeff said he knew nothing about TRM until Harry conveyed Martens' conversation in their initial East Wing meeting. Jeff said he had asked Harry during the East Wing meeting if he was interested in the business, and Harry said no, he wasn't, it wasn't much money and it was too close and wouldn't seem right.

John asked Jeff if he knew how the Vice President's Performance Review had been brought into this. Jeff says he did not know. Jeff said he saw the mention of the Performance Review in the talking points and should have called Marla at the time. Jeff said it has since been made clear that there was no connection between the WHTO and the Performance Review.

John asked if Jeff has any knowledge of any other Martens proposals currently circulating. Jeff responded that he does not.

John asked if Jeff lives with Catherine. Jeff responded that no he does not. John asked if Jeff knew if she took any documents home with her. Jeff responded that Catherine mentioned to him that she was working at home, but he did not know what that he detailed. Jeff said he lived with another woman until mention of his relationship with Catherine appeared in the paper. Jeff said there were times when Catherine was saying very little to him, and that people "probably think I know a lot more than I do" about the WHTO.

John asked if the involvement of Worldwide had raised any sense of caution. Jeff responded "No. I didn't know then what I know now." Jeff said he does not know Penny Sample and had not worked with Air Advantage.

Jeff said he had not talked with Ricki about this, except during the Friday meeting with Mack. He said that Ricki "just happened to be there when I met with Mack".

John asked if Jeff had heard rumors about WHTO staff owning race horses, mansions, etc. Jeff responded that he had heard the rumors, but no evidence. He said he heard these rumors from "inside", but not before the week the employees we dismissed. Mark asked: you didn't know before they were fired? To which Jeff responded, not before that week. Mark asked: so why move to dismiss them, because they were bad people? Jeff said that he was under the impression that there might be wrong doing.

Eller Interview
DCH Notes
6/2/93
Page 4

Todd asked if Jeff knew why Harry was pressing the issue. Jeff said he didn't know. Jeff added that Harry agreed that it was important to act quickly so the WHTO employees couldn't act to prevent our message from getting out.

Todd asked if Jeff knew of anyone else involved in this; Jeff said no. Jeff said he threw away all documents on this on the Thursday he removed himself from the issue. He said he didn't think he had any e-mail on the subject. He said he might have a draft of the talking points on his hard drive, and he would check and see.

Todd asked if he had ever discussed the matter with Bruce. Jeff said he might have, since he was on the trip to California. He couldn't recall giving Bruce any paper on the subject.

Jun 2 With Eller

WHTO

Purpose - mgt review

- not an investigation

What is your job function?

JE - no direct involvement w/ travel.

- except when reporters will meet w/ us

~~- Also a "duty officer"~~

~~[illegible]~~ JP what is media affairs

- Dealing with non-WH press corps
- Also ~~deals~~ ~~with~~ a "duty officer"
- usual dealing

JP Did you

JE Patsy and [illegible] Watkins re: Press operations

Going through general Accounts

1st or 2d

JP Travel Office come up?

JE Only when we passed it.

JP More questions later?

JE No more on travel

• when were involved

JE Heard bits and pieces from Catherine.

Told her if there were going to be changes involve s/o from press ~~or~~ office

JE · Didn't see memo until it broke.

· was late April - early May when mentioned to Catherine

· Not involved when when Catherine went to Travel office

JP - Did she tell you anything about

TODD - what did

JE I believed there were problems

she said inefficiencies

CGEPR 0228

She took me up on suggestion of press office person be involved, suggested me.

Wed or Thurs.
~~Tuesday or Wed~~ before they went down, Harry or Catherine called and said they wanted to move forward.

- Harry Tells of Mortons conversation, common knowledge in charter biz

- Spent 10 mins, then walked over to mtg. w/

- Recommend doing it ASAP because travel office people were leaving on pres. advance to Tokyo

- Catherine said she believed the guys - knew s/t was going to happen. If true I told them to send a very simple letter

- I had talked to Dee Dee, -- what I recommended that we issue two lines. Post, Geo Condon. I said be very simple, don't mention FBI

- MDG You know of FBI?

'Geo said if s/t wrong, get rid

~~EG~~ IT

JE I had been told, I believe. That's when temper got locked.

Friday - met with Mack, Rick, Vince. I said if we're going to go should ... for heaven's sake ... work it against us.

(~~Jo was there closure on~~
~~[illegible]~~)

JE: David faxed ~~[illegible]~~ T.P. to me in Calif

NDG: was there closure at Friday mtg to do this?

JE: no...

S. Watkins faxed me Martens Memo and talking pts. on Monday
showed it to Dee Dee & David on flight to L.A. Tuesday

JP: Their reaction?

JE: DD thought it would be big. Uncertain how it would break. Talked again about pre-briefing. Decided to meet with Gordon & Karen.

~~went to try to make~~ (to

- Tues night, David calls, tells him they're going with it on
- Wed a.m., JE calls Karen/Gordon to brief
- Briefs on Wed am
- Then all hell broke loose.

- Wed afternoon, did another brief with Dick, Gary Hernan, Post woman
- From that point on, I was done.
- Danny started pushing. Geo & DD recommend I stay out of it.

JP: Do you recall ~~[illegible]~~ TPs having FBI in them?

JE: Yes.

Wed a.m. David brought one new version. [Doesn't remember if FBI in ~~[illegible]~~ S.O. version]
He came back ~~[illegible]~~ later and said scratch FBI part.
~~Staff~~ ~~David~~ spoke with DD about David taking out FBI TPs.

Todd Did you talk with Rick about this?

~~B~~ JE Just happen to be there when I met with Nick

JP? There was stuff about nice horses etc. Did you hear those remarks?

JE Yes

JP Any evidence?

JE No

Todd From where, inside or out?

JE inside

MDG You didn't know before they were fired?

JE Not before that week.

G So why now

~~was there pressure to move [illegible]~~

Great potential for wrong doing

Todd What was Harry's hurry?

JE Don't really know. He agreed with me that

TS Anybody else involved that you know of

JE no

~~TS~~ JP? Did you keep any docs?

JE Threw them away.

~~Maybe~~

Todd Any ~~[illegible]~~ e-mail

JE No...

[illegible] Any conversation with Bruce ... give him anything ... like Martens memo?

JE Maybe ... he was on trip

JE 6-2

media relations
no direct involv w/ travel ~~press~~ office

Dec 92 met w/ Bush press office Sean — Jeff Demarest [illegible] Smith (MH).

Travel office not come up since then to see it

Jan. 18 came to WH to do work

JE heard both pieces from CC heard changes possible - JE advised to get press advice

JE not see Feb 15 memo not know of it - heard of memo at time when broke in press

late April working mtg CC indicated may be changes

not involved when CC went to work in TO.

CC said inefficient reduced possibility of bigger probs.

Then 5: Wed before the Wed of firings CC or HT called & asked him [illegible] firing [illegible] talk .. ~~we're going to~~ they's going to start happen

So you HT's & W hideaway
HT tells JE re conversation
BD had w/ DM HT said came
10 mins there then
→ to DW's office
w/ Brian F two JE
either W or TH → if do it,
do it that day bec if T.O.
guys going on pre-advance
to Taylor'

CC said she thought
TO guys knew something's
happen & JE figured they'd
start working against it
JE ~~said~~ background brfg
told RS & DD w/ wires & Post
HT wanted to push it
GS said if something really wrong
get rid of them
Friday mtg RS w/ JE mtg,
JE recommend to move quickly

DW calls JE in San Diego
Mon. May 17 to read fax h.
TP'
(not clear closure on 5-14 m
to type.)
JE 1st saw DM memo th
in SD w/ TP -- shared it w/DD. Dryer +
JE never saw DW memo to
Mack
too -- on plane SD → LA Tues. am

DD thought it'd be a story
not clear which way breaking
talked at both Wires Post Gene Condon
DD + JE decided to just talk
to Aikman + Condon

Tues 5-18 flying back from LA
DW calls on plane + says do it
tomorrow
JE calls Condon + Aikman
Wed morning
Wed ~~[illegible]~~ pm 4:15 JE DD & DW background
briefing LH + Wyman (PM)

Then JE [illegible] pretty [illegible]

Orig TPs had FBI references in them DU & brought new TPs w/o. an w/ FBI ref in these DU this came back & said language want to scrap FBI ref but DOJ had confirmed FBI w/ AP before press briefing

Plan was Wall Vike would handle immed staff ~~to~~ travel & then put out to bid CC to handle press

At EU mtg JE asked HT if going to bid & HT said didn't want it & wouldn't be appropriate

Heard CC worry of [illegible], but not know what

JE not 1 on w/ CC; 1 [illegible] w/ someone else

* heard rumors of racehorses etc at when [illegible] broke no evidence

may have talked to BL
given him a copy of Dim mem

[redacted]

VINCE FOSTER

TRAVEL OFFICE FILE

EXCERPTS

Monday

[illegible] HC
[illegible]

[illegible]
[illegible]

[illegible] set

[illegible]
m'lady

11 Tuesday
131-234
745 Sr Staff

930 [illegible]

set mtg

(Gonzy's)

12 Wednesday
132-233
(LRCC Story)

10 Henry Thompson re Reg -

MAGAW

[illegible]
[illegible]
Mtg re TVL office

[illegible]
mtg w/ [illegible] re LRCC
[illegible]

13 Thursday
133-232

Geo Campbell

1:15 [illegible]

2 HRC, HT re TVL, HCare
WHK, FAI "

Hubbell, Wallis
Doomed

7 Israeli Embassy

Bw HRC re TVL, HC
DW " TVL audit

14 Friday
134-231
730 - Peat Marwick
[illegible]
re TVL off

[illegible] Or [illegible]
[illegible]

Pryor [illegible]

Marie [illegible]
"Lost in Yonkers"

15 Saturday
135-230
06309

Bery [illegible]
going to bell [illegible]
[illegible] want to [illegible]
1st I [illegible]
Do [illegible]
Bring Bond

16 Sunday
136-229
[illegible]

Jim Brady

9-11 mtg w/POTUS
Thomas [illegible]
re [illegible] - [illegible]

February March April May June July August September October November December

Marcus

nday

18 Tuesday

Sara...

Week 20

19 Wednesday

8-5 ~~Post Office~~

~~Rosa 2-5~~ pick up pass

10 -12 HealthCare w/ [illegible] 488

12 R. Arnold

[illegible]

Feel [illegible]

20 Week [illegible]

20 Thursday

~~8-5 Post Office~~
~~Last day~~

10 Cty Team

IRA
Amy

Tuli/Bri...

w Tim...

21 Friday

dinner w/ Laura, Edward
P & [illegible]
C [illegible]

May

22 Saturday

Loraine here

06310

[illegible] Laura
[illegible]

23 Sunday

block party

February March April May June July August September October November December

Monday 144-221

al/TYL - Guerin's off

25 Tuesday 145-220

10 McLarty / TVL SLP

4 ① ~~Maggie~~ [illegible] Mottler

8 Otten/S. [illegible]

26 Wednesday 146-219

1 cancelled ~~Maggie/Gary~~

27 Thursday 147-218

~~car~~

10 ~~[illegible]~~

2 Wedding [illegible]

⑦ ~~5121 Tilden St, NW.~~

8 ~~Patty~~ Rest

28 Friday 148-217

Laura & Frieck.

11:15 [illegible]

② [illegible] Cheryl, Gary

5 [illegible] SN [illegible] Tave [illegible]

29 Saturday 149-216

06311

30 Sunday 150-215

February March April May June

July August September October November December

1st discussion – attempt to recruit but
go to see re HC, enterprise level viability possibly
Q – When will (HC) analysis be finished

~~To the effect~~ what's ~~going on w the TVL off thing~~

~~Are you on top of it~~

DK whether brought up mgmt or wrongdoing

or both { or she brought up mgmt and I brought up wrongdoing] [or she brought up genl topic and I brought up ~~2 segments~~ wrongdoing] or just wrongdoing

What's going on? Are you on top of it?

Q Trying to determine if there is actual wrongdoing

Assigned to WK

~~genl impatience (wrong word)~~

Q genl frustration – I responded just as heard about it yesterday

(prob made me mad at criticism and frustrated no auditors

Q̄ did HT say anything?

2d conv

H Care?

what's going on

will use outside auditors – lets see what's there

genl frustration w/ mgmt diff

I understand – understaffed

(thought more of a combination of
mgmt concerns, HC resolution, problems
genl frustration, prob aggravated by
N grief

2 conversations w/ HRC on Thurs

1st after late lunch
go to see her re med malpractice issue
- could be on viability of enterprise liability
(was conducting analysis of proposed reforms)

Q - how trvl office come up?
Eg, do you know anything re any problems w/ trvl office
or I've heard something about " " " "

told her had some (sgt?) info, assigned to WK

Q - anyone else present
Don't recall
When SS in hall & door open I go in
sometimes other persons present, sometimes not

2d conv

also re malpractice study

(possibly re alternative study)
on enterprise liability – do both ways
w/ and w/o

mentions auditor plan

Q- personal vs telephone?

Q- when? where?

Who called whom?

Friday

in discussion w/ DW mid to late afternoon
pass on Eller/McL meeting
+ discussion w/ Eller in afternoon that
DW would decide how to respond to
results of invn and when

- believe DW has latest update on audit from PT, which is serious
suggest, in light of HRC inquiry
previous day, DW might want to update her on audit results

(try to conf. call but lose him)

by this time what is status of invn report?

ca. 330 WK/PT had been

In discussion w/ MM, PT & DW on Thurs afternoon
f/u w/ PT, DW Thurs nite
&/or w/ " " Fri
w PT Sat am

could have discussed gen'l observation that HRC
generally appeared less than satisfied with
timeliness of decision-making, i.e. closure

Never discussed w/ anyone anytime prospect HT
would directly or indirectly benefit, never a possibility
in my mind given her disclaimer Wed afternoon

(U)

2 conversation w/ HRC on Thurs

1st after late lunch
go to see her re med malpractice issue
- could be on viability of enterprise liability
(was conducting analysis of proposed reforms)

Q - how trvl office come up?
Eg, do you know anything re any problems in trvl office
or i've heard something about " " " "

told her had some (sgt?) info, assigned to WK

Q - anyone else present
don't recall
when SS in hall & door open I go in
sometimes other persons present, sometimes not

Coordination —

BWN

? respond to future

defend mgmt decision

hereby defend HRC role whatever it was in fact or might have been misperceived to be

4) ~~Harry~~ memo —
Darnell

people's

Q-assignment of HT

Offense strategy Hill GAO

Avoid forcing DOJ

BWN Guidance

363-3020

Rowland Pl 06314

rt 34th. becomes Reno @ Porter

Rowland only to Rt

Ed on left

WA pocket

3321

Bob Bennett

John Culver, board f

Bill Taylor, Zuckerman (Cranston

Privileged
in anticipation of litigation

6/30/3

Podesta mtg in my office:

Watkins says he never talked to HRC before Friday evening, had received prior info about her interest from me

MMᴱ is vague in memory when he talked to her but (DW or MM?) believes she first mentioned it to MM shortly before the mtg w/ MM, DW & VF on Thurs afternoon.

I told John that after a late lunch on Thurs I spoke w/ HRC - was primarily working on medical malpractice project at time and could have been in discussion re same. She was aware of some assertions of impropriety in the office and wanted to know what was being done about it. - I related I had given to Kennedy as new security officer

I related I had a later discussion on Thurs (evening?) also may have included health care in which I advised her outside auditors were being used and [illegible]

I told him I may have had a few short, incidental non-substantive discussions subsequently to pass on my understanding from DW of status, which changed

After discussing other issues we mutually exchanged views that HRC is perceived as being involved in decisions and events in which she has no participation

Subsequently talked to Bun, asked if he had taken a position in interviews whether he was aware of FBI contact before termination. He said he had not been asked (Podesta told me same). I reminded him of Fri morning discussion re use of outside auditors and holding off FBI. He said he had some recollection and if I remembered it he was sure it was true. That he didn't believe he had been told in advance of contact (I agree) but if we had come to him he's not sure but that he would have approved contacting them, "not sure I would have caught it."

3 [illegible] [illegible]

JP Though [illegible], not investigation

[illegible] 6 diff. ways to get researched.

You have covered potential for inconsistency, over any [illegible] person.

I want everybody to hear that notes, etc., discoverable.

I assume many of the conversations I had were privileged.

Privilege may have to be waived, but at this stage ...

[illegible] should [illegible] [illegible] how to deal with privilege, etc.

Tell us what happened.

(continued)

S/C [illegible]

David [illegible] calls, wants immediate mtg.

Comes with Henry & Catherine.

Had met with Henry [illegible] re: PSC.

Wed a.m., met w/ Henry about a family issue. At conclusion, HT said

David came: this had a big [illegible] look in process at all offices

That CC and HT separately, as I understand - had brought materials on [illegible]

wanted to know how to proceed

David gave me a Thomson memo, which I glanced at

- [illegible] impression [illegible]

- [illegible]

Didn't know where memo is now, at the time got [illegible], heard HT summary.

HT viewed this as highly suspicious that it was the same people.
I can't remember if it was that day or later, or maybe both, that HT mentioned something of
HT related very vague conversation relating to funds   the [illegible]

Dave reports that CC reports suspicious activity
Says she's seen $72,000 of checks made payable to cash in the last year
relating to her acct.
I Second mtg was more substantial. First was like to mix & [illegible].
I asked David if they audit or if there were resources to audit.
David said no.
CC said she had copies of some checks.
Vince said he's out on Hq.
Went to [illegible].
Picked up Bill Kennedy on the way back, gave him a summary.

* He says he'd heard rumblings about WHTO before but no specifics.

. We start with CC, Harry & David
. CC presents for bill. Checks are on two fronts - she has some copies, some original records
- no bids
- no apparent back up, as far as she knows
- has a bank statement from a non-profit account, with high value.
- she makes comments about their ~~by~~ lifestyles
  - Race horses
  - Lake homes

* Staff they have dismissed around her - despite the fact she'd been isolated.

David said at some point

One of the three gave opinion that the costs were high.

-My impression was that there was a person who had experience

-David made some comments about WHTO mgmt issues.

Catherine said they made many charges, secret contracts, didn't work full-time

- [illegible]

Todd Did she refer to all of them?

Vince Really all of them. ~~[illegible]~~ I asked her to break it out for ~~[illegible]~~ me. She said so and so owned the race horse, so-and-so owned the lake house, etc.

Bill and I said: you have given us some evidence of wrong doing. Once it landed in our shoulders, we couldn't ignore ~~[illegible]~~ And lots of money.

As to the [illegible], I ~~[illegible]~~ thought there could be nothing there. She obviously didn't

I asked Bill how he was going to investigate. He said he'd have to get his arms around it. He said he didn't know. We talked again about the fact that we didn't have any evidence. I was surprised OR didn't have.

David said, if we have to replace them, we'll find staff for short term, then bid it out. HT said emphatically he wouldn't have anything to do it.

David acknowledged.

Kennedy, staff on Thursday, contacted FBI guy he deals with on a daily basis, and that he was planning to see some people. And that they'd already seen some people [illegible] but this was the [illegible] [illegible]

I joined mtg. here. My impression is that we'd said we had something fuzzy and they were being equally fuzzy. We also told them we didn't want to do anything which would screw up the FBI's role.

[~~The~~ CC said she'd had original documents b/c she went to put them back and found everything locked up.]

At the same time, we told them this could be innocent.

~~so~~ They (the FBI) asked to see CC, I left., Kennedy left shortly after.

I came back, met w/ David, maybe Patsy. He said he had Auditors who were around for CGA CCB Perf. Reviews. He said his Perf. Review was going to be on Monday...

DCH was it Perf. Review, or just auditors in campus anyway for Perf. Review

VF I'd been a review team here doing etc. I knew they'd done some reviews.

- So I came back and saw FBI
- I said we might have a better way to deal w/ this
- They said they thought they might have something, bonds from CC, or kickbacks.
- This sounded odd to me, b/c it was real vague and distant

They said they had to go see ~~their~~ their supervisors. They left with understanding that ~~they~~ we were still deciding how to proceed.

We met with Mark that afternoon. Not sure exactly what sequence, but message was that we needed should bring in auditors ~~long~~ You know, business-like approach. Very brief.

Roxy [illegible] have been there. David laid groundwork – this is how we'd like to proceed.

FBI had called. Kennedy had [illegible] over.
~~They~~ At this point, we told them we had outside auditors if we hadn't already told them.
They said they had a team too.
We said we planned to proceed with our auditors, and then report to them if need.
He's fine (Apple-wide) with this – altho he thought PR statement wouldn't be as [illegible] as earlier, but FBI statement would.
My understanding is that they will hang back, we'll let them know if we find something pertinent

Bill asked about ~~how~~ her interview with CC. They said bright, not panicky, fidgety but might ~~[illegible]~~ which is how I found her also.

My understanding is that auditors would be there ~~[illegible]~~ at 7:30 am David splits for Arkansas.

On Fri. met with Perry and Larry Herman and team. They want to report every two ~~hours~~ hours if they find s/t.

We decided (where should they set up it), try to keep profiles down – hopes they'll ~~[illegible]~~ be more forthcoming.

I go to tell Ricki, give her general prop. 8:30 – Friday am.
Ricki comes to find me when I get back up here to meet w/ Hank and Ricki and Jeff. Jeff was pushing for Friday action

Todd Why

Uma Todd. It was like get ahead of the story.
They have a lot of press.
They a some indication of wrong-doing

Jeff says Friday Sp is the time to do it.
Rick said ~~[illegible]~~ nothing.
Todd Anybody else pushing?
Uma Hurry?
~~Why~~ Beth Why?
[illegible] Good story. Go in there and do the things rights.

1st report from audit group – bad results
2nd report – – little harder, but not much.

Ellen calls. He knows what I know, we know the same.
He says we don't want get behind the story. I said this isn't my deal. I asked what's magic about Sp. He said that's the best time.
He said he'd spoken with Gus & DD. I interpreted his comments as endorsements by those two, also.

I need to get out of whether, when, how, you need to talk to ~~Ellen~~ David.
Found David, told him he needed to talk to Ellen/me: before S/W mgt. – decision

3rd Report: 7/17 of checks have discrepancies, still need to keep looking.

10:40 mtg had started

Sturly

Go to see Patsy. Came back for 12p. mtg with Adams - Larry, Patsy, one other, Jennifer.

My sense is they are repeating.

Highlights: - no systems to audit,
- monthly floppy, etc.
- billed off of estimates, not cost
- budgeted on future trips
- most of this is in his head

Jennifer or Patsy pointed out dependence on him, with his

Fraud side of the stories -
- 7 of 12 checks
- Billy Dale pulled out $2,500 in cash ~~[illegible]~~ to account for a check discrepancy
- Avg. cash balance in 92 - 1/2 million
- in 2/93 - had dropped to $300,000

This is potentially serious in our minds
They had no clue what the explanation could be. Maybe billing for

Todd Any distinction among the 7?

VF $ Impression was that 2 guys - Dale, Wright - who had cash rights.
That, it was up to the person who traveled to account for cash.
This goes back to my understanding that David sought to downsize b/c of duplication, what advance.

Updated Kennedy, who had updated FBI on Friday pm. ~~[illegible]~~
Vinnie said they want another update.
Kennedy agrees to meet with FBI & Auditors ~~[illegible]~~ at 5p.

On Monday, David tells me he expects to act in the next 2 days. I think he said Tues first, then Wed.

We got draft of T.P.s Wed am.
First page looked fine.
Then I saw the TP, went ~~to~~ to David's office. Saw Kennedy, asked if he'd seen, he hadn't, so we went into David's office and told him no good.

why

My first reaction was b/c it would screw up investigations
~~[illegible]~~ David says fine, he'll take care of it.
~~Then~~ Later I hear ~~David~~ Dan Dee ~~[illegible]~~ announced it.
~~And~~ later that Gee is referring ?s ~~[illegible]~~ to FBI.
Todd: what about mtg with colleagues?
~~[illegible]~~ 28 There were couple of mtgs that day.

Todd Had Bernie been involved?
VF I had had a couple conversations with him. He had no faith in this. I don't want to over or under characterize. I try to keep his opinion, in daily [illegible] of [illegible].

~~[illegible]~~ So Bernie grabs me for mtg in George's office.
Re. Wavy Idema connection
After Idema left, Gee asked about FBI connection

Kennedy came in and decided.
Gee agrees to have audit undertaken.
Ricki, Don, VF, BK go to see audit report.
agree with Dave to release.

Colloquy mtg.
GS mtg continues w
colloquy of FBI GS: "OK for us to say
based on what you heard so far that there's
reas cause for FBI investig'n."
no decision re release of FBI statement
lots of people in GS' office

When BK in VF office discussing how
to investig. BK mentioned FBI as
one option

First Involvement of FBI

VF we've consulted policies
- policy is silent on who we should've contacted
- silent on self-investigation
- policy says you can then hire, doesn't say who - Counsel should contact or Justice

Kennedy deals with this kind of stuff - to a certain degree - everyday
"it was a natural thing"

While all this is going on, Hubbell and Thomason came up for conversation
- They were asked for written policy on contact
- Only from Dan [illegible] did we [illegible] know the contacts as shown ? -

Todd

Anyone else involved in, [illegible] reported [illegible]. Are you aware of anyone else involved?

VF I've never discussed this with anyone

I hope they there's any other way to answer.

Never discussed ~~it~~ with Jim.

I think that's all I should say about that.

DCH what was criminal act?

VF Clear from Sat. that there's a newspaper issue.

The chairman, the lawyer, and the whole — David

Todd what The sources of action included — (1) ~~T~~ TCM

VF when we said that — I never concerned myself with it again

In my heart, in my gut, it was a dead issue after Harry said he was

Todd (2) ~~Capt.~~ CC Mem of

VF I knew nothing about it 'til after it broke.

Did not know she was a cousin

I knew she worked in David's office, had a related role in campaign, had worked there —

Todd why she was detailed there is nothing you know about

DCH Did you talk to Harry and Ellen?

VF No. not together. I may have spoken with Thomason separately, but not much.

I only had 2 calls with Jeff they were short, and I wanted to stay

MEMORANDUM

TO: 554WHTO File

FROM: Judith Wish

SUBJECT: Review of Notes of Vincent Foster 6/3/93 Interview by John Podesta and Todd Stern

Neil Eggleston informed me that Vincent Foster was interviewed by John Podesta and Todd Stern on June 3, 1993 in conjunction with the White House Travel Office Management Review. The notes of that interview were typed up and Eggleston provided me with a copy to review in his office. I did so and made the following notes:

May 12, mid-afternoon:

Watkins called requesting an urgent meeting and insisted that Foster meet before he went to get a haircut as scheduled. Watkins came to Foster's office with Harry Thomason and Catherine Cornelius.

Foster had met Harry Thomason for the first time for 30 seconds the day before (5/11) to discuss some issues regarding the Inaugural Committee. Foster say Thomason again on 5/12 morning at a meeting on some "family issues." At the conclusion of that meeting, Thomason had said he might need to see Foster on some issue regarding graft or something.

When Thomason accompanied Watkins to Foster's office that afternoon, Foster figured it must be in regard to the issue Thomason had mentioned.

Watkins gave a brief overview, said Thomason and Cornelius had separately brought material to his attention regarding the possibility of wrong-doing and the question was: how to proceed. Watkins gave Foster the Marten's memo and Foster glanced at it. He did not know whose memo it was. He noted the key points: sole source contract; although the names had changed, the contract seemed to be with the same source over the past few years.

Thomason said it was highly suspicious that one set of people had been handling the flights. At this or a later meeting,

N:\UDD\WISH\NOTES\554WHTO.VFI

Cornelius reported that she had seen $72,000 in checks made payable to cash in the last year. She also reported that she had been "cut out" by the Travel Office employees.

Foster asked Watkins whether the Office of Administration had the capacity to conduct an audit. Watkins said no. Cornelius said that she had copies of some checks. Foster suggested reconvening at 4 p.m.

Foster got a haircut, got picked up by Bill Kennedy and returned to meet at 4 p.m. On the way back, Foster updated Kennedy on what he had learned and asked him to come to the meeting. Kennedy said that he had heard rumblings about irregularities at the Travel Office, but no specifics.

The second meeting began with Cornelius recounting her findings. The focus was on the checks made out to cash (she had copies of some) and some original records. Foster noted that all the checks to cash were signed and endorsed by the same person. That seemed unusual.

Cornelius also discussed the fact that there was no competitive bidding; that she knew of no back-up for petty cash; that the bank statements from a non private bank account had a high volume of assets. Cornelius discussed lifestyles of the Travel Office employees - she said she had overheard conversations that suggested that some owned race horses, lake homes, etc.

Watkins, Thomason or Cornelius suggested that the amount the press was paying for charters seemed high. Watkins said there were also management concerns - Cornelius had reported to Watkins that the employees made racist and sexist comments and that they did not work full time.

Foster said the implication was that Cornelius' comments applied to all 7 employees. Foster asked Cornelius to break out the lifestyle issue -- she said X owns this, Y owns that, etc. Kennedy and Foster said this was evidence of potential wrong-doing and they could not ignore it. At the same time, they thought it could be nothing.

Foster asked Kennedy how he was going to investigate the matter. Kennedy said he would have to get his arms around it. The fact that there were no auditors available was discussed again. Foster said he was surprised that OA did not have the capacity to perform an audit.

Watkins said if the need to replace the Travel Office staff arose, he would find someone for a short term and then bid out the contract. Thomason said emphatically that he would not have anything to do with it. Watkins acknowledged this.

May 13:

Foster spoke with Kennedy about this sometime on May 13. Kennedy said he had contacted the FBI agent he has regular contact with, and that he had a meeting set up. Some representatives from the FBI had already been over but not the right people, Kennedy told Foster, so he had set up a meeting later with the right people. Foster joined that meeting late. Foster's impression was that Kennedy had explained the "fuzzy" situation and the FBI responded with a fuzzy discussion of what to do. Foster and Kennedy also told the agents that they did not want to do anything that would interfere with FBI activities. At the same time, however, they told them the whole thing could be innocent. The FBI agents asked to talk to Cornelius. She came to Kennedy's office. Foster left before the discussion began and he thinks Kennedy left shortly thereafter.

Foster met later with Watkins and possibly Patsy Thomasson. Watkins said he had arranged for auditors who were around for the Gore Performance Review. Watkins said his Performance Review Team was going to be in on Monday.

Foster returned and met with the FBI. He told them there might be a better way to proceed -- i.e., auditors -- but he could not remember if he told the agents about the auditors then. The Bureau reported they might have something based on the conversation with Cornelius and they mentioned kickbacks. Foster said he considered this odd, because the possibility had seemed distant to Foster. The FBI said they had to check-in with their superiors, and left with the understanding from Foster that the White House was still deciding how to proceed.

Foster and Watkins met with Mack McLarty that afternoon. Their basic message was that we should begin with the auditors, taking a business like approach. The meeting was very brief and was just an opportunity to update Mack. Patsy Thomasson was there. Watkins began by laying the groundwork on how to proceed.

Later, the FBI called. Kennedy had come over so Foster and Kennedy met together with the agents. At this point or before, Kennedy and Foster told the FBI that outside auditors were going to do a review of the Travel Office and that Foster and Kennedy would report to the FBI if needed. The FBI agents thought this was a good plan, but raised a concern that testimony by the auditors might not be admissible evidence. Foster disagreed.

Kennedy asked about the interview with Cornelius. The agent said she was bright, helpful, and not advocating any particular position. They said the story sounded fishy, but maybe it would amount to nothing.

Watkins subsequently told Foster that the auditors would be coming on Friday, May 14 and that he would be out of town.

May 14:

Foster met with Patsy Thomasson, Larry Herman and the Peat Marwick team. They agreed to report their findings every two hours. They decided to keep the lawyers out of the audit and try to keep a low profile so that the Travel Office employees would be more forthcoming.

Foster briefed Ricki Seidman, counsel to McLarty, at about 8:30 a.m. Seidman asked Foster to join a meeting with Jeff Eller and McLarty. Eller pushed hard for the dismissal of the Travel Office employees that day. He argued that the White House needed to get ahead of the story since there was some indication of wrong doing and the White House could show that they had gone in their and done the right thing; in addition, he feared that the Travel Office employees had a relationship with the press and would use it to their advantage. Seidman listened; McLarty said to proceed as planned with the auditors first.

Foster said the first report that came in from the auditors basically said that the Travel Office had bad records. The second report was a little harsher. After this call, Eller called and again pushed for action on Friday. Eller said he had spoken with Stephanopoulos and Myers. Foster interpreted Eller's comments to indicate Stephanopoulos and Myers endorsed the dismissal action.

Foster told Eller he needed to say out of communications and management decisions. Foster found Watkins and told him he needed to talk to Eller.

The third report from the auditors noted the discrepancies in petty cash for 7 of 17 checks and that they still needed to keep looking.

May 16:

At a noon meeting with the auditors, the management and fraud issues were discussed and Foster suggested that Kennedy meet with the FBI and provide them with an update. A 5 p.m. meeting was set up with the auditors and agents.

May 17:

Watkins told Foster that he planned to dismiss the Travel Office employees in the next two days.

May 19:

Foster reviewed Watkins' talking points on Wednesday morning and saw the reference to an FBI investigation. Kennedy and Foster told Watkins to remove that reference and not to mention the investigation. Later, Foster heard that Dee Dee had announced the investigation.

May 21:

Nussbaum asked Foster to join him in a meeting in Stephanopoulos' office. Nussbaum, Foster said, had been only peripherally involved, "He had no fault in this," Foster said. Nussbaum grabbed Foster for the meeting with Stephanopoulos. The initial purpose was to discuss Larry Herman's connection to the investigation. After Herman left, Stephanopoulos asked about the FBI connection. Kennedy arrived and described their involvement. Ricki Seidman, Watkins and Foster then left the meeting and went to review the draft audit report which the White House wanted to release to the public that afternoon.

Later, they met with Collingwood. There were a lot of people in Stephanopoulos' office. Stephanopoulos said, "is it ok for us to say, based on what you said, that their was cause for the FBI investigation." There was no discussion about the release of the FBI response.

Foster said he knew the findings of the audit report on May 17 and that he was not aware of any suggestion to hold the dismissals until after the report was complete.

Foster also said that he never discussed the issue with Susan [Thomases] nor with anyone at DOJ.

VP interview 1-3

DD chronology
FBI; Crim Subp.; Civil Subp.; Cong'l hrg; GAO

Q re retaining notes

Sept 22 mtg(1)
CC $7-8,000 checks(1) mtg(2) 4pm w/ BK

BK: heard rumblings

Costs seemed high compared to campaign

BD endorsed & signed checks
[illegible]
CC not just rely on 2

PH highpowered guy

bill on est & make up on next trip,
even if guys on trip 2 weren't on trip 1

Audit timing - comment

2 steps FBI insider advice; PH

Policy was re investigations by outside agencies, all contacts via WH Counsel

tho VP not see this as apply to internal counsel investig

WLD do this
~~OW~~ but policy
didn't say who
contact...

BK deals w/ FBI on security matters on daily basis

Rima policy in flux w/ Nussbaum & Heyman working on it

Arkansas
report
[illegible]?

Never discussed w/ ST

Anyone else - phone

That's all I ~~want to~~ think I should say

Stephen T

VW

[illegible] via JDP 6:30

never heard [illegible] well.

Th pm 2 mtgs:

Health care mtg → Thomas + HRC
HRC says to VF — what's the deal
w/ Travel office thing.
VF ~~says~~ says process, Kennedy
figuring it out

Then pm mtg DW - VF

→ Then DW + VF see MM re PM

Mack has seen HRC according to
DW never
Mack approves P—

[illegible]
mentioning
Sat
Friday
Last of

VF tells HRC that night re
PM

VF not update [illegible] Friday
Ellen's in VF's face

Fri VF says to DW if you
want 'em fired you talk to Ellen

DV talks to Ellen Langdon
VF disengaging other than from
FBI May have started this
one again

Foster Interview
DCH notes
June 3, 1993
Page 1

John opened with explanation that this is an internal management review, not an investigation. Vince explained concerns he has about client privilege, and express the importance that someone review and think thoroughly about the issue before attempting to waive any privilege. Vince pointed out that all notes, etc, will likely be discoverable in one of the many investigations going on, and that it is important that this be considered as the report is written and before a final report is published.

Vince began a lengthy explanation of the events related to the WHTO with which he was involved. [the following is an account of the events as Vince remembers]

Mid-afternoon on Wednesday, May 12, David Watkins called him requesting an urgent meeting. He insisted that Vince meet before he go to get his haircut, as scheduled. David came to Vince's office with Harry Thomason and Catherine Cornelius.

Vince had met Harry for the first time beyond 30 sec. the day before [5/11] to discuss some issues relating to the Inaugural Committee. He had seen him again on Wednesday morning at a meeting on some "family issues". At the conclusion of the Wednesday morning meeting, Harry had said he might need to see Vince about some issue of graft or something--although Vince does not remember what word Harry used. When Harry accompanied David to Vince's office that afternoon, Vince figured that this must be in regard to the issue Harry had mentioned.

David opened the meeting with a brief overview of the situation. He said that CC and HT had--separately, as Vince understood it--brought materials to David suggesting the possibility of wrong-doing. He wanted to know how to proceed. David gave Vince the Marten's memo, which he glanced at. Vince did not know whose memo it was. As he read it, HT summarized. The key points Vince gleaned were that there seemed to be a sole source contract, and that although the names had changed, the contract seemed to be with the same source over the past few years.

Thomason expressed the view that this it was highly suspicious that one set of people had been handling he flights. Vince recalled that at this or a later meeting, Harry related a very vague conversation suggesting that a friend of his had seen what he considered possible evidence of kickback.

Catherine reported that she had seen $72,000 in checks made payable to cash in the last year. She also reported that she had been "cut out" by the employees at the WHTO.

Vince asked David about the OA's capacity to audit. DW said thy had none. CC said she had copies of some checks. Vince suggested they reconvene at 4 pm.

Vince got his haircut, got picked up Bill Kennedy, and returned to meet at 4 pm. On the way back, VF gave Kennedy a summary of what he had learned. Kennedy said he had heard rumblings about irregularities at WHTO, but no specifics.

Foster Interview
DCH notes
June 3, 1993
Page 2

The meeting began with Catherine–David and Harry may have been there from the beginning, but Vince wasn't sure. Catherine recounted her findings. Her principle focus was on checks made out to cash; she had copies of some such checks. She also had some original records. Vince said he noticed that all the checks made out to cash had been signed and endorsed by the same person, which he said seemed unusual. Catherine also discussed the fact that there was no competitive bidding; that she knew of no back-up for petty cash; that bank statements from a non-private bank account had a high volume of assets. Catherine also discussed the "lifestyle" of WHTO employees. She said conversations she overheard suggested that WHTO employees owned race horse and lake homes.

One of the three–David, Harry, or Catherine–suggested that the cost the press was paying for the charters seemed high. David said there were also management concerns, as CC had reported to David that employees made racist and sexist comments, and that they did not work full time.

Todd asked if Catherine made references to all 7 employees. Vince said the implication was really all of them. He asked her to break it out for him, and she said so and so owns this, and named several of the employees.

Bill and Vince explained that as they had evidence of potential wrong-doing, they could not ignore it. At the same time, they thought it could still be nothing.

Vince asked Bill how he was going to investigate. Bill said he'd have to get his arms around it. The fact that there were no auditors available was discussed again. Vince said he was surprised OA didn't have capacity to audit.

David said that, if the need to replace the WHTO staff arose, he would find someone for short term and then bid out the contract. At this point, Harry Thomason said emphatically that he wouldn't have anything to do with it. David acknowledged this.

Vince spoke with Kennedy about this sometime on Thursday. Kennedy said he had contacted the FBI agent he has regular contact with, and that he had a meeting set up. Some reps from the FBI had already been over, Kennedy told VF, but it wasn't the right people, so he had set up a meeting later with the right people. VF joined the meeting late. Vince's impression was that Bill had explained our "fuzzy" situation, and they had responded with a fuzzy discussion of what to do. Vince and Bill also told the agents that they did not want to do anything which would interfere with FBI activities. At the same time, we told them the whole thing could be innocent.

[Todd asked something about documents, to which Vince responded that Catherine had said that she had the originals because she had tried to replace them, but found that the place where the documents were stored had been locked-up.]

The FBI asked to speak with Catherine. She came to Bill's office, but Vince left before the discussion began. Vince thinks Kennedy left shortly after.

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Vince later met with David, and maybe Patsy. He said he had arranged for auditors, who were around for the Gore Performance Review. He said his Performance Review teams was going to be in on Monday . . .

Dwight asked if David had meant that the auditors were going to be on-campus in their capacity for the Performance Review. Vince responded that know, David had meant his review team. They had reviewed some OA offices, including the Exec. Residence so far, David said.

So Vince returned and met with the FBI. He told them they might have a better way to proceed--by which he meant the auditors--although he can't remember if he told the agents about the FBI then. The FBI reported that they thought they might have something based on the conversation with CC. Specifically, they mentioned the possibility of kickbacks. Vince said he considered this odd, because the possibility had seemed distant to Vince. They said they had to check-in with their superiors, and they left with the understanding from Vince that the WH was still deciding how to proceed.

Vince said that he and David met with Mack that afternoon. The basic message was that we should begin with auditors--a business-like approach. The meeting was very brief, and was just an opportunity to bring Mack up to date. Patsy may have also been there, David began the meeting by laying the groundwork on how to proceed, etc.

Later in the day, the FBI called. Bill had come over, so they spoke with them together. At this point, if not before, Vince and Bill told the FBI that outside auditors were going to go in to the WHTO, and the Vince and Bill would report to the FBI if needed. The agent they talked to was fine with this plan, except he raised the concern that testimony provided by Peat might not be evidence, whereas FBI's findings would be. Vince disagreed with this assessment.

Bill asked about the interview with CC. They said she was bright and helpful, not advocating. They said the stories sounded fishy, but maybe amount to nothing. Vince added that he likewise found CC willing to be helpful, but not pushing a certain story.

David told me the auditors were coming Friday, and that he was going to Arkansas for his daughter's graduation. I did not object.

On Friday, Vince met with Patsy and Larry Herman and the Peat team. They agreed to report every two hours on their findings. We decide lawyers should stay out of this, to try to keep a low profile and that the WHTO employees will be more forthcoming.

Vince then went to tell Ricki. He gave her the general background. This was around 8;30 am. Before he could get back upstairs, Ricki found Vince and asked him to join in a meeting with Mack and Jeff. Jeff pushed hard for action on that day. He said we needed to get ahead of the story--the employees have a relationship wit the press, and there is some indication of wrong-doing. Jeff said Friday 5p is the right time to release this. Ricki just listened. Mack said we should proceed as planned with the auditors first.

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Todd asked if anyone else was pushing for quick action. Vince said Harry was pushing for action because he thought it would be a good story--go in there and do things right.

Returning to his account, Vince said the first report came in from the auditors and basically said the TO had bad records. The second report was a little harsher, but now much yet. After this call, Eller called. He knew the same amount as Vince, but he was pushing for action on Friday. Jeff told Vince he had spoken with George and DD. Vince said he interpreted Jeff's comments to indicate that George and DD endorsed dismissal and action.

Vince told Jeff he needed to stay out of communications and management decisions. He found David, and told him he needed to talk to Jeff about his concerns.

The 3d report from the auditors indicated discrepancies in accounting of petty cash for 7 of 17 checks but they still needed to keep looking.

On Saturday, Vince say Patsy in the morning. He came for a 12p meeting with the auditors since Bill couldn't be there. Larry, Patsy, Jennifer, and one other person was there. The highlights of the report included: horribly sloppy, etc; billed off estimates not cost of trips, adjusting through future trips; and most of this was in Billy's head. On the fraud side, Vince said, the auditors discussed the 7 of 17 checks to petty cash with inadequate accounting; the fact that Dale had pulled $2,800 out of his desk to account for one discrepancy; that the avg. cash balance of the checking account had dropped from $1 million during 1992 to $300,000 during the spring of 1993. This last item was potentially serious, Vince felt.

Todd asked if the auditors made any distinction among 7 WHTO staff. Vince said his impression was that 2 people--Wright and Dale--had check-writing authority, but that any staffer traveling was responsible for accounting for petty cash taken. Vince said this goes back to his understanding that David had planned to downsize the office because they had duplicate functions with what some advance staff do.

After the noon meeting with Patsy and the auditors, Vince called Bill and suggested the FBI should be updated. He agreed to return to work and set up a 5 pm meeting with the Auditors and Patsy.

12 On Monday [5/17], David told Vince he planned to dismiss the employees in the next 2 days. Vince remembers David saying Tuesday first, then later moving the action to Wednesday.

Vince first saw talking points on Wednesday morning. The first page looked fine, but the talking points included mention of the FBI investigation. He went to David's office, and met Kennedy on the way. They returned to tell David that the investigation should not be mentioned. David said he would take care of it. Later that morning, Vince heard that DD had announced the FBI investigation. And later that George was referring questions to the FBI.

Todd asked about the Collingwood meeting. Vince said there were a couple of meetings that day. He said that Bernie asked him to join him in a meeting with George's office. Bernie, Vince said, had been involved only in that Vince had had a couple of conversations with him about the issue. "He had no fault in this," Vince said. So Bernie grabbed Vince for a meeting with GS. The initial purpose of the meeting was to discuss Larry Herman's connection to the investigation. After Herman left, George asked about the FBI connection. Kennedy arrived and described the involvement. Ricki, Watkins, Vince, and Bill go to review a draft of the audit report.

Later, they met with Collingwood of the FBI. [todd: you need to type this part]

Vince then discussed the policies surrounding FBI conduct. He said the policy is silent on who should be contacted, and silent on the kind of intra-EOP investigation underway, and the policy says you should go through the Counsel's office, but did not say who at Justice to speak with. Kennedy deals with internal security, and to some extent this seemed like a "natural thing".

While all of this was going on, Vince said, Hubbel and Hyman were up for hearings. They were asked by the Senate for a written policy on WH contact. Only after the AG's comments did WH Counsel see the letter that contacts should go through the three. The Policy was at best in flux, and would not have applied in this context–although everyone agrees that now it should and does.

Vince said they knew the findings of the audit report on Monday morning, and the he was not aware of any suggestions to hold dismissals until after the report was complete. Vince said his impression was more that the date for action depended more on David's ability to get someone to replace the WHTO staff. Vince said there had been general discussions about using Worldwide to handle the job. He said he didn't know firsthand that they had handled campaign travel. Vince said this seemed like a possible solution.

Todd asked if anyone else was involved, pointing out that Susan had been mentioned in the Journal. Vince replied that he had never discussed the issue with Susan. Nor had he discussed the issue with anyone at Justice.

Dwight asked if Vince knew what contributed to the critical mass for the decision to fire coming Monday. Vince said it had been clear from Saturday that there was at least a management issue. He did not concern himself with the management issues of who, when, and how.

Todd asked about the sources of action on this, pointing out that TRM had been one track. Vince said he had never considered any interest on their part after Harry said he had no interest in the business. Vince said he sincerely believed it was a dead issue after Harry made his remarks.

Todd said the second action seemed to be Catherine's memo. Vince said he knew nothing about it until it broke as a story. He said he also did not know she was a cousin. He knew she worked in David's office, and that she had a related role in the campaign, and that she had worked in the travel office for some time.

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Dwight asked if Vince had ever talked with Harry and Eller on the phone at the same time [as indicated in the draft chronology]. Vince said never together. He had spoken with Eller several times on Friday, and he might have spoken with Harry. Vince said his calls with Eller were short, as he wanted to stay out of management and communications decisions.

JOHN PODESTA

WHITE HOUSE STAFF SECRETARY

GAO INTERVIEW

9 11

WP B-H3
1 of 6
Angelo
3/3/94

966604
WHITE HOUSE TRAVEL OFFICE

Record of Interview

Date: March 2, 1994

Location: Old Executive Office Building, Washington, DC

Participants:

Executive Office of the President

Neil Eggleston, Associate Counsel, White House Counsel's Office
John D. Podesta, Assistant to the President and Staff Secretary
Todd Stern, Special Assistant to the President and Deputy Staff Secretary

General Accounting Office

John Baldwin, Assistant Director
Terry Angelo, Senior Evaluator

Discussion:

1. Conduct of interviews. Mr. Podesta and Mr. Stern were interviewed concerning their activities as the principal authors of the "White House Travel Office Management Review," which was released by the White House on July 2, 1993. They stated they were responsible for conducting the White House's internal review of the Travel Office matter and performed the ~~bulk of all~~ staff interviews associated with that review. During the week before the report was issued, they said White House Chief of Staff Thomas "Mack" McLarty and Office of Management and Budget Director Leon Panetta also participated in some interviews. However, Mr. Podesta and Mr. Stern said that to their knowledge, they participated in all discussions held with Mr. McLarty and

Mr. Panetta, and that neither of the latter individuals conducted any separate interviews on their own.

2. Review Workpapers. Mr. Podesta said he did not write up his interviews. Instead, he took only a "thimble full" of "doodles and undecipherable notes." Mr. Stern said he took some sporadic notes, but not in any systematic way.

no notes

3. Documents Reviewed. Mr. Podesta and Mr. Stern said they reviewed documents other than those included in the report, but that all documents considered central to the report were included. They said they did not look at much that was not included, but did cite as an example of a document they did not include a contract from Air Advantage, the firm represented by Penny Sample. They said they did not review Travel Office documents from the Billy Dale period. Neither of them kept copies of the documents they reviewed, nor were the documents kept in a central file.

no docs

4. Review Scope and Focus. Mr. Podesta and Mr. Stern began their work sometime between May 26 and May 28, 1993. They were given an "open charge" and a "free hand" to determine: (1) what happened; (2) how it happened; and (3) how it could be fixed. They were asked to do the review because of the ~~conscious of what they term~~ed "tremendous press reaction," mostly critical, to the White House's actions, Mr. McLarty was ~~as well~~

concerns about whether the dismissals were fair and the nature of the FBI's involvement in the matter. Around June 1, 1993, Mr. Podesta and Mr. Stern asked to interview the seven people dismissed from the Travel Office, but the Department of Justice asked them not to do so. At that point, they decided to concentrate their review on management processes within the White House. Specifically, they intended to assess: (1) what people in the White House did that led up to the dismissals, (2) how White House Officials reacted to the events that took place following the firings, and (3) how the White House managed those incidents. They did not try to substantiate any of the allegations against Billy Dale and his staff, nor did they ask for access to Billy Dale's records. They said the review took longer than originally anticipated. They were under the impression that Mr. McLarty wanted it to be completed by the end of June or early July. However, they were not told it had to be done by July 2 nor were they under any pressure to complete their work prematurely. They said they could have taken more time if they had needed it, but felt they had reached a natural concluding point and had "no loose ends"

5. Why Podesta and Stern? Mr. Podesta and Mr. Stern said they believed they were chosen to conduct the review because both were attorneys but, unlike the White House Counsel's Office, neither had been implicated in any of the events described in their report. Both also had worked for the Senate Judiciary Committee

and Mr. Stern had practiced law as a litigator for about ten years.

6. Persons Interviewed. Mr. Podesta and Mr. Stern indicated that while they spoke with more people than those indicated in the report, essentially "anyone with anything to say" was mentioned in the report, including the FBI officials they interviewed. Stated differently, they said they did not speak to anyone with substantive knowledge about the Travel Office matter who was not referenced in their report. They acknowledged speaking with Catherine Cornelius as well as anybody who had anything to do with the Travel Office affair except for Billy Dale and his staff. Mr. Eggleston stated that he did not think it would be appropriate for Mr. Podesta and Mr. Stern to reveal what they discussed with people whom the Department of Justice has not cleared GAO to interview. However, if the Department of Justice says we can ask Mr. Podesta and Mr. Stern about their discussions with such people, he will set up another interview to do so. He also said that if GAO wants a list of everybody who was interviewed, we should send him a written request.

7. Interviews with the President and First Lady. Mr. Podesta and Mr. Stern interviewed the First Lady jointly; Mr. Podesta interviewed the President alone. Mr. Podesta said he believes Mr. McLarty was in the room when he interviewed the President

but he did not participate in the interview. They said both the President and the First Lady were asked open-ended (not trivial) questions designed to elicit their knowledge about the Travel Office matter, and that everything they learned during those interviews was reflected in the report. They said they were not aware of Mr. McLarty or Mr. Panetta having interviewed the President or First Lady separately, but stated we would have to ask them directly to be absolutely certain.

8. Review of Allegations against Billy Dale and His Staff. Mr. Podesta and Mr. Stern said they learned nothing more about the allegations made concerning the operations of the Travel Office from people like Catherine Cornelius, Harry Thomas~~s~~on, and Darnell Martens beyond that which was reflected in their report. While they did ask the aforementioned people what their allegations were against the former Travel Office staff, they did not try to "run those to the ground." With reference to Billy Dale and his staff, Mr. Podesta said they did not want to "whack these people again." Mr. Stern said they intentionally did not repeat the allegations all over again in the report. They indicated that they never knew the names of any people who were alleged to have been making kickbacks to Billy Dale or members of his staff. Rather, the allegations centered around the air charter company with which they were doing business on a regular basis, UltrAir. They said there were suggestions of sweetheart deals and kickbacks.

9. Draft and Final Reports. Mr. Podesta and Mr. Stern said that the first draft of the report was prepared within the same week that the final report was issued, and probably only a couple of days beforehand. They said that to their knowledge, Harry Thomas~~s~~on was not given a draft of the report to review, but a copy of the final report was sent to him after its release on July 2. They also indicated they did not think either Mr. McLarty or Mr. Panetta would have sent a draft to Mr. Thomas~~s~~on without their knowledge.

They stated the first draft consisted of portions of the report that each of them had drafted separately, and that they discussed (and even argued) over its contents and tone extensively. As a result of that process, they said there may have been things omitted from the final report that they decided on their own to leave out. However, no one asked them to take anything out of the draft report, nor were they asked to omit references to the First Lady. In fact, Mr. Podesta and Mr. Stern said it was their decision to include in the report the previously undisclosed May 17 memorandum from David Watkins to Mr. McLarty, a copy of which was sent to Hillary Rodham Clinton. They described the process of deciding on the contents of the final report as a series of "tricky calls," and said there were a lot of instances where they had to decide between appearances and real conflicts. They also denied using the report as a vehicle to get [illegible] Harry T. out of the White House.

Mr. CLINGER. I would now recognize the gentleman from California, Mr. Waxman.

Mr. WAXMAN. Thank you very much, Mr. Chairman.

In the course of your lengthy and extensive statement, you made the comment that you felt you were frustrated as a Republican during a Democratic Congress in pursuing this hearing.

Mr. Kanjorski, in a few minutes, who is a member of this committee, will comment on the fact that when he was a Democratic chairman, he tried to investigate the Travel Office of the Republican administrations to see if they were using Government funds for political purposes. He was frustrated by the Republicans when they were in power in the White House.

You are now in power, Mr. Chairman; your party is in power; and this committee has an obligation to look into these matters. It is an appropriate function of our committee. But it seems to me no excuse to narrow the focus of this inquiry on one small issue, and that is the handling of the Travel Office during a short period of time by the Clinton administration and ignoring completely the abuses during the Republican presidencies of Reagan and Bush.

In fact, we have evidence that during the Republican time, some of the people in the Travel Office were acting criminally; not just evidence, the head of the Travel Office is going to trial in a couple of days on an indictment for embezzlement.

Mr. Chairman, this committee can hold its hearings, but this Congress has already held hearings on Whitewater, Ruby Ridge, Waco, and now the Travel Office. What this Congress has not found time to do was to hold 1 day, even 1 day, of hearings on the Medicare proposal that revamped a system that was in place for 30 years and is now being—as the Speaker says, transformed, radically altered, by the Republicans, without 1 day of hearings.

What this Republican Congress hasn't had time to do was to hold even 1 day of hearings on the Medicaid proposal which is going to be before us later this week. The Medicaid proposal will completely repeal the nursing home standards, the assurances force to the elderly when they are in nursing homes that they will get their care paid for after they have gone bankrupt and become impoverished, that the spouses will be protected, the family members will be protected from nursing homes going after them, that women and kids will not be thrown into the streets because they won't get any health care that will be guaranteed to them. Not a single day of hearing.

Now let's address the issue in front of us. There are some major issues involving the Travel Office that are absolutely being ignored in this hearing. First, the committee has failed to investigate the charges of embezzlement against Billy Dale, the head of the Travel Office during the Reagan and Bush administrations. Mr. Dale has been indicted for embezzling funds paid by press organizations.

Second, the committee has failed to investigate evidence of widespread financial mismanagement by the Travel Office during the Reagan and Bush administrations.

There was an audit by Peat Marwick Accounting Office at the request of the Clinton administration in May 1993. They found a lack of accountability, a lack of accounting controls and systems, a lack of documentation, a lack of contractual support, and other problems. None of these serious problems, which were the basis for Mr. Dale's firing, is being investigated.

Third, the committee has not investigated new evidence of wrongdoing by the Travel Office during the Republican administrations. This new evidence, which was brought to light yesterday in a letter to you, Mr. Chairman, from Mrs. Collins, suggests the Travel Office officials during the Bush and Reagan administrations regularly accepted gifts and trips from airlines in violation of Federal regulations.

I am no expert on travel offices at the White House, but you don't have to be an expert to see that the alleged abuses by the Clinton administration pale in comparison to the abuses of the Reagan and Bush administration. Indeed, essentially the only misconduct that the Clinton administration has been accused of is being too eager to clean up the Travel Office mess left by previous administrations.

In my view, it is wrong for this committee to spend enormous resources investigating the Clinton administration's handling of the Travel Office and at the same time fail to investigate the evidence of criminal and other wrongdoing by the office under the Reagan and Bush administrations. In short, the narrow focus of these hearings seems extraordinarily biased and partisan.

I don't know whether the committee plans additional hearings. If you do, I think we ought to hear from a number of witnesses. I know Mrs. Collins will be talking to you about that. But let me flag two issues, other issues, that concern me.

First, I understand there is new evidence suggesting that the committee intervened with the Justice Department on behalf of Billy Dale—he is the guy that worked for the Republicans—and I would like to put into the record at this point, by unanimous consent, a letter from the Attorney General of the United States, Janet Reno, requesting that we not hold these hearings in order not to in any way interfere with that criminal trial.

[The letter referred to follows:]

U.S. DEPARTMENT OF JUSTICE,
OFFICE OF LEGISLATIVE AFFAIRS, WASHINGTON, DC,
October 23, 1995.

Hon. WILLIAM F. CLINGER, JR.,
Chairman,
Committee on Government Reform and Oversight,
U.S. House of Representatives,
Washington, DC.

DEAR MR. CHAIRMAN: This responds to your letter to the Deputy Attorney General, dated October 12, 1995, concerning the White House Travel Office matter and, particularly, whether certain documents constitute *Brady* material.

We can assure you that we take our obligations under *Brady* v. *Maryland* seriously, and the prosecutors handling the Billy Ray Dale case will continue to fulfill all of their responsibilities under *Brady*. They are aware of the documents to which you refer as well as all of the circumstances of the case, including the rulings the judge has made on materiality and relevance, and have determined that these documents do not constitute *Brady* material. We have no concern about providing this material to the defense, however, and are therefore doing so.

Your letter misreads the notes of Associate White House Counsel William Kennedy, III, which actually read as follows:

> Focused on Petty Cash Notebook w/ envelope in the front in locked credenza behind Billy R. Dale
>
> Anyone in the office can make entry to petty cash

Since the notes say "focused on"—and not "found" (as your letter states)—they are properly understood to refer to Peat Marwick's audit of the petty cash notebook covering 1992-93 (which was kept locked behind Mr. Dale's desk), not to any allegedly missing pages. Similarly, the reference to "[a]nyone in the office can make entry"—as distinguished from "[a]nyone in the office can gain entry" (your letter)—relates to the Travel Office's bookkeeping practices, not to the possibility that pages could have been removed.

As for the FBI e-mail you cite in your letter, it was written by an FBI agent who was not present at the interviews and who had no first-hand knowledge of their content. Moreover, Mr. Dale's counsel has had ready and continuing access to the Travel Office employees whose interviews are discussed in the e-mail.

Finally, your letter implies that the Department has maintained the confidentiality of the report issued by the Office of Professional Responsibility in order to prevent press coverage that is "unfavorable to the prosecution" and that we are deliberately keeping "harmful information" from the defense. That is incorrect. The Department's concern over public release of the OPR report is not based on the presence of information in the report that is "harmful" to the prosecution or that could be construed as *Brady* material. The Department is concerned, however, that public release of the report will lead to media coverage on the Travel Office matter that could taint the juror pool immediately prior to the start of jury selection.

This presents a danger to the criminal process. The jury's verdict should be based only upon the evidence that the court determines is relevant and admissible at trial. Although the Department has determined that the report does not contain *Brady* material, we are prepared to provide the report to Mr. Dale's counsel under a protective order restricting public disclosure. We reiterate our request that the Committee keep the report confidential.

Sincerely,

ANDREW FOIS,
Assistant Attorney General.

Mr. WAXMAN. I think it is highly regrettable that we have not paid attention to this issue of Mr. Dale. Congress should not be at the beck and call of criminal defendants, if in fact Mrs. Collins' letter is correct about this committee intervening in his behalf.

Second, I am extremely troubled by the suggestion of conflicts of interest raised by Mrs. Collins in her letter to Mr. Clinger. I certainly hope it is not true that the committee's investigation has been conducted by a person who was connected in any way to the fiscal mismanagement and poor accounting practices at the Travel Office. Such a conflict of interest, the idea that the person working for our committee at one time had been the supervisor of the Office of Travel at the White House when he worked for the White House and then came over here to investigate the White House Travel Office, not during his time, but by the Clinton period, such a conflict of interest would discredit Congress and greatly damage the public trust in this committee's inquiry.

Mr. Chairman, under the unusual rules that we are agreed to, each side gets 30 minutes, and I want to yield at this point to Mr. Kanjorski first, who has extensive knowledge and background in this whole issue, to make further comments.

Mr. KANJORSKI. Thank you very much, Mr. Chairman.

Mr. Chairman, as you know——

Mr. WAXMAN. I yield the gentleman 5 minutes.

Mr. KANJORSKI. Mr. Chairman, as you know, I have been disturbed with the fact of the untimeliness of this hearing today, just coinciding with the embezzlement prosecution of Billy Ray Dale.

I know that sometimes the Congress' clock is out of sync with the Justice Department or with the executive branch, but I can't help but believe that there is a synergism here, and it disturbs me greatly, because if the Congress of this United States and this committee would take this timeframe, 2 days before an embezzlement criminal prosecution by the Justice Department of the United

States against a high official who served during the Reagan/Bush administration, and is going to face trial, and now we come with a very limited, narrow-scoped hearing, even though the Attorney General of the United States has made a reasonable request to wait 3 or 4 weeks so there couldn't possibly be any interference. I want to bring to the attention of my fellow members of this committee, both on the Republican side and the Democratic side, that Mr. Moran and I, when we served on an oversight Committee on Post Office and Civil Service, we spent an entire year of our lives examining the travel of the Presidency and of the executive branch, and, quite frankly, it did eventually get involved in the campaign of 1992.

But I have got to tell the members of this committee that we started that investigation a year and a half prior to the hearings we held. We went methodically through what we found, and what we found were grievous occurrences both in the Defense Department's flight arm and in the Travel Office. It is interesting to note that today we are going to hold a hearing that the chief investigator, who investigated for the majority side on this hearing today, was the chief stonewaller of our committee some 2 years ago. The same individual who refused to give us information, refused to open up books, and screamed at our staff.

I will, for the record, say one of the staff members described our chief investigator, who has now retired, as a "scum bag." I have never heard that used about a high official of the White House, but that was their opinion of his lack of cooperation when we went through this hearing.

Now it seems to me that all of this is orchestrated for a purpose. I would hope and believe it is not a political purpose, but I can't help but conclude that it is only for the purpose of politics and to affect the criminal prosecution of someone charged with $65,000 embezzlement.

It is interesting that the new President, 4 months into office, dismisses someone who eventually gets indicted and we find that there is something wrong with that.

I want to tell you and the members on the Republican side that during the transition of the new Presidency and in discussions with officials of the White House, I urged them to look into the travel arrangements of the President and the Travel Office, that I felt it had serious irregularities, if not illegalities, and that there was a fantastic cover-up.

So any action that was taken in the first 4 months of the Clinton administration against the Travel Office certainly was with my concurrence or blessing, because I knew there was a necessity to look into it.

Now what I would like to know is, I have in my office eight boxes of files. Why didn't Phil Larsen, the chief investigator of this committee, think about perhaps calling me up and asking what we had that transpired during the Reagan administration and the Bush administration, when he was one of the chief administrators in the White House of this program?

Why did he, after receiving information on a GAO hotline, also promote Billy Ray Dale, when he was an overseer and a supervisor of him, when he knew there were irregularities?

It is even reasonable to believe that your chief investigator received some of the illegal gifts and gratuities, and I think if we go on with this investigation we ought to expand it. We ought to examine White House travel, executive travel, congressional travel. We ought to examine all travel in the Federal Government and see if there are abuses.

But let's not make it a political issue, let's do it with the type of framework that gets to the facts, helps Justice if there are prosecutions to be had, and tightens up the overruns of cost.

We found in the last year of the Bush administration that the White House was spending over $189 million in travel, almost a million dollars a day. We found that there were gifts, free trips, excesses that you can't believe, participated in by the highest officials in the Reagan and Bush White House.

The charges were made and examined, and I think the people who will testify today will indicate that there was clear evidence in these reports that gifts and gratuities were given that were illegal under criminal law. And the Office of the Counsel of the White House decided to do nothing about it, not make a referral to the Justice Department, not to prosecute.

So quite frankly, when I heard that there was a shake-up in the Travel Office of the White House and they were going to go into those areas, I was rather glad to see that occurrence happen.

Now what I am disappointed with is the timeframe here. If we had done this before the indictment, fine. Why can't we wait 3 weeks and see the Justice Department proceed with their indictment, and see what happens with Billy Ray Dale?

No, we are not going see that. As a matter of fact, we are not going to see that because the majority has made this and seen this become a political issue. It is very unfortunate.

I think what we are looking into needs to be looked into, not only in the Travel Office, but over in the Defense Department. I think we are going to find massive abuse from the last two administrations. I think that in the first 4 months, at least with the light shined on the Travel Office, that activity has to a large extent stopped.

I think we ought to tell the American public that it is not unusual to get on an airplane today and see a Secretary, Cabinet-level officer, traveling commercially rather than traveling on a $50,000 flight provided by the Defense Department. That is common practice today, that when you can travel as an executive of the White House or in the executive branch, you do it the cheapest and most convenient method possible, in conformity with the law that Mr. Moran and I structured to try to encourage reasonable travel.

Mr. WAXMAN. Mr. Kanjorski, I want to yield to some other members as well.

Mr. KANJORSKI. Yes, I yield back to you.

Mr. CLINGER. I think we will try and go back and forth on the time at this point.

Mr. WAXMAN. OK.

Mr. CLINGER. And before I yield to Mrs. Morella, I would just point out that the gentleman from Pennsylvania has made some serious charges against the former chief investigator of this committee.

We were asked—or Mr. Larsen was accused of a number of things, and he has responded in a letter which I would ask to be submitted for the record.

[The letter referred to follows:]

PHILLIP D. LARSEN,
NEW ALBANY, OH,
October 23, 1994.

The Honorable WILLIAM F. CLINGER, JR.,
Chairman,
Committee on Government Reform and Oversight,
U.S. House of Representatives,
Washington, DC.

DEAR MR. CHAIRMAN: This morning I received a copy of a letter to you, dated October 20, 1995, from the Committee's Ranking Minority Member, Congresswoman Cardiss Collins. In that letter Representative Collins alleges that "a personal and professional relationship exists between Billy R. Dale, the former director of the White House Travel Office, and Phil Larson (sic), your chief investigator until September 30, 1995."

Rep. Collins' descriptions of my service at the Executive Office of the President and my alleged relationship with Mr. Dale are inaccurate. Her description of the responsibilities and the authority of the Office of Administration, an agency of the Executive Office of the President, is incorrect. Finally, Rep. Collins' insinuation that I may have accepted gifts from contractors that conducted business with the White House Travel Office is slanderous and absolutely false!

In the following, I have attempted to respond to Rep. Collins' letter.

1. ". . . [P]ersonal and professional relationship with Mr. Dale.

During the course of my government career, I worked at three different agencies of the Executive Office of the President (EOP) for a total of approximately 17 years as follows: Bureau of the Budget/Office of Management and Budget, 1969–1978; White House Office, 1978–1980, Office of Administration, 1988–January, 1993. During the course of these years, I came to know Mr. Dale, as well as hundreds of other persons who worked at the various agencies of the EOP. Due to the nature of the EOP, where some employees are political appointees and come and go on a frequent basis, while others are career government employees who stay for longer periods of time, it is obvious that I would better know those in the latter category. Having many years of service as an employee of the White House, Mr. Dale and many other individuals would fall into that category.

I do not recall when I first met Mr. Dale, but I believe it was in 1978, when I briefly served in the White House during the Carter Administration. During the time I have known Mr. Dale, I have had nothing but casual contact with him. My so called "relationship" with Mr. Dale is nothing more than that which would naturally develop between two employees who worked in the same operation for a period of years. On occasion, we both have attended various functions such as retirement receptions and luncheons, but other than that we have not socialized on a personal basis. In fact, since 1978, there have been periods of a year or more when I had no contact with Mr. Dale.

2. "That division [Financial Management Division, Office of Administration] is directly responsible for travel services in the White House."

The Office of Administration (EOP) was established during the Carter Administration to promote centralized administrative support for all of the agencies of the EOP. OA did not have responsibility for the day-to-day operations of these agencies, or to obligate funds for them. Specifically, OA was not responsible for "travel service" for the White House.

The only involvement by OA with regard to any White House travel had to do with the processing for payment of vouchers for the travel of White House staff. Payment for charter air travel for the press was not processed through OA's Financial Management Division. In fact, the White House staff travel vouchers were only processed after they had been reviewed and approved for payment by the appropriate White House administrative official. OA's sole responsibility was to process the approved vouchers for payment and to update the accounting records.

3. "[I]t appears that Mr. Larson (sic) may have served as Mr. Dale's supervisor for those two years 1988–1989]."

The insinuation that I may have supervised Mr. Dale or the White House Travel Office is wrong! At no time during any of my service in the EOP did I supervise the activities of the White House Travel Office or any personnel assigned to it. The White House Travel Office was a component of the White House Office, not the Office of Administration. During the time in question, it reported to senior White House administrative officials. As Deputy Director of OA's Financial Management Division, I reported to the Financial Management Division Director (Mr. Ron Rassmussen), who in turn reported to the Director of the Office of Administration (Mr. Gordon Riggle).

Even during my service in the White House during the Carter Administration (1978–1980), I did not supervise or direct the personnel of the White House Travel Office. That office was then under the direction of Mr. Robert Manning, who, like me, reported to Assistant to the President for Management Mr. Hugh Carter. As the Director of the White House Travel Office, Mr. Manning was a peer, not a subordinate.

4. *"Mr. Larson (sic) served in the White House as Director of the Personnel Management, responsible for supervising issues in the White House including the Travel Office."*

Again, this statement is an insinuation that is not correct. Similar to the financial management process described above, OA's Personnel Management Division, which I headed during the Bush Administration, did not have responsibility over the day-to-day personnel operations of the White House. That function was handled by the White House Personnel Office, which was headed for most of that time by Ms. Anita McBride (nee Bevacqua), who reported to the Assistant to the President and Director of White House Operations (Ms. Rose Zamaria). I reported to the Director of the Office of Administration (Mr. Paul Bateman).

Obviously, OA's Personnel Management Division and the White House Personnel Office worked closely together to coordinate administrative procedures and ensure consistency in operations. However, the day-to-day responsibility for the White House personnel management rested with the White House Personnel Office. The only personnel program in which I had EOP-wide authority was the Drug Free Work Place Program.

5 *"[A]s Deputy Director for Financial Management, Mr. Larson (sic) would have had responsibility for the financial management of those components under the Office of Administration including the Travel Office."*

For the reasons set forth above, this statement is not true! The Travel Office was a component of the White House, not the Office of Administration. The management of the Travel Office followed a different chain of command than that of OA's Financial Management Division.

In addition, I served as the Deputy Director of the Financial Management Division, not the Director. Had Rep. Collins, or her staff bothered to check their facts more carefully, they would have learned that my full title was Deputy Director of the Financial Management Division and Presidential Transition Coordinator, Office of Administration. My responsibilities with regard to the upcoming presidential transition clearly occupied most of my time. In the carrying out those responsibilities, I reported directly to the Director of the Office of Administration. My responsibilities were to make sure that all of the administrative processes were prepared to deal with the normal confusion that accompanies a change in administration. Because President Reagan was about to complete his second term, it was a given that a change of administration would occur. My job was to plan for this event in order to minimize the chaos that usually occurs during presidential transitions. During the period 1988–1989, this responsibility consumed the majority of my time and I spent very little time on matters pertaining to financial management.

6. *"During Mr. Larson's (sic) stewardship of the White House Financial Management Division . . ."*

This statement is an outrageous distortion of the truth. First, as described above, I did not have "stewardship" over the Financial Management Division. Second, the Financial Management Division was a component of the Office of Administration, not the White House. Rep. Collins apparently wants to assert that because I served a brief stint as Deputy Director of OA's Financial Management Division, I had some responsibility for the "financial mismanagement" that is alleged to have occurred in the White House Travel Office. That is preposterous! If her contention is correct, and it is not, she needs to broaden her net to included all those persons who were my superiors at the time, as well those who served as Director of the Financial Management Division since 1989.

7. *". . . Mr. Dale and staff members of the Travel Office (as well as other staff members of the Office of Administration) routinely took gifts from contractors doing business with that office . . ."*

Following this statement, Ms. Collins requests Chairman Clinger to obtain information related to "the participation by Mr. Larson (sic) in the receipt of gifts from persons doing business with the Travel Office."

These statements are outrageous and slanderous! I have a solid track record of integrity during my career with the federal government. Rep Collins' use of innuendo and insinuation in this instance is repugnant and beneath the dignity of a Member of Congress. I demand that she immediately produce any and all evidence that even implies that I accepted any gifts from any contractor that ever did any business with any government agency with which I was an employee. Since she cannot substantiate her accusation, I demand an immediate written apology! Her insinuation in official correspondence that I accepted gifts without providing any supporting evidence is character assassination of the worst kind. Now that it has been done, where do I go to get my reputation back? On this point, I will gladly submit to any investigation the Committee deems appropriate!

Further, I have no knowledge of any allegations that staff of the White House Travel Office, or any member of the staff of the Office of Administration received any gift from anyone doing business with the White House Travel Office as suggested by Rep. Collins.

8. *"His [Mr. Larsen's] relationship to Mr. Dale and his role in the White House has never been disclosed to the members of this Committee."*

As demonstrated herein, I have no "relationship" with Mr. Dale or any of the other former employees of the White House Travel Office. I did not supervise them or direct the activities of the office. I have not socialized with them except at occasional office related functions. Accordingly, the so-called "relationship" Rep. Collins has attempted to construct, simply does not exist!

Further, it is absolutely wrong to imply the my previous professional experience was not disclosed to the Committee. Prior to joining the Committee in June 1993, I was required to be interviewed by Julian Epstein, who was at that time the Committee Staff Director. Mr. Epstein had a copy of my resume in his hand at the time of that interview and we discussed my previous background. I also believe that a copy of my resume was sent to then Chairman Conyers for his approval prior to beginning my employment. In addition, over the course of the past two years, I have on several occasions, discussed my previous work experience with Don Goldberg, currently serving as the Committee's Assistant to the Counsel for the Minority, and others. For anyone who ever wanted to know, my professional background has never been a secret.

Mr. Chairman, I want to thank you for the opportunity to read and respond to Rep. Collins' letter. To do so required a good deal of self control. I am distressed that your efforts to find the entire story of the Travel Office matter has caused others to resort to slander, insinuation, and innuendo against me in order to discredit you and your work.

Sincerely,

PHILLIP D. LARSEN.

Mr. CLINGER. But in essence, with regard to the really outrageous charge that he has accepted some sort of gifts or perks or whatever, I would just read the response that Mr. Larsen sent. He said:

> These statements are outrageous and slanderous. I have a solid track record of integrity during my career with the Federal Government. Representative Collins' use of innuendo and insinuation in this instance is repugnant and beneath the dignity of a Member of Congress. I demand that she immediately produce any and all evidence that even implies that I accepted any gifts from any contractor that ever did any business with any government agency with which I was an employee.

And I would ask the same of the gentleman from Pennsylvania, if there is any evidence, any substantial evidence, that there was any gifts or perks or payoffs or kickbacks made to Mr. Larsen, that he produce that evidence forthwith.

Mr. KANJORSKI. Will the chairman yield?

Mr. CLINGER. I will not yield at this time. I will yield on your time.

Mr. KANJORSKI. Mr. Chairman, under personal privilege, may I make a request?

Mr. CLINGER. I will yield on your time.

Mr. KANJORSKI. May I make a request of the Chair that Mr. Larsen be summoned as a witness and put under oath so that we can properly examine him, instead of listening——

Mr. CLINGER. That is not a request for personal privilege. As the gentleman knows, the minority does have the right to request a day of hearings, and you could do that at the appropriate time.

I would now yield 3 minutes to the gentlelady from Maryland.

Mr. WAXMAN. Point of parliamentary procedure.

Mr. Chairman, are you saying that this request from the minority would have to be only by petition, because you wouldn't feel that it would be appropriate in this hearing to have a witness so vital to our investigation come before us?

Mr. CLINGER. I think that that is basically what I am saying. I am saying that you have the right as the minority to request a separate day of hearings. That is the appropriate time to do that.

Mr. WAXMAN. So the only——

Mr. CLINGER. This hearing has been established for a long time. The witnesses are here. The witness that the gentleman would like to call is not even in the State. It would be difficult, if not impossible, to call him at this time. But you have the right, as the minority, to request a day of hearings.

Mr. WAXMAN. The only way we can get a complete, full, and fair inquiry is to use our rights as the minority to force it?

Mr. CLINGER. Not necessarily, Mr. Waxman. In fact, as I have indicated, this is not likely to be the only hearing we will have in this matter.

I now would yield to the gentlelady from Maryland 3 minutes.

Mrs. MORELLA. I thank you, Mr. Chairman. Thank you.

I want to commend you, Chairman Clinger, for holding this important hearing and for not allowing the passage of time to dull the need for truth.

Mr. Chairman, I think that it is very important to emphasize that our inquiry today is not adversarial in nature. Rather, we seek only to ask questions to paint a more accurate picture of events relating to the May 1993 firing of seven employees of the White House Travel Office. We are here to engage in a dialog and not to point fingers.

As we review the events surrounding the Travel Office firings, I plan to raise questions regarding an issue that I believe has not received sufficient attention in recent months. Specifically, I am concerned with whether White House officials properly safeguarded the rights of Travel Office employees.

I am extremely concerned with the possibility that the firing of these career government employees was a predetermined outcome that needed a justification, the justification being the vilification of career government employees who had between 9 and 33 years of experience in the Travel Office with unsubstantiated allegations of corruption by, in some case, individuals with more than a little to gain from the demise of these workers.

In fact, we must determine whether White House officials intentionally sullied the reputation of loyal career government employees to justify their termination, a termination which created job openings for political allies.

After having served the government for many years, these career public servants deserve no less than a full accounting into whether their reputations were sacrificed on the altar of political expediency. You know, the pain that these employees felt is very real. One need only place one's self in their position to realize it.

Just imagine if having served in a career capacity in the White House for 33 years, including service to both Democratic and Republican Presidents, you report to work 1 day and you are told that you are fired as a result of a performance review and mismanagement. You are informed that you must clear out your belongings, and leave the premises within 2 hours. And as you prepare to leave, a spokesperson for your employer tells the media that your termination is due in part to findings of an FBI investigation, including potential criminal conduct.

You pack your belongings into boxes, you are escorted from your office of three decades. Subsequently you are shuttled out of the White House complex. You are crammed with your belongings in the back of a cargo van with no seats. You arrive at home, your phone is ringing incessantly with friends, reporters who have learned that you have been fired in conjunction with a law enforcement investigation.

Worse, your daughter calls after hearing of your firing on the news. She asks if there is any truth to the charges. Suddenly the FBI begins to interview your friends and neighbors. They seek to interview you but they will not allow you to record the proceedings. Additionally, the IRS informs you that they may have to audit your tax returns. Consequently, you are forced to hire an attorney for the first time in your life and spend between $20,000 and $56,000 on legal fees.

Finally, as happened with six of the seven that were fired, no charges are brought against you. In effect, your life has been changed and your reputation impugned without any documented wrongdoing on your part, and moreover, you receive no formal apology. Tragically, as happened with two employees, your father dies while a cloud of impropriety surrounds you and he never sees your integrity vindicated.

Mr. Chairman, it is precisely this human perspective that warrants these hearings. I have heard several of my colleagues suggest that the events surrounding the White House Travel Office are stale or insignificant. My response to these matters are hardly—it was hardly insignificant for those six employees that were not only fired from public service jobs that they had held for between 9 and 33 years but were terminated under public allegations of impropriety that to date have not been substantiated to any degree.

So consequently, Mr. Chairman, I believe that this hearing is very important. I look forward to working with the witnesses and my colleagues to develop a more thorough understanding of the events surrounding the firings in the White House Travel Office.

I thank you, Mr. Chairman.

Mr. CLINGER. I thank the gentlelady.

[The prepared statement of Hon. Constance A. Morella follows:]

PREPARED STATEMENT OF HON. CONSTANCE A. MORELLA, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MARYLAND

I would like to commend Chairman Clinger for holding this important hearing and for not allowing the passage of time to dull the need for truth. I would also like to welcome our distinguished witnesses.

Mr. Chairman, I think that it is very important to emphasize that our inquiry today is not adversarial in nature. Rather, we seek only to ask questions to paint a more accurate picture of events relating to the May 1993 firing of 7 employees of the White House Travel Office. We are here to engage in a dialogue, not to point fingers.

As we examine the events surrounding the Travel Office firings, I plan to raise questions regarding an issue that I believe has not received sufficient attention in recent months. Specifically, I am concerned with whether White House officials properly safeguarded the rights of Travel Office employees. In a town so intently focused on the pursuit of power, it is altogether too easy to overlook the impact of our actions on the everyday lives of those involved. I am determined that we not ignore the human perspective on the events at issue.

If Clinton Administration officials had desired to hire individual political supporters with positions in the White House, they could have done so. Furthermore, if the Administration had discovered impropriety in the Travel Office, they had the right as well as the duty to make a full accounting of such corruption and to take appropriate corrective action. No one contests these facts, Mr. Chairman.

However, I am extremely concerned with the possibility that the firing of these career government employees was a predetermined outcome that needed a justification. The justification being the vilification of career government employees, who had between 9 and 33 years experience in the travel office, with unsubstantiated allegations of corruption by, in some cases, individuals with more than a little to gain from the demise of these workers. In fact, we must determine whether White House officials intentionally sullied the reputation of loyal, career government employees to justify their termination, a termination which created fob openings for political allies. After having served this government for years, these career public servants deserve no less than a full accounting into whether their reputations were sacrificed on the altar of political expediency.

The pain that these employees felt is real. One need only place one's self in their position to realize that. Imagine if after having served in a career capacity in the White House for 33 years, including service to both Democratic and Republican Presidents, you report to work one day and are told that you are fired as a result of a performance review and mismanagement.

You are informed that you must clear out your belongings and leave the premises within two hours. As you prepare to leave, a spokesperson for your employer tells the media that your termination is also due in part to findings of an FBI investigation, including potential criminal conduct.

You pack your belongings into boxes and are escorted from your office of three decades. Subsequently, you are shuttled out of the White House complex, crammed with your belongings in the back of a cargo van with no seats. You arrive at home and your phone is ringing incessantly with friends and reporters who have learned that you have been fired in conjunction with a law enforcement investigation. Worse, your daughter calls after hearing of your firing on the news. She asks you if there is merit to the charges.

Suddenly, the FBI begins to interview your friends and neighbors. They seek to interview you, but will not allow you to record the proceedings. Additionally, the IRS informs you that they may have to audit your tax returns. Consequently, you are forced to hire an attorney for the first time in your life and spend between $20,000 and $56,000 on legal fees.

Finally, as happened with six of the seven employees fired, no charges are brought against you. In effect, your life has been changed and your reputation impugned without any documented wrongdoing on your part. Moreover, you receive no formal apology. Tragically, as happened with two employees, your father dies while a cloud of impropriety surrounds you, and he never sees your integrity vindicated.

Mr. Chairman, it is precisely this human drama that warrants these hearings. I have heard several of my colleagues suggest that the events surrounding the White House Travel Office are stale or insignificant. My response is that these matters are hardly insignificant for those six employees that were not only fired from public service jobs that they had held for between 9 and 33 years, but were terminated under public allegations of impropriety that to date have not been substantiated to any degree.

The American people properly demand that the United States maintain the most efficient and effective government work force in the world. However, in order to sustain this level of excellence, employees of the federal government must know that loyal and earnest public service will be honored and recognized. I believe that by raising probing questions at this hearing regarding the treatment of the Travel Office employees, we can go a long way to reassure federal employees that their loyal service will not be overlooked and that their rights will be accounted for in full.

Consequently, Mr. Chairman, I believe that this hearing is quite important, and I look forward to working with the witnesses and my colleagues to develop a more thorough understanding of the events surrounding the firings in the White House Travel Office.

Thank you, Mr. Chairman.

Mr. CLINGER. Mr. Waxman, do you want to yield?

Mr. WAXMAN. Mr. Chairman, I would like to yield to, first of all, to Mr. Green for 3 minutes.

Mr. GREEN. Thank you, Mr. Chairman.

I thank my ranking member for yielding to me.

Mr. Chairman, I have several questions that need to be asked today before we begin proceedings. This committee will probably spend this whole day, and as you said earlier, maybe additional days on this hearing during a major—this week when we have a major budget vote which I believe that all of us would much rather be looking at than looking at this hearing today.

Furthermore, we did not spend 5 minutes in this full committee on Medicare fraud and yet we are chasing a 2½-year-old issue which has been studied by the GAO, the White House and the Justice Department. I think we all should question whether the priorities are correct, at least on this Tuesday morning.

This hearing is either too late—it could have been done in February, March, or April when the new majority took over—or it's too early. We can postpone it until next week or the week after, after the trial that starts 2 days for Mr. Billy Ray Dale who is coming up on charges that he stole money from the Travel Office.

Mr. Dale headed the White House office from 1983 to May 1995 under both President Reagan and President Bush, and for 5 months under President Clinton. I think that statement itself speaks volumes today considering what we may hear. And again he's been indicted, the trial starts 2 days from today.

What is said here could prejudice that case against him no matter what the chairman said in his opening statement. Who knows, maybe the majority may want that to happen. I hope we would pause and reflect on this before the problem—before we continue with the hearing.

And then there's another issue and Mr. Kanjorski brought this up, the fact that one of our committee's majority investigators, majority chief investigators who recently retired from our committee was in a possible supervisory role over Mr. Dale at the Travel Office—of the Travel Office at the White House during the 1980's.

The conflict of interest is striking, and I wonder if the chairman fully appreciates that, and obviously so, because you read a letter from Mr. Larsen. But having practiced law for a few years, it's not easy to cross-examine letters. It's very easy to bring a letter up. And if Mr. Larsen is being brought into the hearing, then he should have been called by the majority today if you are so convinced that there is a fairness here.

This could hinder our own committee and the effectiveness of our committee, that I know in years serving in the legislature before I was elected to Congress, this committee was known for its fair and its tough hearings and investigative hearings to root out government corruption. And I think today may call the effectiveness of our committee into question.

This hearing, if we are going to have one at all, should concentrate narrowly on the current performance of the White House Travel Office or it should investigate the total history of the office over the last several years. This selective approach smacks of a political smear, and I think it is intended to carry this issue not only during this trial that is coming up in 2 days but into the 1996 elections. And I would hope that if the committee wants to open Pandora's box, that they are willing also to look at the years 1983 to 1993 during our committee process.

Thank you, Mr. Chairman.

Mr. CLINGER. I thank the gentleman.

[The prepared statement of Hon. Gene Green follows:]

PREPARED STATEMENT OF HON. GENE GREEN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF TEXAS

Mr. Chairman, I believe several questions need to be asked and answered before we begin proceedings here today.

This Committee will probably spend the whole day on this matter during the week of a major budget vote which I believe we should all pay attention to. Furthermore, we did not spend 5 minutes on Medicare fraud as a Full Committee, yet we are chasing a 2½ year old issue which has been studied by the GAO, White House and Justice Department. What kind of priorities are these?

This hearing is too late or too early, this hearing takes place just 2 days before Mr. Billy Ray Dale will go to trial on charges he stole money from the Travel Office. Mr. Dale headed the White House Office from 1983 to May 1995 under Presidents Reagan and Bush. What is said here could prejudice the case against him. Who knows? Maybe the Majority wants that to happen. I hope we would pause and reflect on this problem.

And then there is the other issue . . . the fact that one of our Committee's Majority Chief Investigators, who recently retired from our Committee, was in a possible supervisory role over Mr. Dale at the White House Travel Office during the 1980's. The conflict of interest here is striking and I wonder if the Chairman fully appreciates this and may hinder our Committee's effectiveness in its fair and its tough investigative hearings.

This hearing, if we are going to have one at all, should concentrate narrowly on the current performance of the White House Travel Office or we should investigate the history of the Office over the last several years. This selective approach smacks of a political smear intended to carry this issue into the 1996 elections.

Mr. CLINGER. The gentleman from New Mexico.

Mr. SCHIFF. I request 3 minutes from the Chair.

Mr. CLINGER. Yes.

Mr. SCHIFF. Thank you, Mr. Chairman.

First, I just want to say I am not sure the gentleman from Texas didn't misspeak. The fact is this committee has held hearings on Medicare fraud. In fact, provisions written in this committee are now part of the Medicare bill that passed the House recently.

What I would like to do is ask the Chair a question, and that is the allegation has been made, if I am understanding it correct, that a former staff member, Mr. Larsen, I believe, influenced these hearings and that he had some kind of conflict of interest while doing so. It is my understanding that the Chair requested a hearing on the subject before—as the ranking—that is senior Republican member of this committee in the last Congress, before Mr. Larsen came to work for the committee. I wonder if the Chair could tell me if that is correct or not?

And I yield back.

Mr. CLINGER. I would be happy to respond.

Indeed, the request for a hearing to be held on this matter was first initiated on June 16th of 1993, well before Mr. Larsen came on board. The resolution of inquiry, which I was a cosponsor of, was also initiated before Mr. Larsen came up.

I think it is outrageous to suggest that somehow this entire hearing was orchestrated in some way to insulate or to whitewash Mr. Dale. That was never the intention.

Mr. Larsen's activity here was merely to address the five studies and investigations that had been done to determine where the gaps were, and how complete the reports were. There was never any possibility of his orchestrating or promoting or indeed of initiating this investigation.

Mr. SCHIFF. The Chair initiated this as ranking—really the senior Republican when we were in the minority in the last Congress. Reclaiming——

Mr. GREEN. Mr. Chairman, could you yield?

We have not had a full committee hearing on Medicare fraud. We have joined in subcommittee hearings but our full committee has never met.

Mr. SCHIFF. We did it in the subcommittee of this committee.

Mr. CLINGER. The gentleman is out of order.

The gentleman from New Mexico has the time.

Mr. SCHIFF. We held subcommittee hearings in the subcommittees of this committee.

Mr. Chairman, I would like to reclaim the balance of my time.

I want to say, unfortunately, I am seeing a tactic here I have seen before. There is first, a complaint about the timing of hearings that we hold in this committee when in fact the other party, when they were the majority, could have held a hearing on this very same subject all during the 103d Congress. They were requested to do so and they refused to do so. So any time during the last year and a half before the majority changed, they could have held a hearing and they chose not to. And now we are seeing once a hearing is held, an all-out attempt to focus the attention of the media, focus the attention of the public on any other personality or issue they can possibly think of.

And I want to say that with respect to the hearing schedule today, I am open-minded on the subject. If through the testimony we hear we find that from the five separate investigations done of the White House Travel Office matter under the Clinton administration, that the administration took care of whatever errors that I think they acknowledged they made, then I would say there is no need for further hearings. But I wish that other members would be open-minded to the fact that maybe that's not the case.

I yield back, Mr. Chairman.

Mr. CLINGER. The gentleman's time has expired.

Mr. Waxman.

Mr. WAXMAN. I yield 5 minutes to the gentleman from Virginia, Mr. Moran.

Mr. MORAN. Thank you, Mr. Waxman.

I do think there is a problem in terms of public perception with these hearings and I share in some of that. We will be considering legislation on the floor this week, and have been for the last several weeks, that will affect 2 million Federal employees. It is probably the most profound impact on government operations of any legislation since World War II, and yet we have not had a sense that we have had adequate hearings on many of these issues.

In fact, the most controversial have been bumped over to the Budget Committee to take to the floor instead of the Government Operations Committee. So that's a perception problem I think.

Another public perception problem is that when the Attorney General of the United States asked us not to have these hearings, since in a few days there will be a criminal trial of Mr. Dale for embezzling $68,000. It certainly must look as though Mr. Larsen, the investigator who was Mr. Dale's boss, is having us hold hearings so that we would jeopardize the Government's case against Mr. Dale. So I do think we have a public perception problem.

But I would suggest that this is an area that is worth investigating. As Mr. Kanjorski said, we tried to do that in our subcommittee. The reason we did that was that we had responsibility for authorizing the White House travel operations. And for many reasons, they had not been authorized in the past and so we tried to get information from the White House on how much was spent so that we would know how much to be authorized. And it is true what Mr. Kanjorski says that we couldn't get information, it was impossible. And here we were the authorizing committee and we were told by Mr. Larsen actually that we should butt out of the issue essentially, that it wasn't appropriate for the legislative branch to be investigating the executive branch in the area of travel.

Well, that's a very different attitude than what we see evidenced today. I would agree that it is the responsibility of the legislative branch, and I think that this is an important enough issue since it has been—information has, on the operation of the White House Travel Office, has been so difficult to obtain.

I think we ought to do a full inquiry so that we know whether the White House Travel Office was acting properly when these people were dismissed and when some of the charges were raised, including charges against Mr. Larsen and Mr. Dale. And I think it's important to clear the reputation of the people that worked in the Travel Office. In fact, I do think that the administration was wrong in the way in which they handled it.

Mrs. Morella suggested these were career Federal employees. They were actually not career Federal employees. They were excepted service employees, so they served at the pleasure of the President. The President was certainly within his rights to dismiss all of them on the day he came into office.

Had he done that, if that's what he intended to do, none of this would have happened. I think it was a mistake to suggest they were being dismissed because there was a criminal investigation going on because that implied all of them were involved in some type of criminal activity, which I doubt to be the case, so I think it was mishandled in that regard. But as long as these issues have arisen, I think the best thing to do is to do a full inquiry into the operation of the White House Travel Office.

And what I would suggest is that we go from January 1984 to January 1994. That would give us a full review of the custom, procedures, and it would give an opportunity for the people that have worked in the White House Travel Office throughout that period of time, many of them, to fully clear their reputation.

So I am going to suggest that to the chairman that we cover that period of time, a 10-year period. I grant it doesn't go as far back as Whitewater, but I think that would be an adequate period of time in which to——

Mr. WAXMAN. Would the gentleman yield?

Mr. MORAN. Yes.

Mr. WAXMAN. I think what you are suggesting has a great deal of fairness because you would then be looking at Democratic and Republican administration Travel Offices. I think it highlights the point that we think this hearing is being held for partisan reasons to make points by only segmenting out the Clinton administration.

But my other comment would be this committee didn't have time to hold hearings on the abolishment of the Department of Commerce or reform of Civil Service. If we are going to hold extensive hearings on travel during a 10-year period, we'll have nothing but time, just travel hearings, and maybe we ought to have field hearings. Then we can all go to the Travel Office and make our travel arrangements for hearings.

It just seems to me there are better things for Congress to do than to have partisan hearings for scoring points on an issue that the Democrats and Republicans both have things to answer to the American people.

Mr. CLINGER. I want to give Mrs. Collins an opportunity to give a statement. There are only 2 minutes left on your time but I am going to give her 5 minutes.

Mr. WAXMAN. Thank you, Mr. Chairman.

Mrs. COLLINS OF ILLINOIS. Well, I certainly thank you, Mr. Chairman, because here we are again at a hearing on an event that has been thoroughly reviewed and that happened nearly 2½ years ago in the opening days of the Clinton administration. Let me quickly recount what happened.

In the opening days of the Clinton administration, at a time the administration officials were still trying to find their way around, a young staff aide reported allegations of mismanagement and potential criminal conduct in the White House Travel Office. The allegations found their way to the counsel's office where several attorneys with no experience in matters such as these stumbled around until an FBI liaison was asked for advice on how to proceed.

Peat Marwick was asked to perform a quick review of the Travel Office and found cash discrepancies and other gross mismanagement. The criminal allegations were referred to the FBI and the Travel Office employees were fired.

If the White House had to do it all over again, there is no doubt that they would handle some things quite differently. Outside individuals with potential business interests would not have been allowed to play a part. The five Travel Office staff who did not have managerial responsibilities would not have been fired and their reputations unfairly tarnished. The fact that the FBI was investigating the Travel Office would not have been made public.

However, the Peat Marwick review did, in fact, find gross financial mismanagement in the Travel Office. And that alone would have justified the firing of the office's Director Billy Dale. In addition to mismanagement, a Federal grand jury found sufficient evidence of criminal conduct to indict Mr. Dale.

Now, whether or not the jury finds him guilty beyond a reasonable doubt, the White House had plenty of evidence to remove him from his job.

The important facts about the conduct of the White House are these: Other than the actions by the Travel Office employees, no laws were broken, no rules were violated. The FBI was not pressured by the White House and the IRS did nothing wrong.

In addition, the White House has taken numerous steps to clean up the management of the Travel Office and the General Accounting Office can testify to the status of these changes.

How do I know all this? It is all in the reports: "The White House Management Review," the General Accounting Office report, the Justice Department Office of Professional Responsibility report and the FBI's internal review of all thorough investigations into what happened and what went wrong.

In fact, the most critical report was the White House review. Let me quote from the Justice Department's report. Quote, We can only surmise that the White House, in an attempt to put the Travel Office matter behind it for good, adopted the version of events most unfavorable, most unfavorable to itself and then took action to reprimand those involved, close quote.

At the conclusion of today's hearing, I am confident that these witnesses will have once again stated what we already know and that is that these reports will understand—will withstand scrutiny.

Now, let us compare the response of the Clinton White House to allegations of questionable behavior within the Travel Office with how the previous administrations' responded to charges of wrongdoing. After all, misconduct in the Travel Office is nothing new. We know that now.

In 1988, allegations were made to the General Accounting Office that Travel Office staff were receiving kickbacks and gifts from contractors doing business with that office. Those are very serious charges of potential criminal violations.

The same Billy Dale who is now under indictment was in charge of the Travel Office at that time, too. Unfortunately, those allegations were never seriously investigated by the Reagan administration. Instead of conducting a thorough investigation into the charges, one of the White House staff simply asked Billy Dale, just asked him and another staff member about allegations of criminal wrongdoing and whether or not they were guilty.

No one was put understand oath. No neutral party was asked to investigate. No referral was made to the Department of Justice. And even though that is required by Federal law whenever there is evidence of criminal wrongdoing, it wasn't done.

Now, how did the same Billy Dale who is now under indictment for embezzlement respond? I think we know. According to the interview notes that were provided to this committee, he admitted that he routinely received tickets to sporting events and quote, fishing parties, close quote, by airlines with whom he did business.

If the White House had seriously pursued these allegations it might have realized that by admitting to taking gifts, Mr. Dale may have been admitting to having committed a felony under Federal law.

Not only was accepting gifts from individuals doing business with your office—with their office a violation of existing White House regulations under Executive Order 11222, it was also a violation of Section 201(C) of Title 18 of the United States Code.

Did Mr. Dale take steps to reform the Travel Office after admitting to accepting these gratuities? Hardly. Instead, he stated that he intended to fire the employees who had made the allegations. That may have violated the Federal statutes protecting whistleblowers from retaliation.

In what can only be called a whitewash by the Reagan White House, the staff decided that because Dale was cooperative and appeared to be sincere, the investigation was closed. That's quite a different response than when the Clinton White House came across allegations of wrongdoing by the same Mr. Dale. The FBI was immediately called in to investigate.

And unfortunately, Mr. Chairman, I find the timing of this hearing very troubling. It is just 2 days before the criminal case is scheduled to begin against a long-time Director of the Travel Office, Billy Dale, for embezzling $64,000 from the Travel Office. Last May, both the Department of Justice and I wrote to express our serious concerns about proceeding with this inquiry before the completion of the criminal cases.

Last week, I sent in a second request that for the sake of the integrity of the trial, the hearing be postponed, as did the Attorney General.

I ask unanimous consent that my entire statement be made a part of the record.

Mr. CLINGER. Without objection, so ordered.

[The prepared statement of Hon. Cardiss Collins follows:]

PREPARED STATEMENT OF HON. CARDISS COLLINS, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF ILLINOIS

Thank you, Mr. Chairman.

Well, here we are again, at a hearing on an event that has been thoroughly reviewed and that happened nearly two-and-a-half years ago in the opening days of the Clinton Administration. Let me quickly recount what happened.

In the opening days of the Clinton Administration, at a time when Administration officials were still trying to find their way around, a young staff aide reported allegations of mismanagement and potential criminal conduct in the White House Travel Office. The allegations found their way to the Counsel's office, where several attorneys with no experience in matters such as these stumbled around until an FBI liaison was asked for advice on how to proceed.

Peat Marwick was asked to perform a quick review of the Travel Office, and found cash discrepancies and other gross mismanagement. The criminal allegations were referred to the FBI, and the Travel Office employees were fired. If the White House had to do it over again, there's no doubt that they would handle some things differently. Outside individuals with potential business interests would not have been allowed to play a part.

The five Travel Office staff who did not have managerial responsibilities would not have been fired and their reputations unfairly tarnished. The fact that the FBI was investigating the Travel Office would not have been made public.

However, the Peat Marwick review did in fact find gross financial mismanagement in the Travel Office. That alone would have justified the firing of the Office's director, Billy Dale. In addition to mismanagement, a Federal grand jury found sufficient evidence of criminal conduct to indict Mr Dale. Whether or not the jury finds him guilty beyond a reasonable doubt, the White House had plenty of evidence to remove him from his job.

The important facts about the conduct of the White House are these: Other than the actions by the Travel Office employees, no laws were broken; no rules were violated; the FBI was not pressured by the White House; and the IRS did nothing wrong. In addition, the White House has taken numerous steps to clean up the management of the Travel Office, and the General Accounting Office can testify to the status of those changes.

How do I know all this? It's all in the reports. The White House Management Review, the General Accounting Office report, the Justice Department Office of Professional Responsibility report, and the FBI's internal review are all thorough investigations into what happened and what went wrong. In fact, the most critical report was the White House review. Let me quote from the Justice Department's report:

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Those are serious charges of potential criminal violations. The same Billy Dale who is now under indictment was in charge of the Travel Office at that time, too.

Unfortunately, those allegations were never seriously investigated by the Reagan Administration. Instead of conducting a thorough investigation into the charges, one of the White House staff simply asked Billy Dale and another staff member about the allegations of criminal wrongdoing, and whether or not they were guilty.

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In what can only be called a whitewash by the Reagan White House, the staff decided that because Dale was cooperative and appeared to be sincere, the investigation was closed.

That is quite a different response than when the Clinton White House came across allegations of wrongdoing by the same Mr. Dale. The FBI was immediately called in to investigate.

Unfortunately, Mr. Chairman, I find the timing of this hearing very troubling. It is just two days before the criminal case is scheduled to begin against the long-time director of the Travel Office, Billy Dale, for embezzling 564,000 from the Travel Office. Last May, both the Department of Justice and I wrote you to express our serious concerns about proceeding with this inquiry before the completion of the criminal case. Last week, I sent a second request that for the sake of the integrity of the trial, the hearing be postponed, as did the Attorney General.

If you have any doubts about the impact of these hearings on the criminal case, you can bet that new motions based on the publicity generated by these hearings will be filed by Dale's defense as soon as this hearing is over.

I have also recently learned that Mr. Phil Larsen, until three weeks ago the lead staff investigator for the Committee on this hearing, worked in the White House as the Deputy Director of the office with direct responsibility for providing travel services to the Executive Office of the President, and in other positions, from 1988 through the end of the Bush Administration.

As Deputy Director of the Financial Management Division, he surely would have had responsibility for the financial management of the components under his authority, including those responsible for travel. The gross financial mismanagement of the Travel Office as described by the Peat Marwick review and the GAO report has been a major issue in the Travel Office matter.

Such a conflict on the part of Committee staff raises serious questions about these hearings, and I would include as part of my statement a letter that I sent to you, Mr. Chairman, on Friday outlining my concerns about the involvement of Mr. Larsen in this investigation. I do not believe these hearings should go forward until these issues are resolved.

There have also been suggestions of stonewalling or a lack of cooperation by the White House with this Committee's investigation. It is my opinion that the White House has taken extraordinary steps in waiving claims of privilege and making available internal records, working papers, confidential interview notes, phone logs and even legal analyses prepared by Counsel. Contrast that level of cooperation with the 1992 hearings by the Human Resources Subcommittee chaired by Representative Kanjorski, when the Bush White House refused to send witnesses or provide even basic records on White House travel expenses.

In closing, Mr. Chairman, I look forward to the testimony this morning of our witnesses, who will once again answer questions that have already been asked and answered. I also look forward to your response to the questions that have been raised about how this investigation has been conducted.

Mr. CLINGER. And I would now recognize the gentleman from California, Mr. Horn, for 1 minute.

Mr. HORN. Thank you, Mr. Chairman.

I am rather fascinated by what I have been listening to this morning. My interest in this hearing is very simple. We have the investigating agencies that conducted the examination of this situation before us. I am interested in how effective they were. Did anybody interfere with their effectiveness?

Instead, I come on this Tuesday for the hearing and I begin to think some of my minority colleagues thought it was next Tuesday and Halloween and intend to scare all the little children and their parents throughout the country.

A lot about what I have heard is just utter nonsense. I am particularly disturbed by the fact that the minority continues to mention the individual who is coming before a Federal court in a few days.

The majority has not done that. We have tried to keep anything to do with that court case out of this hearing. And I am rather shocked by the partisan use of that case and the attempt to completely divert the attention from what the real issues are here.

Mr. CLINGER. The gentleman's time has expired.

I would just note two things: One, that the letter which we received from Mr. Larsen indicated that he was at no time ever supervisor or boss or had any authority over Mr. Dale.

The second thing I would point out is there is—this hearing is not Mr. Dale's trial. In fact, we—I will rule anything out of order that touches on that matter as we proceed through this hearing.

This is a hearing to determine whether the investigations were conducted or the firings done in a complete, thorough and impartial way. We are not in any way going to get into matters that may arise as part of Mr. Dale's trial, and I would rule those out of order, and I would now.

Mr. WAXMAN. Mr. Chairman.

Mr. CLINGER. I would now yield——

Mr. WAXMAN. Can I just ask a question of the Chair, just factual information?

As you mentioned, Mr. Larsen who was the chief investigator for this committee, could you tell us when he started working for this committee and when he left?

Mr. CLINGER. He left on September 30th of this year. He began on June 28th.

Mr. WAXMAN. He was the chief investigator for this particular hearing; is that correct?

Mr. CLINGER. Until he left. But he is also—there have been a number of investigators who have been working on this. He is not now the chief investigator, he is now retired. He has moved to Ohio.

Mr. WAXMAN. June 20th of what year?

Mr. CLINGER. 1993.

Mr. WAXMAN. And he left before we even began our hearings on this subject?

Mr. CLINGER. That's correct.

Mr. WAXMAN. Thank you.

Mr. CLINGER. I would now yield the balance of our time to the gentleman from Ohio, Mr. LaTourette.

Mr. LATOURETTE. Thank you, Mr. Chairman.

First of all, Mr. Chairman, I would like to echo your remarks and also those of Mr. Moran, that I do believe that this is an appropriate exercise of this committee's oversight jurisdiction. And although I would also like to associate myself with the remarks of Mr. Horn that there have been some rather strange time lines relative to what happened to the long-time government servants in the White House Travel Office, I am hopeful that today's hearing and future hearings, if necessary, will focus on whether or not once investigations of the White House Travel Office were undertaken, the White House and others within the government cooperated with the investigators from the various agencies by providing them with the relevant documents necessary to conduct a thorough and successful investigation, which was their charge.

And for my part, it really doesn't matter to me whether it's a Republican administration accused of withholding documents from a Democratic oversight committee or a Democratic administration accused of withholding documents from a Republican oversight committee. I think both are wrong and neither should be justified. And I hope they are not sanctioned in the course of this hearing.

No one here today will argue that that White House Travel Office was a model of recordkeeping efficiency; however, it does seem odd that the Travel Office's—one of the Travel Office's major clients, that is, the White House Press Corps, didn't believe that they were being overcharged for their travel expenses. In fact, most have remarked that the service provided by the Travel Office was typically good, and, compared to some of their campaign adventures, was less expensive and more capably managed.

One would believe that if such gross mismanagement were occurring in the Travel Office, the reporters, the fourth estate, so good at ferreting out the truth, would have wasted no time in exposing it. I would hope that this hearing would discuss the direct contact between the White House and the FBI, wherein the White House requested the FBI to conduct an investigation into the Travel Office.

I hope that we can inquire of our witnesses what impact, if any, the advisors by the White House from the various members of the counsel's office had, that this investigation was being suggested or prompted by the highest levels. I wonder what the highest levels are, what that means.

I am curious why the White House was so adamant to have agents from FBI headquarters handle the investigation even though they were informed that the Washington metropolitan field office was the appropriate agency to investigate the Travel Office.

Finally, I will be interested to learn at what point the FBI determined there was sufficient predication upon which to initiate an investigation as well as why the FBI press response of May the 20th was modified three times, the last occurring after meetings with senior staff at the White House.

Will you—I am sorry, was that a hammer indicating I am finished, Mr. Chairman?

Mr. CLINGER. You have about a minute left.

Mr. LATOURETTE. Thank you very much.

Relative to just briefly on the cooperation between investigators and the issues before the committee, I think it is appropriate to explore the rather tortured path that the Travel Office file maintained by Deputy White House Counsel Mr. Foster took. I believe that one of the witnesses today will express dismay and shock as to it being withheld for a period of time.

And last, I want to commend Mrs. Morella and associate myself with her remarks. We are dealing with people who worked for the government, in some cases, from the administrations of John F. Kennedy to the present administration, and it's a shame that we have phrases such as criminal mismanagement, impending indictment and all the like being tossed about in the absence of sufficient evidence, save for one indictment tarnishing the reputation of these good people.

I yield back and I thank the Chair.

Mrs. THURMAN. Mr. Chairman——

Mr. CLINGER. The gentleman's time has expired.

I will now introduce our witnesses this morning. All of whom were the authors of or had direct responsibility for the production of the reports as a result of their investigations.

First of all, the OPR Counsel, Office of Professional Responsibility Counsel, Mr. Shaheen. Second the former White House Assistant to the President, Staff Secretary, Mr. John Podesta. From the Government Accounting Office, Nancy Kingsbury. From the FBI, the FBI Inspector, Mr. Smith. And the IRS Inspector, Mr. Gary Bell.

All of these witnesses have played a role in the production of these documents. It is the practice of this committee to swear all witnesses so as not to prejudice the rights of any witness, and I would ask if you would have any objection to being sworn.

[Witnesses sworn.]

Mr. CLINGER. The clerk will please note that the witnesses have all answered in the affirmative, and please be seated.

And ladies and gentlemen, thank you very much for your participation today and for your patience in listening to our rhetoric and oratory, too, at the opening of this hearing.

And at this time, I gather we would start with Mr. Shaheen.

And I would remind the panelists that we are going to limit time on the opening statements at least to about 10 minutes. And be guided by the lights up there, but to the extent possible, we would like to hold those opening statements to 10 minutes so we can get into the questioning.

Mr. Shaheen, welcome.

STATEMENT OF MICHAEL SHAHEEN, COUNSEL, DEPARTMENT OF JUSTICE, OFFICE OF PROFESSIONAL RESPONSIBILITY

Mr. SHAHEEN. Thank you, Mr. Chairman.

Mr. Chairman, members of the committee, my name is Michael Shaheen. I am the Counsel of the Justice Department's Office of Professional Responsibility. That office was created in 1975 and has jurisdiction to investigate allegations of misconduct by certain Department employees that may be in violation of the law, regulations or orders or of applicable standards of conduct.

The matter began May 12, 1993 when the White House—when then White House Associate Counsel William Kennedy contacted the FBI to request guidance and advice regarding a possible theft of funds or other crimes by employees of the Travel Office. The FBI conducted a preliminary inquiry and determined in conjunction with the Department's Public Integrity Section, a section in the Criminal Division, that there was a predication to initiate a criminal investigation, which it did.

In the weeks following the White House's initial contact with the FBI, the matter attracted substantial press attention which focused primarily on questions about whether the White House had manipulated and pressured the FBI into doing and saying things about the Travel Office, regardless of the facts, in order to justify the White House's termination of the Travel Office employees.

Almost immediately, the FBI undertook an internal management review and provided the Attorney General, Janet Reno, with a report on June 1, 1993, concluding that the FBI had acted properly throughout its dealings with the White House on the Travel Office matter. The White House subsequently undertook its own internal management review of the handling of the Travel Office matter and released its report on July 2, 1993. Several White House staff, including Associate Counsel Kennedy, were reprimanded for actions and remarks which created the appearance of misuse of the FBI by the White House.

Following the issuance of the White House report, congressional calls for hearings on the Travel Office matter increased. In response, President Clinton and Attorney General Reno sent letters to Congress pledging that the Justice Department would conduct a thorough probe of the firings, including the FBI's role and statements of possible criminal acts by the seven employees of the Travel Office. The President pledged full White House cooperation.

On July 28th, 1993, then Deputy Attorney General Phillip Heymann directed the Office of Professional Responsibility to undertake a review of the conduct of the FBI in connection with its contacts with the White House on the Travel Office matter and to report its findings and recommendations to him as soon as possible.

The review that OPR undertook at the behest of Deputy Attorney General Heymann was different from a normal OPR inquiry. Normally, OPR receives an allegation of misconduct against a subject, usually a Department attorney, which involves the Department's core investigative functions, that is, of investigation, litigation or prosecution or advice-giving functions. If the allegation has some apparent merit, OPR investigates the allegation to determine whether the attorney in fact engaged in professional misconduct. In this case, there were no specific allegations of misconduct against any FBI agent or Department attorney; rather, certain events that occurred involving the White House, the FBI and the Department which raised concerns of possible improprieties. We were directed to review those events to determine whether anything improper or illegal had occurred.

Because of the scope of the review, the need to accomplish it expeditiously and the fact that it involved FBI agents as well as Department personnel, we undertook our review with assistance from selected FBI inspectors and assistant inspectors. We initially confined our review to the approximately 2-week period from May 12 to May 25, during which the FBI contacts with the White House occurred. OPR did not get involved in the substance of the criminal investigation into the Travel Office personnel, however, which was being conducted by the Public Integrity Section.

On August 3, 1993, Deputy Attorney General Heymann provided OPR a copy of White House Deputy Counsel Vincent Foster's handwritten note found shortly after his death on July 20th, which included, among other things, a statement that quotes, the FBI lied in their report to the AG, close quote.

The Deputy Attorney General asked us whether any additional investigation was necessary in light of this statement. We responded that, in our view, the matter could be considered within the scope of our original assignment and we subsequently included the issue of what Mr. Foster meant by that statement and whether the FBI had lied in its report to the Attorney General within our larger review.

OPR's review included interviews of more than 50 FBI, Department of Justice and White House employees and U.S. Park Police, as well as private citizens and a review of relevant documents. Our report of OPR's investigation and conclusions was provided to the Deputy Attorney General on March 18 1994.

Based on our review, we concluded that the FBI acted properly throughout its dealings with the White House regarding the Travel Office matter. Specifically, with respect to whether the White House pressured the FBI into taking inappropriate action, OPR concluded that while Associate Counsel Kennedy and various FBI agents who had contact with him had different recollections of what was said, the agents did not interpret Mr. Kennedy's statements as threats or attempts by him to pressure them to respond to the situation in an inappropriate manner or in any way inconsistent with their normal procedures, and in fact the FBI did not.

OPR further concluded that ill-advised and erroneous actions by the White House, including the premature termination of seven Travel Office employees on May the 19th, 1993 against the advice of the FBI and the disclosures that day of the fact that the FBI had been contacted and would likely investigate the Travel Office matter, rather than any conduct by the FBI, set in motion a sequence of events which created the appearance that the FBI was being used by the White House for political purposes.

Finally, OPR did not complete its inquiry into the meaning of the Foster statement concerning the FBI because, in the interim, the Attorney General appointed Robert Fiske to be Special Prosecutor of the Whitewater/Madison Guaranty Savings and Loan investigation. Since the issues surrounding Mr. Foster's death, including his note, were within Mr. Fiske's jurisdiction, OPR closed its review into the issue of the note so as to avoid interfering with Mr. Fiske's investigation.

OPR tentatively found, however, that the statement in Mr. Foster's note reflected his belief, based on no independent evidence, that his friend and colleague William Kennedy did not threaten the FBI agents with the prospect of alternative IRS involvement or informed them that the highest levels of the White House were interested in the Travel Office matter. Accordingly, it was our view that since the FBI's report on the Travel Office matter was to the contrary, Mr. Foster concluded that the FBI lied in its report.

That concludes my prepared statement, Mr. Chairman.

Mr. CLINGER. Thank you, Mr. Shaheen.

[The prepared statement of Mr. Shaheen follows:]

PREPARED STATEMENT OF MICHAEL SHAHEEN, COUNSEL, DEPARTMENT OF JUSTICE, OFFICE OF PROFESSIONAL RESPONSIBILITY

Mr. Chairman and Members of the Committee.

My name is Michael Shaheen. I am Counsel of the Justice Department's Office of Professional Responsibility. OPR was created in 1975, and has jurisdiction to investigate allegations of misconduct by certain Department employees that may be in violation of law, regulations or orders, or of applicable standards of conduct.

That matter began in May 12, 1993, when then White House Associate Counsel William Kennedy contacted the FBI to request guidance and advice regarding a possible theft of funds or other crimes by employees of the Travel Office. The FBI conducted a preliminary inquiry and determined in conjunction with the Department's Public Integrity Section, that there was predication to initiate a criminal investigation, which it did.

In the weeks following the White House's initial contact with the FBI, the matter attracted substantial press attention which focused primarily on questions about whether the White House had manipulated and pressured the FBI into doing and saying things about the Travel Office, regardless of the facts, in order to justify the White House's termination of the Travel Office employees.

Almost immediately, the FBI undertook an internal management review and provided Attorney General Reno with a report on June 1, 1993, concluding that the FBI had acted properly throughout its dealings with the White House on the Travel Office matter.

The White House subsequently undertook its own internal management review of the handling of the Travel Office matter and released its report on July 2, 1993. Several White House staff, including Associate Counsel Kennedy, were reprimanded for actions and remarks which created the appearance of misuse of the FBI by the White House.

Following issuance of the White House Report, Congressional calls for hearings on the Travel Office matter increased. In response, President Clinton and Attorney General Reno sent letters to Congress pledging that the Justice Department would conduct a thorough probe of the firings, including the FBI's role and statements of possible criminal acts by the seven employees of the Travel Office. The President pledged full White House cooperation.

On July 28, 1993, then Deputy Attorney General Philip Heymann directed the Office of Professional Responsibility to undertake a review of the conduct of the FBI in connection with its contacts with the White House on the Travel Office matter and to report its findings and recommendations to him as soon as possible.

The review that OPR undertook at the behest of Deputy Attorney General Heymann was different from a normal OPR inquiry. Normally, OPR receives an allegation of misconduct against a subject—usually a Department attorney—which involves the Department's investigation, litigation or advice giving functions. If the allegation has some apparent merit, OPR investigates the allegation to determine whether the attorney in fact engaged in professional misconduct. In this case, there were no specific allegations of misconduct against any FBI agent or Department attorney. Rather, certain events had occurred involving the White House, the FBI and the Department which raised concerns of possible improprieties. We were directed to review those events to determine whether anything improper or illegal occurred.

Because of the scope of the review, the need to accomplish it expeditiously, and the fact that it involved FBI agents as well as Department personnel, we undertook our review with assistance from selected FBI Inspectors and Assistant Inspectors. We initially confined our review to the approximately two week period from May 12 to May 25, during which the FBI contacts with the White House occurred. OPR did not get involved in the substance of the criminal investigation into the Travel Office personnel, however, which was being conducted by the Public Integrity Section.

On August 3, 1993, Deputy Attorney General Heymann provided OPR a copy of White House Deputy Counsel Vincent Foster's handwritten note, found shortly after his death on July 20, which included, amonq other thinqs, the statement that "the FBI lied in their report to the AG." Deputy Attorney General Heymann asked us whether any additional investigation was necessary in light of this statement. We responded that in our view the matter could be considered within the scope of our original assignment and we subsequently included the issue of what Mr. Foster meant by that statement and whether the FBI had lied in its report to the Attorney General within our review.

OPR's review included interviews of more than 50 FBI, Department of Justice, and White House employees and U.S. Park Police, as well as private citizens and a review of relevant documents. A report of OPR's investigation and conclusions was provided to the Deputy Attorney General on March 18, 1994.

Based on our review, we concluded that the FBI acted properly throughout its dealings with the White House regarding the Travel Office matter. Specifically with respect to whether the White House pressured the FBI into taking inappropriate action, OPR concluded that, while Associate Counsel Kennedy and the various FBI agents who had contact with him had different recollections of what was said, the agents did not interpret Mr. Kennedy's statements as threats or attempts by him to pressure them to respond to the situation in an inappropriate manner or in any way inconsistent with normal procedures. And in fact, the FBI did not.

OPR further concluded that ill-advised and erroneous actions by the White House—including the premature termination of seven Travel Office employees on May 19 against the advice of the FBI and the disclosure that day of the fact that the FBI had been contacted and would likely investigate the Travel Office matter—rather than any conduct by the FBI, set in motion a sequence of events which created the appearance that the FBI was being used by the White House for political purposes.

Finally, OPR did not complete its inquiry into the meaning of the Foster statement concerning the FBI because, in the interim, the Attorney General appointed Robert Fiske to be Special Prosecutor of the Whitewater/Madison Guaranty Savings & Loan investigation. Since the issues surrounding Mr. Foster's death, including his note, were within Mr. Fiske's jurisdiction, OPR closed its review into the issue of the note so as to avoid interfering with Mr. Fiske's investigation.

OPR tentatively found, however, that the statement in Mr. Foster's note reflected his belief, based on no independent evidence, that his friend and colleague, William Kennedy, did not threaten the FBI agents with the prospect of alternative IRS involvement or inform them that the "highest levels" of the White House were interested in the Travel Office matter. Accordingly, it was our view that since the FBI's report on the Travel Office matter was to the contrary, Mr. Foster concluded that the FBI lied in its report.

STATEMENT OF JOHN PODESTA, FORMER WHITE HOUSE ASSISTANT TO THE PRESIDENT, STAFF SECRETARY

Mr. CLINGER. Next, we'd ask Mr. Podesta.

Mr. PODESTA. Thank you, Mr. Chairman, members of the committee. Good morning. It's always a pleasure to appear at oversight hearings.

My name is John Podesta. I am currently a visiting Professor of Law at Georgetown University Law Center. From January 20, 1993 through June 30, 1995, I served in the White House as Assistant to the President and Staff Secretary. From late May to early July 1993, I worked under the direction of then Chief of Staff Mack McLarty and then OMB Director Leon Panetta on an internal management review of the events surrounding the dismissal of seven employees from the White House Travel Office. I was assisted in this effort by my Deputy Todd Stern. The report we prepared was released to the public on July 2, 1993. My testimony today will briefly explain how we prepared the report and then summarize the report's major conclusions.

By way of context, let me give you a very brief synopsis of what the Travel Office did. The office fulfilled two principle functions. First, it handled all travel arrangements for the White House Press Corps when traveling with the President. Those arrangements included chartering aircraft, making hotel reservations, getting filing centers set up, getting equipment and baggage moved and chartering ground transportation.

Second, the Travel Office made commercial travel arrangements for the staff and the Executive Office of the President, a function now contracted out to private—to a private travel agency.

With respect to chartering aircraft for the Press Corps, an the activity that results in millions of dollars of annual expenses, the Travel Office used a single-source, no-bid system. I should point out that because these millions of dollars of billings and reimbursements did not follow Federal dollars, they were funneled through a bank account at the Riggs Bank, which I believe was unaudited, and for all intents and purposes, unsupervised by anyone outside the Travel Office.

On May 25, 1993, the White House announced that Mr. McLarty and Mr. Panetta would begin an internal management review of the circumstances surrounding the May 19th dismissal of the seven Travel Office employees. Shortly after that, Mr. McLarty asked me and Mr. Stern to help him conduct the review. Both of us are lawyers and neither of us had any involvement in the Travel Office incident.

During the following 5 weeks in the course of preparing this report, we interviewed more than 40 people inside and outside the White House. Mr. McLarty and Mr. Panetta also conducted interviews with a number of key people involved. Let me briefly summarize our conclusions.

First, there was a very serious financial management problem in the Travel Office. The accounting firm of Peat Marwick was brought in to review the operations of the Travel Office and found major financial problems, including $18,000 worth of unaccounted for checks made out to cash, a lack of basic accountability, billing by estimate, a cash management system so poor that the office lacked a general ledger or cash receipts disbursements journal, and a lack of minimally adequate documentation.

Despite these serious financial problems and although it was appropriate to make management changes in the Travel Office, we found that the White House erred in the way it went about making these changes. We concluded that given the concerns about financial irregularities in the Travel Office, it was not inappropriate for an Associate White House Counsel to make an initial call to the FBI to seek guidance on how to proceed.

However, in subsequent conversations with FBI agents, the Associate Counsel made comments that could have been interpreted as pressing for fast action. The FBI agents involved all stated that they viewed the Associate Counsel's comments as seeking guidance and did not feel pressured, as Mr. Shaheen has testified.

FBI Director Sessions confirmed that view in a June 30th letter to Senator Dole. I would also note that none of the officials at the FBI or at the Department of Justice who heard about Mr. Kennedy's calls within a day after they were made, including several very senior people at both agencies, suggested that they thought the call was improper. We also found that the White House Press Office erred inadvertently when it mentioned the FBI's involvement, and in its dealings with the FBI were trying to ascertain what could accurately be said concerning the FBI investigation, the White House was not sufficiently careful about avoiding even the appearance of trying to influence FBI conduct.

We found that although the employees of the Travel Office served at the pleasure of the President, as Mr. Moran pointed out, the White House made mistakes in the way it treated them. The biggest mistake is the one I have already mentioned, disclosing the involvement of the FBI for which the Chief of Staff publicly apologized. Beyond that, there was no need to dismiss all the employees so abruptly.

The White House did take corrective action on May 25, 1993, when the five employees who did not exercise financial control over the office were put on paid administrative leave. They were subsequently given new positions in other executive branch agencies.

The deputy director of the office retired. The director was indicted on charges related to financial irregularities in the office and is currently awaiting trial.

Finally, we found that the White House was insensitive to the appearance of favoritism with respect to certain of the persons and entities involved in the decisions that led up to the firings in the Travel Office and in the efforts to keep the office functioning in the immediate aftermath of the firings.

In the aftermath of these events, the White House took a number of corrective steps such as directing that initial contacts with the FBI concerning investigations of possible criminal activity occur between White House Counsel's Office and top Justice Department officials. We issued guidance for contacts between the White House and FBI Press Offices, instituted a competitive bidding system for the selection of press charters and introduced new financial controls in the Travel Office.

Before concluding, Mr. Chairman, and I would add that when you introduced us you said you hoped we wouldn't mind rhetoric and oratory, which I didn't mind, but I did mind the sideswipe in your opening statement that implied that I lied to the GAO and I want to address that for a minute.

You characterized the 900 pages of notes that were provided to this committee as my notes. They are not my notes. They are notes that were made during the conduct in the course of our management review, but they were not my notes. The GAO, a trained investigator from the GAO, asked me a question: Did I keep notes? I said only a thimble full. If you look at the notes that you have before you, you will find there are a thimble full of my notes.

I think the context is also clear from the GAO review because they went on to ask Mr. Stern about his note-taking habits and he responded to them I think accurately. So I think that the context of this was mischaracterized and I wonder how the question was framed to the GAO investigator when he replied in the way that you stated in your opening statement. I take offense of it.

Let me conclude by observing that despite the short time period in which we did our work and the breadth of our task, the report we prepared was tough and candid and has stood the test of time. While a subsequent report of the Office of Professional Responsibility took issue with some of our judgments, for example, concluding that we had been overly harsh in criticizing the White House's dealings with the FBI, no subsequent report has identified any factual errors in our report.

I would be happy to answer any questions.

Mr. CLINGER. Thank you, Mr. Podesta.

[The prepared statement of Mr. Podesta follows:]

PREPARED STATEMENT OF JOHN PODESTA, FORMER WHITE HOUSE ASSISTANT TO THE PRESIDENT, STAFF SECRETARY

Mr. Chairman, Members of the Committee, good morning. My name is John Podesta. I am currently a Visiting Professor of Law at the Georgetown University Law Center. From January 20, 1993 through June 30, 1995, I served in the White House as Assistant to the President and Staff Secretary.

From late May to early July, 1993, I worked under the direction of then Chief of Staff Mack McLarty and then OMB Director Leon Panetta on an internal management review of the events surrounding the dismissal of seven employees from the White House Travel Office. I was assisted in this effort by my Deputy, Todd Stern. The report we prepared was released to the public on July 2, 1993. My testimony today will briefly explain how we prepared the Report and then summarize the Report's major conclusions.

By way of context, let me give you a very brief synopsis of what the Travel Office did. The Office fulfilled two principal functions. First, it handled all travel arrangements for the White House press corps when traveling with the President. Those arrangements include chartering aircraft, making hotel reservations, getting filing centers set up, getting equipment and baggage moved and chartering ground transportation. Second, the Travel Office made commercial travel arrangements for staff in the Executive Office of the President, a function now contracted out to a private travel agency. With respect to chartering aircraft for the press corps—an activity that results in millions of dollars of annual expenses—the Travel Office used a single-source, no-bid system. There was no competitive bidding.

On May 25, 1993, the White House announced that Mr. McLarty and Mr. Panetta would begin an internal management review of the circumstances surrounding the May 19 dismissal of the seven Travel Office employees. Shortly after that, Mr. McLarty asked me and Mr. Stern to help him conduct the review. Both of us are lawyers and neither of us had any involvement in the Travel Office incident.

During the following five weeks, in the course of preparing this Report, we interviewed more than 40 people inside and outside the White House. Mr. McLarty and Mr. Panetta also conducted interviews with a number of the key people involved.

Let me briefly summarize our conclusions.

First, there was a very serious financial management problem in the Travel Office. The accounting firm of Peat Marwick was brought in to review the operations of the Travel Office and found major financial problems including $18,000 worth of unaccounted-for checks made out to cash; a lack of basic accountability; billing by estimate; a cash management system so poor that the Office lacked a general ledger or a cash receipts/disbursements journal; and a lack of minimally adequate documentation.

Despite these serious financial problems, and although it was appropriate to make management changes in the Travel Office, we found that the White House erred in the way it went about making these changes.

FBI

We concluded that, given the concerns about possible financial irregularities in the Travel Office, it was not inappropriate for an Associate White House Counsel to make an initial call to the FBI to seek guidance on how to proceed. However, in subsequent conversations with FBI agents, the Associate Counsel made comments that could have been interpreted as pressing for fast action. The FBI agents involved all stated that they viewed the Associate Counsel's comments as seeking guidance and did not feel pressured. FBI Director Sessions echoed this view in a June 30 letter to Senator Dole.

We also found that the White House press office erred inadvertently when it mentioned the FBI's involvement. And in its dealings with the FBI, when trying to ascertain what could accurately be said concerning the FBI investigation, the White House was not sufficiently careful about avoiding even the appearance of trying to influence FBI conduct.

Treatment of employees

We found that although the employees of the Travel Office served at the pleasure of the President, the White House made mistakes in the way it treated them. The biggest mistake is the one I've already mentioned—disclosing the involvement of the FBI. Beyond that, there was no need to dismiss all the employees so abruptly. The White House did take corrective actions on May 25, 1993, when the five employees who did not exercise financial control over the office were put on paid administrative leave; they were subsequently given new positions in other executive branch agencies. The deputy director in the office retired. The director was indicted on charges related to financial irregularities in the office and is currently awaiting trial.

Favoritism

Finally, we found that the White House was insensitive to the appearance of favoritism with respect to certain of the persons and entities involved in the decisions that led up to the firings in the Travel Office, and in the efforts to keep the office functioning in the immediate aftermath of the firings.

Corrective Measures

In the aftermath of these events, the White House took a number of corrective steps, such as directing that initial contacts with the FBI concerning investigations of possible criminal activity occur between White House Counsel's Office and top Justice Department officials; issuing guidance for contacts between the White House and FBI press offices; instituting a competitive bidding system for the selection of press charters; and introducing new financial controls in the Travel Office.

Let me conclude by observing that, despite the short time period in which we did our work and the breadth of our task, the report we prepared was tough and candid and has stood the test of time.

At this time, I would be happy to take questions.

Mr. CLINGER. Now, I will ask Ms. Kingsbury.

STATEMENT OF NANCY KINGSBURY, DIRECTOR OF PLANNING AND REPORTING, GENERAL ACCOUNTING OFFICE

Ms. KINGSBURY. Thank you, Mr. Chairman.

You have a written statement that I have prepared, if you would be so kind as to put it in the record, I'll try and be quite brief in my summary.

Mr. CLINGER. Without objection, so ordered.

Ms. KINGSBURY. I want to say first what we did.

As you may know, the review that we did was a statutory mandate passed in the summer of 1993. It was very general in its language, so initially we looked to written products and to discussions with very—various Members on the Hill to identify the things that we covered in our review and those things came down to three broad areas in the end: The circumstances surrounding the removal of the Travel Office employees; to the extent we could, the past financial management practices of the Travel Office; and then we took a look at the then current financial management of the Travel Office, largely to see whether the statements that had been made in the management review that those problems had been fixed, in fact, had been carried out.

This review took place in an extraordinarily difficult environment for us, in our experience. First of all, you have heard mentioned there was a criminal investigation that was going on.

We had been requested by the Justice Department to defer many of our interviews to give precedence to the criminal investigation. We cooperated in that request. In the end, a number of the obviously key parties to this refused to be interviewed at all because of the circumstances of the criminal investigation.

There were also the other investigations going on, some of which are being reported on here this morning. Those also led to circumstances which were relatively unusual for us. Interviews that we conducted were carried on after interviews had been carried on with a whole lot of other people. That does raise some questions about how memories, people's memories of events may have been shaped.

With respect to our dealings with the White House, we did have a substantial amount of delay in receiving a lot of documents. In the end, we may not have received all of the documents that would have been ideal. We can get into that a little more in the questions and answers, I suppose.

Finally, we did issue our report on May 2, 1994, and in that report, we identified 29 criteria that we thought ought to apply to the management of this office. This is a very unusual office since it involves Federal employees managing funds that are in fact private funds, and so we set out 29 criteria to use to evaluate the office at the time we did our work and to use to evaluate the office in the future.

We evaluated the progress the Travel Office had made toward meeting those criteria at the time and found that it had not made as much progress as the management review might have suggested. And then finally we did criticize White House officials for many of the actions that Mr. Podesta acknowledged the management review also criticized.

On September 15 of this year, Mr. Chairman, you asked us to go back into the Travel Office and look again at how they were meeting our 29 criteria. We have done that and, as you know, we briefed you very recently. Basically, we found that the Travel Office currently has procedures in place that generally meet 26 of the 29 criteria. The three that are not met have to do with reconciling accounts on a timely basis and paying bills on a timely basis and billing customers on a timely basis. These are nontrivial difficulties but the Travel Office is aware of them and is working on the problems.

I'd like to close today, Mr. Chairman, with the observation that the auditing and evaluation responsibilities of the General Accounting Office can be fully carried out only in an environment in which we are provided full and open access to all of the pertinent records related to the subjects of our reviews and we can interview with their full cooperation all of the key individuals who were responsible for the events in question.

As a practical matter we depend on and usually receive the candor and cooperation of agency officials and other involved parties and access to all their records. In candor, I can't say that there was quite as generous an outpouring of cooperation in this case as might have been desirable.

In the case of this review, we did receive adequate or even excellent access and cooperation in some areas, notably, from the Internal Revenue Service. However, if the constraints and limitation on access and cooperation we experienced in other areas of this review were commonplace in our work, it would be difficult indeed for us to provide the information the Congress needs for its oversight.

And with that observation, I will conclude my prepared statement and respond to any questions.

Mr. CLINGER. Thank you very much, Ms. Kingsbury.

[The prepared statement of Ms. Kingsbury follows:]

PREPARED STATEMENT OF NANCY KINGSBURY, DIRECTOR OF PLANNING AND REPORTING, GENERAL ACCOUNTING OFFICE

Mr. Chairman and Members of the Committee, I am here today in response to your request to discuss our work and our report on the operations of the White House Travel Office. The Travel Office's operations attracted the attention of the Congress and the media in May of 1993, when White House officials dismissed the seven employees of the Office amid charges of financial mismanagement and possible criminal investigations. As you know, we issued our report on May 2, 1994. (*White House: Travel Office Operations* GAO/GGD–94–132.)

WHAT WE DID

We undertook this work in response to section 805 of Public Law 103–50, the Supplemental Appropriations Act of 1993, which required that we "conduct a review of the action taken with respect to the White House travel office. . . ." Given the breadth of this language, we initially took steps to identify the issues that we would cover in this assignment. To do that, we (1) reviewed the *White House Travel Office Management Review*[1] to inventory the issues the White House considered to be pertinent to the actions taken; and (2) discussed the events surrounding the Travel Office matter and the *Management Review* with the staffs of the Committees and Members of Congress who contacted us, or who had been cited in the media as expressing concerns about the Travel Office matter and who could meet with us to discuss their concerns.[2]

We distilled the issues we identified through this approach into three broad areas of inquiry that we considered to be our scope of work: (1) the circumstances surrounding the removal of the Travel Office employees; (2) the past financial management practices of the Travel Office; and (3) the then-current financial management operations of the Travel Office, including the extent to which problems identified in the past had been corrected. To carry out this work, we assembled a GAO team that included individuals who had knowledge and skills in the areas of financial management, federal travel operations and procurement, and legal issues and investigations, as well as specialists in tax policy and administration.

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[1] Issued by White House officials on July 2, 1993.

[2] The congressional staff representatives we met with are identified in footnote 3, page 17, of our report.

To examine the issues we identified in our scope of work, we reviewed relevant documentation and interviewed more than 100 current or former officials of the White House and federal agencies, as well as other organizations, who were knowledgeable about the White House press charter operations.[3] Where we were able to do so, we utilized the work of other organizations investigating the same matters, such as the work of the IRS Inspection Service or the Treasury Office of Inspector General (OIG), in addition to our own work.

CHALLENGES WE FACED

This work was conducted in an extraordinarily difficult environment. After the announcement of the removal of the Travel Office employees in May 1993, the FBI conducted a criminal investigation related to Travel Office operations. Executive branch law enforcement authorities object to any activity by GAO that might interfere with a criminal investigation, and it is our long-standing policy to avoid such activity. Consistent with that policy, we obtained no information about the FBI investigation.

Because of the criminal investigation, some delays occurred in our scheduling interviews with many of the White House and other officials involved in the matter. We were also unable to interview people in the order and at the time we preferred, and some of the key individuals with whom we wished to speak refused to speak with us at all. We have no subpoena power with which to compel testimony. Since it was unlikely that interviews with the individuals would be possible for the foreseeable future, and to meet our commitment to issue a report by early May 1994, we decided to report on our findings without talking to those individuals.

A related problem in our work was that our interviews took place during a period when other investigations of the events had been initiated in addition to the criminal investigation. These included investigations by IRS and the Treasury OIG, and the reviews by the FBI and Office of Professional Responsibility that are represented by other members of this panel this morning. In addition, a special counsel was appointed to investigate matters related to the suicide of the Deputy Legal Counsel, Vincent Foster. Although we were able to work around or with some of these investigations, interviews we conducted were in many cases preceded by interviews by other investigating officials, raising concerns for some about whether our interviews were influenced by earlier events. In many instances, legal representatives from Justice or the White House attended the interviews; in some cases, interviewees invited their private attorneys to attend. While we objected to this practice in some cases, we have no basis to prevent individuals we interview from having others attend. Fortunately, it is a practice that does not routinely occur in our work.

The conditions under which the work was conducted also involved significant delays in our receiving copies of documents we requested. Moreover, as we discussed with the Committee at the time, we were able to proceed with our work only after agreeing to store the copies of documents provided by White House officials in space located in the New Executive Office Building.

This agreement hampered our work, because special arrangements had to be made for access to the workpapers for our staff and key workpapers were sometimes unavailable on a timely basis when needed. Delays also occurred because interviews with many of the key individuals we needed to talk to had to be arranged through the White House Legal Counsel's office, and follow-up questions had to be submitted in writing because our normal practice of following up by telephone was precluded.

THE RESULTS OF OUR WORK

We recognized in our report that these constraints under which our review was conducted limited to some extent our ability to fully evaluate the operations of the Travel Office or to fully resolve some of the issues we sought to address. Nonetheless, our report (1) identified 29 criteria for sound financial management that should be used to manage and evaluate the operations of the Travel Office, (2) evaluated the progress the Travel Office made toward meeting those criteria through May of 1994, and (3) criticized White House officials for some actions in the events surrounding the dismissal of the employees.

On September 15, 1995, you asked us to revisit the White House Travel Office's financial operations and to make a further assessment of those operations in comparison to the 29 criteria we identified. We have done so and concluded that, for the period between January through August 1995, the Travel Office's procedures met 26 of the 29 criteria. We identified additional improvements that should be made in the areas of reconciling bank accounts, and billing customers and paying vendors in a timely fashion. We also made suggestions for certain other improvements in the Travel Office's operations.

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[3] A list of all of the individuals we interviewed is contained in appendix II of our report.

SUBSEQUENT EVENTS AND OBSERVATIONS

Since the issuance of our 1994 report, continued attention by this Committee and the media to the events surrounding the dismissal of the White House Travel Office employees has resulted in the disclosure to us of, or comment in the media about, some additional records that were not brought to our attention during our work or that we were told did not exist. For example, during our review White House officials denied knowledge of any materials related to the Travel Office in Mr. Foster's possession at the time of his death. Recently, such files have been acknowledged and provided to this Committee. Other media reports suggest that additional documents exist that we were told did not, such as records supporting the preparation of the *White House Management Review*. For the most part, we have not had access to this new evidence.

Mr. Chairman, I would like to conclude with the observation that the auditing and evaluation responsibilities of the General Accounting Office can be fully carried out only in an environment in which we are provided full and open access to all of the pertinent records related to the subjects of our reviews, and we can interview, with their full cooperation, all of the key individuals who were responsible for or involved in the events in question. As a practical matter, we depend on and usually receive the candor and cooperation of agency officials and other involved parties and access to appropriate records. In the case of this review, we experienced adequate or even excellent access and cooperation in some areas, such as from the Internal Revenue Service. However, if the constraints and limitations on access and cooperation we experienced in other areas of this review, such as with the White House, were commonplace in our work, it would be difficult indeed for us to provide the Congress in a timely manner with the information it needs to carry out its authorization, appropriation, and oversight roles under our Constitution.

This concludes my prepared statement, Mr. Chairman. I will be happy to answer any questions you or your colleagues may have.

Mr. CLINGER. Now, I'd ask FBI Inspector, Mr. Smith, if you would present your testimony.

STATEMENT OF IVIAN C. SMITH, INSPECTOR, FEDERAL BUREAU OF INVESTIGATION

Mr. SMITH. Thank you, Mr. Chairman, members of the committee.

My brief statement will provide an overview of the role I played in conducting an internal review of the FBI's contacts with the White House that is related to the investigation of the White House Travel Office.

I was first notified on Tuesday, May 25, 1993, of my assignment at a 5 p.m. meeting in the Office of Deputy Director Floyd Clarke. I recall the following individuals were in attendance besides Deputy Director Clarke and myself; associate Deputy Director Weldon Kennedy, who had responsibilities for oversight of the investigation, Assistant Director Joe Davis of what was then the FBI's Legal Counsel Division, the Deputy Assistant Director Joe Johnson of the Inspection Division, and Deputy Assistant Director Fred Barringer of the Criminal Division. Perhaps there were others there that I don't recall, but if so, they weren't major participants.

There was a general discussion regarding the focus of the investigation that I was to conduct. What emerged were instructions that I was to submit a report that addressed two central issues: One, I was to prepare a chronology of all FBI contacts with White House staff; and two, to determine if the FBI was in compliance with existing FBI policy relating to those contacts.

It should be pointed out that there was a short deadline. I believe it was June 1, 1993, that didn't allow for an expanded investigation. I also believe that Deputy Director Clarke ordered the review.

Finally, it should be noted that Director William Sessions was traveling overseas, however, due to the availability of facsimile machines, this didn't present a major logistical problem. He approved the final report, but I would emphasize he made very few changes and only they were cosmetic in nature. This applied to the comments of other FBI officials as well.

My investigation consisted of contacting all those FBI personnel who had direct contact with the White House staff and those who had been apprised of the contacts within the FBI management. Some had already prepared informal notes, which were furnished to me and provided a basis for my discussions with them. Others were simply subjected to interview. But this allowed me to establish with confidence a succinct chronology of the contacts with the White House staff by FBI personnel.

I deviated from a description of what occurred in those contacts on only one occasion. On page 4 of my report, I began by noting that unit Chief James A. Bourke was telephonically contacted by White House Associate Counsel William Held Kennedy the Third. I then pointed out Bourke and Kennedy had frequent prior contact due to Bourke's position of unit chief of the special unit inquiry responsible for White House background investigations and Kennedy's position involving White House security.

But the remainder of the report did not address the "why" but only the "what" of the sequence of events. Those were my instructions from the original meeting on May 25.

I also reviewed existing FBI policy as related to White House contact as provided to me by the Legal Counsel Division. What I determined was the initial call by Kennedy to Bourke was not addressed by existing policy. There was guidance as related to FBI responses to White House requests for information on ongoing investigations. There was no guidance that addressed White House contacts with the FBI to discuss a potential criminal investigation or to obtain guidance involving potential criminal matters.

However, I should point out, I found the FBI made prompt notification of the White House contact to the Department of Justice. Indeed, notification was made to three separate departmental sections and at no time did the FBI make a commitment to commence an investigation until both the Department and upper management of the FBI had been notified.

Further, FBI personnel refused to provide guidance to White House staff personnel based on information they were being presented given the absence of specific facts and documents and the inappropriateness of such action.

I did not interview anyone at the White House, the Department of Justice regarding this matter during the conduct of my investigation in view of the fact that my investigation was limited to an in-house review. The final report was approved and I delivered it to the Office of Attorney General on June 1.

This concludes my prepared remarks.

Thank you, Mr. Chairman.

Mr. CLINGER. Thank you very much, Inspector Smith.

[The prepared statement of Mr. Smith follows:]

PREPARED STATEMENT OF IVIAN C. SMITH, INSPECTOR, FEDERAL BUREAU OF INVESTIGATION

Mr. Chairman, members of the committee, I have a brief statement that will provide an overview of the role I played in conducting an internal review of the FBI's contacts with the White House as related to the investigation of the White House Travel Office.

I was first notified on May 25, 1993, of my assignment at a 5:00 pm meeting in the office of Deputy Director Floyd Clarke. I recall the following individuals were in attendance besides Deputy Director Clarke and myself: Associate Deputy Director Weldon Kennedy, who had responsibility for oversight of the investigation; Assistant Director Joe Davis of what was then the FBI's Legal Counsel Division; Deputy Assistant Director Joseph Johnson of the Inspection Division. Perhaps there were others that I don't recall, but if so, they were not major participants.

There was general discussion regarding the focus of the investigation. What emerged were instructions that I was to submit a report that addressed two central issues: 1) prepare a chronology of all FBI contacts with White House staff; and 2) determine if the FBI was in compliance with existing FBI policy relating to those contacts.

There was a short deadline—I believe it was June 1, 1993—that did not allow for an expanded investigation. I believe Deputy Director Clarke ordered the review. Finally, it should be noted Director William Sessions was traveling overseas, however, due to the availability of facsimile machines, this did not present a major logistical problem. He approved the final report but I would emphasize, he made very few changes, and they were only cosmetic in nature. This applied to the comments of other FBI officials as well.

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I did not interview anyone at the White House or the Department of Justice regarding this matter during the conduct of my investigation in view of the fact that my investigation was limited to an in-house review. The final report was approved, and I delivered it to the Office of the Attorney General on June 1.

This concludes my prepared remarks. Thank you.

Mr. CLINGER. And finally I would ask Inspector Bell from the Internal Revenue Service if you would give us your prepared remarks.

STATEMENT OF GARY BELL, CHIEF INSPECTOR, INTERNAL REVENUE SERVICE

Mr. BELL. Thank you, Mr. Chairman.

Mr. Chairman, members of the committee, my name is Gary Bell. I am the Internal Revenue Service Chief Inspector and head the IRS Inspection Service. I am accompanied today by John Cummings, Acting Assistant Chief Counsel for Disclosure Litigation.

I appreciate this opportunity to appear before you to discuss the IRS Report of Investigation into the White House Travel Office matter. It may help the committee to know a little about the role of the IRS Inspection Service.

The IRS Inspection Service was established in 1952. Since its inception, the Inspection Service has functioned as an independent organization, and as head of the Inspection Service, I report directly to the Commissioner. Inspection's mission is to promote public confidence in the IRS by providing management with independent and professional internal audit and investigative products that promote the economic, efficient and effective administration of the Nation's tax laws; detect, and deter fraud and abuse in IRS programs and operations, and protect the IRS against external attempts to corrupt or threaten employees.

The Inspection organization is comprised of two functions: Internal Audit and Internal Security, and has staff in the national office as well as each regional office. All Inspection personnel are career civil servants.

On May 26, 1993, the Inspection Service initiated an investigation of allegations that emanated from reports of possible inappropriate White House influence on the IRS in connection with the White House Travel Office matter. As Chief Inspector, I directed the Regional Inspector in our Southeast Region to investigate these allegations.

Inspection's investigation was directed by the Regional Inspector in the Southeast Region and was supervised by a Senior Inspector, our Supervisor in Charge from Greensboro, NC Inspection Office. The Supervisor in Charge was responsible for directing the inspectors and internal auditors assigned to the investigation.

The Assistant Regional Inspector for Internal Security also was involved in supervising the investigation. During the period May 26, 1993 through June 18, 1993, 15 Internal Security Inspectors and three Internal Auditors worked on the investigation.

The IRS Inspectors and Auditors interviewed 36 individuals and recorded the results of the interviews in Memoranda of Interview. The Internal Auditors participated in interviews where their technical expertise was advantageous. The Inspectors and Auditors also reviewed applicable procedures and guidelines, evaluated pertinent files and analyzed computer records in all IRS offices involved in this matter.

The Supervisor in Charge wrote the Report of Investigation. The report was reviewed by senior Inspection officials in the Southeast

Region and national office. The Inspection Service investigators concluded: there was no evidence of any attempts by anyone outside the IRS to influence the course of this matter; there was no evidence of any improper or irregular actions on the part of any IRS employee; and all actions taken in the course of this matter were in the context of the respective employee's official duties.

The General Accounting Office and the Treasury Department's Inspector General conducted further reviews of the matter. Their reviews evaluated the adequacy of the Inspection investigation and answered certain specific questions about the events in May 1993. Both of these independent oversight reviews had full access to all IRS employees and IRS files, including tax information.

The Treasury Inspector General concluded there was no outside influence of IRS employees; the IRS employees involved in the matter did not abuse their authority, and established IRS procedures and regulations were properly followed.

The IG also concluded that Inspection's investigation was conducted in accordance with generally accepted standards for investigations.

The General Accounting Office concluded in their report on "White House Travel Office Operations" that IRS officials' actions were reasonable and consistent with IRS regulations and normal practices and that there was no evidence to support allegations that White House or FBI officials improperly contacted or influenced IRS officials about this matter.

The IRS has an obligation to protect taxpayer privacy and to safeguard the information taxpayers entrust to us. This is a statutory right and a fundamental part of the Service's mission to administer the tax law fairly and efficiently. Therefore, only when the taxpayer provides us authorization can the IRS discuss tax information in a public forum.

In 1993, the IRS attempted to obtain taxpayer authorization so we could fully report the details of the Inspection investigation. The IRS was unsuccessful in this effort. Likewise, the GAO's attempt to obtain all the necessary authorizations from taxpayers involved in this matter so that they could report fully on the details of IRS actions was unsuccessful.

Last Friday however, one taxpayer involved in this matter provided a limited authorization that allows us to provide certain documents and information to you, Mr. Chairman, and to four committee staff members. A copy of the IRS Inspection Service report, as permitted by the terms of the taxpayer's authorization, has been provided to you, Mr. Chairman, and to designated staff.

Unfortunately, that authorization does not permit me to discuss taxpayer information in public session. We are prepared, however, to discuss this matter further with the authorized individuals in executive session.

This concludes my remarks.

[The prepared statement of Mr. Bell follows:]

PREPARED STATEMENT OF GARY BELL, CHIEF INSPECTOR, INTERNAL REVENUE SERVICE

Mr. Chairman and Members of the Committee.

My name is Gary Bell. I am the Internal Revenue Service (IRS) Chief Inspector and I head the IRS Inspection Service. I am accompanied today by John Cummings, Acting Assistant Chief Counsel for Disclosure Litigation. I appreciate this opportunity to appear before your Committee to discuss the IRS Report of Investigation into the White House Travel Office matter.

I. THE INSPECTION SERVICE

It may help the Committee to know a little about the role of the IRS Inspection Service. The IRS Inspection Service was established in 1952. Since its inception, the Inspection Service has functioned as an independent organization and I, as head of the Inspection Service, report directly to the Commissioner.

The Inspection Service mission is to promote public confidence in the IRS by providing management with independent and professional internal audit and investigative products that promote the economic, efficient and effective administration of the nation's tax laws; detect and deter fraud and abuse in IRS programs and operations; and protect the IRS against external attempts to corrupt or threaten its employees.

The inspection organization is comprised of two functions—Internal Audit and Internal Security—and has staff in the National Office as well as each Regional Office. All inspection personnel are career civil servants.

II. THE BASIS OF INVESTIGATION

On May 26, 1993, the IRS Inspection Service initiated an investigation of allegations that emanated from reports of possible inappropriate White House influence on the IRS in connection with the White House Travel Office matter. As Chief Inspector, I directed the Regional Inspector (Southeast Region) to investigate these allegations.

III. SCOPE OF THE INVESTIGATION

The Inspection Service's investigation was directed by the Regional Inspector (Southeast Region) and was supervised by a Senior Inspector (Supervisor-in-Charge) from the Greensboro, N.C., Inspection Office. The Supervisor-in-Charge was responsible for directing the Inspectors and Internal Auditors assigned to the investigation. The Assistant Regional Inspector (Internal Security) also was involved in supervising the investigation. During the period May 26, 1993, through June 18, 1993, 15 Internal Security Inspectors and 3 Internal Auditors worked on the investigation.

The IRS Inspectors and Auditors interviewed 36 individuals and recorded the results of the interviews in Memoranda of Interview. The Internal Auditors participated in interviews where their technical expertise was advantageous. The Inspectors and Auditors also reviewed applicable procedures and guidelines, evaluated pertinent files, and analyzed computer records in all the IRS offices involved in this matter.

The Supervisor in Charge wrote the Report of Investigation. The report was reviewed by senior Inspection officials in the Southeast Region and National Office.

IV. REPORT OF INVESTIGATION CONCLUSION

The Inspection Service Investigators concluded:

- There was no evidence of any attempts by anyone outside the IRS to influence the course of this matter;
- There was no evidence of any improper or irregular actions on the part of any IRS employee; and
- All actions taken in the course of this matter were in the context of the respective employee's official duties.

The General Accounting Office (GAO) and the Treasury Department Office of Inspector General conducted further reviews of the matter. Their reviews evaluated the adequacy of the Inspection investigation and answered certain specific questions about the events in May 1993. Both of these independent oversight reviews had full access to IRS employees and IRS files, including tax information.

The Treasury Inspector General concluded that there was no outside influence of IRS employees; the IRS employees involved in the matter did not abuse their authority; and established IRS procedures and regulations were properly followed. The Treasury Inspector General also concluded that Inspection's investigation was conducted in accordance with generally accepted standards for investigations.

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Last Friday, however, one taxpayer involved in this matter provided a limited authorization that allows us to provide certain documents and information to you, Mr. Chairman, and to four designated Committee staff members. A copy of the IRS Inspection Service report, as permitted by the terms of the taxpayer's authorization, has been provided to you, Mr. Chairman, and to designated staff. Unfortunately, that authorization does not permit me to discuss taxpayer information in public session. We are prepared, however, to discuss this matter further with the authorized individuals in executive session. This concludes my remarks.

Mr. CLINGER. Thank you very much, Inspector Bell.

Thank you all for your testimony.

We will now move to the question period, and we will proceed under the 5-minute rule, and I will yield myself the initial 5 minutes.

I have had an opportunity to review all of your reports in some detail and have really considered where the gaps might be or where there was perhaps not enough attention paid, and it seems to me one of the areas that really did not receive full attention in any of the efforts, at least as far as I was able to see, was the role that was played by Harry Thomason, who was clearly at the center of events that led to the firings in the Travel Office. It was his allegations that initially led to the investigation, which in turn led to the firing.

Early on in the administration, he was telling the President of alleged problems and spreading the rumors, actually, to various staff about alleged kickbacks solicited by the Travel Office. He was also involved in working on the 25 percent personnel cuts at the White House, and that he was also involved in something called the White House Project and involved in working on the problems in the Correspondence Office where apparently the officers were destroying correspondence because they couldn't answer it, and I think that we only recently found out that Mr. Thomason and his partner, Darnell Martens, were also seeking at that time a $250,000 sole source GSA Government contract to perform a review of all civilian Government aircraft.

In this regard, they were working through Bruce Lindsey and communicating with the President about these activities in the spring of 1993.

The GAO, as I understand it, Ms. Kingsbury, was supposed to look at the activities of Mr. Thomason and Mr. Martens, but, as we reviewed your study and so forth, didn't seem to get very far. Most of the people they interviewed, you interviewed, only mentioned Mr. Thomason's inaugural activities or the staging of Presidential events activities.

Most White House employees could not tell GAO what Darnell Martens did at the White House even though he was issued a pass and the White House put in for a full field investigation on him as an employee. For other investigations, at least as I read your reports, the role of Harry Thomason and Darnell Martens apparently was outside the scope of those investigations.

So Mr. Podesta, in your review, you were told, as I understand it, by Steve Davison of Worldwide Travel, that Harry Thomason—and I am quoting—was the moving force who stirred this up, close quote. Is that correct?

Mr. PODESTA. I think our report really speaks for itself on that in that matter. We saw—we found two tracks that led to the firings of the Travel Office employees on May 19. Clearly, Mr. Thomason and Mr. Martens were involved in one of those tracks. They merged the week of May 12. The other track, I would say, was the activities of Ms. Cornelius and Mr. Watkins. But they did merge the week of May 12th, and I think that——

Mr. CLINGER. Some of the information that you were operating under was as a result of information received from Mr. Thomason; is that correct?

Mr. PODESTA. I had an interview with Mr. Thomason, yes.

Mr. CLINGER. OK. Given his role or given the fact that he was at least one of the two tracks involved in instigating the firings, did you consider it important to determine if he had any personal interests that he might have had in the matter, and did you inquire as to whether there was any potential conflict of interest in his involvement in this matter?

Mr. PODESTA. Again, I think that the report addresses this. I think there was an appearance problem. We were not trying to draw legal conclusions about that question. TRM and Mr. Martens said that they were not seeking business for themselves, they were seeking business in the—they were seeking a competitive bid situation so people that they had worked with could bid on the charters.

It was unclear that—to me, that TRM had any—had any role in which—that they performed any services that were really applicable to the Travel Office.

Mr. CLINGER. Was there——

Mr. PODESTA. So that—I think that there are two issues there, Mr. Clinger. One is: Was there a direct conflict? Were they seeking the business? I think we concluded that we couldn't find that they were with regard to the Travel Office business. The other was whether there was an appearance of impropriety or there was an appearance of favoritism, and we concluded that there was.

Mr. CLINGER. In your notes, you indicate that this—Mr. Thomason at least was a likely subject for a reinterview. My understanding was, he did not or would not submit to a reinterview; is that correct?

Mr. PODESTA. We did not reinterview him.

Mr. CLINGER. Did you request a reinterview?

Mr. PODESTA. Toward the end of the—we had a number of questions that at one point we wanted to go back to Mr. Thomason on. I think by the end of the process, as we were trying to get this report out, we had a compressed period of time to do it.

I would say a couple of things: First, the questions we had related to what he would—had said to Ms. Cornelius about the allegations of kickbacks and et cetera, we had largely resolved not to put those in the report in the first place, so they became rather immaterial for our purposes.

Second, it was at least my impression that—that he was unhappy with the course of this report, and therefore we did not seek to reinterview him. But I——

Mr. CLINGER. OK. Your report stated that Harry Thomason was at the White House working on the staging of Presidential events. But you did know, did you not, Mr. Podesta, that Mr. Thomason was involved in a lot more activities than that?

And I would just submit these for the record. These were various activities that Mr. Thomason was involved in.

[The information referred to follows:]

HARRY THOMASON

THE WHITE HOUSE TRAVEL OFFICE

HARRY THOMASON AT THE WHITE HOUSE

- THE WHITE HOUSE TRAVEL OFFICE
- INTERAGENCY COMMITTEE ON AIRCRAFT POLICY
- "THE WHITE HOUSE PROJECT"/STAGING OF EVENTS
- PRESIDENTIAL INAUGURAL COMMITTEE AND FUNDING VOLUNTEERS AT THE WHITE HOUSE

WHITE HOUSE TRAVEL OFFICE

> ***"Ooh, I'm going to like take my six-figure salary a week and fly off to Washington and see if I can't get those seven little guys out of that travel office in the White House. It's sort of the equivalent of taking over a lemonade stand."***
>
> - ***Linda Bloodworth-Thomason, comments regarding the Travel Office fiasco as reported in On the Edge, by Elizabeth Drew p. 183***

"When HT (Thomason) and DM (Martens) found travel office not putting business out for bid he heard Harry Thomason hired private investigator to check charter company re inability to get business that these travel office guys on take...incestuous relationship with UltrAir....From what we heard: Approximately 2-3 days before Peat Marwick was brought in Carville, Thomason, Stephanopoulos and HRC were furious and ready to throw them out that day. They were furious wanted people out of there that day. I assume it was presented to these guys as they're crooks, get on it....HT was moving force who stirred this up..."

- **White House Management Review notes of interview with Steve Davison of World Wide Travel, May 1993**

"Harry Thomason then says he can't meet because he's got a crisis to deal with with Watkins. Jennifer O'Connor accompanies Harry Thomason to Watkins office and tells Harry Thomason she understands the situation. At that meeting with Watkins, Harry Thomason characterizes WHTO employees as "these guys are ripping us off, they're bastards, then said "it is a great press story, Bill Clinton cleaning up house. Jennifer O'Connor asks Harry Thomason if he has evidence and he says yes."

- **White House Management Review notes of interview with Jennifer O'Connor (White House staffer), June 1993**

"Fan talked to Harry Thomason...seeking reassurance... Harry Thomason said "YOU MEAN YOU'RE NOT UP THERE WORKING?" Harry Thomason said he'd call HRC [the First Lady] and she would be very upset to hear they were still there...this was probably Sunday, 5/16/93."

- White House Management Review notes of interview with Fan Dozier of World Wide Travel, May 1993

"Didn't know why Harry pushing the issue. Harry agreed it was important to act quickly so the White House Travel Office employees couldn't act to prevent our message from getting out."

- White House Management Review notes of interview with former White House Director of Media Relations, Jeff Eller, June 1993

"May 13 meeting - Harry Thomason making allegations re Caudle [owner of White House charter company UltrAir] and says they are "on the take"....Harry Thomason, Catherine Cornelius and Jeff Eller think they should be fired quickly."

- White House Management Review notes of interview with former White House Office of Administration official, Patsy Thomason, June 1993

"Hillary telephone conversation with D. Watkins on Friday, May 14 'Harry says his people can run things better; save money, etc. and besides we need those people out - we need our people in - we need the slots......

- Notes of David Watkins, June 1993

"Talk of Administration? "very close to AA (Air Advantage), Express Air and Miami Air...Harry Thomason and I talked about it, and I told them I'd recommend them highly...I assumed the WHTO had a bid process like when I used to do with AA. After firing, Harry Thomason asked who should help with charter, he recommended Penny."

- White House Management Review notes of interview with TRM partner, Darnell Martens

"George Stephanopoulos says "HT [Harry Thomason] no financial interest...DD/M [Dee Dee Myers], Eller and I disagree."

- Notes of the late Vincent Foster, July 1993 in the recently disclosed Vince Foster Travel Office file withheld from investigators for close to two years

"Is the real story to be told?"

- Notes of David Watkins, June 1993

HARRY THOMASON

WHITE HOUSE MANAGEMENT REVIEW INTERVIEW

Harry Thomason

Bob O'Neill
[illegible]

HT interview 5 27

2 yrs ago
consultant — DM
used airplane consultant DM to help
buy airplane HT started Thomason & Assoc
& DM was consultant
was leaving own co.
DM leaving own co & starting new
asked HT & friend invest ≈ 15 mos ago
as aircraft
TRM formed as A/C consulting
Circinnatti
in Cincinn. HT not officer &
50 percent
receives ~~[illegible]~~ 1/10 $25,000 inv

Governor needed a/c
so Clinton did HC in campaign & HT
could
via, Thomason A/C $70,000 paid 6
campaign for 8 weeks
When moved up to bigger
a/c DM picked a broker to handle
charters for campaign. used Air Adv
broker Albuqu. AA hired TRM
as consultant ≈ $1500/month/mo.
KIS found lady's ~~[illegible]~~
White KIS, found [illegible] fault
did paper work COS ran
& Charter cos ran Airplane
in campaign

[illegible] 2

all the

DM: appropriate to bid on
WH charters? HT: no. NO HT do not
like travelling press on planes good will
Why not create good will
w/ charters by white paper on
how to bid for WH business?
TRM did not want to do what he did

HT calls D.D.

DM call DD & then transfers
to Billy Dale Interested
~~Same~~ cos interested.

BD says no way you're
going to do bus. w/ this WH

DM: What if I told you never
planes etc BD no I know every
plane you're wasting time.
etc No combin'n price or ~~charters~~
would persuade me.

DM wrote memo. Didn't
say what other charters he was
talking about - just mentioned TR
HT got mad.

Other cos called DM about
8 Rude Treatment at WH
rude, ~~treatment~~

Pres 3

told Potus something wrong
with a [illegible] Dept but not going to bother
you.

Told DW Didn't mention
again.

HT WH

Rahm Time invited to Pres Din
RE asked HT how to help use WH
as symbol.

Condon said we'll have to
stop travelling because it not so expensive

HT talked to DW again you know
did you do anything on ~~to~~ that article in
T.O.? DW said someone
put there

CC introd self to HT

DM in town on another Fort
project HT asked for DM notes?
DM got them. 2 copies
~~to~~ to

CC took copy to UE. UF
wanted make copies CC didn't &
hers back HT w/ CC

HT asking what's going
w/ this HT left a clue back
[illegible] [illegible] working

4

Richland
T R m
(cash investor only
- director not officer

Holiday
Same guy had WH business at ADF
Ultra Air & said he could bring
WH business w/ him

Miami Air upset when ADA
got bus. after PanAm went down
[illegible]

Charter certif. transferred to U.A
after ADA had problems

what charter DM dealing with

NetJets
DM: NetJets Corp partners buy
shares in planes
Study on no. of civilian a/c
in Govt (1990) wanted put
together data base & doing a the
NetJets & idea between the agencies
re pooling
A GSA guy called DM
& invited DM to talk to GSA

Miami Air
Dillon

HT discussed idea w/ Brock
10. GSA called DM [illegible]
to HT or WH re HT conversation w/ G

5

HT not know about CC memo

HT Heard Sec'l memos re dept.
heard Several memos re dept

Don Vautour info re how to bill
or how to bid trip

Access. Rich had another study he
wanted HT to do — May got a
real pass

mtg in DW's office
Don't they serve at Pres's pleasure
Why not just get them

Even V's office [illegible] that HT using
CC came over felt these
[illegible] [illegible] [illegible]

Mallone
Rpt. called & said travel [illegible]
calling Mallone at Time asking ask
them to do story on CC being
cousin of BC

speed letty
Wanted speed to avoid lotty

6

theory

i Travel guys were against the firing they knew something up

no evidence of corruption just heard about it

CC said they Billy worked 3 or 4 days a week not disting betw time ? distinguish

~~Bill~~ PIC

Bob Crandall HT

[5/28 Note HT comments re CC saying incompatible Travel office [illegible] singing vaguely threatening things etc]

Harry Thomason

interview with
Harry Thomason
5/27/93

x Darnell consultant to help buy planes
— TRM
2 or 3 years ago

x consultant to Vanderbys company] → Thomason

TRM]
was consultant company
aircraft consulting co.
Cincinnati
25K in stock
not officer in

Thomason Aircraft
supplied plane
70 to 80K
8 seat airplane
moved to bigger plane
Then found/broker charter
Air Advantage Albequerque broker facilitator
~~Ae~~
paid TRM on hourly basis
15K month
paperwork / 9 charter cos.

press still flies ↙↗

* up all night

{would we
→{bid on W.H. charters

H.T.
→ NO

→ white paper
on how we were hired

→ early Feb
was DeeDee / who do we call

└ Darnell calls
→ Billy Dale

└→ not going to do business with W.H.
we like who were doing business

/ never places → lower rate

→ you're wasting your time

no combination of price + equipment
wasting time

+ never prepared a paper

+ early Feb. prepared a
memo of conversation

the [illegible] started calling
→ other names came up

→ mentioned to
→ David Watkins

→ told POTUS something wrong but I'll just tell the right people

→ Time magazine on

[illegible] asked to do project
on using UH [illegible]
as a symbol

[illegible] inauguration

→ all press correspondents dinners
→ George Condon
↳ said were going to have to stop travelling with press

JENNIFER O'CONNOR

SPECIAL ASSISTANT TO DAVID WATKINS

WHITE HOUSE MANAGEMENT REVIEW INTERVIEW

Jennifer O'Connor · 6/11/93

Title is Dep. Dir. Mgmt & Adm. - but w/out portfolio, works for David (as he requests)

Currently coordinating EOP Reference review (maybe 23-24 detailees) looking at 1) EOP administration + customer service and technology service of same 2) WHTO and OA - and a budget & management review of the WH

Transition

Was Political Director - then worked for Watkins in January, reviewing the structure and structure of the WH. They figured they'd let DW handle the travel office.

Jan 20 or so -

DW says he'll keep the travel office the way it was. CC expressed her interest in the WHTO, saying "I want to do travel." DW ~~said that the travel office employees are leaving~~ Feb 2 Bill Matt Moore to do a memo on the office. Also brought CC in for a meeting w/ the WHTO employees (after the mtg, they were confused how it worked).

JO had no involvement w/ the 2/15 memo. In March, JO heard that CC and Carla were interested in moving out of DW's office, and had a meeting w/ him about their proposal for the office (no letter). JO assumed they would move to the travel office.

DW said he'd help Carla get into Counsel's office, and would get a report for CC - taking a DW report and detailing her to the travel office.

2

End of March – DW kept CC on his payroll and put her into travel off. (temp.) CC hoped that one of employees might retire and she would get a permanent spot.

Early April.

DW gave CC a permanent spot. he wanted her to observe the office (to learn). Then recalls a subsequent meeting in DW's office – CC was in DW's office w/ [illegible] statements written to [illegible].

Mid April

JO asked CC how many people would be needed in the travel office – CC said 3. (JO was always looking at ways to trim positions – recalled CC's proposal "hypothetical." JO asked DW if there was a plan to have 3 people; DW responded by saying there would be no changes.

May 10

JO interviewed Larry Herman to pull him into the preliminary review. Discussed the ethics of having Herman as a KPMG volunteer of Todd Campbell.

May 11

(CC – getting ready to leave for Chicago Thursday)

(Upon learning concerns raised to JO and DW's version – to meet w/ her (CC thought he might bring her [illegible] to the office to answer phones) Told her later that DW wanted her to meet w/ HT. DW also asked JO to meet w/ HT to discuss WH 25% cuts (HT [illegible] clarifying a [illegible] version) JO sets up meeting w/ HT for May 12

May 12

JO had lunch w/ McLarty [illegible]

3

Confidential" — That HT has dealings w/ travel companies, and That the office has solicited kickbacks.

Later That day, JO goes to meet HT (HT Then says he can't meet because he's got a [illegible] to deal w/ w/ DW) - JO accompanies HT to DW's office (She says to HT That she understands situation). At That meeting w/ DW, HT characterizes employees as ~~[illegible]~~ "These guys are ripping us off, They're ~~[illegible]~~ and it would be a great press story, Bill Clinton cleaning up house." JO asks HT if he has evidence and he says yes.

5/13

JO meets w/ HT (in The am) to explain The 25% staff cut. HT also must leave That meeting. JO goes to DW's office - Meeting w/ VF. CC says she's met w/ The FBI and They asked good questions. Left meeting w/ no resolution other Than Things needed to move quickly. DW and VF agreed That There wasn't enough evidence (JO was very [illegible] in These meetings - only answered questions).

(VF, DW, CC, JO, Ernie

[5pm — JO is paged by Patsy Thomasson. PT asks her to get Peat Marwick's phone # and come to DW's office. When she enters DW's office, he's speaking with Larry Herman. DW asks Herman if an audit would be unusual and warranted. Herman answers DW That it wouldn't be unusual, or infact probable.] 10am.

Frank [illegible]

4/

~~[illegible]~~ [illegible]

In a ~~B~~ later mtg (attended by Jo, DW, PT and VF) DW then informs VF that a review will be conducted by Peat Marwick, as part of the National Performance Review. Tells VF that [illegible] will ~~[illegible]~~ and fire all ones in. VF agrees to plan. VF leaves the meeting. DW decides to leave to ~~[illegible]~~ catch a plane.

(note: Jo states that DW may have said that it was a bad idea to replace older employees w/ CC. Thought that CC could not run it. Thought he would look like a complete fool. She also notes that DW's instructions of the PM review were that 1) he wanted more evidence 2) needed to show them intent on moving quickly on this.

6pm. Paul Toback, Peter Siegel, Matt Moore, Patsy Thomasson and Jo meet in PT's office. PT tells them of a crisis in the Travel office (Jo already knew this) and they should expect to appear at [illegible] Friday. Jo notes that the content of their conversation is confidential.

7:30pm - Jo calls Herman to tell him that Annette (who also works on NPR) will cover for him in Friday's review. Herman has questions re: travel office file - asked if there was any wrongdoing, or irregularity, so "he'll know what it is." Jo [illegible] question.

Jo expects that [illegible] w/ CC and Carlin (they're nervous about upcoming events) Jo says to CC that she should attend Friday's morning meeting w/ PM auditors. CC says she won't because she hadn't been invited

(Note: P. Siegel [illegible] [illegible] travel office expert of NPR: [illegible] [illegible] [illegible]

5

May 14

Paul Tobash + PT

Brian Foucart, Peter Sabol, JO, Kennedy meet w/ PM auditors. PT says ~~xx~~ they and PM will review office together. Says JO and Paul will lead WH team. (note: The actual NPR is scheduled for the following week).

Paul asks questions about review plan. LH tells him how review will happen (rather informally). He also raises issue of preserving records and need for security. (Tobash and JO will be security)

BK wants updates during The course of the day so he can update The FBI.

They head to The travel office ~~where~~ PT tells Dale That This is a review, as part of an NPR. JO and Tobash stand at door. Herman speaks w/ Dale, asking general questions about books, procedures, etc. Herman has coffee w/ TC - says financial procedures aren't good - no financial controls.

- LH briefs Co. PT at noon
- BFoucart and JO lead unknowing Dale informally about management issues at PT's request. (BF writes up memo - w/ JO's editing)

3:5 pm LH briefs BK on findings
Also briefs DW and PT

May 17
DW returns to DC. He asks JO to draft a memo to McLarty giving an update on PM's review and stating That employees will be terminated.

CGEPR 0388

J O'Connor 6-11

in March
Thought SCI & cc ~~staff~~ had a
mtg w/ OV in March

TL 3-13 mtgs [illegible] pr
VF DU JD cc
JO thinks HT pressing pt

~~[illegible]~~ Argumt'n 2 wait partly to
slow down process partly to
get ev. ~~[illegible]~~

VF at 2d TL pr mtg

~~[illegible]~~ Q&A J.D. Uricks on ~~[illegible]~~
~~[illegible]~~ raises Q why 7, not just
2 who handled money

Peter Segal
Paul Tobback

* Jennifer O'Connor 6/20

Title: Deputy Director, Office of Management and Administration

* Jennifer drafted a press statement and Q+A on May 17. (At David's request) Says that Dee and Patsy changed it – it did not mention the FBI. She has no idea as to whether they were given [illegible] or George.

× She also drafted talking points for David's dismissal of employees on Wed, May 19. [illegible] and the transitional points. They were not developed for the press.

DARNELL MARTENS

PARTNER WITH HARRY THOMASON

TRM, INC.

DM

TRM 91 management Execute Jet manage (2)
A/C [illegible]
owned a jet. HT bought
Summer '89
TV [illegible]
[DM hope] TV production hopes — because first [illegible] was
forced a/c maintenance co.
piston engine
Thought a/c [illegible] piston eng
maintenance of private
DR
HT [illegible]
aware DM wanted to set up cos
work w/ cos own & operate
private a/c, also don't know how much cost to own & operate
HT wanted to [illegible] invest
Nov 91 TRM Thomas [illegible]
DM [illegible] is HT's client TV
[illegible] 1/3 only $25,000 so far
paid 50K
Exec Jet

CGEPR 0336

Co. gained at CFO's (Fund [illegible])
~~TH~~ G. gained at CFOs

In Dec 91 HT mentioned
[illegible] BC — DM never heard of
Jan '92 BC & HRC in LA & HT
intros DM mentioned campaign
doing travel
HT said go to LR to help
set up contracts ([illegible] side of
[illegible] [illegible] final side of
doing aircraft
Jan 92 → LR met w/ Buxbaum
then Back to Cincin campaign called
TRM re businesses
~~[illegible] plane~~ &
campaign call DM try pick
Right size airplane talking to charter
But felt move to bigger a/c
campaign would call & ask re
"can you get a good price?" etc.

Charging campaign fee Consulting fee
a/c bill campaign to fight
Air Advantage
March 92 Air Adv. came in as broker
DM recommended get new because Bu...
Campaign used Clinton's guy in Boston (~~[illegible]~~ Garbon) who in effect was [illegible]
to BC But Garbons [illegible] [illegible] AA & D

to AA experience [illegible])

DM [illegible] in [illegible] A/C, Charter

Air Adv + positions [illegible] find A/C

Air advocate

d [illegible] + around

DM [illegible] expertise, [illegible]

reserve & approve

[illegible] expertise [illegible] in [illegible]

Picked

Worldwide Flight

OIL

[illegible] in Charters

per leg cost) divided by # of Press

[illegible]

for FEC filings –

Expenses one + catering + ground expenses

[illegible] + ground, stocking

stairs – [illegible] put into those [illegible]

any expenses put into these costs

DM [illegible] one man show

[illegible] out of [illegible] + LA

Conn. or LA

DM [illegible] per hr / basis by AA

[illegible] / per 4 hours

flight

2 S.

[illegible] Tom [illegible] AA we [illegible] cert

contract

50 hrs Expenses One

[illegible] for [illegible] 4 wks

[illegible] AA [illegible] out [illegible]

[illegible] A/C [illegible] +

50 hr minimum

10,000/hr - 5,000

So AA would say [illegible] Cost

[illegible] $8,000/hr

4

In that $500,000, AA profit is
inside that $500,000 "TRM's" fee
covered w/ that quote

AA has to quote 2 other operators
for comparison not just E.G. Express One
campaign just see $10,000/hr.
~~Catering etc~~
A/C mileage basis Air Crew Member & Driver
catering, fuel, etc. [illegible]
[illegible] [illegible] to [illegible] gets
charged over & above the $10,000/which
from E.O.

AA → flight log & # pass on all invoices
to DNC & DNC does FEC report
& billing

Transition
Transfer [illegible] like per charter basis

9/2 9/3
DNC @ $2,500/hr 50 hr/min. July Sept 2 Sept 3

Phase 1

Post-election
DNC wanted out not want
A/C [illegible] (for Admin)

Miami

AA ExpressOne 5p

[illegible] close to AA EC Miami

B in DW told AA he'd recom—

, they be able to cont w/ VH busin
Continue w/ VH bsnss

wanted to intro AA to Wilson lawyers

they worked with McNeil Vicount

but key AA E.C. Miami, McNeil Vicount

~~[illegible] [illegible] [illegible]~~

Don't know at this pt how (after [illegible] - before [illegible]

VHTO [illegible]

After inauguration

AA ~~[illegible]~~ Montiulli

late January HT flying to DC going to VH

DW: find out who's flying private craft so I can call find out what opportunities

HT said he asked DD about it & DD said anyone can compete [illegible] this here , Ohzz

Early Feb DW calls DD

UH
DOJ thinks not [illegible] to anybody
to DOJ transfers [illegible] to BD

What's process for competing for
Charlotte (whether broker or Charlotte)
BD assuming DM calling as a
broker
Confirm new parties Charlotte to
? in DC that AA recommended
DOJ says it didn't [illegible] [illegible] [illegible]
it should be competitive
DM said operator w/ new AC
in DC would you be int'd?
BD says no.
DM -- maybe they could just
just next t[illegible]
BD no price or service pt
this could get OLS with I'm not
int'd Everybody wants UH bus. I can
just argue price point
He was almost violent, arrogant
in retort
DM let me restate -- no combination of
price [illegible] UH is int'd in hearing
about BD sight

?

DM not realize ~~[illegible]~~ using CARRIER

Alan Way
Alan Way

BUD Clinton serv[illegible] (p:0 broker) [illegible] really ~~[illegible] me~~ they can get cheaper business + I'm not int'd

DM calls PS "you can't [illegible] conversation w/ BD"

PS says [illegible] clients [illegible]
[illegible] this

PS says they (all) not int'd in [illegible] bus — only use ADA

PS referring to 5-7 carriers she uses "121" operators who aren't airlines

"121" [illegible] flying but can mkt etc
"125" [illegible] contracted [illegible] can't advertise not
open to mkt

Heard [illegible] from HA that while [illegible] Air flying press corps
[illegible] they [illegible] unusual in
① [illegible] exclusive
[illegible] loss of [illegible] charges
[illegible] — using just one operator
② [illegible] ADA [illegible] identity, BD in
[illegible] call BD [illegible] MKT MA

Continue

he made clear that he can't get WH bring some form remuneration proposed

remuneration

memo started + completed by mid-Feb.

Jerry Sepple
Info from PS no one retained?

Republican AOA
[illegible]

ex-Pan [illegible]
Air

free

DM Told by Clinton-Gore campaign re free free flights

~~at Designing Women~~

Late Feb. in LA DM ~~[illegible]~~ tells HT re BD

HT's [illegible] can't be right

ILAB His operates 1500 "corporate size"
All this is what DM said
in ESA [illegible]
this [illegible]

[illegible]

financial audit [illegible] of executive
GSA not know how to proceed they
not empowered to audit

On meets w/ BL to see how
proceed

BL- said new GSA Admin - soon
lay it out w/them

lay it out w/them

J. M. 6 14

TRM 91
A/C mang. Exec jet mang
owned a jet HT mangmt
since '89

TV production [illegible] -- [illegible]

after mtg HT & before TRM
A/C mgmt co.
Through A/C large piston eng
maint & repair.

HT knew DM wanted set up cos

world w/cos own & operate
private A/C, who don't know how
much cost to own & operate
HT wanted to invest
& DM take on TA as client
Nov 91 TRM
DM Richland is HT's agent T.
each owns 1/3 each contrib
to $50m during $25m so far
Exec Jet is client

~~AH~~ G aimed at CFOs

In Dec 91 HT mentioned BC DM never heard of

Jan '92 BC & HRC in LR & HT introd DM mentioned campaign doing travel

HT asked go to LR to help set up contracts (travel side of doing aircraft)

Jan 92 → LR met w/ Braxton When Back to Conn. campaign calling TRM re bus ~~little plane~~ & campaign call DM try pick right size airplane -- talking to charter

But Feb move to bigger a/c

campaign would call & ask re "good operator? good prices?" etc.

charging campaign fee consult fee and bill campaign for flight

March 92 Air Adv. came in as broker

DM recommended got name bec. DM used agency in Boston (Gerber) was offered to BC But agency using AA & DM not want to go around daisychain prefer to st

to AA.
DM no exper. in big air charter
Air Adv + pictures [illegible] find A
[illegible] it around
DM [illegible] [illegible], pric.

Pickel Express [illegible] in may

WJ all [illegible] pass on Charters
per leg cost divided by # of pass
for FCC filings

Expr DM + catering + ground; staffing
stairs - any expense put into those

DM [illegible] one man shop
[illegible] out of line OK + LA

DM paid per hr/basis by AA
$200 250 / per 4 hours

ey [illegible] Tom call AA we want comm
20 hrs for Expr DM 4 [illegible]
[illegible] AA would work out but [illegible]
we will do A/C crew expenses +
50 hr minimum
So AA would say eg $500 hr cost [illegible]
[illegible] flying [illegible] that say $6000/hr

In that $500m, AA profit is
inside that $500m   JRM's fee
covered w/ that

AA have to include 2 other operators
for campaign cost not just E.O.
campaign just see $10,000/hr.
~~catering etc~~
AC min [illegible] basis
catering, fuel etc acq
AA have to arrange & gets
charged over & above the $10m (which
from E.O.)

AA → flight log & # pass & all invoices
to DM & DM does FEC reports
& billing

Transport more like per charter basis

DM got $25V/hr 50 hrs/mo. July Sept 2 Sept 3
prior 1

DM wanted out not want
A/C work (for Admin)

5

Drive close to AA & U Miami

D in DM told AA he'd recom[illegible]

→, they be able to cont w/ UC busin[illegible]

wanted to notice AA (w/ which campuses they worked with McNeil Vincent but key AA & U Miami)

~~oppor to do consulting work~~

Don't know at this pt. how VHTD works

AA does m[illegible]

After inauguration

late July HT flying to DC going to VH

DM: find out who's flying press corps so I can call find out what opportunities

HT said he asked DD about it & DD said anyone can compete given the heat & buzz

Early Feb DM calls DD

CGEPR 0349

DD thinks UA not tied to anybody
~~to~~ DD transfers call to BD

What's process for competing for charters? (whether broker or charter;
BD assuming DM calling as a broker

Capital Air new airline charter co
? in DC that AA recommended
PS says ideal for DC press corps
& should be competitive

DM said operator w/ new AC in DC would you be int'd?

BD says no

DM -- maybe ~~you~~ they could just
just next thing

BD: no price or service pt I'm not
firm could get bus with
int'd. Evy wants UA bus. I can
get single price point
he was almost verbatim, [illegible]
in [illegible]

DM Let me restate -- re combin'n of price & service UA is int'd in hearing about? BD right

DM not realize using ~~[illegible]~~ CARRIER

BD (Charter Service?) A/D (broker) [illegible]

Alan ~~[illegible]~~ says tell ~~[illegible]~~ me they can get cheaper business & I'm not int'd

~~[illegible]~~ DM calls PS "you won't believe conversation" w/ BD

PS says other charters know this

PS says they not int'd in compet. bus. only use ADA

PS refers to 5-7 carriers she uses "121" operators who aren't airlines

121 more flexibil can mkt etc
125 all kind can't advertise not open to mkt

Heard 2nd hand from AA that while Miami Air flying pres corps couple things unusual in

eg ① Miami Air being used exclusively

eg lots of ferrying charges

on a 2— using just one operat

② Press to ADA being certified, BD in conf call BD Pres + VP Mkt, M.A he made clear that he can't get WH hours, some form remuneration proposed

means started + completed by mid-Feb.

Info from PS no one retained

[illegible] Kwan is Republican [illegible] ADA [illegible]
[illegible]

DM Tell McClintock-gov campaign re free flights

- Late Feb. in LA at "Designing Women" DM ~~[illegible]~~ tells HT re BD

HT's reaction -- can't be right

ILAP [illegible] operates 1500 "corporate size"
this is what DM [illegible]
All in [illegible] [illegible] [illegible] [illegible] [illegible]
this info.

~~[illegible] [illegible] [illegible]~~

financial audit ~~[illegible]~~ it accurate
GSA not know how to proceed tho
not empowered to audit

On meets w/ BL to see how
proceed

BL said new GSA Admin - soon
bring it out w/ them

June 14   w/ Darrell Martens

TRM started 11/91

c. Had known HT since ~~a year before~~ summer '89

Hal was Exec. Jet Mgt, owned a plane which Henry bought

Became good friends.

wanted to complete employment agreement then do s/t with Henry

After Meanwhile, Henry purchased an aircraft maintenance company: Thomas Aircraft C.

Company is in Aviation ~~mgy~~ Mgt.

- Then Booz - Allen

- then American Air Services - Exec Jet Mgt

HT came to know that I wanted to ~~know~~ form company:

wanted to set up consulting company which I wanted as CFO, would help comp understanding the costs $

~~Bad~~ Deal - HT would invest

Then, Henry's agent plus

Thomas - Richter - Martens

- equal partners Each committed to fifty, they've only put in 25 each

with $ from big original contract: Thomas Aircraft and

In Dec 91, Henry told me he was supporting BC

- in January, had lunch with BC, HT, Lind

- Campaign travel came up.

- HT suggests to Don go to LR & set them up financially

Late January went to meet with Bux

([illegible] [illegible], started calling for trips

②

→ HT's plans:
~~[illegible]~~ & before his time

Still using small corp. aircraft
& would try to pick right size aircraft
— talked to charter companies

By Feb, started moving to bigger planes
125's, → long term contracts, not allowed to solicit < Viscount / [illegible]
/ 727's - single charter or scheduled
would charge campaign consulting fee

March: selected Air Advantage ~~[illegible]~~ (on DM's recommendation)
→ Gordon called and offered planes
& it turned out they were using Air Advantage
& Gordon told him
Didn't have any experience with chartering big airplanes
- scheduled than for a single charter basis
DM - did financial basis - review contracts, etc.
& AA would offer choices, DM would choose right combo of price/service
& AA found equipment, etc.
Initially, in May, used [illegible] on Express One.
& [illegible], but added planes later
DM compiled per-leg cost of trips for FEC reporting
& [illegible] used for billing, etc.
& included any costs associated with moving planes.
Essentially, [illegible] contracting
Working out of Cincy or L.A. with [illegible] & Aircraft Corp.
(1 person shop)
AA included per hour charge for Darrell

③

AA would estimate cost based on:

num of 50 Flight hours → AA told to include 20/hr. in Flight costs

+ crew, maintenance, insurance ~~ACMI~~

~~[illegible]~~ Costs $10k/hour, $6k for [illegible] [illegible].

→ ~~[illegible]~~ Told AA to provide several ~~comparison~~ ~~costs~~ options → Miami Air, for example

Fuel, ground fees, catering : more

CBA arranged all of this, sent invoices to DM each day

Some ~~[illegible]~~ arrangements throughout season)

1 plane - May-July

2 planes July-

Transition

[illegible] [illegible]

contract corp. jet from Executive Jet

~~[illegible]~~

was there talk of administration?

- it was an interesting experience, ~~but~~ I wanted to go to my aviation

I had a business plan to get back to

But b/m very close to AA, Express Air, Miami Air

→ Air and I talked about it, ~~but~~ and I told them I'd recommend them highly

I assumed they had a bid process - like when we used to do with AA - AA -

Miami Air w/ [illegible] McNeil, [illegible] Express | ~~[illegible]~~ Reilly wanted to

④

– Discussions about TRM doing WH business?

For charter/WH travel, no absolutely not

(Except - will revisit)

Didn't really know what role AA ~~had~~ could do. If we can get them in the market, great.

Didn't know how travel worked at all

I just want to clean people that were there. That, we talk any week or so. But excited when he was going.

We flew last trip (on credit)

In late January, I'm asked HT if he could to find out who did it ~~letter~~

(couple of weeks later, said he called Dee Dee, reported that she thought was a bid process

1st week of Feb., called Dreds. Introd self. She said I remembered TRM. She said you need to talk to Billy Dale, and she transferred him over.

He told Billy: I'm with TRM, coordinated travel during campaign, interested competing.

He said there are a lot of people interested in process. For charter companies to compete. He assumed I was calling as a broker.

[I had just talked to AA, I knew there was a new airline in the Capitol Airways. Penny had said they would be ideal. They're new (3 biz) have new aircraft based in D.C.

Miami Air

⑤

Told Billy there is a new airline, asked if he'd be interested in seeing numbers.

No

Billy said: I can get any price you can get. Don't waste my time or yours. He said no one's seen fit to explain me. He was almost violent. Click we were ~~saying to~~ saying he

DM was taken aback: "you're telling me there is no contest of price/servic

~~Gr~~ Billy said: correct.

I was repetition because I didn't understand.

I thought he was saying that he could get great bids - he was a broker, he was viewing ~~you~~ me as broker, so unnecessary - b/c DM thought it was competition, didn't realize it was 1 airline he was using

(He said there's another guy out there in Albuquerque - (Alken way and he's always telling me ~~you~~ he can get better prices, and I don't need that.

He says: 'he can meet if you're here, but don't waste your time in flying out here.

DM calls Penny: you're not going to believe. Penny: yes I will. ~~B~~ "Everybody knows" Penny said he's not interested. He only using 1 airline in competitive bidding (5-7 companies showed), only use Airline of the Americas.

Taken aback, started developing memo in paperwork.

~~Dealt with Miami Air thing~~

learned that Miami Air did interline

⑥

o Did you hear improprieties

Heard second hand, from Air Advantages, that Miami Air & had weird experience.

L ~~[illegible]~~ Miami Air had been used as sole source when they were using them

L [illegible] when [illegible] [illegible] [illegible] - which

L Before Miami licensed, Billy Dale made it clear to Pres. and VP [illegible] of Miami Air that some sort of renumeration would be required to keep business. Miami Air decided not to fly with any further.

Memo started and completed by mid-February.

o In memo, you refer to ~~[illegible]~~ possibility of TRM getting WH business?

L [illegible] [illegible] [illegible]

It was a memo to myself. ~~D~~ I know what I was talking about, which was to end at bidding process

• What was in it for TRM?

nothing

would you have continued working?

not on this ~~bid~~ bid

other projects, yes.

I was trying to bring closure to this matter that seemed like a big deal. I wanted to see if RD could get business. Certainly some business could will.

• How did you know what you learned?

L no retainers, just learned from Terry, others

L A.A came up during campaign about complaint

was told A.A was GOP firm, but knew that Pan Am officials [illegible]

L Pan Am has been a GOP issue for years, big biz.

L was told about alleged FEC violations by campaign

L campaign called for background — A.A

Before picking Express One, Dan flew to Indy to see American Trans Air

L marketing people liked our proposal

— Dan looked at 5 operators, liked American Trans Air best, wrote proposal to use them. Didn't get a proposal, sent plane to pick up.

L proposal is hundreds of thousands more, so he shifted his proposal to

Call ATA to ask what happened - concerned that Dan would drop off ATA from DC

Other than you, anybody talk to Harry? Who you know of?

L Doesn't know, but assumes they [illegible] the case.

After memo, spoke with Harry next time in L.A. 3rd or 4th week of Feb

L Saw him on set of Designing Women

L They talked about it, told him they didn't find the tape.

L had told AA forget it

He's surprised. I almost felt like he didn't believe me.

~~[illegible]~~ L Time to talk [illegible] slow down

Set ~~Date~~ Mtg. of Jack Kelly on 5/12 [illegible] at 5:30
(very helpful.

Afterwards, went over to WH to meet with Henry.

(At which point he said let's go to talk to David. wanted him to relay Dick con[illegible]
[illegible].

(~~[illegible]~~ Talked just about conversation – not other names
– Catherine was also there.

H.L. lunch, and I left.

After Firing, HT asked who ~~—~~ should help with Charter. he recommended Tom.

After campaign, did not do anything with AA.
(Penny comes in, for MWExpress. → DM not at all involved, except
after Penny to help.

went to East wing after Henry called from Fla.
Met long until 7p, went over to Dan Dick office.
(went through names.
left Dan Dick's office
(as left, GS grabbed for background with Koppel.
Talked to some others. split for England. (wasn't helping with story)
(AP took home [illegible].

⑩

Henry A asked for copy.

(on the 11th-ish

(before you came

(maybe the 10th

Darrell - Follow up, 6/23

- Did you tell Harry [illegible] ~~[illegible]~~ cold calls, etc
  could then his own [illegible] to watch
  [Really just recorded conversation
  . . only about 90%

Talked to
- Sam [illegible]
  - memo

→ not sure he knew it until 5/10
→ maybe in March
- maybe recorded

→ Every month, First week or so

- saw each other in TRM's

- Thomas [illegible] office in L.A

(conversation
[illegible] [illegible] this
(they never came back to me with Harry
→ Conversation he asked what was -
→ he almost felt like
"you must not have presented it right"] this was with Harry
('this just doesn't make sense')

x kept telling him . [illegible] b/c its about press money, or they act
that way
L [illegible] in Fla thru GTRs , there's got money also
can we do him respectability

Why isn't "it" con

2 diff. dates?
L May 12 → there to meet w/ Jack Kelly
|
come back on Friday , 5/19
Was going to be there to meet w/ Hillary to go over things with him
- L.A. staff had told him he was here
L Billy Ferguson told him

Following Tues.

Darnell Masters 6/25

NV docs
Happy to set up meeting w/
P3
not looking for consulting

JEFF ELLER

DIRECTOR OF MEDIA AFFAIRS

THE WHITE HOUSE

Eller Interview
DCH Notes
6/2/93

John Podesta opened with explanation that this interview is for the purposes of a *management review*, not an investigation. He noted that while the FBI may call upon Jeff for their investigation, that is not the purpose of the current interview.

John then asked about Jeff's role during the transition and about his current role in media affairs. Jeff explained that he spent a day in the WH during transition, discussion press operations with Shawn Walsh of the Bush Press Office. They did not discuss the Travel Office, except for passing mention when Jeff was given a tour.

Jeff said his current role is in the office of media relations, which is responsible for dealing with all press outside of the White House press corps. His responsibilities during travel include managing interviews with local press outlets. Jeff does not have responsibility for travel arrangements for WH press.

John asked ~~when~~ Jeff next heard about the WHTO. Jeff said he heard "bits and pieces" about the office from Catherine Cornelius during the spring. He said he advised her that if "they" were going to make significant changes at the office, then "they" should involve someone from communications early on, since this would be a serious move as far as the press is concerned.

Jeff added that he did not see Catherine's memo on reorganization until it broke in the press. He said he first heard about possible improprieties and changes at the office was late April or early May, from Catherine. He indicated that he was not involved in and knew little from Catherine's move to the Travel Office.

John asked if Catherine told her anything about the office. Jeff responded that she mentioned "inefficiencies," and he deduced that there were problems. When asked what she had done to follow up on Jeff's suggestion that someone from communications be involved in this process, Jeff said Catherine asked Jeff to play this role REDACTED

Jeff described his next significant involvement as occurring the Wednesday or Thursday before the Travel Office story became public [5/12 or 5/13]. On that day, Jeff was called by "Harry or Catherine" and told they "wanted to move forward" on the Travel Office Jeff walked over to the East Wing office used by Harry to discuss the matter During the meeting, Harry recounted Darrel Martens' conversation with Billy Dale After about 10 minutes of discussion, the three walked over to David Watkins' office

The meeting with David also included Patsy Thomason and possibly Matt Moore or Brian Fouquart. At this meeting, Jeff recommended taking action as soon as possible. Jeff says he was concerned that action should be taken before any representatives from the WH travel office left on the pre-advance to Tokyo Further, he said he understood from Catherine that she believe staff at the WHTO knew action was imminent If this was true, Jeff suggested, then action should be taken before the Travel Office employees had time to market the story to the press with their spin. Jeff says he had spoken with Dee Dee and George and recommended pre-briefing press with the wires, the Post, and George Condon of the Correspondents Association. Jeff reports that George had told him if the WHTO staff really did something wrong, we should take action. Jeff says he specifically recommended to the group meeting with David that the employees be sent a very simple letter, without mentioning the FBI, etc.

At this point in the interview with Jeff, Mark Gearan asked about Jeff's knowledge of FBI involvement at this point. Jeff said he thought he had been told that there was some level of involvement.

Jeff said that it was after the meeting with David that "tempers got hot". On Friday, he met with Mack, Ricki and Vince to discuss the subject. [Jeff later noted that Ricki was present coincidentally, and that he could not remember having discussed the issue her on another occasion.] At this meeting, Jeff again recommended that if action was imminent, it should be taken soon so the WHTO staff couldn't set the spin for the action.

Jeff does not remember any action over the weekend. He says David faxed him draft talking points and the Martens memo in California.

Gearan asked Eller if the Friday meeting had led to closure to take this action. Jeff responded no, the meeting had been open-ended.

On Tuesday morning, Jeff shared the memo and talking points with Dee Dee and Dreyer. Dreyer had no real reaction, but Dee Dee seemed to think it would be a big deal. Jeff and Dee Dee spoke again about a pre-briefing plan. Jeff says Dee Dee was uncomfortable about including the wires, so they decided to meet with Condon and Al Kamen. Jeff said their intent was to make this into a column note rather than a full-blown story.

On Tuesday night, David called Jeff and told him he planned to proceed with dismissals on Wednesday.

On Wednesday, Jeff scheduled and did pre-briefs with Kamen and Condon. Then "all hell broke loose"

Jeff said it was at this point that Devroy started pushing the Eller-Cornelius relationship. George and Dee Dee recommended Jeff drop out of the issue, and as of Thursday morning, he ended his involvement.

At this point in the interview, John asked if Jeff recalled whether the talking points had included mention of the FBI investigation.

Jeff responded that David had brought him a new version on Wednesday morning which did mention the FBI. [Jeff is not certain whether or not the draft faxed to him in San Diego included an

Eller Interview
DCH Notes
6/2/93
Page 3

FBI reference.} David returned to see Jeff later on Wednesday morning and told Jeff to delete Eller mention of the FBI. Jeff later spoke with Dee Dee and mentioned the change. Dee Dee said David had not told her of the change. As of their conversation, Dee Dee had already confirmed for a reporter the fact that the FBI was involved–working from the earlier talking points.

At this point in the interview, Todd asked Jeff if there was ever discussion of who would handle travel once the WHTO employees were dismissed. Jeff responded that his understanding from Catherine had been that Worldwide would handle commercial travel for staff, and that she would handle press charters.

Todd asked if Jeff was aware of TRM's role in seeking the change at WHTO. Jeff said he knew nothing about TRM until Harry conveyed Martens' conversation in their initial East Wing meeting. Jeff said he had asked Harry during the East Wing meeting if he was interested in the business, and Harry said no, he wasn't, it wasn't much money and it was too close and wouldn't seem right.

John asked Jeff if he knew how the Vice President's Performance Review had been brought into this. Jeff says he did not know. Jeff said he saw the mention of the Performance Review in the talking points and should have called Marla at the time. Jeff said it has since been made clear that there was no connection between the WHTO and the Performance Review.

John asked if Jeff has any knowledge of any other Martens proposals currently circulating. Jeff responded that he does not.

John asked if Jeff lives with Catherine. Jeff responded that no he does not. John asked if Jeff knew if she took any documents home with her. Jeff responded that Catherine mentioned to him that she was working at home, but he did not know what that he detailed. Jeff said he lived with another woman until mention of his relationship with Catherine appeared in the paper. Jeff said there were times when Catherine was saying very little to him, and that people "probably think I know a lot more than I do" about the WHTO.

John asked if the involvement of Worldwide had raised any sense of caution. Jeff responded "No. I didn't know then what I know now." Jeff said he does not know Penny Sample and had not worked with Air Advantage.

Jeff said he had not talked with Ricki about this, except during the Friday meeting with Mack. He said that Ricki "just happened to be there when I met with Mack".

John asked if Jeff had heard rumors about WHTO staff owning race horses, mansions, etc. Jeff responded that he had heard the rumors, but no evidence. He said he heard these rumors from "inside", but not before the week the employees we dismissed. Mark asked: you didn't know before they were fired? To which Jeff responded, not before that week. Mark asked: so why move to dismiss them, because they were bad people? Jeff said that he was under the impression that there might be wrong doing.

Eller Interview
DCH Notes
6/2/93
Page 4

Todd asked if Jeff knew why Harry was pressing the issue. Jeff said he didn't know. Jeff added that Harry agreed that it was important to act quickly so the WHTO employees couldn't act to prevent our message from getting out.

Todd asked if Jeff knew of anyone else involved in this; Jeff said no. Jeff said he threw away all documents on this on the Thursday he removed himself from the issue. He said he didn't think he had any e-mail on the subject. He said he might have a draft of the talking points on his hard drive, and he would check and see.

Todd asked if he had ever discussed the matter with Bruce. Jeff said he might have, since he was on the trip to California. He couldn't recall giving Bruce any paper on the subject.

Sam 2 With Clea WHTO

Adams - mgt review

- not an investigation

What is your job function?

JC - no direct involvement w/ mail.

- except when reporter will meet w/ us

~~[illegible] [illegible] day sheet~~

~~[illegible]~~ JP where is media officer

- dealing with [illegible] press corps

- the ~~[illegible]~~ with a "duty officer"

- visit dealing

JP Did you

JC Nora and Shawn with me: Press operations

Going through general Answers

1st or 2d

JP Travel office come up?

JC Only when we passed it.

JP More questions later?

JC No more on travel

when not involved

JC Heard rumors and pieces from Catherine.

Told her if there were going to be changes. involve ppl from press or office

JE - Didn't see memo until it broke.

- was late April - early May to [illegible] [illegible] to Catherine
- not involved when when Catherine went to Travel office

SP - Did she tell you anything about

TODD - what did

JE I believed there were problems

she said inefficiencies

x She took me up on suggestion of press office person be involved, especially me.

week or more.
~~Forty or [illegible]~~ before this went down, Harry or Catherine called and said they wanted to move forward.

- Harry Tells of Martens conversation & common knowledge in charter biz
- Spent 10 mins, then walked over to mtg. w/
- Recommend doing it ASAP because travel office people were leaving on press charter to Tokyo
  - Catherine said she believed the guys knew s/t was going to happen. If I

I told them to send a very simple letter

- I had talked to Dee Dee, -- what I recommended that we do wires, Post, Geo Condon. I said to very simple, don't mention FBI

'Geo said if [illegible]
[illegible] got [illegible]

- MDG You knew of FBI?

JE I had been told, I believe. That's when temper got leaked.

Friday, met with Mark, Rikki, Vince. I said if we're going to go, the [illegible] [illegible] [illegible] work. is against us.

(~~[illegible] was there clause on~~
~~[illegible]~~)

JE: David Faxed ~~memo~~ T.P. to me in Calif

NDG: was there clause at Friday mtg to do that?

JE: No...

S. Watkins Faxed me Markman Memo and talking pts. on Monday
Showed it to Dee Dee & David on flight to L.A. Tuesday

JP: Their reaction?

JE: DD thought it would be big. Uncertain how it would break. Talked again about pre-briefing. Decided to meet with Carlos & Karen.
~~[illegible] try to note~~ (T.

- Tues night, David calls, tells him they're going with it on
- Wed a.m., JE calls Karen/Carlos to brief
- Briefs on Wed am
- Then all hell broke loose.

- Wed afternoon. did another brief with Dick, Larry Herman, Pat [illegible]
- From that point on, I was done.
- Danny started pushing. Geo. & DD removed I stay out of it.

JP: Do you recall ~~[illegible]~~ T.P. having FBI in them?

JE: Yes.

Wed a.m. David brought me new version (Doesn't remember if FBI in ~~[illegible]~~ S.D. version)
He came back ~~[illegible]~~ later and said scratch FBI part.
~~Self~~ ~~David~~ Spoke with DD about David taking out FBI TPs.

Todd Did you talk with Pizzi about this?

~~B~~ JE Just happen to be there when I met with Nick

JP There was stuff about race horses etc. Did you hear those rumors?

JE Yes

JP Any evidence?

JE No

Todd From where, inside or out?

JE inside

MDG You didn't know before they were fired?

JE not before that week.

o so why now

~~was there pressure to make money~~

Good potential for very big

Todd What was Harry's hurry?

JE Don't really know. He agreed with me that

TS Anybody else involved that you know of

JE no

~~TS~~ JP Did you keep any docs?

JE Threw them away.

~~Maybe~~

Todd Any ~~[illegible]~~ = ~~[illegible]~~ e-mail

JE No...

Td Any connection with Bruce ... give him anything ... like Martens memo ?

JE Maybe ... he was on trip

JE 6.2

media matters no direct involv w/ formal ~~press~~ office

Dec 92 met w/ Bush press office Sen –
[illegible] Democrat. [illegible] Smith (MA)
Tr.' office not come up w/ [illegible]
than I see it

Jan. 18 Came to WH to do work

JE heard both pieces from CC
heard changes possible – JE advised
to get press advice

JE not see Feb 15 memo not
know of it – heard of memo at
time when broke in press

Late April during mtg CC
indicated may be changes
not involved when CC went to
work in T O

CC said insufficient reduced
possibility of bigger probs.
Then on Wed before the Wed of
(firings) CC or HT called &
asked him w/ [illegible] together [illegible]

talk .. ~~we're going to~~ things
going to start happen
HT's TV hideaway

so you HT's & W hideaway
HT tells JE re conversation
BD had w/ DM   HT said came
10 min there then
→ to DW's office
w/ Brian F two JE
either W or Th → if do it
do it that day bec for T.O.
guys going on [illegible]
to Taylor

CC said she thought
TO guys knew something's
happen & JE figured ~~before~~ they
start working against it
JE ~~said~~ background brfg
told RS & DD   w/ wires & Post
HT wanted to push it
GS said if something really wrong
get rid of them
Friday mtg RS VF JE mtg
JE recommend to move quickly

DW calls JE in San Diego
Mon. May 17 to read fax [illegible]
[illegible]
(not clear closure on 5-14 re fire.)
JE 1st saw DM memo the
in SD w/ JP -- shared it w/ DD. D Ryan
JE never saw DW memo to
Mack

too -- on plane SD → LA Tues. a.m.

DD thought it'd be a story
not clear which way breaking
talked to both Wires Post George Condon
DD + JE decided a just tell
to Akerman + Condon

Tues 5 18 flying back from LA
DW calls on plane + says do it
tomorrow
JE calls LeCard + Akerman
Wed morning
Wed ~~[illegible]~~ pm x 0's JE DD & DW background
briefing LH & L Woman (PM)

Then JE [illegible] pretty ......

Orig. TPs had FBI references in them DW & brought new TPs Wed. am w/ FBI ref. in these DW [illegible] came back & said lawyers want to scrap FBI ref. but DD had confirmed FBI to AP -- before press briefing

Plan was Vorll Mike would handle. [illegible] staff ~~on~~ travel & then put out ~~to~~ brief CC to handle press

At EU mtg JE asked HT if going to brief & HT said didn't want it & wouldn't be appropriate

~~Heard~~ CC worry at home, but not know what

JE not 1. on w/ CC; 1 [illegible] w/someone else

* heard rumors of racehouses etc when stories broke no evidence

may have talked to Bi
given him a copy of Dim pr.

HARRY THOMASON

DARNELL MARTENS

WHITE HOUSE PASSES

14[illegible]

THE WHITE HOUSE
WASHINGTON

May 12, 1993

TO: FBI, LIAISON

FROM: BERNARD W. NUSSBAUM

SUBJECT: FBI INVESTIGATIONS

SUBJECTS NAME MARTENS,DARNELL HILBERT SS# 264-11-4278

DATE OF BIRTH 6-3-53 PLACE OF BIRTH IDA GROVE, IA

PRESENT ADDRESS 713 EAGLEVIEW CT., MASON, OH 45040

WE REQUEST:
- ___ Copy of Previous Report
- _X_ Name Check
- ___ Expanded Name Check
- ___ Full Field Investigation: Level I___Level II___Level III_
- ___ Limited Update
- ___ Other

The person named above is being considered for:
- _X_ White House Staff Postion
- ___ Presidential Appointment
- ___ ______________

Attachments:
- ___ SF 86
- ___ SF 87, Fingerprint Card
- ___ SF 86, Supplement

Remarks/Special Instructions:

14615

FORWARD TO ROOM 6, OEOB

THE WHITE HOUSE OFFICE
SUPPLEMENTAL INFORMATION SHEET
FOR PERSONNEL ACTION
(TO BE ATTACHED TO FORM WHP-1)

CGE 002930

5/12/93
Date

PERSONAL INFORMATION

Name (Mr., Miss, Mrs., Ms.) MARTENS (Last) DARNELL (First) HILBERT (Middle) (Maiden) Birth Date 6-3-53

Local Address 713 Eagleview Ct Birth Place Ida Grove IA

Mason, OH 45040 SSN 264-11-4278

Last Perm. Address

Tel. No. 513-398-3617 513-871-5410 (Office) Emergency G. Martens (Name) 513-779-2259 (Tel. No.)

Marital Status: ☐ Single ☒ Married ☐ Widowed ☐ Separated ☐ Divorced

Name of Spouse Linda M. Martens

ASSIGNMENT

Office of Administration

Reporting to Harry Thomason/David Watkins Ext. 2957 Room

Status: ☐ White House Employee ☐ Detailee ☒ Volunteer ☐ SBA (Contact)

☐ Other

Desired Effective Date Ending Date

PRIOR EMPLOYMENT DATA

Military Service: ☒ No ☐ Yes Branch Date of Service

Prior Federal Govt. Service as Civilian: ☒ No ☐ Yes Ending Date

Current or Last Place of Govt. Service or [✓ Civilian] Employment: Harry Thomason & Assoc. (Name)

4536 Airport Road Cincinnati, OH (Address) 513-871-5410 (Tel. No.)

Personnel Contact In Current/Last Govt. Agency N/A (Name) (Tel. No.)

Prior W. H. Service: ☒ None ☐ Employee ☐ Volunteer ☐ SBA

ACCESS/PASS

TO BE COMPLETED BY REQUESTING OFFICIAL

[ ] WH Access List ☒ WH Pass Vol.

Signature of Requesting Official

[ ] EOB Access List ☐ EOB Pass

Signature of Approving Official

☐ Volunteer Pass

VOLUNTEERS

TO BE COMPLETED BY VOLUNTEER

I acknowledge that the personnel data above is correct and that I am volunteering my services without compensation or promise of such.

Signature of Volunteer Date

FOR USE BY WHITE HOUSE PERSONNEL OFFICE ONLY:

Preliminary copy to Security ____ Date

Approved copy to Security ____ Date

WHP-2(3/87)

[illegible]
MAR 23 1993

FORWARD TO ROOM 8, OEOB

14616

THE WHITE HOUSE OFFICE
SUPPLEMENTAL INFORMATION SHEET FOR PERSONNEL ACTION

(TO BE ATTACHED TO FORM WHP-1)

Date: 3/10/93

PERSONAL INFORMATION

Name (Mr., Mrs., Ms., Miss) Thomason (Last) Harry (First) Z (Middle) (Maiden) Birth Date 11/28/40
Local Address
Birth Place Hampton, Arkansas
SSN 431-74-0584
Last Perm. Address 4908 Noeline
Encino, CA 91436
Tel. No. 818-906-1332 818-760-5779 (Office) Emergency Danny Thomason (Name) 501-227-4589 (Tel. No.)
Marital Status: ☐ Single ☒ Married ☐ Widowed ☐ Separated ☐ Divorced
Name of Spouse Linda Bloodworth-Thomason

ASSIGNMENT

Office of President
Reporting to President Ext. Room
Status: ☐ White House Employee ☐ Detailee ☒ Volunteer ☐ SBA (Contact)
☐ Other
Desired Effective Date Ending Date

PRIOR EMPLOYMENT DATA

Military Service: ☒ No ☐ Yes Branch (Date of Service)
Prior Federal Govt. Service as Civilian: ☒ No ☐ Yes Ending Date
Current or Last Place of Govt. Service or Civilian Employment: (Name)
(Address) (Tel. No.)
Personnel Contact in Current/Last Govt. Agency (Name) (Tel. No.)
Prior W. H. Service: ☒ None ☐ Employee ☐ Volunteer ☐ SBA

ACCESS PASS

TO BE COMPLETED BY REQUESTING OFFICIAL
☐ WH Access List ☒ WH Pass
☐ EOB Access List ☐ EOB Pass
☐ Volunteer Pass
Signature of Requesting Official
Signature of Approving Official

VOLUNTEERS

TO BE COMPLETED BY VOLUNTEER

I acknowledge that the personnel data above is correct and that I am volunteering my services without compensation or promise of such.

Harry Thomason (Signature of Volunteer) March 22, 1993 (Date)

FOR USE BY WHITE HOUSE PERSONNEL OFFICE ONLY: WHP-1(2/87)
Preliminary copy to Security (date) Approved copy to Security (date)

RUSH - ASAP

THE WHITE HOUSE
WASHINGTON

COPY
14616

March 23, 1993

TO: TECHNICAL SECURITY DIVISION
U.S. SECRET SERVICE

SUJECT: REQUEST FOR PASS

NAME: Thomason, Harry Z.
(LAST) (FIRST) (MIDDLE)

TITLE AND OFFICE Office of the President

Immediate Supervisor's
Title and Name President Clinton

Location (Room No.) ______ Tel. Ext. 2345

Type of Security Clearance:

FBI (a) Completed NC WORKING & NCIC CCH ID WALES Completed
(b) Other ______
(c) Waived ______

Type of Pass:

______ Temporary Executive Office 30 Da.____ 60 Da.____ 90 Da.____
______ Permanent Executive Office
X Temporary White House 30 Da.____ 60 Da.____ 90 Da. X
______ Other: ______

APPROVED BY: ______
Craig Livingstone
Assistant to the Counsel to
the President (Security)

14617

THE WHITE HOUSE

WASHINGTON

MAR 2 4 1993

March 23, 1993

TO: FBI, LIAISON

FROM: BERNARD W. NUSSBAUM

SUBJECT: FBI INVESTIGATIONS

SUBJECTS NAME Thomason, Harry Z. SS# 431-74-0584

DATE OF BIRTH 11-28-40 PLACE OF BIRTH Hampton, AR

PRESENT ADDRESS 4908 Noeline Encino, CA 91436

WE REQUEST:
- _____ Copy of Previous Report
- _X_ Name Check
- _____ Expanded Name Check
- _____ Full Field Investigation: Level I___ Level II___ Level III___
- _____ Limited Update
- _____ Other

The person named above is being considered for:
- _____ White House Staff Postion
- _____ Presidential Appointment
- _X_ Access

Attachments:
- _____ SF 86
- _____ SF 87, Fingerprint Card
- _____ SF 86, Supplement

Remarks/Special Instructions:

CGE 002932

CENTRAL FILES AT FBI HEADQUARTERS AND THE FILES OF THE IDENTIFICATION DIVISION AND APPROPRIATE COMPUTER DATA BASES CONTAIN NO IDENTIFIABLE INFORMATION

APR 0 5 1993

THE WHITE HOUSE
WASHINGTON

14626

MEMO TO: CRAIG LIVINGSTONE

FROM: LISA WETZL
STAFF ASSISTANT

DATE: MARCH 8, 1994

RE: PASS STATUS OF INDIVIDUALS

Per your request, I have checked into the pass status of Harry Thomason, Darnell Martens, and Markie Post.

According to our files and those of USSS/TSD, the following information is accurate:

Harry Thomason was issued a Temp. White House Staff badge on March 23, 1993. It was rendered inactive by USSS/TSD on September 14, 1993 per a telephone request from myself. The pass itself has never been returned.

Darnell Martens was issued a Temp. White House Volunteer badge on May 12, 1993. The pass expired and became inactive on August 12, 1993. The pass itself has never been returned.

Markie Post was never issued a hard badge.

E ✓

White House Travel Office
(966604)

B. Homan
3-11-94
B-17

Record of Interview with Craig Livingstone, The White House

Date: March 10, 1994

Participants:

GAO:
John Baldwin, Assistant Director
Bob Homan, Evaluator

The White House:
Neil Eggleston, Associate Counsel to the President
D. Craig Livingstone, Director, Personnel Security

We arranged this interview to discuss the White House access passes that were provided to Harry Thomason and Darnell Martens, and to discuss Craig Livingstone's involvement in securing the travel office after the employees were fired. Neil Eggleston provided us with documents supporting the passes that were granted to Mr. Thomason and Mr. Martens, which we discussed with Mr. Livingstone. Mr. Eggleston said those documents would be sent to our NEOB site.

The documents provided indicate that Mr. Thomason was granted a 90-day White House access pass as a volunteer reporting to the President. Clarissa Cerda signed Mr. Thomason's access form (dated 3/10/93) for the Office of Management and Administration, which sent it to the Counsel's office to determine the applicant's status, such as volunteer. Other status designations include detailee, special government employee, White House Fellow, contractor, or other government agency. (However, Mr.

Eggleston said that we cannot conclude that on the basis of the access pass form that the Counsel's office determined that Mr. Thomason was not a special government employee. Mr. Eggleston said that he does not know if White House Counsel determined whether Mr. Thomason was a special government employee.)

When Mr. Livingstone received Mr. Thomason's access form on March 23, 1993, he went to the Office of Management and Administration to ask why Mr. Thomason needed a pass. The form indicated that the President requested that Mr. Thomason be given a pass--a request Mr. Livingstone said was "unheard of." Mr. Livingstone first asked Ms. Cerda why Mr. Thomason needed a pass, but she didn't know. Mr. Livingstone then asked Ms. Cerda's boss, Mr. Watkins, who did not give him a reason but said that Mr. Thomason needed a pass. Mr. Livingstone said that Mr. Watkins did not need to provide a reason by virtue of his position.

Mr. Livingstone said that he had heard that Mr. Thomason was working on the Second Floor in the East Wing of the White House on inaugural business (paying bills). Mr. Thomason was co-director of the Inaugural Committee. Through the course of time, Mr. Livingstone confirmed that Mr. Thomason was working on the inauguration. He said that Mr. Thomason worked for about 1 month on the inauguration after he got his pass.

Mr. Thomason's pass was automatically renewed after the initial 90-day period. The renewal was a "clerical error." A computer renews the passes automatically unless names are removed. Mr. Livingstone never received a memo instructing him to remove Mr. Thomason's name from the pass list. Mr. Thomason's name was not removed from the pass list until August or September. When Mr. Livingstone discovered that Mr. Thomason was still on the pass list, he contacted the Counsel's office, which said "of course take him off." Mr. Thomason does not have a pass today.

Mr. Thomason's background was checked by the FBI and Secret Service.

Mr. Livingstone never attended any meetings with Mr. Thomason or received any memoranda on Mr. Thomason's duties.

When Mr. Livingstone received an application for a White House access pass for Darnell Martens, dated May 12, 1993, Mr. Livingstone did not understand why he should have one. The form indicated that Mr. Martens would be reporting to "Harry Thomason/Darnell Martens." Mr. Livingstone talked to Mr. Watkins about it, who said that Mr. Martens was helping Mr. Thomason. Mr. Livingstone and Mr. Watkins agreed that Mr. Martens' pass (also a 90-day pass) should be changed to one provided to volunteers.

Mr. Livingstone knew Mr. Thomason because they both worked on the Clinton campaign and on the inauguration. Mr. Livingstone did not know Mr. Martens. Mr. Livingstone does not know if Mr. Martens shared an office in the White House with Mr. Thomason. Mr. Thomason had a secretary with him. Mr. Thomason was not provided with any White House personnel support, to Mr. Livingstone's knowledge. Mr. Livingstone does not know what Mr. Martens was doing in the White House other than he was helping Mr. Thomason. Mr. Livingstone does not know if Mr. Thomason was determined to be a special government employee. Inaugural employees were not sworn in and did not have appointments to their jobs.

Mr. Thomason's and Mr. Martens's blue passes were good for anywhere in the White House except the residence. Mr. Thomason could have asked for a residence pass, which would have given the same access as the blue pass, plus the White House residence.

One form contained with Mr. Martens' application, dated May 12, 1993, indicates that Mr. Martens was being considered for a White House staff position. However, Mr. Livingstone said that the wrong line was checked, and that the other forms show that Mr. Martens was only being considered as a volunteer. On July 26, 1993, Mr. Martens' pass was automatically extended until August or September.

Mr. Thomason's paperwork indicated that he needed access to the Old Executive Office Building, the White House Mess, the second floor of the East Wing, the Roosevelt Room, and Rahm Emanuel's (Inaugural Director's) office.

On May 19, 1993, Brian Foucart called Mr. Livingstone about changing the locks for the travel office. Mr. Livingstone gave Mr. Foucart the telephone number for the Secret Service's Technical Security Division, which handles locks in the White House complex.

On May 19, the travel office employees were given an opportunity to gather their personal possessions. Mr. Livingstone was in the travel office on May 19 for a couple of hours around mid-day to early afternoon to make sure that no one took anything official out. Mr. Livingstone called Terry Goode, the head of records management in the White House, to help determine what items were official. Mr. Livingstone said that he kept some of the things that the employees wanted to take, but does not remember what they were or who was involved other than a couple of employees wanted to take their timesheets and documents showing their reimbursements on foreign trips. The employees signed some forms showing that the White House was retaining some items that they wanted to keep.

The employees' removal was not done in a way to show that they were being fired. They were not escorted out with uniformed officers. Mr. Livingstone does not know if the employees were walked out of the complex. Mr. Livingstone tried to be courteous to them.

Mr. Watkins asked Mr. Livingstone to put the employees on "restricted access" to the building, which gave them clearance to certain offices in the building by having the guard call Mr. Livingstone, for instance, to go to an office to obtain retirement papers. Mr. Livingstone does not know how long this access was in effect.

When occupants of White House offices leave, locks are routinely changed.

Mr. Livingstone opened the travel office file room for the FBI. Mr. Livingstone, Mr. Foucart, and the Secret Service had keys to the file room. Ms. Cornelius did not. Mr. Livingstone may have opened the file room for the former travel office employees to remove personal effects, such as a baseball glove. Mr. Livingstone does not remember opening the file room for Ms. Cornelius, World Wide Travel, or Penny Sample.

American Airlines called Mr. Livingstone's office one day to ask how the get things out of the Old Executive Office Building. He referred the airline to the Secret Service and GSA. Mr. Livingstone remembers some equipment was taped and sealed in the travel office for some time. Mr. Livingstone's office is two doors down from the travel office.

MARTENS MEMO

CONFIDENTIAL

WHITE HOUSE PRESS CHARTERS

THE PROPOSAL

Dee Dee Myers stated to both Harry Thomason (personally) and Darnell Martens (by phone) that the White House was not tied to any particular charter operator and that based on that assumption she saw no reason why Thomason, Richland & Martens, Inc. (TRM) should not be able to compete for the White House Press Corps charter business.

Dee Dee Myers was kind enough to place Darnell Martens of TRM in contact with Billy R. Dale, Director of the White House Travel Services Department.

THE PHONE CALL

Mr. Dale informed Mr. Martens that there was no possible combination of price/service under which TRM could earn the White House business and to not waste his time discussing the matter.

Note that TRM was not informed that it would be "difficult" or that there was only a "slim" chance of earning the business...but that there was "no chance" of earning the business.

Dale informed TRM that there was no price point that he could not get (but specifically declined to disclose at what price he obtains aircraft) or an operator that he has not already contacted. Therefore, what could TRM do that he could not?

Certainly a fair question *(however, Dale offered the question rhetorically --not in an effort to discuss the matter).*

Martens informed Dale that TRM purchases a much higher volume of charter hours than the White House does and that the buying power could be combined with the White House business to lower the cost from particular vendors to the Press Corps. Further, Martens informed Dale that TRM is aware of at least one operator that has aircraft based in Washington, has aircraft superior to those currently being used and could be obtained at a rate comparable and probably lower than that currently being paid by the Press Corps.

Martens again asked Dale that based on the above described possibility of a price/service combination that is superior to the current operation, wouldn't just a simple meeting be in order?

Again, Dale informed Martens that there was no possibility of gaining the White House business. "I have been here 31 years and no one has seen fit to replace me with a commercial operation yet. So until they do, I will continue to handle this without your help. However, if you are ever in Washington, I would be happy to meet you but do not bother making a special visit because you will not get the business."

Martens ended the conversation by "accepting" Dale's offer for a meeting at a future date.

RESEARCH INFORMATION

TRM has learned that, contrary to Dee Dee Myers understanding, the White House Press Corps has been flown on a virtually exclusive basis by Pan Am and then "Son of Pan Am" known as Airline of the Americas (AOA) - a charter operation made up of ex-Pan Am executives using ex-Pan Am aircraft. (AOA is now also doing business under the name of Ultra Air.)

In the brief period between Pan Am's bankruptcy and Airline of the Americas certification, the first half of 1992, other operators were used.

Also, the White House uses American Trans Air for international press travel. ATA has long-range aircraft that AOA does not operate.

Airline of the Americas is a Republican-operated charter airline. The company ran into controversy during the presidential campaign when it provided press transportation without chargebacks to the press in order to insure good press coverage of Bush campaign appearances.

AOA wanted the flights to be considered a contribution but this was denied by the FEC/DOT subsequent to a complaint initiated by David Buxbaum of the Clinton/Gore '92 Committee. The uncompensated flights were discontinued to the satisfaction of the concerned government agencies.

This activity by AOA does, however, indicate a decidedly anti-Clinton philosophy which seems, on the surface, to be inconsistent with the current Administration. Further, this activity had to have been operated with the full knowledge and cooperation of the White House Travel Services Department since all flights dealt with following President Bush.

This could also explain, what TRM considers to be, the almost violent reaction by the White House Travel Services Department regarding the possibility of someone else coming in to operate the White House Press Charters. This begins to fall loosely under the heading of: "Methinks thou dost protest too much."

Likewise, American Trans Air had been contacted by Darnell Martens of TRM representing the Clinton For President Committee (CFPC) in April and May of last year. They informed Martens point blank that they had a limited relationship with the White House and that limited business with Bush was better than no business with Clinton. ATA did provide a bid for the business but the written contract rates and terms were far in excess of those discussed with Martens in person-placing ATA out of the market.

Once again, a company which made its choice and has represented that it did not support the Clinton presidential initiative continues to benefit from its special relationship with Billy R. Dale and the White House Travel Services Department.

THE RESULT

Dee Dee is wrong. The White House is tied into two operators (one essentially domestic and one essentially international)...operators who did everything possible (and then some) to get President Bush re-elected apparently with the full knowledge and cooperation of the White House Travel Services Department (at least the senior members who were present throughout the Bush Administration).

Using two operators semi-exclusively is not illegal. It probably isn't unethical. But it is simply not possible that one domestic operator which operates only two airplanes (a 727 in St. Louis and a 727 in New York), has exactly the type of aircraft needed for the lowest possible price for virtually every domestic flight.

What significance, if any, can be attributed to the coincidence that essentially the same individuals at both The White House and at Pan Am/AOA have been handling the press charter business for a protracted period of time? Is it a matter of just being easier to call one operator? If so, then the Travel Services Department is not doing its job. If its something else, then what?

Further, why wouldn't the White House Travel Services Department be sensitive to the existence of many operators who have invested heavily in their businesses and are small businesses by most definitions? Isn't it reasonable to assume that other operators could provide the level of service required by the White House?

With 20 years of experience in air charter and being the former "president" of *Air Elvis*, I can state without equivocation that the operators and aircraft are out there and they are capable and deserving of some of the business. Why can't they compete for the business?

SUMMARY

- No competitive service/price bidding for White House Press Corps (WHPC) charters.
- Current operator has only two aircraft - one in St. Louis, one in New York - none in Washington.
- Current operator attempted to provide free transportation to press covering Bush campaign appearances.
- Current Director of White House Travel Services Department (WHTSD) must have been aware of the above aborted attempt to provide free transportation and took no subsequent action (Director agrees on price and signs the checks - no price, no checks).
- WHTSD refuses to discuss business opportunities with legitimate charter operators.
- WHTSD has tied itself to a specific domestic operator without the knowledge or approval of Administration officials (including Dee Dee Myers).
- WHTSD claims that price is of little significance since press pays - but government personnel do fly on aircraft and government does pay using GTR's.

DAVID WATKINS

ASSISTANT TO THE PRESIDENT FOR MANAGEMENT AND ADMINISTRATION

THE WHITE HOUSE

WH Travel Office   6-2-93

- Hillary telephone conversation with D. Watkins on Friday, May 14
  - "Harry says his people can run things better; save money, etc. And besides we need those people out — ~~We's~~ — We need our people in — — We need the slots —
-
- POTUS real relationship with Catherine Cornelius
- Travel Office Review has become an inquisition — Neel, Podesta, Gearan, McLarty Panetta —
  - * No Teamwork
  - * Attitude of guilty or stupidity
  - * Need ~~[illegible]~~ War Room to house — computers, etc.
- Is the real story to be told?
-

PATSY THOMASSON

DIRECTOR OF OFFICE OF ADMINISTRATION

THE WHITE HOUSE

PT ~~[illegible]~~ 6-12

[illegible] - mins 5-15

JE "TB" before 8M

BD report

7/2

+ make any not
[illegible] (when it dealt
the [illegible]
[illegible])

M.L. [illegible] Safe - records from T.O.

Penny in mtg w/ PT & DV re cash - w/ mktr - phone "tell them" (thinking mktr would say no cash)

Air bills (invoices)

M. Tr. ~~[illegible]~~ → Air Adv. $31,000
built into that is the loan

Air Adv wires $31,000 ~~less~~ $1,900 ~~cash~~ cash (5'h)
to Mktr.

Air Adv then bill the WH
couldn't then bill'd WH
$29,100 (it expected to get $1900 from mktr a.r)

[Mktr ask not receiving cash
already part of the $31,000
~~and~~ [illegible] [illegible] to AH
(wouldn't been 2d check)

Sky Lasher
DMB
Frank [illegible]

Patsy Thomasson 6/2/93 -

John mentions management rev. / not an investigation.

Dir. of OA &
PT moved to start working in Mgt. - to work Spec. Asst for in Management & Adm. Prior Oper. Asst. for Man. & Admin OA. March 1, head of OA

Since March, I knew

Knew in April DW sent CC to travel office. He knew she didn't want to be a sec. & had heard of sundry dealings and wanted CC to assume.

Doing a total management review of OA. Planning for reorganization in OA. Internal staff, Jo, PT, B, P Tabaking, were to look at each office within OA. Had to reduce FTE's in OA. DW had been acting Dir. of OA until PT came.

By end of April trying to look at WH offices. NPR was also going on. Decided to also participate in That. Wanted to streamline OA. NPR was running parallel to review of OA. John Foley is leading customer service review. Vanderbilt (TX person for Richards) also working for NPR.

How do we... of info. about travel office PT believes Tony secondhand.

May 13

Decided to push forward on travel office - decided That. DW, PT, Tabaking Jo and all been done

2

HT and Pf were 4/5 miles apart in Ark. She's known casual acquaintance 2 years ago. Knew who he was -
(week of May 10)
HT was in town that week. HT raised the issue of the charter. Says travel office is unwilling to speak w/ any other potential vendors. Never said he wanted or interested in ~~[illegible]~~ getting business. Never read his memo. Doesn't know when Dee received HT memo. Pf and Dee never had conversation about CC 2/15 memo.

- No specific guidance was given to Ernst team on their review.

- Travel office was first office that had a cash account.

Ernst team going to do WH offices. ~~[illegible] to look at travel office~~. [illegible] WH offices were the next step.

12, 13

Focusing on Ernst review of travel office. Pf was in mtg w/ HT, DW, CC, and Pf. HT was feeding info. about allegations in travel office. CC spoke of petty cash account. (Conversation about lifestyles of employees (CC tells this) and they are vacations.

Pf questions CC claim on new house owned by Ray. Says they may own a portion of a house. Pf says she questions then [illegible]. She's not impressed.

3

PR says money is made on the weekly side.
PR feels that there is not enough info.

HT thinks it's bad for the Pres. to have people in the office who are "on the take."
He's seeing the Cabell (w/ Nat. Am. Airline of the Harrisons. which then became UltrAir)
HT's concerned that Cabell has done contract w/ Dale – money going back & forth b/w Cabell & Dale. HT's gut impression.
PR believes & thinks they'd find evidence of kickbacks.

PR's impressed that office needs to be reviewed.
Appropriate to review after allegations..

MGW

DW, VF, PR speak w/ Mack. Spoke of the review process. told to go ahead w/ it.
PR doesn't remember FBI being discussed (doesn't remember discussion of her) Wouldn't have called FBI to do audit.

Not aware of BK's call to FBI; After meeting Mack, agreed that Peat Marwick would do audit. Knew then though [illegible] and thought

Didn't discuss allegations of kbtg w/ Mack (at this meeting).

* Firing dismissing remaining people?
HT that employees should just be fired.
PR thought they should be fired. Either thought they should be fired immediately. Either provided talking points (early) for dismissing them (This is before discussion of Peat Marwick)

VF doesn't advocate early firings.
(note: FBI is here in contact w/ WH (There's a letter from FBI on assignment.)

DW, VF, and PT want to wait for review.
[illegible], CC, and HT wanted to fire immediately.

DW makes argument of Pres. PT attends health care task force
(note: Jennifer makes initial contact of Herman. Then referred to DW and PT)

PT was to take Herman to travel office the next morning Friday (7:30 am)...

Friday (May 14)

- All participants (PT, [illegible], JO, [illegible], Peat Marwick) attended morning meeting. ~~to~~ Said they wanted generalized reports.

PT says a "game plan" ~~would to~~ wasn't developed. ~~[illegible]~~

(note: HT would usually leave on Friday and return Mon) HT asked PT to travel w/ him [illegible] to Arkansas that weekend.

Reports were coming to PT and DW. PT thought that others would be involved w/ reports other than her. Results of check written to [illegible] $2k. Not clear where money came from in account. Unclear whether they are financial fraud, or just money. [illegible] the [illegible] spoke w/ FBI after Pres initial review.

Briefed PT on findings. on (cont.) Wanted guidance since FBI wanted to know that about —

(PM tells PT of
his meeting in moment
on Friday - PT says
They could have been for
Them. No receipts
for petty cash)

5

what the WH would do was right. And
The FBI for Their guidance based on The
travel office problems.

(note: on Friday, PT stayed late in travel
office room - concerned about records, and
FBI wanted to wait till The audit was complete.

• Dale found $2,000 of [illegible] in his desk drawer.
By The time he left, he found all $3k. (found
The other $1,000.)

~~[illegible]~~ PT thought Dale told Chris Van That
he wanted to retire. May 21 was Chris' last
day. That Friday or Sat, DD wants to
return (May 14, 15) Gary Wright also retire.

Sunday

PT lets Them in for further review of
travel office.

• On Sat, VF was out in. DK called
PT and said he had to stay home - had to
watch The kids. DK then came in in
afternoon for mtg. w/ FBI. Never
heard a conversation about IRS.

PT knew Dale would rotate billings. Dale's
position was That press paid on all trips
and it would wash out. Appeared That
Dale would alter billings based on how many
press he wanted on trips.

Says there was $1m in travel account in
Jan. in May, about $200,000 - The account
declines quickly. $300,000 was due to US treasury, and

6/

Check to tommy was paying for things happening on the fed campaign. ~~[illegible]~~
X Office would delete bills from computer once a trip was paid for. Another $300,00 to AT&T check was written.

Stenny

PT had grave concerns about travel office computer disks - PT had them print a hard copy of computer info. (in [illegible] office [illegible]) Paid a trip for $40,00 that have never been billed to the press.

Says everything office [illegible] employees did was inter-related. They all participated in [illegible]

Martens (17)

PT is concerned that they should be fired, ~~out~~ from a business perspective. (Mentions that John Dodgen fired Dale's predecessor in '81 for lack of accounting - puts Dale in lead)

PT brings [illegible] [illegible] [illegible] Dee. Dale tells her he wants to retire. Dee hasn't told her anything.

Is ~~[illegible]~~ Offer DF (Chris Hern's job) and want him to oversee travel office.

When is Watkins notice?
PT thinks they spoke w/ Watkins the week of the 17th (Ike speaks w/ them). Says WWT is to come in on interim basis.

7

PT says she and DW were concerned about how to manage office (w/ [illegible])

May 17 (Mon.)

· Decision to fire employees is made. (HT and CC are not really involved). ([illegible]

or Not involved in discussion w/ Mack.

Press Q+A was developed Tues. for Wed. (to Dee Dee talking points).

Wed. 19

· DW fires employees. PT was not in info. on FBI mention in talking points. PT read Dee Dee's briefing; was disappointed. Doesn't know of Jeff involvement. [illegible] came into Travel office.

PT knew & heard of Dale being [illegible] memos until then. ~~Says~~ Not surprised that ~~[illegible]~~ (Thinks that they got them by talking from CC).

HT brings in Penny Sample. (DW worries about handling Charter) CC is supposed to report to BF. BF reports to [illegible]. All concerned that there has a good [illegible] ~~[illegible]~~ DW tells CC that it needs to happen right - he wants a report back.

PT was in meeting in CB's office.

Wed. Was in many mtg w/ CB and [illegible]. Says we allowed them to be called career employees

8/

Says [illegible] never [illegible] that day and didn't get [illegible] [illegible].

[illegible], Pt, WH [illegible] [illegible] w/ new services.

Friday

- [illegible] on [illegible] [illegible].
- Worldwide is getting [illegible] on Friday. They were concerned about their [illegible]. They have [illegible] fast. She called Betta [illegible] - agreed that [illegible] would [illegible] on Monday. Pt [illegible] [illegible] of this.

Pt ~~[illegible]~~ talk to responsible [illegible] dept. ([illegible]) [illegible] Moore is apparently head - (Richard Moore is [illegible]
Get [illegible] together a bid [illegible] (Paul Williams) [illegible] WH travel -

Monday 21

- Am Ex, [illegible], [illegible], [illegible] and others are in travel office. Pt asks [illegible] to ask [illegible] to [illegible]. ([illegible] says That's not a good [illegible]) Pt [illegible] SS to guard [illegible] - Am Ex [illegible] 100 day [illegible]

Am Ex gets commission from tickets.

(Sole bid [illegible])

1) [illegible] travel
2) Press charters (no [illegible] on [illegible] charter) [illegible] and [illegible] are working on charters.

[illegible] [illegible] [illegible] Tues / Wed Pt

B [illegible]:
* Pt [illegible] in WH [illegible] after the [illegible]. Says B [illegible] "take the commission" & [illegible] of money never [illegible].

(Outstanding [illegible] equipment)

9

Sat

Helicopter [illegible] .. John Crane says plane was [illegible] [illegible].

* [illegible] explain about problem with your plane. Press story breaks. (June 1)

B told PH and DW that she didn't get a commission. (Day before story breaks)

B and CP are here – PS says not commission.

PH calls M.O. West. he said to Attorney to the client. M.O. West says They did pay a commission and had sent the check that day.

B took her commission out of the [illegible] in a [illegible].

B and PH trip

[illegible] Wed, June 2

AA already [illegible] M.O. West

B tells her office to [illegible] ~~Her office~~

AA forgoes commission to [illegible] (AA [illegible] commission $1,400) AA wired [illegible] $1,400 (5%) to M.O. West. At the time the story broke, AA had not billed the WH yet. M.O. West also wrote a check to AA for 1,400 from [illegible] account [illegible] to them by AA.

~~[illegible]~~

B says she told M.O. West there was no commission

[illegible] of Charters

- Jack Williams (head travel guy from CBS) ex [illegible] guy. BF [illegible] Jack [illegible] [illegible] by [illegible]. PT talked to Rich Franklin at CBS on June 1 - says she needs someone immediately. Frank [illegible] Mr. Lynn [illegible]. [illegible] handles charters

10

Called by 16th — for [illegible] Comm —

CC's Travel Office Memo —

- * Airplane Charter
- * Billing
- * Abuse
- * Ceremonial travel

Employees in office
- billing (?)
- [illegible] travel during [illegible]
- more people

Ours Only Leader at ours being purchase —
- purchases
- scheduling system
- [illegible]
([illegible] purchasing)

PT wants to bring on a [illegible] person to handle Japan trip. Says Japanese don't like Jews. [illegible], Chris [illegible]. Isabelle Tapia knew of your above people.

PT worked for Ark. Sen Pryor during Campaign.

Any discussions about CC or Clarissa?

- PT says many people in [illegible] office did not want ~~[illegible]~~ CC in travel office. They thought they couldn't fire her. Thought only way out was for her to request a transfer. [illegible] PT

* PT spoke to Clarissa about it. PT thought she wasn't the one to discuss this w/ CC. Clarissa thought it was a good idea and would talk to CC. [illegible], Clarissa spoke of [illegible]. PT didn't say she was should be fired. She did say there was discussion that she should be fired. Says this not even a [illegible].

* PT didn't speak to anyone about 2/15 memo. Recalls her looking at the memo the day the story broke. Heard from DF about memos from DF's conversation w/ [illegible].

Patsy Interview 6/23/93.

① Title -
Special Asst to Pres. Office of Mgmt & Admin -
- Also Head of the Office of Admin.

- No relation to HT.

② NPR / OA Review

- April - review of OA.

- May (early)

Began review WH offices to improve customer service - NPR was also happening, so DW designated Jo to — be the EOP designee to the NPR. Travel Office test scheduled for 5/17.

③ Patsy requests a hard copy of Travel Office Computer disks May 16 or 17

C. Brown
OA

1982 –

(Wash Times)

Dale Helms. OA (Head of Procurement of Administrative Operations Division)

RP calls Helms, (WP)
decided that there needed to be a bidding process for the commercial travel component of the travel office

Dale Helms - told him to sign the process —
Dale

and that GSA
Dale called Williams of GSA to delegate authority to OA to bid for a commercial travel agent.

GSA then recommended modifying an existing contract

Dave Watkins & Patsy
Call Dale over in trip to sign an amendment process

5/21

RP gets process of events - tells GSA to speed up ~~[illegible]~~ bid process. [illegible] Williams says then come to the WH. GSA arrived [illegible] Monday.
GSA informed the WH, ~~[illegible]~~ Secret Service
5/22 [illegible] Customs
[illegible] HH then to understand

GSA [illegible] called - out.
They [illegible] requirements by GSA.
30 min issue. —

Criteria
Conflict.
Overseas
Travel/Press

5/27 –
[illegible] travel agents [illegible]
presentations. GSA selected Am Ex —

②

5/94

– [illegible] Ex on loan. Concerned that [illegible] Example • All [illegible] —

May 28.

~~[illegible]~~ [illegible]

DW and PR determined that they wanted an experienced person to vet charter groups and ensure Am. Express.

PR tries to find Williams May 28 — June 1 (Memorial Day weekend) —

June 1 – PT calls Dick Fenstra (GM) asks him to help as well —
June 2 calls Dick [illegible] it's urgent – he suggests someone good —

PT calls Williams at home on ~~[illegible]~~ Wednesday, says she urgently needs an [illegible] for [illegible] Charter – if not someone else – then Jack himself

Thurs PT tells Williams that she spoke w/ Fenstra and he suggested [illegible] – [illegible] was [illegible] —

After [illegible], June 2 [illegible] [illegible] –
[illegible] [illegible]

(7)

Financial Procedures

- Off the Shelf
- Handled by [illegible]
- Provides us with checks and balances that any ordinary business would have.

Hak
Mattson
Dean to help

* Financial Documentation

*

N.H.

(4)

- In 120 days
  - poll admin leaders — NEC, OSTP.

FAN DOZIER

EMPLOYEE

WORLD WIDE TRAVEL

LITTLE ROCK
ARKANSAS

FAN DOZIER [illegible]

[illegible]

Travel agent at WW
started Dec 91 at WW
worked Clinton campaign & went in house
Feb '92 thru campaign & transition
& Inaugural
Dec 92 came to DC 3 wks
in transition office then home X-mas
& back to DC office to book tal
travel
Back to ARK Feb '93
CC getting approvals for travel
(thru not for advance)
CC not to inaugural

only casual conversation w/CC
CC: like for WW to continue w/ [illegible]

met DW on campaign

FD talked to CC occasionally about
~~JT~~ CC sent copy of memo to
FD on copy to WW
FD Doubted it'd happen for WW
since bidding would be nec'y

[illegible] didn't speak with her til CC moved to Travel office

last April or early May -

[illegible] does DNC bus..

Confusion re advance people going to Tex. Joe Krueger

~~[illegible]~~ Krueger put funds into DNC acct that paid for it

FD talked to CC around then

A wk or two later ~~sent~~ CC called FD & said maybe need help over weekend -

Friday pm in May -

~~at~~ almost 5 pm Fri.

Still some advance people needed tix for Pres'l trip Monday

FD issued 2 tix

If she had to move people ~~for~~ this (Cleveland) trip ~~[illegible]~~ didn't know what to do. FD told Steve CC might want tix saturday seemed strange. FD said "No we don't do WH travel"

W. May 12 met 2 WW agents for lunch. They asked were going to get the DC [illegible] I don't think so

~~FD~~ gets back after lunch
talk to BC [illegible]
"BC coming" I can [illegible] say
I got a [illegible] from CC some thing
may be happening in DC & would
be [illegible] [illegible] I'd send
B ~~told~~ told CC I'd have to
tell FD Be on way
you may have to go to DC

CC called FD later 5-12
asked FD if talked VIDC
just making sure FD could come
'when you want me go?'
CC 'maybe tomorrow'
FD booked 7am 5-13 flight
DC [illegible] 5-12 FD talks to CC
said auditors performing audit
not need come then ~~B~~ Book
later flight then.

[Something like then there were no auditors in on 5-12]

Then [illegible] came into office FD call
CC [illegible] I'm coming, I need to know.
CC [illegible] [illegible]
— CC ~~[illegible]~~ still hesitative re
what might happen but wanted
FD for security

FO [illegible] TH not see
CC tel Sat tho talking to her
each day.
[illegible] the Jefferson [illegible]
[illegible]

CC told FO auditors in perform
audit felt like something would
happen — only got limited into
Met Billy Dale Sat..
& auditors there

getting thrown
CC indicated DV felt investig
should be complete before 22d
that CC & HT felt just people
shouldn't be in there new
Adm. -- let people go & the
audit

Said HRC very upset re misuse
of funds & wanted them out of
there GS & JE names [illegible]
[illegible] us knowing
CC Referring to meetings
& debates between CC side &
DV side
FO talked to HT -- felt [illegible] I just [illegible]
thinks pretty reasonable

Sat 5-15

HT said "you mean you're not rid of them yet"?

HT said he'd call HRC & she be very upset to hear they still there

this probably Sun. 5-16

FD met HT in inaugural

SD had mtg ~~5-18~~ 5-18 for DNC
SD came up 5-17 to DC ~~[illegible]~~
& & became aware what going on w/FD
mtg 5-18 at OEOB re DNC 5-18
30 min before mtg CC from there – quick mtg CC said DV wanted mtg 5-18 pm w/PT BF OMB -- CC said this going to happen next day.

mtg 5-18 — 5-18 pm mtg DV PT OMB [illegible] Chris Walker CC SD & FD

DV said audit done -- funds missing but paperwork so lax not real good audit, Billy Dale had highlighted [illegible] retirement [illegible] either [illegible] wanted FD & SD w/ money

WH [illegible] 2nd of OEOB [illegible]

mtg w/ DW BF

DW to meet at 10 w/ TD initially DW thought they'd be out by noon at 12³⁰ w/ 3 FD went down .. they still there

FD saw them packing up boxes w/ papers cleaning out desk w/ Th. Moving Billy Dale there & someone who'd been out of [illegible] [illegible] in parking.

FD didn't see any secur..

Craig Livingstone came in w/ pm & asked FD "are you here" my ext if trouble call FD these guys are leaving w/ things don't you think need to be watched

CL " We're taking care of it

Th.. Fri .. CL cleaning stuff out

FD - maybe you should look at what's being thrown out

CL "no just trash"

FD - maybe it was, but not sure

Judith Kelly [illegible] [illegible] [illegible] [illegible]
Used.

PS came in to do [illegible] [illegible] [illegible]
[illegible] [illegible]

FD working the trying to figure to
out the [illegible] [illegible] ~~[illegible]~~
everybody alive (SD says not his
[illegible])

FD had tix to come back 5
(had planned (UK - didn't know
originally how long UU would be staying))
cancelled Sat tix

PT [illegible] FD saying DU
wanted FD to know UU out

FD hoping UU not out; would
have liked to work here

all staying [illegible] til new staff
SD had to LR Fri [illegible]
Sat [illegible] [illegible] Lisa + Anna R.
came in [illegible] didn't issue [illegible]
tix [illegible] [illegible] [illegible]

then second Geri [illegible] came in
asking about paperwork needed
paper [illegible] controlled -- felt
may be needed [illegible]

FD had assumed [illegible]
[illegible]

FD
worked
[illegible] last
tix # [illegible] showed
~~[illegible]~~ FD still
[illegible] [illegible] not
PT said never
[illegible] [illegible] still [illegible]
[illegible] Town
[illegible] PT [illegible]

From Dixon Following 6/23

5/10 Same day after lunch see Dixon
└ [illegible]
└ cc: then calls be prepared, but I can't talk

That evening, CC called back - from home
(ED asks will it be tomorrow

On weekend issued a [illegible] for Gam. [illegible], But CC told her would like to this early, but should [illegible]
→ as a security blanket

→ Tell about [illegible] only here in D.C.
[illegible] [illegible] is [illegible]

Dixon came up on 5/17
[Judith Kelley
Angela [illegible]
Joined late on Wed, about 3 or 4 p.

→ [illegible] for lunch that day (5/12)
([illegible] is marked on Calendar

STEVE DAVISON

EMPLOYEE

WORLD WIDE TRAVEL

LITTLE ROCK
ARKANSAS

Steve Davison 6/5 Interview

Wagner Oct 93

[illegible] hire [illegible] [illegible]

Dennis Basham travel dir prior
budget dir in general thru CC parked in
Travel director pos'n

DB also did charters

in general Chris Gallagher + Rhodes
did the charters

CC catherine travel + verify accuracy
of WW" charges + keep ON off

Wagner

didn't break travel

nothing in charters

Feb ~~1992~~ '92 WW asked to invoice both
press & secret service for charters

Fed allows private charter
charges to press + SS

(+ 11% adm.)

Trans

John Hart & Bill — transit
needed some travel WW put up dep.
acct $ WW invoicing now...

Rightway Travel Russ Sat. GSA K for
Russ

2

In the end, privatizing raised funds [illegible])
(JA [illegible] [illegible] was [illegible], [illegible] [illegible]
[illegible] trans'n travel staff [illegible]
LS [illegible]

CC moved into ~~[illegible]~~ same func...
in trans'n ~~[illegible]~~ L.R.

~~HQ~~
CC knew nothing about travel
a Travel Dep. P... Dir. [illegible] [illegible]
organizational skills marginal
att'n span marginal
Other ~~[illegible]~~ ready to strangle CC

CC - ~~[illegible]~~ travel Dir. trans'n
CC wanted to see how money was
trans'd [into new Admin]
SOD used contracts or [illegible] in [illegible] [illegible]
re VP ~~[illegible]~~ RS Travel Office
DINASAUR System [illegible]
SABRE AA res sys.
All ticketing VV
All transfer of money [illegible]
goes thru Am Ex ~~[illegible]~~ (Comm'n [illegible])
10% comm'n - 1% tik [illegible] $/10
VV keeps $10 & sends $90 - to ARC

CGEPR 0176

3

In WH just Amer. Air. sys
not go thru ARC no com'n
just reported thru American –
inefficient system [supposedly
then, WH could get a piece of the T.O. com'ns]

WW looked at it & made inquiries
A dinosaur
SD not focused on Charter

CC trying to figure out what she
do in new Adm.

During trans- WW told CC (DV in loop, but tired) this is a place to prune
plots (turned 25 yr CLT)

58% fed'l
Gov't oper.

Told CL per mission
write → GSA Federal Travel Mang-
understy

Jack Kelly TMB

Agencies Assume all costs – Gov't get part
of Com'ns back

Since Gov't $ on personal keeps them
out of travel ~~biz~~ busn.

We never expected Clinton to
(24th largest) kick T.V out
& give bus. to us - but
wanted it ~~out~~ up for ~~to~~ out (& we would
& deal w/ them

we had

Give CC info on criteria how list
bidding goes

Clinton - gen'l overseer pres b. Clin
in ~~primary~~ general ~~[illegible]~~ & transition

SD told Better doubt this'll go out for bid

SD had sell the DNC
to get bus. - Aug/Sep '92 Re Press St.
started doing lots of bus

After inaugural Jackie Forte Dir
Adm + Budg at DNC elephant person bus..
no patronage we had to earn it
all over

much
Michael Gill from VP office more
people to Tx for Krueger
McGill said put in a DNC acct
DNC said no DNC wouldn't do it
McGill said bill Krueger campaign

If WH [illegible] travel . DNC
[illegible] [illegible] [illegible]

May 18 mtg in DC J. [illegible]   Tom [illegible]
M [illegible] & [illegible] Fullis = DNC [illegible]
in DC   = WH [illegible] [illegible]
travel .. [illegible] [illegible] $ [illegible]
DNC acct = WH bill to DNC

SD thinks this going better
than VH
A year before that [illegible] Fri. May 12
CC called BC & said
improprieties in SD [illegible]
removing them from office [illegible]
WH to bless [illegible] put
out to bid
CC said will be ~~[illegible]~~ [illegible]
using procurement process for WH
[illegible] CC [illegible] not sure when
Sent Sen Fan [illegible] to DC. There
in Jefferson Hotel
CC: It will happen not sure
when
SD found out 5-17 (had been
out of town)
Mon 5-17 $50 [illegible] to ~~[illegible]~~ DC...

[illegible]
[illegible]
in
[illegible]

... both for Fran + 5-18 mtg
Fran has talked to CC
& waiting to see what going on

CC originally naive will go to WH & bring
you
SD told her have to go thru
procurement + bids etc

5-18 - had DU2 mtg good
EAN Th. ~~5-18 [illegible] thought mtg~~ mtg.
not raise WH

Th night CC calls
for W 9:30 a mtg
CC SD FR BF DU PT [JD] Frank
HT Chair's written Stander — DMB tell DMB going FS danger skg
DU explains what happened
going on — he might have talked
to BD SD thinks so

game plan re who go over
there figure out steps
DU: rah rah speech lots of person
DU not want CC there
SD BF CU FS go
his initial [illegible]

CU FS to find out pictures of Sheraton
billings where are files etc

7

what says BF to be a Dir w/ J.D. under him - & DV treatment

cash on hand for tax report that hadn't been done (relating to personal trust apparently - cash that needed to be reported to AmeA)

Billy Dub had ~~[illegible]~~ files in shoebox

SD Dumfounded - Jing's had boxes & was walking out with FBI investig??

office not secure at all

No one knew whose name acct was in totally unaudited

After 1-2 ~~[illegible]~~ hrs BD & Lo ~~that~~ out

S.D. hear still there
Pam D. Judith Kelly Angela Colchester came up from LR

incredible mess ~~[illegible]~~ looked like little old ladies running it

no systems no real ~~[illegible]~~ files

SD figure out how to get into database files etc.

SD "stomach sinking"

8

SD [illegible] CC
[illegible] PM [illegible] tick forms?
[illegible] an tick forms? When is xyz?
CC knows nothing despite DV
saying [illegible] been there 45 days
& knows what's going on
SD in good shape

Penny [illegible] Thursday

Penny got [illegible] at Air Adv. in campaign
[illegible] [illegible] here in campaign
& met FS the [illegible] first time
WW [illegible] Ref. w/ Air Adv.

We've [illegible] in contact w/ [illegible]
about [illegible] to ARC environment
set it [illegible] WW [illegible]
WW to [illegible] [illegible] count
after [illegible] process WH probably
[illegible] help [illegible] piece of ~~[illegible]~~ Com'n
no conversation w/ CC re
[illegible] [illegible] interim period) to 1st
[illegible] [illegible] — [illegible] to WW
WV [illegible] [illegible] 'for [illegible]' for WH
agencies [illegible] to Bailey Dole reports

5

SD realize can't change existing reporting env until

meet w/ agencies to set up new regs after next reporting period

How are we getting paid?

Thurs. 5-20 SD Realize need [illegible]

talked to BF & Saul let's meet w/ lawyers who set this up

brought chair Mike -- VP Rightway Saul

Govt expert Security Transaction Agents in Govt (STFA)

5 pm Th. 5-20 Bruce Director WH large stanley — Deb McCauley Chief Procurement Office DA BF CM SD

ascertain no one ever talked to w/ large despite CC's orig'l "every procurement statement to SD"

WH no idea what going on

Th. night SD realizes no way to get business now — getting crucified damage client bus based on exemption change

Fri morning SD decides have to go Meet w/ BF 10:30 Fri 5.21

10

BF [illegible] [illegible] we'll give you
anything you need

SO ~~[illegible]~~ when DV brought
Pat M. ~~[illegible]~~ in someone should have
[illegible] Billy Dale [illegible] to write procedures down
so when they kicked out, someone
would know how to ~~run~~ the office

DV mistake thinking CC knew
what going on
CC didn't have a clue

SO told BF we're leaving 10^{30}/11 5-21

SO leaving 3:10pm plane to ~~[illegible]~~ [illegible]
B Cramer [illegible]

PT Thomasson calls SO 1 or 2 We know
you're worried - hang on we'll call

SO under huge pressure

SO stops JABOC from reviewing new machines

3pm DV sees SO
"how are you?" What's wrong"
"what you mean we're getting
brutalized so are you office a mess" ~~you~~

DV "got to survive"

DV will give you what you need ~~to~~

SO need the people ~~[illegible]~~ who left
[i.e. Billy Dale's staff & ~~[illegible]~~ those who know how office works]

11

DV - & says talk to BF & work it out & [illegible]

BF hadn't even talk to DV

SD ballistic · no one in VH

listening to scanner / monitoring — GS's press staff & DV not hearing & had to retract a [illegible] later

SD on 9/30 flight

gave BF J Kelly's name at OMB to work out w/ GSA

DV called LR #6 [illegible] & apologized to R Chaney

Sat — SD called BF & said I want to get my people out they stay til Monday when Amex came in

SD terribly disappointed in how VH treated us

~~Info SD heard from CC or from Tim or Betta based~~ ~~[illegible]~~ on CC's comments)

via CC more via CC → Kar w/ Bell

how couldn't just done

When HT & DM (SD not know) found TD not putting business out for bid & hired HT hired private investigator to check w/ Chester County re inability to get bus. That phase TD says on

12

Will you CL

[illegible] Incest. w/ VJ/ADA/ then UltrAir

heard DW conversation w/ BD that no way to get burned.

Approx. 2-3 days before PM ~~[illegible]~~

HT JL ~~&~~ CS HRC furious & ready to throw them out that ~~HRC~~ day (2-3 days before PM)

heard DW & VF besides to move w/o LV.

never heard BC's name at all

Only Lamp wanted immed. firing others hesitant

Any WW response?

CC & Clausen memo. - faxed copy of memo but not help in writing it

CL envisioned WW being there bec WW always held her up - w/o WW she knows nothing

Did WW had Health TF travel w/ private funds paid for

heard HRC not like travel staff that Mack had trouble getting hotel

12

SD ~~knew~~ thought DW put LC in office bec wanted to get rid of her

SD thinks DW did not know what CC's own agenda

Dishonest portrayed herself as bosom buddy w/ BC

Not think any agenda on DW's part

HT was moving force who stirred this ~~out~~ up

SD no feeling that WH had gone out

CC trying to build little empire then ~~do~~ chemistry of HT

1st heard of HT stuff when CC called

SD knew JE from campaign
running CC joke re how JE played CC like a fiddle

PS .. "HT's person" SD's image of PS

SD no involv w/ charter

If wanted to replace T.O.
simple to put notice out to
travel country that commercial
go out to bid
use GSA proc to do bids
themselves; get GSA to explain
procurement process
could've been done in
positive light
2½% of com'n in rebates
could have been perfect REGO

Stunned beyond belief that WH
press staff interested press reaction
how anyone could've been
so ignorant or arrogant
Only thing WW could've
said is "WH fucked up"
Little effort by WH to
clarify WW's efforts & work
no damage control for WW

would outsource the Charter bus. too
or just do press charter w/ the WW [illegible] people
CC has notebook of info re how to put out
for bid
Detail from GSA on how done

From WW Jan or Feb
put together by Dan
Hansen WW

Amex last period we shld've 15
put in biggest
need to put out for bid

33 000 agencies 2nd

Mitch ~~Rose~~ 62% Carlson Cook for
larger
Super-reg'l ______ ~~Thomas~~ until is done.
$124-130k vol.

Tx Miss file for Thos

1992 BC chosen as ~~a~~ one of
25 top travel agents in country

Pending issue: At end of '92
campaign decided to bill misc.
charges to press (not part cost of
charter (vans risers ~~the~~ catering
phones etc.)
In past 2-3 mos., as press
manifests receiving it - a lot inaccurate
bec. not good campaign records
Barbara Yates in charge of
campaign clearing Press billing for
inaccuracies $4-500,000

SD - maybe write this off ... 100
one ~~[illegible]~~ [illegible]

now VV ^ bills ... for
inaccurate records & it's not [illegible]
fault -- it's campaign's

the last billing due to [illegible] mistakes
says

Air Adv $90m bill
for incr in fuel cost
+ $100,000 phone bill

pilot. suicide to go back —
eg NBC to ~~add~~ send
add'l bills --

campaign should write it
too late now
(VV clearly not want to [illegible] it
someone needs to address this
lawyer ~~[illegible]~~ -- write off as
bad debt)

By the end, we thought that BC would win
- have worked with JH, Cornelius, etc. to do travel
- set up a separate account
- GSA didn't want to mess with GSA, etc
- (Rightway travel, a wholly owned subsidiary in NS

- We began working with GSA to determine if we could use existing GSA contracts for

- As to travel office, they decided to use privately raised funds for travel
  - which means that
  - [illegible] unlikely is that

- Travel people meet with CC, to address handling for transition

TS. Did you ~~[illegible]~~ talk to WHTO?

- (Discussion that direction, up. with CC) - the words or comment?

~~[illegible]~~ Routine line, CC knew nothing about travel. Travel Dept seemed like we held it up their higher, probably, or any skill at all.
  (complaining thought the well [illegible] did it b/c

& ~~Ivey~~ she had him ~~[illegible]~~ as ~~impress~~

We made contacts in industry to find out what we could
  [illegible] WHTO
  - very much dinosaur

- Basically an AA ticket counter
  - SABER is an AA system
  - All money goes back and forth thru ARC
  - Allows us to do diff. airlines, etc.
  - We get 10% commission

In WHTO, it was just as if American bought ticket
  and was getting commission

Worked our contacts in ~~[illegible]~~ govt., Find out
CC was trying to figure out what position she would go in

There was uncertainty we were ~~at~~ ~~[illegible]~~ having with CC. I assume she was
  doing along with David

What we told CC and in turn the Admin was that they should
  join the GSA Fed Trav. Mgt Center
    - Jack Kelly at OMB can tell you about it
  - This way, govt [illegible] up to [illegible] travel operation at no cost
    - and often Govt gets some of it back
- Govt saves on personnel
- Doesn't have to be a travel biz.
- GSA created hybrid system, but
- Amer is operating currently under GSA Amex - State Dept Travel

- We're not mom & pop agency. We never in our wildest dreams expected
~~[illegible]~~ to BC to kick people out and put us in.

We wanted to bid, [illegible] all

We told CC that WH could get GSA to do this, or could
get to bid themselves by GSA standards.
This was around Jan–Feb, right around

TZ Did she get travel any better, or still marginal? Did she get it?

STEVE No, so she didn't get it. Idea was to run office and let other people do work

She just doesn't have a travel background.

I had [illegible] [illegible] DNC – I doubted it would happen. They'd get [illegible], others to do. Primarily [illegible] had to be [illegible] on the [illegible].
We worked hard for DNC. Started in August, Sept.
Brian Foucart was done at DNC, we worked hard to get it.

No shortage at DNC, [illegible] able to go contract there.

~~[illegible]~~ C

[illegible] around March, [illegible] Bill called and asked us to [illegible] some [illegible] people for Gore, for Kuyper
[illegible] and firm [illegible] ~~[illegible]~~ [illegible] handle
[illegible] billed a [illegible]

Monday, 5/17 we had scheduled a meeting to work out a way for [illegible] [illegible] travel to go through

I was thinking this was best of both worlds. We and DNC, getting WH [illegible]
– [illegible] [illegible] of [illegible] would be huge

HT

- we need to talk w/ Bete
- Fran
- we're lucky they

. On May 11 or May 12, but I think it was ~~[illegible]~~.
CC called Bete ~~Said that~~ we probably hadn't talked to CC in weeks.
Said WHTO had improprieties, embezzlement or something. That WHTO would be removed & that or they'd need us on an emergency procurement until they could do bid, and ~~they~~ that they'd checked it out with WH lawyers

We sent Fran Dozier on Thursday
- Backup - we got the call Wed.
- His understanding CP told us that it would happen, not that it might happen

I found out about it on Friday
CC said it would happen any minute. I got a little nervous

I went to DC on Monday a.m. for my ~~[illegible]~~ mtg. which was there
- Fran just sitting there, killing time

o Temporary ~~[illegible]~~
- We were going on this [illegible] premised

We [illegible] we [illegible] "We'll go to [illegible] we [illegible] bring you along"
[illegible] no [illegible] the case
- The [illegible] lawyers, [illegible]

- We had [illegible] on [illegible] political [illegible]
a. [illegible]
b. [illegible] come up [illegible]

[illegible]

Did anyone ask
Chief of Staff the [illegible]
very weird the
command

Tues pm we got a call [Fances] to be in David's office Wed. morning 8 am

Billy, David, Frank Stedman, ~~[illegible]~~, Sky, Jennifer, CC, Steve, Fran
Chris Walton - who was a clerk by Catherine up to this point

I think he has already informed BDeal

This was our first contact with David

David gave us [illegible] speech

DW - decided that Steve, ~~Sue~~, ~~Sky~~, Brian, Chris, Frank would go in transition.

~~Frank~~ - Chris was to be checker with Frank, [illegible] billing etc.
- Brian overseer. He'd been made director Brian Walters' [illegible]
there was such a [illegible] for [illegible] report she was carrying the

~~[illegible]~~

~~[illegible]~~

Friday I would [illegible] Steve was Billy Dale
would be [illegible]

- WHO other staff [illegible] Fran ~~[illegible]~~ [illegible] staff
[illegible]

- ~~[illegible]~~ [illegible]
[illegible] ground

[illegible] out ? [illegible]

~~[illegible]~~ Fri staff [illegible] and [illegible], Catherine [illegible]

An Incredible mess. They probably knew where everything was.
We start trying to figure out files.

/ Dw says [illegible] pre meeting the CC's be [illegible]

We just have
~~stop~~ asking Feeling as I asked the questions and say, who are the people here? where are we?
Knew nothing.
If we had a week we could have done

[illegible] been after Press briefing, we find out ~~[illegible]~~ all hell has broke loose
are leaving clear the NH
~~on~~ Thurs, crisis
- CR, were getting barraged by nat'l press
- Penny Sample arrives
  we had never talked with her before
  didn't start until this Tuesday
  we had no relationship with Atlanta director

-We start trying to [illegible] over to ARC Everyone in this ~~[illegible]~~ loop is work- ~~[illegible]~~
with things [illegible] we ~~[illegible]~~ were trying to switch over to WW location

• [illegible]
we were going to take until [illegible].

• did you know how long emergency procurement was
No. we didn't talk much with CC, too busy

Recurring close I can't change [illegible] [illegible] will take a couple of weeks
to [illegible] [illegible] [illegible] [illegible] [illegible]

Issue arises if I can't get commercial credit for a few weeks.
I ~~need~~ have to figure out how I'm going to get paid. I need to
see contract. ~~[illegible]~~ past is making me nervous.
I told Brian I bring in Chris Mize, VP at [illegible]

Meet with Brian, Chris, Bruce Overton, and other lawyers on
Thursday @ 5 what kind of ~~[illegible]~~ contract.

I don't know who Cathy talked to, but not me in the month I've
ever been of [illegible] company precedent practice.

Thursday night I realized I am never going to get this business.
[illegible] [illegible] [illegible] [illegible] [illegible]

I [illegible] [illegible] [illegible] [illegible] [illegible] [illegible] [illegible] [illegible] [illegible]
I [illegible] [illegible] [illegible] [illegible] [illegible] [illegible] [illegible] [illegible]
Brian [illegible] [illegible] [illegible] [illegible] [illegible] [illegible] [illegible] [illegible]
when Sandy [illegible] [illegible] the 7 people

[illegible] [illegible] the Pass
Biggest [illegible] Don [illegible] [illegible] [illegible]
Big Pic
1) ~~[illegible]~~ Thinking we knew what [illegible]
2) ~~[illegible]~~ Didn't understand ~~what~~ how little it was
[illegible] [illegible] [illegible] & Farmingdale [illegible] to [illegible] would happen when the 7 left

Catherine had absolutely no clue. She probably [illegible] a lot of cigarettes
and hung out with Ellen

I told Brian we got to get out. I needed to fly back to LR to tell her
we'd have to get out. I drove back from ~~[illegible]~~ Bun. I call Dicky calls
back around 1p. ~~Around 2p~~ I'm ~~[illegible]~~ with Chris. I'm
chomping to succeed in getting LR ready to pull out. I had stopped SABER from being
used ~~at~~ walked over around 3p. I escorted Fawcett in
Gets me [illegible] new drug
Jim says we're just [illegible] to [illegible] - I'll get you anything you need.
He says talk to Brian. Figure it out, I walks off

~~I [illegible]~~ Brian walks next up. I told him I couldn't believe
without ~~[illegible]~~ telling ~~[illegible]~~ Know. I go [illegible] to meet Brian again. I told him [illegible] [illegible] [illegible]
[illegible] [illegible] [illegible] [illegible] I wanted to know what was going on.

I tried to [illegible] [illegible] [illegible] [illegible] I [illegible] [illegible] [illegible]
[illegible] the [illegible] ~~[illegible]~~ [illegible] [illegible] [illegible] likely

We were not trained in Press office ~~with~~ never trained out to [illegible]

[illegible] [illegible] from ~~[illegible]~~ CC [illegible] [illegible] [illegible] there.

Wh[illegible] T[illegible] and Dominion [illegible] [illegible]
[illegible] [illegible] [illegible] history hired P.I. [illegible] around century
[illegible] might just an investigator to [illegible] a [illegible] [illegible] what
[illegible] [illegible] [illegible] but kids read that this investigation

led to uncertainty that there were kickbacks.
Then Martens had conversation, which was
Total hearsay.

From what we heard: Carwith, Thomason, Stephanopoulos, and HRC were Firing 2,3,4 days before Peat came in. They were Firing, wanted people out of there that day. I assume it was presented to these guys as they're crooks, get 'em out. From what I heard, DW and Vince Foster were hesitant, wanted to lay back which is why they brought Peat

/

This item was we've gotten from CC.
Apparently, [illegible] [illegible] done Peat, one clean.

? Your impression is that Thomason wanted this?
Absolutely. Cornelius except all of us ~~[illegible]~~ changed the office had died on the vine. We haven't talked to her except for personal travel.
We had not helped her create ~~She had -- FAX~~ She had called us there to go. She Faxed it to us

[illegible] [illegible] [illegible] [illegible] [illegible] - very pro Cornelius in the past.
She wanted us to know because we always had her up. DN plus us and she knew nothing.

We ended up only HCTF travel done with private funds.
we'd heard that Cornelius couldn't get a hotel room, that HRC was pissed [illegible] we never really [illegible] understand we used staff from campaign people

- Did you know what [illegible] CC ~~[illegible]~~ [illegible] ever?
  - ~~[illegible]~~ She called us up one day and said she was in [illegible] [illegible] to [illegible] [illegible]
  - I tell you why he probably [illegible] her - [illegible]
    - Like we in her office and she is wanted to get rid of her [illegible]
    - & [illegible] she was [illegible]

(I don't know what the relationship of Bill is, she always said it's very wzy.

- Back to Thomas
  - I was kind of messin' with Catherine
  - I had given up on [illegible]

~~[illegible]~~ I think it was chemistry.

& Thomas

& CC ~~[illegible]~~ [illegible] [illegible] [illegible] [illegible]

I think Thomas was right on the money. ~~though~~ it's not all good that he is just done the wrong way.

(when she called [illegible] up and told us [illegible] [illegible] when we first [illegible] about

- [illegible] Cathy, Thomas, etc
  - Catherine [illegible]
    - & I [illegible]
    - [illegible]

- Do you know [illegible]?
  - [illegible]
  - [illegible] like a [illegible] [illegible] of [illegible] here
- ~~[illegible]~~ I don't imagine [illegible] that way [illegible].
  - [illegible] be [illegible]

· Charter?

· No, we have the charter

· Wed · Fri, Dan asked us about the Charter. This charter is everything

· I told him let's get this straight, I'm not doing that. CC is very close
with Penny Engle who's Harry's person?

o Harry's person

I'm sure they had [illegible] to get her done.

Denied

I told him I would do my best to keep an eye on CC

o how can we have done it right?

could have been simple to get more in to travel [illegible] through
GSA process.

would have saved salary of $150,000 a [illegible]

would have gotten commission [illegible]

would have been great example of [illegible]

I am [illegible] [illegible] [illegible] [illegible] [illegible] stuff undermined [illegible]

I [illegible] [illegible] 30 [illegible] [illegible] [illegible] [illegible] [illegible]

- personal [illegible]

1) [illegible] [illegible]

2) [illegible] [illegible] [illegible]

- Only thing we could have done [illegible] [illegible] [illegible] [illegible]

- And [illegible] damage control for us

we feel betrayed beyond belief

Today going forward - could [illegible] [illegible] charter?

· why does WH do do it? why [illegible] [illegible]? Not a Fundraise

[illegible] [illegible] [illegible] [illegible] business

As a practice, press can't be as [illegible] about this as they want without [illegible] being on your [illegible].

We give [illegible] [illegible] how to [illegible] for bid

Check on Sun, Feb 3

You want to do this ASAP? Amex is Ross Perot. They're big, but not popular [illegible] [illegible] like a hawk.

[illegible] was left $ per [illegible] by Dixon Hopkins. What does for us.

[illegible] on ? [illegible]

We're opened up. For [illegible] info

We [illegible] your look.

[illegible] [illegible] [illegible] for [illegible] [illegible] easy [illegible] accounts for which [illegible]

[illegible] [illegible] [illegible] [illegible] now [illegible]

[illegible]

[illegible] the [illegible]
[illegible]
- [illegible]
- [illegible]

● c/s with [illegible]

[illegible]

Dir. of [illegible]

- Began in Nov. 91
  - [illegible] [illegible] in [illegible]
  - on [illegible] campaign [illegible] [illegible] [illegible] for [illegible]
  - [illegible] moved to campaign probably [illegible] or April
    - commercial air, cars, hotels

- [illegible] for [illegible] - three primaries
- On [illegible] he [illegible] [illegible] Director spot
  - [illegible]
  - [illegible]
    - [illegible]
    - [illegible]
      - [illegible]
      - [illegible]
      - [illegible] DNC charged for DNC
  - [illegible]

- around February, we [illegible] for press & USSS bill back
  - charged press for [illegible]
  - USSS [illegible] charges

[illegible] for [illegible] Travel

6/16, Steve Davison

Steve Davison

concerned re final billing to press - $3-400,000

it'll piss press people off

because late & Q-ing

specific charges; lots of carping

'I wasn't on that plane', etc. et etc.

Nat'l press saying inaccurate etc inaccur. campaign's fault bec. they gave ~~[illegible] B [illegible] [illegible]~~ charges to UV

SD agrees write it off

S.D. trying to get hold of BY for last 10 ~~[illegible]~~ days

Steve [illegible] Follow/up

Did you have [illegible] [illegible] in Early January?

Lynn, right after [illegible] we went over to see Congressman. Talked about [illegible] in Spring

HARRY THOMASON

INTERAGENCY COMMITTEE ON AVIATION POLICY

INTERAGENCY COMMITTEE ON AVIATION POLICY

> ***"I do find it surprising that a person who was as instrumental as I was in the Clinton campaign cannot pick up a phone in the White House and ask for information for people. . .***
>
> - *Harry Thomason, Washington Post, May 27, 1993*

"TRM should solicit a consulting project from the White House of the following description: "Review all non-miliary government aircraft to determine financial and operational appropriateness....This inventory MUST be administered by someone who knows aircraft as well as operational and capital budgets....We've demonstrated our capabilities to the President by coordinating all aircraft activities for The Clinton For President Committee, The Clinton/Gore '92 Committee and the Clinton/Gore Transition Team....Harry, I can state without qualification that TRM is uniquely qualified to conduct this study..Put me in front of the right person at the White House and I will prove the value of both the project and Thomason's capabilities."

- 2/11/93 memo from Darnell Martens to Harry Thomason regarding a project that Harry Thomason had spoken to the President about

"Based on your discussion with President Clinton of my 2/11/93 memo, I began the process of obtaining specific information regarding the scope of work and potential savings involved in performing an audit of all non-military Federal aircraft. We have already requested and received some information from the OMB regarding these aircraft...We know that a review of these aircraft are warranted...the President believes in it, we believe in it and now we have confirmation that those responsible for these operations within the General Services Administration believe in it...TRM is uniquely situated to perform this review and complete it in a meaningful time frame."

- memo from Darnell Martens to Harry Thomason discussing the project starting on May 3, 1993

Re: "our 4/7/93 meeting at your office"... "as you know, I have already met with and obtained the cooperation of Lawrence B. Godwin, Executive Officer, Interagency Committee on Aviation Policy, General Service Administration...

"The Office of the President needs to:

A) Issue an Executive Order empowering ICAP to perform the audit. This Executive Order is simply providing the authority to carry out the mandate ICAP has already received from the OMB (Circular A-126). ICAP will require an additional manpower allocation and a reasonable travel budget for the audit.

B) Enter into a consulting agreement with TRM, Incorporated to 1: act as a liaison between ICAP and The White House, 2) develop the audit methodology with ICAP, and 3) develop the final recommendations to the President based on the obtained information.

In discussing this with Harry Thomason after our meeting, he noted the same synergistic opportunities we discussed. Such as, regenerating single-engine aircraft production in America and, with an accurate operational and financial baseline, we have the opportunity to create a system of true interagency use of our aircraft assets."

- April 12, 1993 memo from Darnell Martens to Bruce Lindsey

"A GSA guy called Darnell Martens and invited Darnell Martens to talk with GSA... Harry Thomason discussed idea with Bruce...GSA called Darnell....unconnected to Harry Thomason or White House...Harry Thomason conversation with B"

- White House Management Review notes of interview with Harry Thomason, May 27, 1993

007985SS

ND001-01 pm 3/10/93 pm GOP

CS

C O P Y
from ORM

THE WHITE HOUSE
WASHINGTON

DATE: 2/17

NOTE FOR: MACK, MARK, WATKINS

The President has reviewed the attached, and it is forwarded to you for your:

Information ☐
Action ☑

Thank you.

JOHN D. PODESTA
Assistant to the President
and Staff Secretary
(x2702)

CONFIDENTIAL✓

THE PRESIDENT HAS SEEN

TO: HARRY THOMASON
Chairman, TRM, Inc.

FROM: DARNELL MARTENS
President, TRM, Inc.

RE: WHITE HOUSE INVENTORY OF THE FEDERAL AIRCRAFT FLEET

DATE: 2/11/93

On 1/29/93, I sent you and Dee Dee Myers a memo in which I stated that, based on the Administration's directive to consider cutbacks wherever feasible, TRM should solicit a consulting project from the White House of the following description:

"Review all non-military government aircraft to determine financial and operational appropriateness."

Yesterday morning on CNN-Live, the President stated in a cabinet meeting that his staff has informed him that there are savings to be had in a review of all government aircraft and that an inventory of those aircraft will be made.

This inventory MUST by administered by someone who knows aircraft as well as operational and capital budgets.I propose a plane-by-plane inventory of the 1,874 aircraft in the Federal fleet. We would, with cooperation by the GAO & OMB, list each aircraft's: agency user, purpose, current value, operating budget, mission appropriateness, utilization, alternative aircraft (if any), operating budget effects (of changes, if any) and miscellaneous comments.

SUMMARY OF THE FEDERAL AIRCRAFT FLEET

Large Commercial Jets	26
Large Business Jets	22
Medium Business Jets	41
Small Business Jets	150
Turboprop	600
Piston-Multiengine	190
Piston-Single engine	406
Helicopters	383
Military-type Jets	56
TOTAL	1874

We've demonstrated our capabilities to the President by coordinating all aircraft activities for The Clinton For President Committee, The Clinton/Gore '92 Committee and the Clinton/Gore Transition Team. Now we have an opportunity to make a substantive contribution to the deficit reduction plans. We can deliver a practical, useful tool to both reduce costs and improve aircraft utilization.

Harry, I can state, without qualification, that TRM is uniquely qualified to conduct this study. This is the project for which I have trained for 19 years. I know the aircraft--I understand the budgets. Put me in front of the right person at the White House and I will prove the value of both the project and Thomason's capabilities.

REDACTED

CONFIDENTIAL

TO: HARRY THOMASON
Chairman, TRM, Inc.

FROM: DARNELL MARTENS
President, TRM, Inc.

RE: WHITE HOUSE INVENTORY OF THE FEDERAL AIRCRAFT FLEET

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CONFIDENTIAL

TRM, INCORPORATED
513-871-5410

INTERCOMPANY MEMORANDUM

TO: **Harry Thomason, Chairman**

FROM: **Darnell Martens, President**

RE: **Federal Aircraft Management Information System (FAMIS)**

DATE: **3/12/93**

Based on your discussion with President Clinton of my 2/11/93 memo, I began the process of obtaining specific information regarding the scope of work and potential savings involved in performing an audit of all non-military Federal aircraft.

SCOPE OF WORK:

(A) **The scope of work involves the plane-by-plane review of 1,874 aircraft. We have already requested and received some information from the OMB regarding these aircraft.**

The information currently available is not representative of the true cost of operation. Existing definitions of "operating costs" varies widely and is not consistent among the various agencies. Much of the costs are hidden in the general overhead budgets.

To develop true operating budgets, perform an audit of how the aircraft are used and to evaluate alternative aircraft and/or operational recommendations would require one year.

(B) After hearing from the Interagency Committee for Aviation Policy, it would appear that a follow-on project of developing and implementing a management information system that continues to adequately monitor and document the aircraft usage is needed. This, too, would require approximately one year to develop and implement.

POTENTIAL SAVINGS Potential savings had been earlier estimated by me at \$100 million year one with minimum annual operating budget savings of \$50 million per year thereafter. I now believe this to be very conservative.

A discussion with Lawrence B. Godwin, Executive Officer of the Interagency Committee for Aviation Policy (ICAP) at the General Services Administration revealed that the government did not even account separately for the budgets relating to personnel transport on non-military aircraft until four years ago. In his opinion, the stated operating costs do not even closely indicate the true costs.

He offered that the published costs may be low by as much as a decimal point. Since the 1991 published costs were $1,017,118,369, this indicates a potential variance of $9 billion.

My research bears out this supposition. For example, the Dept. of Agriculture aircraft operating costs equal only $365 per hour, the Dept. of Interior just $220 per hour and the Dept. of Justice at $861 per hour. These figures simply are not reasonable. They are too low considering the type aircraft operated. Therefore, there must be costs which are not disclosed. My analysis and ICAP's statements both indicate gross understatements of aircraft costs.

I now believe that TRM can identify savings to the government of several hundred million dollars. A very conservative estimate would be $300 million initially and $150 million per year thereafter. Additionally, a significant percentage of the aircraft operations budget would be shifted to private enterprise (charter) thereby improving the general economy.

SUMMARY: We know that a review of these aircraft are warranted...the President believes in it, we believe in it and now we have confirmation that those responsible for these operations within the General Services Administration believe in it. Additionally, the budget savings have grown to be statistically significant.

TRM is uniquely situated to perform this review and complete it in a meaningful time frame.

[illegible]

FAMIS SCOPE OF WORK

Initial Draft

Start	Completetion	Task
May 03	May 28	Develop specific definition of operating budget and aircraft utilization parameters. Audit packages developed for implementation by GAO. Specify TRM computer software and hardware configuration for the FAMIS database.
May 31	Jun 18	Meet with and train GAO audit personnel regarding FAMIS audit package and related information.
Jun 28	Sep 24	Group I Agencies: audit packages solicited, returned and analyzed.
Sep 30		*Group I Report to Executive Branch*
Sep 27	Dec 31	Group II Agencies: audit packages solicited, returned and analyzed.
Jan 07	*'94*	*Group II Report to Executive Branch*
Jan 03	Mar 25	Group III Agencies: audit packages solicited, returned and analyzed.
Apr 01		*Group III Report to Executive Branch*
Mar 28	Apr 29	Group I thru III Agencies: all audit packages analyzed relative to interagency considerations and final report prepared.
May 02	*'94*	*Full report delivered to Executive Branch.*

TRM, INCORPORATED

513-871-5410
FAX: 513-871-5761

TO: BRUCE LINDSEY

FROM: DARNELL MARTENS

RE: REVIEW OF NON-MILITARY FEDERAL AIRCRAFT FLEET

DATE: 4/6/93

Attached is:

1) A memo to Harry Thomason which was presented to and discussed with the President in mid-February. The President indicated to Harry that this was a project he was interested in considering.

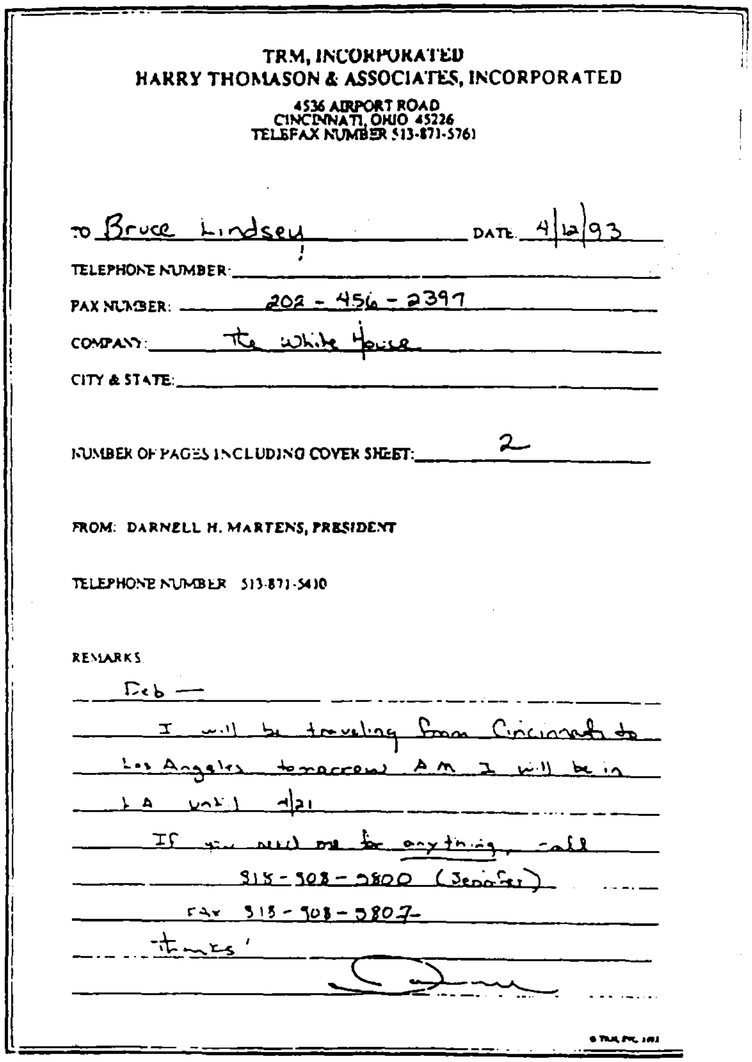
2) A follow-up memo to Harry's meeting with the President which outlines the proposal in greater detail adding the cooperation of the GSA's Interagency Committee for Aviation Policy (Lawrence Godwin, Executive Officer).

3) A Scope of Work summary indicating a one year time frame for the completion of the audit and recommendation phase of the report.

Interim reports could be issued in order to accelerate the implementation of cost savings.

Subject to your review of this preliminary information, TRM is prepared to assemble and provide any additional information you may require to fully consider this project.

Likewise, TRM formally requests the opportunity to generate this report for the Administration. We have consistently demonstrated both our capabilities and loyalty to the Administration throughout the past 18 months. Further, we are uniquely qualified to provide a report which can be implemented and will result in lower government costs.



TRM, INCORPORATED
HARRY THOMASON & ASSOCIATES, INCORPORATED
4536 AIRPORT ROAD
CINCINNATI, OHIO 45226
TELEFAX NUMBER 513-871-5761

TO: Bruce Lindsey DATE: 4/12/93

TELEPHONE NUMBER:

FAX NUMBER: 202 - 456 - 2397

COMPANY: The White House

CITY & STATE:

NUMBER OF PAGES INCLUDING COVER SHEET: 2

FROM: DARNELL H. MARTENS, PRESIDENT

TELEPHONE NUMBER 513-871-5410

REMARKS:

Deb —

I will be traveling from Cincinnati to Los Angeles tomorrow AM I will be in LA until 4/21

If you need me for anything, call

818 - 908 - 5800 (Jennifer)

fax 818 - 908 - 5807

thanks!

© TRM, INC. 1993

Mack Cyp

T R M, I N C O R P O R A T E D
MEMORANDUM

CINCINNATI: 513-871-2419 LOS ANGELES: 818-908-
FAX 871-5761 FAX 908-

TO: BRUCE LINDSEY
ASST. TO THE PRESIDENT, SR. ADVISOR
THE WHITE HOUSE

FROM: DARNELL MARTENS
PRESIDENT, TRM, INC.

RE: FAMIS (Federal Aircraft Management Information System) REPC

DATE: 4/12/93

Based on our 4/7/93 meeting at your office, I am recommending that Office of the President initiate an operational and financial audit all non-military Federal aircraft.

The specific purpose of the audit will be to: 1) generate a consist accounting methodology for Federal aircraft and perform an audit us that method, and 2) generate a report for the President, using information obtained, that will list specific recommendations regard aircraft requirements and interagency utilization.

As you know, I have already met with and obtained the cooperation Lawrence B. Godwin, Executive Officer, Interagency Committee Aviation Policy, General Services Administration (think of ICAP as U.S. Government's flight department).

The Office of the President needs to:

A) Issue an Executive Order empowering ICAP to perform the au This Executive Order is simply providing the authority to carry out mandate ICAP has already received from the OMB (Circular A-126). will require an additional manpower allocation and a reasonable tr budget for the audit.

B) Enter into a consulting agreement with TRM, Incorporated to: 1) as a liaison between ICAP and The White House, 2) develop the methodology with ICAP, and 3) develop the final recommendations to President based on the obtained information.

In discussing this with Harry Thomason after our meeting, he note same synergistic opportunities we discussed. Such as, regener single-engine aircraft production in America and, with an acc operational and financial baseline, we have the opportunity to cre system of true interagency use of our aircraft assets.

This project falls solidly under the heading of re-inve government.

Please advise our next step (other than setting up a meeting with Johnson). I will be in Los Angeles 4/13 through 4/21. I am at disposal.

TRM, INCORPORATED
HARRY THOMASON & ASSOCIATES, INCORPORATED

4536 AIRPORT ROAD
CINCINNATI, OHIO 45226
TELEFAX NUMBER 513-871-5761

TO: Deb DATE: 4/26/93

TELEPHONE NUMBER:

FAX NUMBER:

COMPANY: the White House

CITY & STATE: Office of Bruce Lindsey

NUMBER OF PAGES INCLUDING COVER SHEET: 3

FROM: DARNELL H. MARTENS, PRESIDENT

TELEPHONE NUMBER 513-871-5410

REMARKS

- Harry will arrive Thurs. evening.
- Info per attached

Thanks!

© TRM INC 1992

This is what [illegible]
[illegible]
is calling
About

TRM, INCORPORATED
HARRY THOMASON & ASSOCIATES

MEMORANDUM

CINCINNATI: 513-871-5410
FAX 871-5761

TO: DEB

FROM: DARNELL MARTENS
PRESIDENT, TRM, INC.

RE: Federal Aircraft Management Information System REPORT

DATE: 4/26/93

Has Mr. Lindsey had an opportunity to follow up on our meeting of 4/7/93 and my faxed memo of 4/12/93 regarding the Federal Aircraft Report (copy attached)?

Harry Thomason will be at The White House on Friday and Saturday of this week. Would Mr. Lindsey want to schedule a follow-up meeting at that time?

I am in Cincinnati this week (phone numbers above). Please advise at your convenience. Thank you!

TRM, INCORPORATED
MEMORANDUM

CINCINNATI: 513-871-5410 LOS ANGELES: 818-908-580
FAX 871-5761 FAX 904-580

TO: BRUCE LINDSEY
ASST. TO THE PRESIDENT, SR. ADVISOR
THE WHITE HOUSE

FROM: DARNELL MARTENS
PRESIDENT, TRM, INC.

RE: FAMIS (Federal Aircraft Management Information System) REPORT

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This project falls solidly under the heading of re-invent government.

Please advise our next step (other than setting up a meeting with Ro Johnson). I will be in Los Angeles 4/13 through 4/21. I am at y disposal.

TRM, INCORPORATED

513-671-5410
FAX: 513-67 1-5761

TO. BRUCE LINDSEY

FROM: DARNELL MARTENS

RE: FEDERAL AVIATION MANAGEMENT AUDIT

DATE: 4/29/93

Attached is summary of the proposed audit and report with some additional detail. This information was generated in concert with ICAP of the GSA.

Likewise, we now have the support of the FAA Flight Standards Office which has serious concerns regarding the operational safety of "public aircraft" (non-military Federal aircraft).

I have completed some research which indicates an alarmingly high accident rate within certain agencies of the government in some cases an accident rate 3 to 4 times higher than the civil aviation fleet rate.

The operational side of the proposed audit would identify those areas in which safety could be improved.

I would greatly appreciate the opportunity to get together with you and Roger Johnson to determine if he is in agreement. If so, we could set a timetable for the project's initiation.

Please advise. Thanks!

FEDERAL AVIATION MANAGEMENT AUDIT

PURPOSE

The intent of this audit is to generate a report which will:

1) formulate a consistent accounting methodology (operational and financial) for Federal aircraft,

2) perform an audit using that methodology, and

3) generate a report for the President, using the information obtained, that will list specific recommendations regarding aircraft requirements and interagency utilization.

METHODOLOGY

The Executive Branch would empower TRM, Incorporated to work in concert with the Interagency Committee For Aviation Policy (ICAP) of the General Services Administration (GSA) to generate the report. These two entities, TRM and ICAP, have worked together to make this proposal to The White House and each has specific and synergistic capabilities to insure the quality and completion of the audit and report.

TRM and ICAP would develop the audit and accounting methodology for the non-military Federal aircraft fleet. This process would require six (6) weeks.

ICAP would administer the actual audit function using individuals allocated to ICAP from other agencies and one from private industry. A five-member audit team is envisioned requiring:

- Team Coordinator: Source-GSA/ICAP
  Organizes, coordinates and administers the Federal Aviation Management Audit
- Financial Consultant: Source-TRM
  Reviews and analyzes agency financial strategies including aircraft acquisition, replacement and disposal
- Budget and Accounting Analyst: Source GSA or OMB
  Reviews and analyzes agency aviation operational budget and accounting data
- Principle Operations Inspector: Source-FAA
  Reviews and analyzes agency operations manuals and systems
- Principle Maintenance Inspector: Source-FAA
  Reviews and analyzes agency maintenance manuals and systems

There are presently 66 selected audit sites (17 in Washington, 46 in the Continental US and 3 outside the Continental US). The audit will require an estimated 156 audit days. This portion of the report will require eight (8) months to complete.

Lastly, TRM will generate its version of the report to the President focusing on the budgetary considerations. ICAP will generate the report focusing on operational and safety issues. The issuance of the final report will require six (6) weeks.

Therefore, the completion of all of the above will require an estimated eleven (11) months. Budgetary recommendations would be completed in time for inclusion in next years Federal Budget.

ANTICIPATED RESULTS

- $150 million in one-time capital infusion (sale and sale/leaseback of equipment).
- $150 million in on-going operating budget reductions.
- Improved interagency use of aircraft.
- Improved safety.
- Significant acquisition (lease or purchase) of new equipment (economic stimulus).
- Restart American production of single-engine high-wing aircraft (significant long-term economic stimulus).
- Solve a significant equipment crisis for FBI, Interior, Justice who have aircraft which need replacement but no appropriate American made replacement exists (See Argument above).
- Establish a completed framework with which ICAP can continue to provide the same information generated by the audit on a long-term basis for continuous, accurate management of the Federal aviation assets.

AUDIT/REPORT COSTS

Overall costs are minimized by allocating existing personnel from various agencies to ICAP for the duration of the audit. Therefore, a significant portion of the costs are not incremental - only reallocated for a short period. No new permanent personnel are required to carry out the audit and completion of the report.

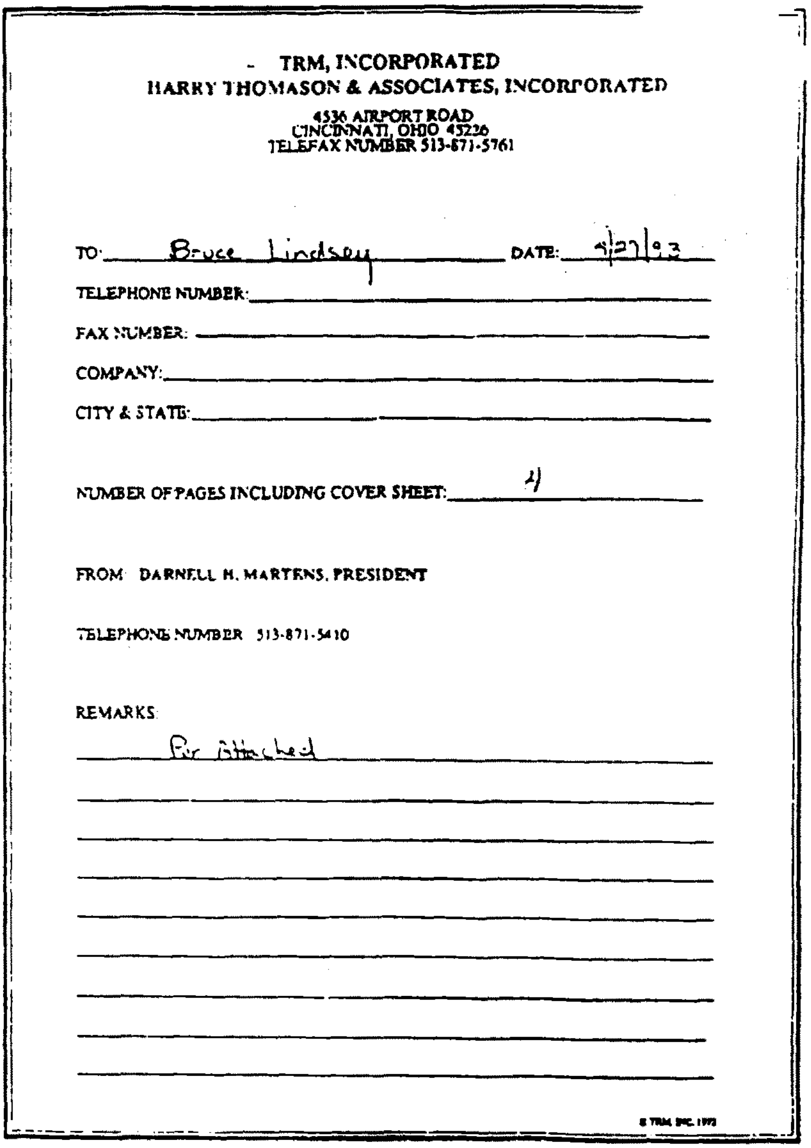
ICAP, whose costs are minimized through reassigned personnel, estimates its costs at:

Public Sector Contractor (34 weeks)	$ [illegible]
Audit Team Expenses:	
Per Diem/Lodging	[illegible]
Car Rental	[illegible]
Airfare	[illegible]
Total	$[illegible]

TRM estimates its costs at:

Methodology development, Data analysis, Final report development	$234,500
Software development	16,000
Administrative Support	16,000
Travel Expenses	24,000
Total	$290,500
Estimated Computer Hardware & Related Software (Apple)	$ [illegible]
Estimated Total Project Costs	$[illegible]

Given the direct economic return for the next budget year and every year thereafter, the safety improvements anticipated and the economic stimulus generated by the recommendations provide a return on investment in excess of 600 to 1.



TRM, INCORPORATED
HARRY THOMASON & ASSOCIATES, INCORPORATED

4536 AIRPORT ROAD
CINCINNATI, OHIO 45226
TELEFAX NUMBER 513-871-5761

TO: Bruce Lindsey DATE: 9/27/93

TELEPHONE NUMBER:

FAX NUMBER:

COMPANY:

CITY & STATE:

NUMBER OF PAGES INCLUDING COVER SHEET: 4

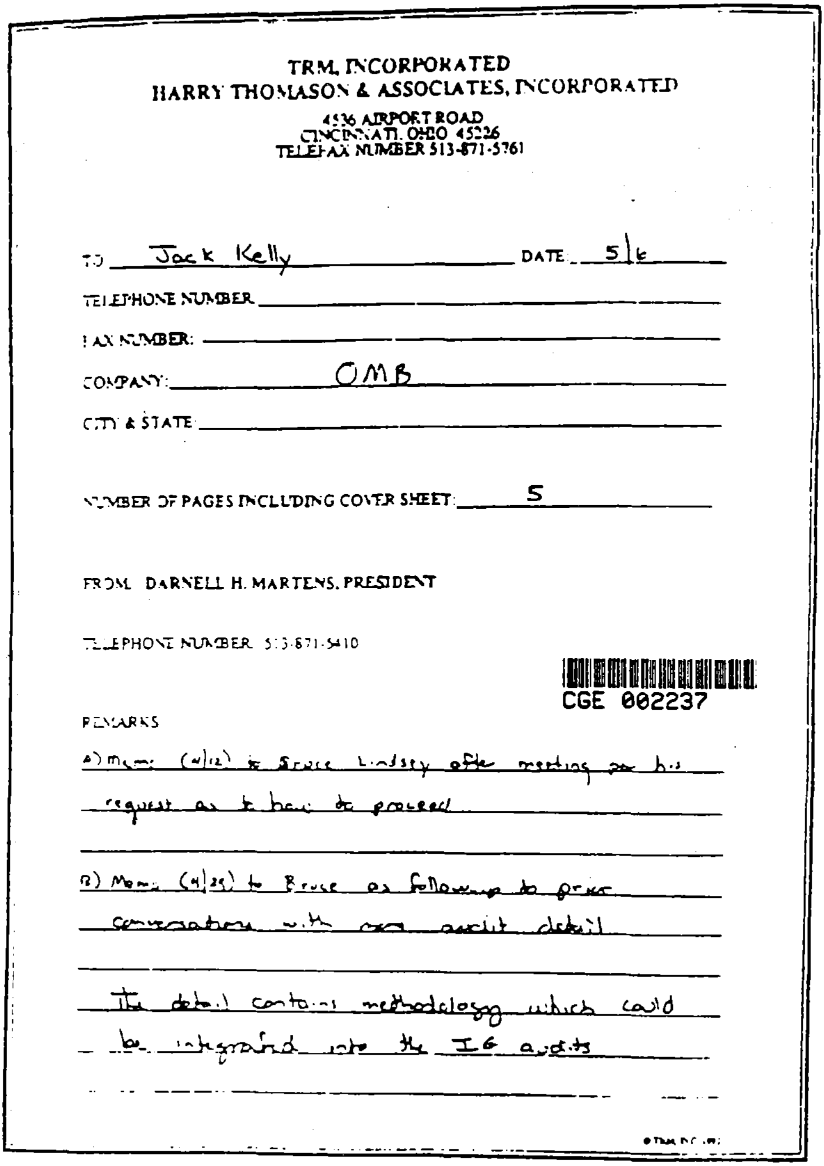
FROM: DARNELL H. MARTENS, PRESIDENT

TELEPHONE NUMBER 513-871-5410

REMARKS:

Per Attached

© TRM INC. 1992



TRM, INCORPORATED
HARRY THOMASON & ASSOCIATES, INCORPORATED
4536 AIRPORT ROAD
CINCINNATI, OHIO 45226
TELEFAX NUMBER 513-871-5761

TO: Jack Kelly DATE: 5/6

TELEPHONE NUMBER:

FAX NUMBER:

COMPANY: OMB

CITY & STATE:

NUMBER OF PAGES INCLUDING COVER SHEET: 5

FROM: DARNELL H. MARTENS, PRESIDENT

TELEPHONE NUMBER: 513-871-5410

CGE 002237

REMARKS

A) Memo (4/12) to Bruce Lindsey after meeting per his request as to how to proceed

B) Memo (4/25) to Bruce as follow-up to prior conversation with our audit detail

The detail contains methodology which could be integrated into the IG audits

© TRM INC.

T R M.   I N C O R P O R A T E D
MEMORANDUM

CINCINNATI: 513-871-5411   LOS ANGELES   [illegible]
FAX 871-5761   FAX [illegible]

TO: **BRUCE LINDSEY**
ASST. TO THE PRESIDENT, SR. ADVISOR
THE WHITE HOUSE

FROM **DARNELL MARTENS**
PRESIDENT, TRM, INC.

RE: FAMIS (Federal Aircraft Management Information System REPORT

DATE: 4/12/93

Based on our 4/7/93 meeting at your office, I am recommending that the Office of the President initiate an operational and financial audit of all non-military Federal aircraft.

The specific purpose of the audit will be to: 1) generate a consistent accounting methodology for Federal aircraft and perform an audit using that method, and 2) generate a report for the President, using the information obtained, that will list specific recommendations regarding aircraft requirements and interagency utilization.

As you know, I have already met with and obtained the cooperation of Lawrence B. Godwin, Executive Officer, Interagency Committee on Aviation Policy, General Services Administration (think of ICAP as the U.S. Government's flight department).

The Office of the President needs to:

1) Issue an Executive Order empowering ICAP to perform the audit. This Executive Order is simply providing the authority to carry out the mandate ICAP has already received from the OMB (Circular A-126). ICAP will require an additional manpower allocation and a reasonable travel budget for the audit.

2) Enter into a consulting agreement with TRM, Incorporated to: 1) act as a liaison between ICAP and The White House, 2) develop the audit methodology with ICAP, and 3) develop the final recommendations to the President based on the obtained information.

In discussing this with Harry Thomason after our meeting, he noted the same synergistic opportunities we discussed. Such as, regenerating single-engine aircraft production in America and, with an accurate operational and financial baseline, we have the opportunity to create a system of true interagency use of our aircraft assets.

This project falls solidly under the heading of re-inventing government.

Please advise our next step (other than setting up a meeting with Roger [illegible]). I will be in Los Angeles 4/13 through [illegible]. I am at your disposal.

TRM, INCORPORATED

513-871-5410
FAX: 513-87 1-5763

TO: BRUCE LINDSEY

FROM: DARNELL MARTENS

RE: FEDERAL AVIATION MANAGEMENT AUDIT

DATE: 4/29/93

Attached is summary of the proposed audit and report with some additional detail. This information was generated in concert with ICAP of the GSA.

Likewise, we now have the support of the FAA Flight Standards Office which has serious concerns regarding the operational safety of "public aircraft" (non-military Federal aircraft).

I have completed some research which indicates an alarmingly high accident rate within certain agencies of the government - in some cases an accident rate 3 to 4 times higher than the civil aviation fleet rate.

The operational side of the proposed audit would identify those areas in which safety could be improved.

I would greatly appreciate the opportunity to get together with you and Roger Johnson to determine if he is in agreement. If so, we could set a timetable for the project's initiation.

Please advise. Thanks!

FEDERAL AVIATION MANAGEMENT AUDIT

PURPOSE

The intent of this audit is to generate a report which will

1) formulate a consistent accounting methodology (operational and financial) for Federal aircraft,

2) perform an audit using that methodology, and

3) generate a report for the President, using the information obtained, that will list specific recommendations regarding aircraft requirements and interagency utilization.

METHODOLOGY

The Executive Branch would empower TRM, Incorporated to work in concert with the Interagency Committee For Aviation Policy (ICAP) of the General Services Administration (GSA) to generate the report. These two entities, TRM and ICAP, have worked together to make this proposal to The White House and each has specific and synergistic capabilities to insure the quality and completion of the audit and report.

TRM and ICAP would develop the audit and accounting methodology for the non-military Federal aircraft fleet. This process would require six (6) weeks.

ICAP would administer the actual audit function using individuals allocated to ICAP from other agencies and one from private industry. A five-member audit team is envisioned requiring:

- Team Coordinator Source-GSA/ICAP
  Organizes, coordinates and administers the Federal Aviation Management Audit
- Financial Consultant Source-TRM
  Reviews and analyzes agency financial strategies including aircraft acquisition, replacement and disposal
- Budget and Accounting Analyst Source-GSA or OMB
  Reviews and analyzes agency and/or operational budget and accounting data
- Principle Operations Inspector Source-FAA
  Reviews and analyzes agency operations manuals and systems
- Principle Maintenance Inspector Source-FAA
  Reviews and analyzes agency maintenance manuals and systems

There are presently 66 selected audit sites (17 in Washington, 46 in the Continental US and 3 outside the Continental US). The audit will require an estimated 156 audit days. This portion of the report will require eight (8) months to complete.

Lastly, TRM will generate its version of the report to the President focusing on the budgetary considerations. ICAP will generate the report focusing on operational and safety issues. The issuance of the final report will require six (6) weeks.

Therefore, the completion of all of the above will require an estimated eleven (11) months. Budgetary recommendations would be completed in time for inclusion in next years Federal Budget.

FEDERAL AVIATION MANAGEMENT AUDIT (CONT) **PAGE 2 OF 2**

ANTICIPATED RESULTS

- $150 million in one-time capital infusion (sale and sale/leaseback of equipment)
- $150 million in on-going operating budget reductions.
- Improved interagency use of aircraft.
- Improved safety.
- Significant acquisition (lease or purchase) of new equipment (economic stimulus).
- Restart American production of single-engine high-wing aircraft (significant long-term economic stimulus).
- Solve a significant equipment crisis for FBI, Interior, Justice who have aircraft which need replacement but no appropriate American-made replacement exists (See dot-point above)
- Establish a completed framework with which ICAP can continue to provide the same information generated by the audit on a long-term basis for continuous, on-going management of the Federal aviation assets.

AUDIT/REPORT COSTS

Overall costs are minimized by allocating existing personnel from various agencies to ICAP for the duration of the audit. Therefore, a significant portion of the costs are not incremental - only reallocated for a short period. No new permanent personnel are required to carry out the audit and completion of the report.

ICAP, whose costs are minimized through reassigned personnel, estimates its costs at:

Public Sector Contractor (34 weeks)	$ 65,000
Audit Team Expenses:	
Per Diem/Lodging	56,250
Car Rental	4,770
Airfare	72,500
Total	$198,520

IBM estimates its costs at:

Methodology development, Data analysis, Final report development	$214,500
Software development	16,000
Administrative Support	16,000
Travel Expenses	24,000
Total	$270,500

Estimated Computer Hardware & Related Software (Apple)	$ 30,000
Estimated Total Project Costs	$499,020

Given the direct economic return for the next budget year and every year thereafter, the safety improvements anticipated and the economic stimulus generated by the recommendations provide a return on investment in excess of 600 to 1.

TODO List
Friday April 30, 1993

Friday
April 30, 1993

Bruce Lindsey

March 1993

Su	Mo	Tu	We	Th	Fr	Sa
	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30	31			

April 1993

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May 1993

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June 1993

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27	28	29	30			

July 1993

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18	19	20	21	22	23	24
25	26	27	28	29	30	31

August 1993

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22	23	24	25	26	27	28
29	30	31				

September 1993

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October 1993

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24	25	26	27	28	29	30
31						

November 1993

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7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30				

December 1993

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5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30	31	

January 1994

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23	24	25	26	27	28	29
30	31					

February 1994

Su	Mo	Tu	We	Th	Fr	Sa
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28					

Appointment/Meetings

Friday April 30, 1993

8 45a–9 00a Meeting with Harry Thomason

REDACTED

BRUCE LINDSEY CALL LIST
April 28, 1993

TIME IN	NOTES/RESOLUTION	NAME/AGENCY	PHONE NO.	MESSAGE
3:58 pm	IMPORTANT!	Harry Thomason	(818) 760-5779	Calling re setting up a meeting for Friday/Saturday this week.

BRUCE LINDSEY CALL LIST

April 29, 1993

TIME IN	NOTES/RESOLUTION	NAME/AGENCY	PHONE NO.	MESSAGE
6:53 pm	**FYI re Harry Thomason**			I didn't know if you ever touched base with Harry Thomason. He will be at the Jefferson Hotel. Rita Lewis (x6257) is scheduling for him and has arranged a meeting with you at 8:45 am for him to talk to you.

BRUCE LINDSEY CALL LIST
May 3, 1993

TIME IN	NOTES/RESOLUTION	NAME/AGENCY	PHONE NO.	MESSAGE
3:28 pm		Darnell, TRM	(513) 871-5410	Harry Thomason talked to you Friday or Saturday. Said Harry was under the impression you were waiting on something from Darnell. You have had his FAX for some time now. Schedule? ______Yes ______No

REPORT NO: WAV0776S WAVES

RUN DATE : 93/05/03 VISITOR SUMMARY FOR 93/05

VISITOR		VISITEE	UIN	TIME	DATE	LOC	ROOM	REQUESTOR	BADGE	TOA	POA
WATERS	DARNELL	LINDSEY	031705	1420	930407	W	WR	DYCK	017575	1337	A04

[redacted]

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                                                                    PAGE NO.   [illegible]
RUN DATE : 93/06/21                      VISITOR SUMMARY FOR 93/0[illegible]:

VISITOR                       VISITEE                  UIN      TIME DATE      LOC ROOM      REQUESTOR     BADGE   TOA  POA


MARTENS        GARNELL        KELLY                    U31779   0910  930512  W  10107       KELLY         36CBAC  0923 X01
MARTENS        DARNELLE       NORTHCUTT                U31527   1043  930512  W  6W          NORTHCUTT     000741  1107 A04
MARTENS        DARNELL        FERGUSON                 U31511   1120  930512  W  1W          WIRRY         ******  **** ***
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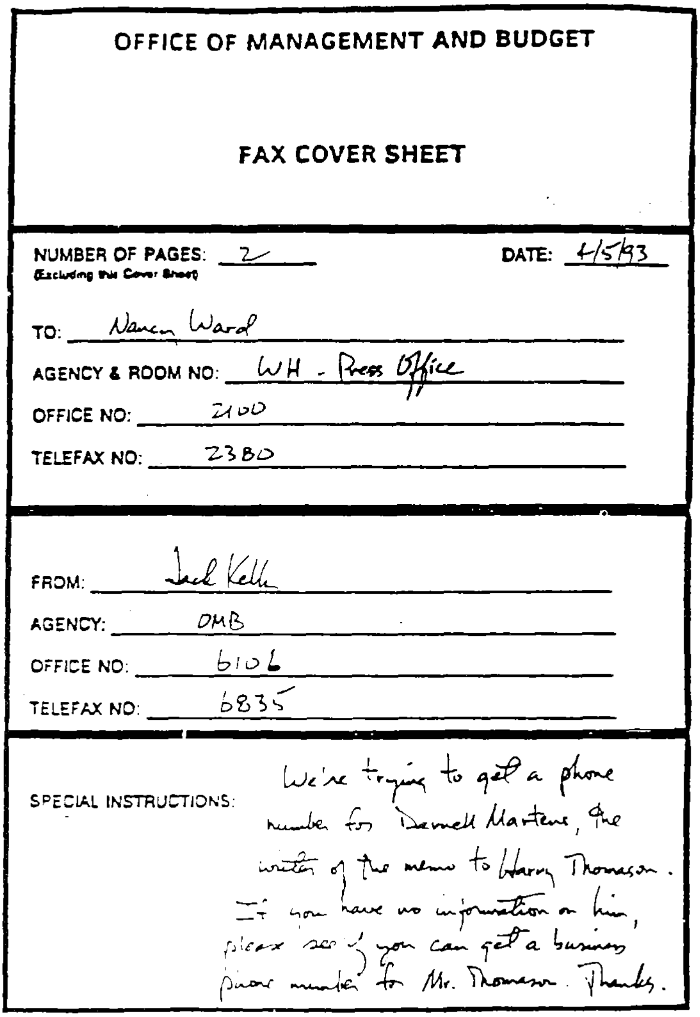

OFFICE OF MANAGEMENT AND BUDGET

FAX COVER SHEET

NUMBER OF PAGES: 2
(Excluding this Cover Sheet)

DATE: 4/5/93

TO: Nancy Ward

AGENCY & ROOM NO: WH - Press Office

OFFICE NO: 2100

TELEFAX NO: 2380

FROM: Jack Kell

AGENCY: OMB

OFFICE NO: 6106

TELEFAX NO: 6835

SPECIAL INSTRUCTIONS: We're trying to get a phone number for Darnell Martens, the writer of the memo to Harry Thomason. If you have no information on him, please see if you can get a business phone number for Mr. Thomason. Thanks.

REDACTED

CONFIDENTIAL

THE PRESIDENT HAS SEEN

TO: HARRY THOMASON
Chairman, TRM, Inc.

FROM: DARNELL MARTENS
President, TRM, Inc.

RE: WHITE HOUSE INVENTORY OF THE FEDERAL AIRCRAFT FLEET

DATE: 2/11/93

On 1/29/93, I sent you and Dee Dee Myers a memo in which I stated that, based on the Administration's directive to consider cutbacks wherever feasible, TRM should solicit a consulting project from the White House of the following description:

"Review all non-military government aircraft to determine financial and operational appropriateness."

Yesterday morning on CNN-Live, the President stated in a cabinet meeting that his staff has informed him that there are savings to be had in a review of all government aircraft and that an inventory of those aircraft will be made.

This inventory MUST by administered by someone who knows aircraft as well as operational and capital budgets. I propose a plane-by-plane inventory of the 1,874 aircraft in the Federal fleet. We would, with cooperation by the GAO & OMB, list each aircraft's: agency user, purpose, current value, operating budget, mission appropriateness, utilization, alternative aircraft (if any), operating budget effects (of changes, if any) and miscellaneous comments.

SUMMARY OF THE FEDERAL AIRCRAFT FLEET

Large Commercial Jets	26
Large Business Jets	22
Medium Business Jets	41
Small Business Jets	150
Turboprop	600
Piston-Multiengine	190
Piston Single engine	406
Helicopters	383
Military-type Jets	56
TOTAL	1874

We've demonstrated our capabilities to the President by coordinating all aircraft activities for: The Clinton For President Committee, The Clinton/Gore '92 Committee and the Clinton/Gore Transition Team. Now we have an opportunity to make a substantive contribution to the deficit reduction plans. We can deliver a practical, useful tool to both reduce costs and improve aircraft utilization.

Harry, I can state, without qualification, that TRM is uniquely qualified to conduct this study. This is the project for which I have trained for 19 years. I know the aircraft--I understand the budgets. Put me in front of the right person at the White House and I will prove the value of both the project and Thomason's capabilities.

5/[illegible]

[illegible]

[illegible] [illegible]

Missing point that some aircraft are inappropriate for the uses to which they are being [illegible] put.

Good that we are establishing a baseline.

He's interested in upgrading the Fed. fleet.

Wants to look at that issue.

Example — FAA excessed some Sabreliners that were "run out."

He has been talking to Larry Goodwin.

He has also been talking to Bruce Lindsey — he is turning it over to NPR.

He is looking at a contracting opportunity.

Form — [illegible]

started — [illegible]

bought — [illegible] Exec. Jet

- went with Harry Thomason to form a consulting
- company to work with CFO's on improving the mgt. of their air fleets.
- [illegible] on some WH projects.

Martens [illegible] 5/7/[illegible]

Larry [illegible]

Came from Exec. Ofc [talked to Larry about a month ago]
He has obtained from some source the '91 FAMIS inv. & cost data.
Larry discussed ICAP and its initiatives.
Martens was interested in aging aircraft problem.
He presented himself as a person who wasn't interested in a long-term involvement with Gov. – Bruce Lindsay referred him to GSA.

ICAP staff has proposed setting up an Acquisition, Use, and Disposal Sub-Committee but no agency has come forward to sponsor it or support.

Agrees with idea to have Martens make presentation to ICAR

NPR – Nancy [illegible] – Commerce
Barbara [illegible] – VA
Lou Pierce – NASA
Fred [illegible] – VA

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
[illegible]

May 7, 1993

MEMORANDUM FOR FRANK REEDER

THROUGH: David Haun

FROM: Jack Kelly

SUBJECT: Follow-up on Proposed Aircraft Consulting Project Referred by the White House

Purpose

This memorandum describes the actions we have taken to follow up on the attached memorandum, which proposes a consulting contract to review the Federal aircraft fleet.

Discussion

In the memo to Harry Thomason, Chairman of TRM, Inc. (an aircraft management consulting firm), Mr. Darnell Martens, President of TRM, recommends that TRM solicit a consulting contract to review the Federal aircraft fleet. I spoke with Mr. Martens, who indicated that he has also been in contact with Bruce Lindsey at the White House and that Mr. Lindsey is forwarding his proposal to the Vice President's staff for consideration in the NPR.

Mr. Martens is a former Booz Allen consultant, who specialized in the aircraft industry, subsequently started his own helicopter services company, and later worked for Executive Jet, a large company providing a range of aircraft and aircraft management to corporate clients. TRM, Inc. is a company that Mr. Martens formed with Harry Thomason to provide consulting services to corporate CEOs on ways to improve the management of their aircraft programs. TRM also coordinated the aircraft support for the Clinton/Gore Campaign and the Transition.

Mr. Martens has met with the aircraft policy staff at GSA and has reviewed the audit guide prepared by the GSA Inspector General for use in the PCIE aircraft review now underway. He is very familiar with our efforts to improve aircraft management, and thinks we are making significant progress. There is one area, however, to which he does not believe we have paid sufficient attention and where he would like to offer assistance. He would like a contract to analyze the aircraft in the Federal fleet and identify those aircraft that are inappropriate for the missions for which they are currently used. Mr. Martens believes that the Federal government can realize significant savings by replacing old, fuel inefficient, high maintenance cost aircraft with more modern aircraft better suited to their assigned missions.

I agreed with Mr. Martens' observation that the PCIE review is not addressing the concern he raised. I explained that this issue was lower in priority than the other issues being addressed by the PCIE, such as getting an accurate count of aircraft and identifying their costs. I suggested two potential opportunities for the assistance he offers. First, he could make a proposal to the Interagency Committee on Aircraft Policy (ICAP). The GSA aircraft policy office within the GSA Federal Supply Service (FSS) provides staff support to the ICAP and manages contracts for various ICAP initiatives. If FSS is willing to provide funds for the contract proposed by Mr. Martens, or can convince the other ICAP members to contribute, funds could be made available for that purpose. Second, he could approach an agency that wanted to replace some old aircraft and offer his services in preparing the justification to support the agency's budget request for that purpose. In either case, however, the contract may have to be awarded competitively and be subject to the normal procurement process.

Next Steps

I asked Mr. Martens if he would share with us a copy of the detailed proposals provided to Bruce Lindsey and he promised to send them to me. I have also contacted the GSA aircraft policy staff and they support the idea of having Mr. Martens make a presentation to the ICAP on the benefits of having agencies examine the payback potential from replacing their older, less efficient aircraft. Such a presentation would demonstrate the techniques needed to perform such analyses and indicate the magnitude of the potential benefits. If sufficient benefits are demonstrated, individual agencies or the ICAP as a whole might decide to pursue the matter with Mr. Martens.

Unless you object, I will suggest to GSA that they contact Mr. Martens to see if he would be willing to make such a presentation.

No

Attachment

cc: Hermann Habermann

You should provide GSA with materials you have and let them decide how best to proceed; whether to invite him in. I would hate to prejudice a future procurement

5/7

REDACTED

CONFIDENTIAL

THE PRESIDENT HAS SEEN

TO: HARRY THOMASON
Chairman, TRM, Inc.

FROM: DARNELL MARTENS
President, TRM, Inc.

RE: WHITE HOUSE INVENTORY OF THE FEDERAL AIRCRAFT FLEET

DATE: 2/11/93

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EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET

ROUTE SLIP

TO: **(1) David Haun**

(2) Hermann Habermann

(3) Frank Reeder

Take necessary action ☐

Approval signature ☐

Comment ☐

Prepare reply ☐

Discuss with me ☐

For your information ☒

See remarks below ☐

FROM: Jack Kelly

DATE: May 7, 1993

REMARKS

Attached is some material I received from Darnell Martens which provided more detail on the audit he is proposing of the Federal civilian aircraft fleet ($499,000). This is the material he has provided to Bruce Lindsey. I received it after I sent the related "follow-up" memo forward.

TRM, INCORPORATED
HARRY THOMASON & ASSOCIATES, INCORPORATED
4536 AIRPORT ROAD
CINCINNATI, OHIO 45226
TELEFAX NUMBER 513-871-5761

TO: Jack Kelly DATE: 5/6

TELEPHONE NUMBER:

FAX NUMBER:

COMPANY: OMB

CITY & STATE:

NUMBER OF PAGES INCLUDING COVER SHEET: 5

FROM: DARNELL H. MARTENS, PRESIDENT

TELEPHONE NUMBER: 513-871-5410

REMARKS

A) memo (4/12) to Bruce Lindsey after meeting per his request as to how to proceed

B) Memo (4/29) to Bruce as follow-up to prior conversations with our audit detail

The detail contains methodology which could be integrated into the IG audits

TRM, INCORPORATED
MEMORANDUM

CINCINNATI: 513-871-5410
FAX 871-5761

LOS ANGELES 818-906-[illegible]
FAX 906-5807

TO: **BRUCE LINDSEY**
ASST. TO THE PRESIDENT, SR. ADVISOR
THE WHITE HOUSE

FROM: **DARNELL MARTENS**
PRESIDENT, TRM, INC.

RE: FAMIS (Federal Aircraft Management Information System) REPORT

DATE: 4/12/93

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As you know, I have already met with and obtained the cooperation of Lawrence B. Godwin, Executive Officer, Interagency Committee on Aviation Policy, General Services Administration (think of ICAP as the U.S. Government's flight department).

The Office of the President needs to:

A) Issue an Executive Order empowering ICAP to perform the audit. This Executive Order is simply providing the authority to carry out the mandate ICAP has already received from the OMB (Circular A-126). ICAP will require an additional manpower allocation and a reasonable travel budget for the audit.

B) Enter into a consulting agreement with TRM, Incorporated to: 1) act as a liaison between ICAP and The White House, 2) develop the audit methodology with ICAP, and 3) develop the final recommendations to the President based on the obtained information.

In discussing this with Harry Thomason after our meeting, he noted the same synergistic opportunities we discussed. Such as, regenerating single-engine aircraft production in America and, with an accurate operational and financial baseline, we have the opportunity to create a system of true interagency use of our aircraft assets.

This project falls solidly under the heading of re-inventing government.

Please advise our next step (other than setting up a meeting with Roger Johnson). I will be in Los Angeles 4/13 through 4/21. I am at your disposal.

TRM, INCORPORATED

513-871-5410
FAX: 513-87 1-5761

TO: BRUCE LINDSEY

FROM: DARNELL MARTENS

RE: FEDERAL AVIATION MANAGEMENT AUDIT

DATE: 4/29/93

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Likewise, we now have the support of the FAA Flight Standards Office which has serious concerns regarding the operational safety of "public aircraft" (non-military Federal aircraft).

I have completed some research which indicates an alarmingly high accident rate within certain agencies of the government - in some cases an accident rate 3 to 4 times higher than the civil aviation fleet rate.

The operational side of the proposed audit would identify those areas in which safety could be improved.

I would greatly appreciate the opportunity to get together with you and Roger Johnson to determine if he is in agreement. If so, we could set a timetable for the project's initiation.

Please advise. Thanks!

FEDERAL AVIATION MANAGEMENT AUDIT

PURPOSE

The intent of this audit is to generate a report which will:

1) formulate a consistent accounting methodology (operational and financial) for Federal aircraft,

2) perform an audit using that methodology, and

3) generate a report for the President, using the information obtained, that will list specific recommendations regarding aircraft requirements and interagency utilization.

METHODOLOGY

The Executive Branch would empower TRM, Incorporated to work in concert with the Interagency Committee For Aviation Policy (ICAP) of the General Services Administration (GSA) to generate the report. These two entities, TRM and ICAP, have worked together to make this proposal to The White House and each has specific and synergistic capabilities to insure the quality and completion of the audit and report.

TRM and ICAP would develop the audit and accounting methodology for the non-military Federal aircraft fleet. This process would require six (6) weeks.

ICAP would administer the actual audit function using individuals allocated to ICAP from other agencies and one from private industry. A five-member audit team is envisioned requiring:

- Team Coordinator: Source-GSA/ICAP
  Organizes, coordinates and administers the Federal Aviation Management Audit.

- Financial Consultant: Source-TRM
  Reviews and analyzes agency financial strategies including aircraft acquisition, replacement and disposal.

- Budget and Accounting Analyst: Source-GSA or OMB
  Reviews and analyzes agency aviation operational budget and accounting data.

- Principle Operations Inspector: Source-FAA
  Reviews and analyzes agency operations manuals and systems.

- Principle Maintenance Inspector: Source-FAA
  Reviews and analyzes agency maintenance manuals and systems.

There are presently 66 selected audit sites (17 in Washington, 46 in the Continental US and 3 outside the Continental US). The audit will require an estimated 156 audit days. This portion of the report will require eight (8) months to complete.

Lastly, TRM will generate its version of the report to the President focusing on the budgetary considerations. ICAP will generate the report focusing on operational and safety issues. The issuance of the final report will require six (6) weeks.

Therefore, the completion of all of the above will require an estimated eleven (11) months. Budgetary recommendations would be completed in time for inclusion in next years Federal Budget.

ANTICIPATED RESULTS

- $150 million in one-time capital infusion (sale and sale/leaseback of equipment).
- $150 million in on-going operating budget reductions.
- Improved interagency use of aircraft.
- Improved safety.
- Significant acquisition (lease or purchase) of new equipment (economic stimulus).
- Restart American production of single-engine high-wing aircraft (significant long-term economic stimulus).
- Solve a significant equipment crisis for FBI, Interior, Justice who have aircraft which need replacement but no appropriate American-made replacement exists (See dot-point above).
- Establish a completed framework with which ICAP can continue to provide the same information generated by the audit on a long-term basis for continuous, on-going management of the Federal aviation assets.

AUDIT/REPORT COSTS

Overall costs are minimized by allocating existing personnel from various agencies to ICAP for the duration of the audit. Therefore, a significant portion of the costs are not incremental - only reallocated for a short period. No new permanent personnel are required to carry out the audit and completion of the report.

ICAP, whose costs are minimized through reassigned personnel, estimates its costs at:

Public Sector Contractor (34 weeks)	$ 65,000
Audit Team Expenses:	
Per Diem/Lodging	56,250
Car Rental	4,770
Airfare	72,500
Total	$198,520

TRM estimates its costs at:

Methodology development, Data analysis, Final report development	$214,500
Software development	16,000
Administrative Support	16,000
Travel Expenses	24,000
Total	$270,500

Estimated Computer Hardware & Related Software (Apple)	$ 30,000
Estimated Total Project Costs	$499,020

Given the direct economic return for the next budget year and every year thereafter, the safety improvements anticipated and the economic stimulus generated by the recommendations provide a return on investment in excess of 600 to 1.

[illegible]

C vo: Danes / Martins.

Rn. 176

[illegible]

[illegible] Military Traffic Mgt Command

- (703) 756-1570

- MTMC handles this domestically – uses very effective electronic network to find charters very quickly.

Air Mobility Command

- ~~MTMC~~ AMC handles internationally.

* - Potential problems with billing.
- ~~[illegible]~~ Dale Helms called him a couple of weeks ago asking what MTMC does.
- Col. Faber has made preliminary

- MTMC acquires a full service package – food, baggage everything. – full-turnkey service.
  - Tender of Service
- AMC provides everything except plane and crew.
  - FAR contract
  - tied into CRAF program.

- MTMC wouldn't want to get involved in billing pass [illegible]

- MTMC moves through [illegible]
  - [illegible] transporting troops to training exercises

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET

ROUTE SLIP

TO: (1) **David Haun**

(2) **Hermann Habermann**

(3) **Frank Reeder**

Take necessary action ☐
Approval signature ☐
Comment ☐
Prepare reply ☐
Discuss with me ☐
For your information ☒
See remarks below ☐

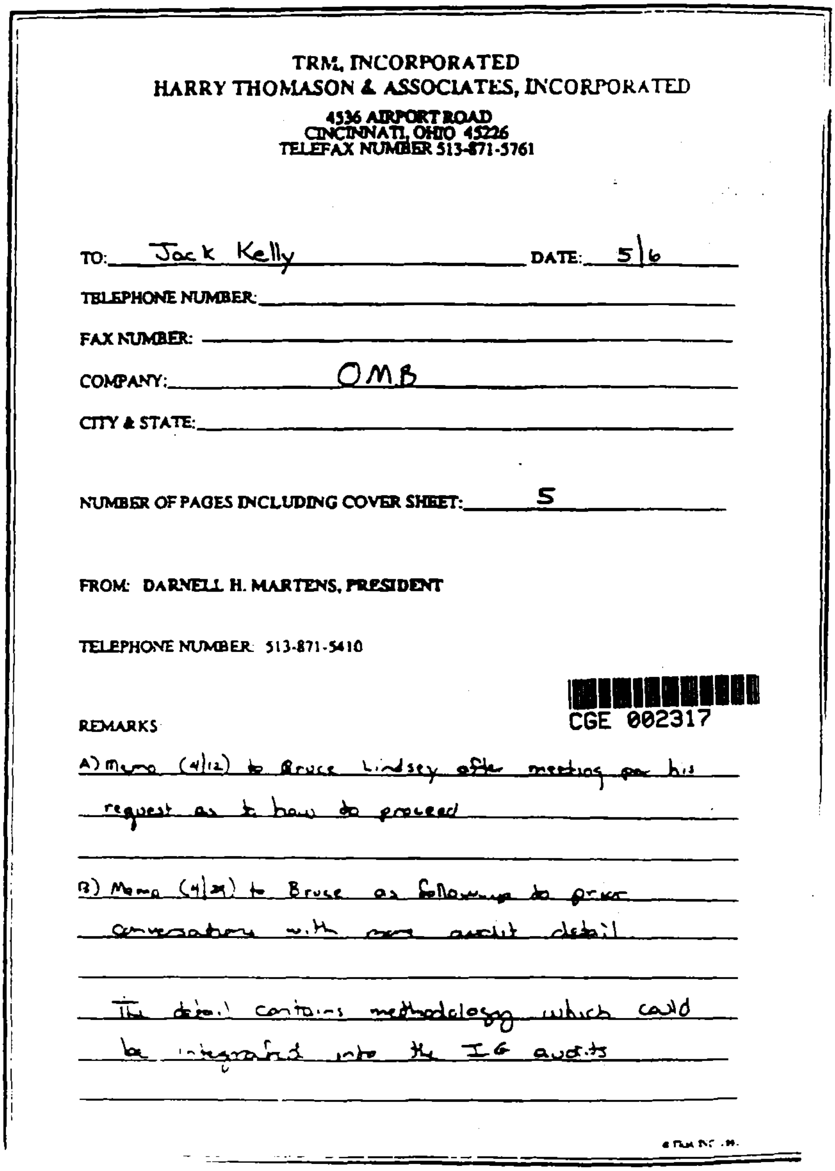
FROM: Jack Kelly Jack

DATE: May 7, 1993

REMARKS:

Attached is some material I received from Darnell Martens which provided more detail on the audit he is proposing of the Federal civilian aircraft fleet ($499,000). This is the material he has provided to Bruce Lindsey. I received it after I sent the related "follow-up" memo forward.

Teresa —
~~Please~~ make a copy & FAX
this for ~~David~~ (703) 305-7941
~~Thanks~~
TRB



TRM, INCORPORATED
HARRY THOMASON & ASSOCIATES, INCORPORATED
4536 AIRPORT ROAD
CINCINNATI, OHIO 45226
TELEFAX NUMBER 513-871-5761

TO: Jack Kelly DATE: 5/6

TELEPHONE NUMBER:

FAX NUMBER:

COMPANY: OMB

CITY & STATE:

NUMBER OF PAGES INCLUDING COVER SHEET: 5

FROM: DARNELL H. MARTENS, PRESIDENT

TELEPHONE NUMBER: 513-871-5410

CGE 002317

REMARKS

A) Memo (4/12) to Bruce Lindsey after meeting per his request as to how to proceed

B) Memo (4/28) to Bruce as followup to prior conversation with [illegible] audit detail

The detail contains methodology which could be integrated into the IG audits

TRM, INCORPORATED
MEMORANDUM

CINCINNATI: 513-871-5410
FAX 871-5761

LOS ANGELES: 818-908-5800
FAX 908-5807

TO: **BRUCE LINDSEY**
ASST. TO THE PRESIDENT, SR. ADVISOR
THE WHITE HOUSE

FROM: **DARNELL MARTENS**
PRESIDENT, TRM, INC.

RE: FAMIS (Federal Aircraft Management Information System) REPORT

DATE: 4/12/93

Based on our 4/7/93 meeting at your office, I am recommending that the Office of the President initiate an operational and financial audit of all non-military Federal aircraft.

The specific purpose of the audit will be to: 1) generate a consistent accounting methodology for Federal aircraft and perform an audit using that method, and 2) generate a report for the President, using the information obtained, that will list specific recommendations regarding aircraft requirements and interagency utilization.

As you know, I have already met with and obtained the cooperation of Lawrence B. Godwin, Executive Officer, Interagency Committee on Aviation Policy, General Services Administration (think of ICAP as the U.S. Government's flight department).

The Office of the President needs to:

A) Issue an Executive Order empowering ICAP to perform the audit. This Executive Order is simply providing the authority to carry out the mandate ICAP has already received from the OMB (Circular A-126). ICAP will require an additional manpower allocation and a reasonable travel budget for the audit.

B) Enter into a consulting agreement with TRM, Incorporated to: 1) act as a liaison between ICAP and The White House, 2) develop the audit methodology with ICAP, and 3) develop the final recommendations to the President based on the obtained information.

In discussing this with Harry Thomason after our meeting, he noted the same synergistic opportunities we discussed. Such as, regenerating single-engine aircraft production in America and, with an accurate operational and financial baseline, we have the opportunity to create a system of true interagency use of our aircraft assets.

This project falls solidly under the heading of re-inventing government.

Please advise our next step (other than setting up a meeting with Roger Johnson). I will be in Los Angeles 4/13 through 4/[illegible]. I am at your disposal.

TRM, INCORPORATED

513-871-5410
FAX: 513-87 1-5761

TO: BRUCE LINDSEY

FROM: DARNELL MARTENS

RE: FEDERAL AVIATION MANAGEMENT AUDIT

DATE: 4/29/93

Attached is summary of the proposed audit and report with some additional detail. This information was generated in concert with ICAP of the GSA.

Likewise, we now have the support of the FAA Flight Standards Office which has serious concerns regarding the operational safety of "public aircraft" (non-military Federal aircraft).

I have completed some research which indicates an alarmingly high accident rate within certain agencies of the government - in some cases an accident rate 3 to 4 times higher than the civil aviation fleet rate.

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EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

May 7, 1993

MEMORANDUM FOR FRANK REEDER

THROUGH: David Haun

FROM: Jack Kelly

SUBJECT: Follow-up on Proposed Aircraft Consulting Project Referred by the White House

Purpose

This memorandum describes the actions we have taken to follow up on the attached memorandum, which proposes a consulting contract to review the Federal aircraft fleet.

Discussion

In the memo to Harry Thomason, Chairman of TRM, Inc. (an aircraft management consulting firm), Mr. Darnell Martens, President of TRM, recommends that TRM solicit a consulting contract to review the Federal aircraft fleet. I spoke with Mr. Martens, who indicated that he has also been in contact with Bruce Lindsey at the White House and that Mr. Lindsey is forwarding his proposal to the Vice President's staff for consideration in the NPR.

Mr. Martens is a former Booz Allen consultant, who specialized in the aircraft industry, subsequently started his own helicopter services company, and later worked for Executive Jet, a large company providing a range of aircraft and aircraft management to corporate clients. TRM, Inc. is a company that Mr. Martens formed with Harry Thomason to provide consulting services to corporate CEOs on ways to improve the management of their aircraft programs. TRM also coordinated the aircraft support for the Clinton/Gore Campaign and the Transition.

Mr. Martens has met with the aircraft policy staff at GSA and has reviewed the audit guide prepared by the GSA Inspector General for use in the PCIE aircraft review now underway. He is very familiar with our efforts to improve aircraft management, and thinks we are making significant progress. There is one area, however, to which he does not believe we have paid sufficient attention and where he would like to offer assistance. He would like a contract to analyze the aircraft in the Federal fleet and identify those aircraft that are inappropriate for the missions for which they are currently used. Mr. Martens believes that the Federal government can realize significant savings by replacing old, fuel inefficient, high maintenance cost aircraft with more modern aircraft better suited to their assigned missions

I agreed with Mr. Martens' observation that the PCIE re . is not addressing the concern he raises. I explained that this issue was lower in priority than the other issues being addressed by the PCIE, such as getting an accurate count of aircraft and identifying their costs. I suggested two potential opportunities for the assistance he offers. First, he could make a proposal to the Interagency Committee on Aircraft Policy (ICAP). The GSA aircraft policy office within the GSA Federal Supply Service (FSS) provides staff support to the ICAP and manages contracts for various ICAP initiatives. If FSS is willing to provide funds for the contract proposed by Mr. Martens, or can convince the other ICAP members to contribute, funds could be made available for that purpose. Second, he could approach an agency that wanted to replace some old aircraft and offer his services in preparing the justification to support the agency's budget request for that purpose. In either case, however, the contract may have to be awarded competitively and be subject to the normal procurement process.

Next Steps

I asked Mr. Martens if he would share with us a copy of the detailed proposals provided to Bruce Lindsey and he promised to send them to me. I have also contacted the GSA aircraft policy staff and they support the idea of having Mr. Martens make a presentation to the ICAP on the benefits of having agencies examine the payback potential from replacing their older, less efficient aircraft. Such a presentation would demonstrate the techniques needed to perform such analyses and indicate the magnitude of the potential benefits. If sufficient benefits are demonstrated, individual agencies or the ICAP as a whole might decide to pursue the matter with Mr. Martens.

Unless you object, I will suggest to GSA that they contact Mr. Martens to see if he would be willing to make such a presentation.

Attachment

cc: Hermann Habermann

REDACTED

THE PRESIDENT HAS SEEN

TO: HARRY THOMASON
Chairman, TRM, Inc.

FROM: DARNELL MARTENS
President, TRM, Inc.

RE: WHITE HOUSE INVENTORY OF THE FEDERAL AIRCRAFT FLEET

DATE: 2/11/93

On 1/29/93, I sent you and Dee Dee Myers a memo in which I stated that, based on the Administration's directive to consider cutbacks wherever feasible, TRM should solicit a consulting project from the White House of the following description:

"Review all non-military government aircraft to determine financial and operational appropriateness."

Yesterday morning on CNN-Live, the President stated in a cabinet meeting that his staff has informed him that there are savings to be had in a review of all government aircraft and that an inventory of those aircraft will be made.

This inventory MUST by administered by someone who knows aircraft as well as operational and capital budgets.I propose a plane-by-plane inventory of the 1,874 aircraft in the Federal fleet. We would, with cooperation by the GAO & OMB, list each aircraft's: agency user, purpose, current value, operating budget, mission appropriateness, utilization, alternative aircraft (if any), operating budget effects (of changes, if any) and miscellaneous comments.

SUMMARY OF THE FEDERAL AIRCRAFT FLEET

Large Commercial Jets	26
Large Business Jets	22
Medium Business Jets	41
Small Business Jets	150
Turboprop	600
Piston-Multiengine	190
Piston-Single engine	406
Helicopters	383
Military-type Jets	56
TOTAL	1874

We've demonstrated our capabilities to the President by coordinating all aircraft activities for The Clinton For President Committee, The Clinton/Gore '92 Committee and the Clinton/Gore Transition Team. Now we have an opportunity to make a substantive contribution to the deficit reduction plans. We can deliver a practical, useful tool to both reduce costs and improve aircraft utilization.

Harry, I can state without qualification, that TRM is uniquely qualified to conduct this study. This is the project for which I have trained for 19 years. I know the aircraft--I understand the budgets. Put me in front of the right person at the White House and I will prove the value of both the project and Thomason's capabilities.

THE PRESIDENT HAS SEEN

TO: HARRY THOMASON
Chairman, TRM, Inc.

FROM: DARNELL MARTENS
President, TRM, Inc.

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MEMORANDUM FOR FRANK REEDER

THROUGH: David Haun

FROM: Jack Kelly

SUBJECT: Follow-up on Proposed Aircraft Consulting Project Referred by the White House

Purpose

Describes the actions we have taken

This memorandum follow~~s~~ up on the attached ~~a~~ memorandum~~, seen by the President and referred to OMB,~~ which propose~~s~~ a consulting contract to review the Federal aircraft fleet.

Discussion

~~Background~~

In ~~On February 11, 1993 letter~~ memo to Harry Thomason, chairman, TRM, ~~(POB),~~ Mr. Darnell Martens, President of TRM, Inc. (an aircraft management consulting firm) recommend~~ed~~ that TRM solicit a consulting contract to review the Federal aircraft fleet. Mr. Thomason, who chairs the TRM board of directors, ~~gave~~ the letter to the President~~, who forwarded it to Phil Lader's attention.~~ Mr. Martens has also been in contact with Bruce Lindsay at the White House and says that Mr. Linsay is forwarding his proposal to the Vice President's staff for consideration in the NPR.

Mr. Martens is a former Booz Allen consultant, who specialized in the aircraft industry, subsequently started his own helicopter services company, and later worked for Executive Jet, a large company providing a range of aircraft and aircraft management to corporate clients. TRM, Inc. is a company that Mr. Martens formed with Harry Thomason to provide consulting services to corporate CEOs on ways to improve the management of their aircraft programs. TRM coordinated the aircraft support for the Clinton/Gore Campaign and the Transition.

~~Discussion~~

Mr. Martens has met with the aircraft policy staff at GSA and has reviewed the audit guide prepared by the GSA Inspector General for use in the PCIE aircraft review now underway. He is very familiar with our efforts to improve aircraft management, and thinks we are making significant progress. There is one area, however, to which he does not believe we have paid sufficient attention and where he would like to offer assistance. He would like a contract to analyze the aircraft in the Federal fleet and identify those aircraft that are inappropriate for the missions for which they are currently used. Mr. Martens believes that the

Federal government can realize significant savings by replacing old, fuel inefficient, high maintenence cost aircraft with more modern aircraft better suited to their assigned missions.

I agreed with Mr. Martens' observation that the PCIE review is not addressing the concern he raises. I explained that this issue was lower in priority than the other issues being addressed by the PCIE, such as getting an accurate count of aircraft and identifying their costs. I suggested two potential opportunities for the assistance he offers. First, he could make a proposal to the Interagency Committee on Aircraft Policy (ICAP). The GSA aircraft policy office within the GSA Federal Supply Service (FSS) provides staff support to the ICAP and manages contracts for various ICAP initiatives. If FSS is willing to provide funds for the contract proposed by Mr. Martens, or can convince the other ICAP members to contribute, funds could be made available for that purpose. Second, he could approach an agency that wanted to replace some old aircraft and offer his services in preparing the justification to support the agency's budget request for that purpose. In either case, however, the contract may have to be awarded competitively and be subject to ~~a drawn-out~~ the procurement process.

; if he would share with us a copy

Next Steps

I asked Mr. Martens ~~to see~~ the detailed proposals Mr. Martens provided to Bruce Lindsay and he promised to send them to me. I have also contacted the GSA aircraft policy staff and they support the idea of having Mr. Martens make a presentation to the ICAP on the benefits of having agencies examine the payback potential from replacing their older, less efficient aircraft. Such a presentation would demonstrate to techniques needed to perform such analyses and indicate the magnitude of the potential benefits.

Unless you object, I will suggest to ~~propose to have~~ GSA [illegible] contact Mr. Martens to ~~and~~ see if he would be willing to make such a presentation.

Cc: H-H

MEMORANDUM FOR FRANK REEDER

THROUGH: David Haun

FROM: Jack Kelly

SUBJECT: Follow-up on Proposed Aircraft Consulting Project Referred by the White House

Purpose

This memorandum reports on conversations with Mr. Darnell Martens, which follow up on a memorandum, seen by the President, which recommended that his company (TRM, Inc.) solicit a consulting contract to review the Federal aircraft fleet.

Background

On February 11, 1993 letter to Harry Thomason (FOB), Mr. Darnell Martens, President of TRM, Inc. (an aircraft management consulting firm) recommended that TRM solicit a consulting contract to review the Federal aircraft fleet. Mr. Thomason, who chairs the TRM board of directors, gave the letter to the President, who forwarded it to Phil Lader's attention. Mr. Martens has also been in contact with Bruce Lindsay at the White House and says that Mr. Linsay is forwarding his proposal to the Vice President's staff for consideration in the NPR.

Discussion

Mr. Martens has spent time with the aircraft policy staff at GSA and has reviewed the audit guide prepared by the GSA Inspector General for use in the PCIE aircraft review now underway. He is very familar with our efforts to improve aircraft management, and thinks we are making significant progress. There is one area, however, to which he does not believe we have paid sufficient attention and where he would like to offer assistance. He would like a contract to analyze the aircraft in the Federal fleet and identify those aircraft that are unsuited or inefficient for the missions for which they are currently used. Mr. Martens believes that the Federal government can realize significant savings by replacing old, fuel inefficient, high maintenence cost aircraft with more modern aircraft better suited to their assigned missions.

I told Mr. Martens that I agreed with his observation that the PCIE review is not addressing the concern he raises. I explained that this issue was lower in priority than the other issues being addressed by the PCIE since it had the potential for increasing costs, at least in the short term. I told him that I saw two potential opportunities for the assistance he offers. First, the Interagency Committee on Aircraft Policy (ICAP) has a subcommittee on acquisition policies which would address this area for the benefit of all agencies. The GSA aircraft policy office within the GSA Federal Supply Service (FSS) provides staff support to the ICAP and manages contracts for various ICAP initiatives. If FSS is willing to provide funds for the contract proposed by Mr. Martens, or can convince the other ICAP members to contribute, funds could be made available for that purpose. Second, he could approach an agency that wanted to replace some old aircraft and offer his services in preparing the justification to support the agency's budget request for that purpose. In either case, however, the contract may have to be awarded competitively and be subject to a drawn out procurement process.

Next Steps

I asked to see the detailed proposals Mr. Martens provided to Bruce Lindsay and he promised to send them to me.

Need decision from Reeder on how hard to push? what our role is here?

don't want to get in the role of special pleader.

raise issue to ICAP?

the fact is that this is a relatively low priority from a government-wide standpoint...we have more important uses for ICAP funds, e.g., develop a good generic aircraft information system.

Advise his to contact individual agencies and offer his assistance. Could schedule him to make a presentation to the ICAP, or its acquisistion subcommittee.

Call Larry Godwin, what does he think?

Call Scott Liston and get the word on this guy.

Signed by Roy Neel
[illegible]
TD

MEMORANDUM FOR LEON PANETTA

FROM: Roy Neel

DATE: August 25, 1993

I have been advised of a proposal for an audit of federal aircraft by TRM. Although I have been advised of a few meetings and memoranda regarding this proposal, I understand that no government action has been taken with respect to it. I also understand that, last month, the White House advised OMB that no government action should be taken on this proposal.

Let me now reiterate this instruction that no government action should be taken on this proposal.

MEMORANDUM FOR LEON PANETTA

FROM: Roy Neel

DATE: August 25, 1993

I have been advised of a proposal for an audit of federal aircraft by TRM. Although I have been advised of a few meetings and memoranda regarding this proposal, I understand that no government action has been taken with respect to it. I also understand that, last month, the White House advised OMB that no government action should be taken on this proposal.

Let me now reiterate this instruction that no government action should be taken on this proposal.

THE WHITE HOUSE
WASHINGTON

[illegible] [illegible]
[illegible] to [illegible] nothing
that happened my know—

Last month

MEMORANDUM FOR LEON PANETTA

FROM: Roy Neel

DATE: August 23, 1993

I have been advised of a proposal for an audit of federal aircraft by TRM. I understand that no government action has been taken with respect to it, and that the White House advised OMB that no government action should be taken on this proposal.

At your earliest convenience, please bring me up to date on any ~~subsequent action~~ activity concerning this matter.

~~[illegible]~~

Let me reiterate that no government action should be taken ~~a~~ on this proposal. ~~And ask that you notify [illegible] anything should go~~

7563

AUGUST 9, 1993

MEMORANDUM FOR LEON PANETTA
DIRECTOR
OFFICE OF MANAGEMENT AND BUDGET

FROM ROY NEEL
DEPUTY CHIEF OF STAFF

~~[illegible]~~ I understand

I have been advised of a proposal for an audit of federal aircraft by TRM. ~~Although I have been advised of a few meetings and memoranda regarding this proposal. I understand~~ that no government action has been taken with respect to it, ~~I also~~ and that ~~understand that, several weeks ago,~~ the White House advised OMB that no government action should be taken on this proposal.

I want to ~~confirm and reiterate the prior instruction that no government action should be taken on this proposal. If any~~ government action has ~~previously~~ been undertaken concerning this matter, please ~~advise me immediately so that I may take whatever action is appropriate.~~ ?

Thomason Richland & Martens

I ~~understand that~~ OMB has ~~proposed~~
~~understood~~
~~[illegible]~~
~~an audit of federal aircraft by TRM~~ (?),
At your earliest convenience,
Please bring me up to date on any subsequent action concerning this matter.

MEMORANDUM FOR JOHN PODESTA
STAFF SECRETARY

FROM BERNARD W. NUSSBAUM
COUNSEL TO THE PRESIDENT

I have been advised of a proposal for an audit of federal aircraft by TRM. Although I have been advised of a few meetings and memoranda regarding this proposal, I understand that no government action has been taken with respect to it. No government action should be taken on this proposal.

If, despite ~~contrary to~~ this instruction, any government action is undertaken concerning this matter, please advise me immediately so that I may take appropriate action.

cc - Leon Panetta

i - [illegible] ?

DRAFT

NOT SENT

MEMORANDUM FOR JOHN PODESTA
STAFF SECRETARY

FROM BERNARD W. NUSSBAUM
COUNSEL TO THE PRESIDENT

I have been advised of a proposal for an audit of federal aircraft by TRM. Although I have been advised of a few meetings and memoranda regarding this proposal, I understand that no government action has been taken with respect to it. No government action should be taken on this proposal.

If, ~~contrary to~~ despite this instruction, any government action is undertaken concerning this matter, please advise me immediately so that I may take appropriate action.

cc Leon Panetta

① - forward?

~~[illegible]~~

②

AUGUST 9, 1993

MEMORANDUM FOR LEON PANETTA
DIRECTOR
OFFICE OF MANAGEMENT AND BUDGET

FROM BERNARD W. NUSSBAUM
COUNSEL TO THE PRESIDENT

I have been advised of a proposal for an audit of federal aircraft by TRM. Although I have been advised of a few meetings and memoranda regarding this proposal; I understand that no government action has been taken with respect to it. I also understand that, several weeks ago, the White House advised OMB that no government action should be taken on this proposal.

I want to confirm and reiterate the prior instruction that no government action should be taken on this proposal. If ~~despite this instruction~~, any government action ~~is~~ undertaken concerning this matter, please advise me immediately so that I may take appropriate action.

[illegible]

[illegible]

AUGUST 9, 1993

MEMORANDUM FOR LEON PANETTA
DIRECTOR
OFFICE OF MANAGEMENT AND BUDGET

FROM BERNARD W. NUSSBAUM
COUNSEL TO THE PRESIDENT

I have been advised of a proposal for an audit of federal aircraft by TRM. Although I have been advised of a few meetings and memoranda regarding this proposal, I understand that no government action has been taken with respect to it. I also understand that, several weeks ago, the White House advised OMB that no government action should be taken on this proposal.

I want to confirm and reiterate the prior instruction that no government action should be taken on this proposal. If, despite this instruction, any government action is undertaken concerning this matter, please advise me immediately so that I may take appropriate action.

HARRY THOMASON

"THE WHITE HOUSE PROJECT"

"THE WHITE HOUSE PROJECT"

- "I have asked Harry Thomason to come to the White House and do an inventory of ways in which we can better use the White House for public relations events. The Disney event seems to fit under this category. I will put your inquiry on Harry's docket for his advice."

    - April 1, 1993 memo from Rahm Emanuel to Mark Gearan

- "Schedule for Harry Thomason and Markie Post...."

    - detailed schedule for April 30 and May 1, 1993 for Harry Thomason and Markie Post to meet with dozens of White House officials.

- "We have been invited to study White House procedures in order to improve the use of the White House as a tool for more clearly defining the philosophy, programs and goals of the President, the First Lady, and this administration....Over the next few weeks, we expect to prepare several papers addressing the minutiae of how things might be improved and a bible addressing how to put the personal style of the Clintons, their intellectual and artistic preferences, into events (both formal and informal, traditional and ground breaking) at The White House."

    - "White House Project" memo by Harry Thomason

- "The Correspondence Department is the most overloaded department of all.....because it is so seriously understaffed, the department is in danger of having to destroy hundreds of thousands of pieces of mail that have not been read much less answered.....what should be demoralizing to everyone is the fact that for each letter destroyed there is one more angry person out there who probably voted for President Clinton. It is a name also lost to the data base for the next campaign.

  - "White House Project" memo by Harry Thomason

* "Vince Foster Confidential (for your eyes only) From Watkins"

  - Writing on an empty envelope from the Brookings Institution in Vince Foster file labelled "WH Project." (This file was transferred to Williams & Connolly with the Clinton personal documents.)

April 1, 1993

MEMORANDUM FOR MARK GEARAN

FROM: RAHM EMANUEL

SUBJECT: MICKEY MOUSE'S 65TH BIRTHDAY

I have asked Harry Thomason to come to the White House and do an inventory of ways in which we can better use the White House for public relations events. The Disney event seems to fit under this category. I will put your inquiry on Harry's docket for his advice.

cc Karen Hancox

WHITE HOUSE PROJECT

MISSION

We have been invited to study White House procedures in order to improve the use of The White House as a tool for more clearly defining the philosophy, programs and goals of the President, the First Lady, and this administration. There is general consensus that the manner in which the First Family chooses to use The White House will be a significant factor in how many Americans perceive them. Through the use of White House events, we hope to not only create a consistent trademark image and style for the Clintons, but also reflect their interest in making what is best and brightest in American culture, art, and entertainment, both accessible and desirable to the public at large.

In researching ways to use The White House more effectively, our methodology included: (1) Talking to personnel in each department, (2) Talking to people who have worked in other administrations, (3) Studying written information that exists on methods used in past administrations.

Over the next few weeks, we expect to prepare several papers addressing the minutiae of how things might be improved and a bible addressing how to put the personal style of the Clintons, their intellectual and artistic preferences, into events (both formal and informal, traditional and ground breaking) at The White House. However, we think it is very important to present this first overview now, addressing some of the most obvious problems that need to and can be rectified immediately! We are also acutely aware that any plans we discuss and/or implement will probably pertain to all aspects of the system. Therefore, we are addressing all aspects of the system. Our goal is not to inundate you with more bureaucracy, but to provide you some real and viable solutions, that will in turn, make your task easier.

CURRENT IMAGE

Current opinion on the image of The White House and the staff in general seems to be that it is, in varying degrees, underpeopled, overworked, harried, slightly disorganized, reactive, and inconsistent in style. Now before you throw up your hands in despair, that is only one predominant perception, and certainly not the whole story. On the plus side, in terms of sheer human potential, our bounty is great. Throughout our interviews, inside and outside The White House, everyone commented again and again that this particular staff is one of the brightest most industrious, most innovative and loyal groups to ever inhabit this arena. Also, most impressive was the fact that in interviewing dozens of staff members over a two day period, not one person tried to blame anyone else in any other department for whatever was not working (probably a landmark occurrence in Washington fact finding). Instead, every Clinton staffer concentrated on candid but positive assessments of how things could be improved. Following the staff's lead, we now intend to illuminate the significant problems currently and commonly facing us and the most positive and effective ways of correcting them.

OVERVIEW

Of all the factors discussed during our research, the decision to reduce White House expenditures by 25% appears to have had the most negative impact on current operations. This cut would have been acceptable had it not been coupled with new restraints on how public funds may be spent (restraints that did not apply to the last administration). As a result of this coupling, key departments have been decimated, sometimes operating staffs only one-fourth as large as their predecessors. We cannot over-emphasize how much the acute shortage of personnel is adversely effecting the current day-to-day operations of The White House. This human deficit has led to a breakdown of communications between departments. The breakdown of communication has led to a permanent reactive mode in which far too much time and energy is spent responding to daily crises rather than creating new ideas and planning positive long range, interlocking multi-categoried events. The breakdown of long-range event planning has robbed the President and First Lady of a consistent, original style and identity for which they have always been known. It is imperative that we now create an environment in which their very original personal style, innovative character, keen intellect, and sincere appreciation for social, cultural and artistic endeavor and achievement can flourish.

We will briefly present an overview of each department in this paper and we will only mention the major items that we think can be addressed immediately. Frankly, there is nothing you can or probably should do to reverse the budget cuts. But while you are learning to function with what budget you have, we will be investigating an independent source of financing which, if implemented, would allow many of you to increase the number of people on your staffs, at least for the duration of this very crucial and defining first year.

SCHEDULING AND ADVANCE

A heavy burden falls on this department in matters of day to day operations. It is one of the departments most affected by the cutback. There are currently only four full time advance people (compared to approximately fifteen (15) in the past two administrations)

The image presented by Scheduling and Advance at various functions and events is sometimes inferior because they are so overwhelmed by the number of events that they can only concentrate on the execution of the event and not the visuals. Advance is also getting very little lead time on the schedule because there seems to be a decision closure problem on events. Not necessarily the major decisions but minor ones that still effectively stall this unit.

There is no slot for a receptionist for this department. This job is filled by volunteers and therefore continuity is disrupted. This is compounded by the amazing fact that the phones have no message center capability.

Knowing that we are only hitting the broad strokes and will address minutiae later, we make the following recommendations for this department.

1. Immediately install message capability on the departments phones.
2. Immediately add three (3) full time advance people
3. Hire one (1) additional advance person that does nothing except oversee visual concepts of the events. We would be happy to offer names for this position if requested.
4. Other departments that create events should strive to effect long range plans and communicate these plans to this department. We should be seeing crowds of twenty and thirty thousand on the road instead of the four and five thousand we are seeing now. The crowds still want to turn out but our lack of time severely inhibits our crowd builders.
5. Finally we should immediately hold a seminar for our advance teams on how to get the most appealing visuals from our events. This is one of the FEW ways we can use members of the Hollywood community. We are assured the best and brightest art directors and set decorators would be glad to devote a day of their time to this project.

COMMUNICI ATION

We have combined communications, message and media into one category for this preliminary paper. A more detailed paper will follow.

These Departments also suffer from being understaffed . This point is most dramatically confirmed by the fact that this group has three (3) full time speechwriters as opposed to the twelve (12) that the last occupants of the White House had. We noticed in examining the schedule that there were eight major speeches in one six day period. To say this is overload for three speechwriters (and the President for that matter) would be putting it mildly. We also looked at a list of all canceled events of the past several months. They ranged from a canceled Town Meeting to a Union Station train appearance and represented dozens of wasted manhours preparing for these events. Since this staff is operating with fewer people, long range planning becomes even more critical so that we might avoid wasted effort.

We will repeat that everyone seems to have a feeling that we are unfocused at the moment. I'm sure that everyone has heard this ad naseum and it deserves no further discussion here other than to say maybe the message should be, " It's the focus, stupid!".

Continuing to point out the obvious we would like to remind everyone that the campaign was most successful when large numbers of people had pertinent information. Richard Nixon once said that during the campaign everybody talks to each other but when they get to Washington they quit talking and start reading the Washington Post. Nixon was right, so quit reading the Post and start communicating!

It is not in our Mission to suggest policy decisions to communication but we would like to offer the following items for your considerations.

1. A representative of the speechwriters should be in senior staff meetings. Great and eloquent speeches need time to incubate and attendance at these meetings will give the speechwriters a much better overview of what they have to plan for in the long run
2. Looking at past White House Schedules our group believes that the number of events the President is scheduled for should be cut by twenty five percent. We know it is hard to enforce this kind of schedule but you will ultimately have to do it so you might as well start now.
3. We propose that for obvious reasons you add two (2) members to the writers group.

SOCIAL EVENTS

This department more than any other conveys the image of the President and First Lady. There is also no department that has a greater need to know what is going on. Unfortunately this seems to be the department that is last to get the word.

Of all the social events held at the White House there has only been enough lead time to send written invitations to FOUR events. This is the most damming indictment of the lack of long range planning.

This department has NO advance people as opposed to three full time advance people assigned to the previous administration. The lack of advance people and the continuing habit of over scheduling the number of events leads to the to the East Wing looking more like a catering hall than part of The White House. If this continues, The White House will only be defined by the numbers of events rather than the style and grace of those events. This is not the definition this administration wants. Also the severe over scheduling does not allow The President and The First Lady the flexibility they would like.

Photo opportunities have gotten out of hand. Sometimes as many as two hundred people participate taking hours rather than the fifteen minutes allotted. You can not have it both ways. You either have to give the proper amount of time or be realistic about the number of people you can schedule.

The Kennedy Center box should be handled under this Department in association with the Political Department. Much thought should be given to who sits in the box. Historically it has been used as a very effective tool. Currently people outside the White House think the box is now a liability since it sometimes remains offensively empty at important events.

We offer the following suggestions.

1. Add two (2) advance people to the staff.
2. Include the Social Director in senior staff meetings.
3. Give the Social Director more power to curb the continuing over - scheduling of White House events.
4. During photo opportunities, always ANNOUNCE the President rather than let him just wander in. Besides being more appropriate to the office It will save several hours of time per week and give more clarity to the event.
5. Transfer the management of the Kennedy Center box to the Social Director in consultation with the Political Affairs Department.

6. It is imperative that all department heads contact the Social Director BEFORE scheduling any event in the residence.

CORRESPONDENCE

The Correspondence Department is the most overloaded department of all. The mail is arriving at a rate of forty five thousand letters a day. This is double the amount of mail any previous President has received. So far only about sixty five hundred a day can be answered. Taking into consideration that approximately twenty five thousand are mail-in propaganda pieces, we are falling behind at a rate of thirteen thousand five hundred per day!

Because it is so seriously understaffed, the department is in danger of having to destroy hundreds of thousands of pieces of mail that have not even been read much less answered. The thought of destroying mail quantities this large is demoralizing to this department as well as the First Family. What should be demoralizing to everyone is the fact that for each letter destroyed there is one more angry person out there who probably voted for President Clinton . It is a name also lost to the data base for the next campaign.

Steps should be taken to increase the communication between this department and other White House groups. Correspondence is one of the White House's most valuable assets and should be respected as such. We should also seek to build and use this data base in our image making plan.

We offer the following suggestions.

1. Add seventy five (75) full time employees for a limited time in order to reduce the backload of mail.
2. Find office space to house the additional people. This space will probably have to be offsite.
3. Include Correspondence in senior staff meetings.
4. Special letters should be handled in a more timely manner. They should not languish on the President's desk.
5. Boost this unit's morale and the White House press image by getting some of the more successful pieces of correspondence into the media stream.

FUNDING

There are other broad aspects on issues of Image and Style that will be addressed in subsequent documents. The suggestions outlined here are very simple and may not seem significant but we feel they are the first steps that should be taken in order to improve the communication flow to the staff.

We realize we have proposed adding personnel even though there is no money to do so. Unless staff members have a better suggestion, we propose that Presidential Inaugural Commission surplus funds be transferred to The Presidential Inaugural Foundation which is qualified as tax-exempt under the IRS code. By amending the Articles of Incorporation, we could start an "intern" or "scholar" program. These people hired under the program could then be utilized as needed on the staff. We have additional information on how to accomplish this task on file.

Knowing that there are many places surplus Inauguration funds could be used we only want to point out once again that in our opinion it is imperative to define the philosophy, programs and goals of the President. In order to do that we must start with the small steps outlined in this paper.

LAW OFFICES
WILLIAMS & CONNOLLY
725 TWELFTH STREET, N.W.
WASHINGTON, D. C. 20005
(202) 434-5000
FAX (202) 434-5029

EDWARD BENNETT WILLIAMS (1920-1988)
PAUL R. CONNOLLY (1922-1978)

DAVID E. KENDALL
(202) 434-5145

September 5, 1995

BY HAND

Ms. Barbara Comstock
Committee on Government Reform and Oversight
United States House of Representatives
2157 Rayburn House Office Building
Washington, D.C. 20515-6143

Dear Ms. Comstock:

As I have informed you on the telephone, this firm received on July 27, 1993, twenty-four file folders of documents from the White House ("Foster Documents"):

1. Whitewater Development
2. WJC--Continuing Legal Education
3. HRC--Arkansas Law License
4. Clinton Exploratory Committee
5. Clinton Fund Raiser "Dream Team" Receptions
6. Clinton Physician
7. White House/Brookings Project
8. Executive Residence Security
9. Arkansas Home
10. Presidential Retreat
11. Chenal Property Fact Sheets
12. HRC: Personal & Confidential

13. HRC: Financial
14. WJC and HRC Blind Trust
15. First Family--Form 278
16. Clinton Financial Statements
17. WJC--July Amendment to 1993 SF-278
18. WJC--1993 Chronological File
19. Unlabelled blue folder
20. Unlabelled green folder
21. 1992 Income Tax Returns
22. First Family--1993 Income Tax Returns
23. Clintons: 1992 and 1993 Projected Income Taxes
24. Clinton Blind Trust

We did not receive in the Foster Documents any "notebook on the Travel Office matter" or other documents which appear to me to be documents relating to the "White House Travel Office matter", as that is defined in Chairman Clinger's July 13, 1995, letter. Neither did we receive from the White House any index to the Foster Documents.

Pursuant to the Clinger letter, I am producing herewith for the Committee on Government Reform and Oversight copies of such materials from the Foster Documents as I believe may be responsive. They are stamped DKHCGR01 and DKHCGR02.

There are also three other documents among the Foster Documents which may be responsive to the Chairman's request:

1. One-page facsimile transmittal sheet from Mike Berman to Vince Foster, dated May 18, 1993, transmitting one-page memorandum from Mike Berman to Vince Foster and Mike Berman, and two-page memorandum from Mike Berman to Vince Foster and David Watkins, both dated May 18, 1993, and re "Issues for possible review by OLC."
2. One typewritten page, undated, containing what appear to be draft questions concerning "Scheduling and advance", "Providing volunteers", and "Relationship between organizations and the White House," with certain handwritten marginal notes.
3. Four-page typed memorandum, dated May 23, 1993, from Mike Berman to Vince Foster and David Watkins, re "2nd draft of issues for review by OLC."

I believe that these three documents may be subject to claims of attorney-client privilege, work product privilege, and Executive Privilege by the White House. (Because there was so much publicity about the Foster Documents, we deemed it the more prudent course to retain, preserve, and safeguard any documents like these which we received among the Foster Documents, and such documents are, of course, available to the White House Counsel's Office.) I am sending a copy of this letter to Jane Sherburne, Esq., in the White House Counsel's Office, and I will be guided by her instructions with respect to these three documents.

We have agreed that we will be governed by the same rules of document production as govern the White House. The protocols for handling documents produced by the White House are set out in Mr. Larsen's letter dated August 1, 1995, Ms. Williams' letter dated August 9, 1995, and Mr. Yarowsky's letter dated July 7, 1995.

Accordingly, I designate the documents I am producing today "Highly Confidential."

Sincerely,

David E. Kendall

cc: Jane Sherburne, Esq.

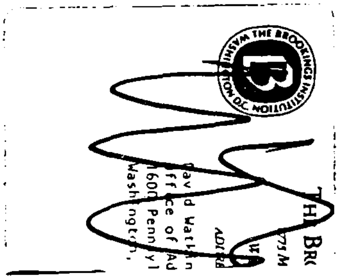
WWF

WH Project

1993

DKHCGR01

VINCE FOSTER
CONFIDENTIAL
(FOR your eyes only)
FROM: WATKINS



THE BROOKINGS INSTITUTION WASHINGTON D.C.

[redacted]

THE WHITE HOUSE
WASHINGTON

April 16, 1994

Nancy R. Kingsbury
Director
Federal Human Resource Management Issues
General Government Division
General Accounting Office
Washington, D.C. 20548

Re: Paragraph D of February 14, 1994 GAO Request Compilation

Dear Ms. Kingsbury:

Enclosed please find two documents responsive to this paragraph and reflecting assignments, tasks, or roles to be carried out at the request of the White House by Harry Thomason:

1. Memorandum from Reta Lewis to Harry Thomason, et ano., dated April 29, 1993.

2. Memorandum entitled "White House Project." I have deleted the last page of this Memo because it raises a political issue and does not represent any additional tasks that the White House gave to Mr. Thomason.

The White House has also agreed to make a witness available to be interviewed about this project.

Very truly yours,

W. Neil Eggleston
Associate Counsel to the President
(202) 456-7901

Date:

Received by:

Clair

John

39

THE WHITE HOUSE
WASHINGTON

MEMORANDUM

TO: Harry Thomason and Markie Post

FROM: Reta J. Lewis, Special Assistant to the
President, Political Affairs

DATE: April 29, 1993

RE: Materials for White House Meetings

Welcome! Enclosed please find the following materials which should help to prepare you for your April 30 and May 1 White House Meetings:

1. Schedule;
2. Talking Points;
3. Memorandum Regarding Recurring White House Events;
4. Drafts of the President's Schedule from February through June 1993;
5. Drafts of the Vice President's Schedule from April through June 1993;
6. Drafts of the First Lady's Schedule from February through May 1993; and
7. Drafts of the Second Lady's Schedule for April and May 1993.

I hope you had a good trip. I look forward to seeing you tomorrow morning at 8:30 a.m. at the 17th and G street entrance of the OEOB. We should have an exciting and fruitful couple of days of meetings.

P.S. As you can see from your Schedule, I have added Bruce and George to your itinerary.

THE WHITE HOUSE

WASHINGTON

Friday, April 30, 1993

SCHEDULE FOR HARRY THOMASON AND MARKIE POST

8:40	**Met at 17th & G Street entrance of OEOB By Reta Lewis to get Thomason and Post.**	
8:45 - 9:15	Meeting with Bruce Lindsey (Senior Advisor to the President)	**White House**
9:15 - 9:30	Obtain Photo ID	
9:30 - 10:00	Mandy Grundwald (Media Consultant)	**Room 472**
10:00 - 11:20	Health Care Group Mandy Grundwald (Media Consultant) Carter Eskew (Media Consultant) Jeff Tuchman (Producer - Consultant) Bob Boorstin (Special Assistant to the President for Policy Coordination) Celia Fischer (Health Care Consultant) Melanne Verveer (Deputy Assistant to the President and Deputy Chief of Staff to the First Lady) Tom Epstein (Special Assistant to the President for Political Affairs)	**Room 472**
11:20 - 11:40	Break	

11:40 - 1:00	**Scheduling and Advance** **Marcia Hale** **(Assistant to the President and Director, Scheduling and Advance)** **Anne Walley** **(Deputy Director of Scheduling for the President)** **Josh King** (Deputy Director of Scheduling for the President) Stephanie Street (Deputy Director of Scheduling for the President) Isabelle Tapia (Deputy Assistant to the President for Scheduling and Advance) Patti Solis (Special Assistant to the President and Director of Scheduling for the First Lady)	**Room 472**
1:00 - 1:55	Lunch George Stephanopoulos (Assistant to the President)	White House Mess
2:00 - 3:20	Social Events Anne Stock (Special Assistant to the President and Social Secretary)	Stock's Office, EW
3:25 - 4:00	Communications Ricki Seidman (Deputy Assistant to the President and Deputy Director of Communications)	Seidman's Office, West Wing

4:05 - 4:45	**Correspondence**	**Room 94 OEOB**
	John Dwyer **(Deputy Director of Presidential Correspondence)**	
4:45 - 5:45	**Political Affairs**	**Room 115 OEOB**
	Rahm Emanuel **(Assistant to the President and Director, Political Affairs)** **Joan Baggett** **(Deputy Assistant to the President and Deputy Director, Political Affairs)** **Reta Lewis** **(Special Assistant to the President for Political Affairs)**	

SATURDAY MAY 1, 1993

11:30 - 12:25 Communications — Myers's Office, WW

Dee Dee Myers
(Deputy Assistant to the President and
Press Secretary)

12:30 - 1:25 Conveyance of Message — Room 180 OEOB

David Dreyer
(Deputy Assistant to the President and
Director of Planning)

1:30 - 2:25 Media — Room 180 OEOB

Jeff Eller
(Deputy Assistant to the President and
Director of Media Affairs)

12:30 – 1:50

THE WHITE HOUSE

WASHINGTON

Friday, April 30, 1993

SCHEDULE FOR HARRY THOMASON AND MARKIE POST

8:40	**Met at 17th & G Street entrance of OEOB** **By Reta Lewis to get Thomason and Post.**	
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11:40 - 1:00	Scheduling and Advance Marcia Hale (Assistant to the President and Director, Scheduling and Advance) Anne Walley (Deputy Director of Scheduling for the President) Josh King (Deputy Director of Scheduling for the President) Stephanie Street (Deputy Director of Scheduling for the President) Isabelle Tapia (Deputy Assistant to the President for Scheduling and Advance) Patti Solis (Special Assistant to the President and Director of Scheduling for the First Lady)	Room 472
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4:05 - 4:45 Correspondence **Room 94 OEOB**

John Dwyer
(Deputy Director of Presidential Correspondence)

4:45 - 5:45 Political Affairs **Room 115 OEOB**

Rahm Emanuel
(Assistant to the President and Director, Political Affairs)
Joan Baggett
(Deputy Assistant to the President and Deputy Director, Political Affairs)
Reta Lewis
(Special Assistant to the President for Political Affairs)

SATURDAY MAY 1, 1993

11:30 - 12:25	**Communications**	**Myers's Office, WW**

Dee Dee Myers
(Deputy Assistant to the President and
Press Secretary)

12:30 - 1:25	**Conveyance of Message**	**Room 180 OEOB**

David Dreyer
(Deputy Assistant to the President and
Director of Planning)

1:30 - 2:25	**Media**	**Room 180 OEOB**

Jeff Eller
(Deputy Assistant to the President and
Director of Media Affairs)

TALKING POINTS FOR HARRY THOMASON AND MARKIE POST

Mandy Grundwald

Presidential Image:

- Where we are, where we should be and how we get there.

Health Care Group

Conveyance of health care message:

- Plan for the introduction of the plan.
- Plan for the campaign to build support for the plan.
- Health care video. Status, message, production issues.

Scheduling and Advance

Use of events to shape image and message:

- Discussion of types of events which should be scheduled to maintain and modify image.
- Advance – how is our picture? Does it convey what we want on the T.V. screen?
- What can advance teams do to set the stage, background, foreground, mood and picture in the field?

- Do we need a picture and event audit where an entertainment industry professional would travel on a number of events and audit our program?
- Do we need to school our advance people in the art of creating the picture and setting the mood?

Social Events

Use of White House and other social events:

- Attached is a partial list of what events have occurred at the White House over a three year period. Are these events the best use of the White House?
- How should we change the use of the White House?
- What kinds of social events should we stage outside of the White House? Setting the mood and staging for these kind of events.

Communications

Shaping the message:

- Direction of the theme of the Presidency and communication of that theme through the media.
- Emphasis on direction and means.
- Where should press conferences with the White House press corps occur?
- Is the staging right for White House press conferences?

- What picture should be transmitted? Camera angle?

Correspondence

Look, feel and message conveyed through White House correspondence.

Political Affairs

Hollywood and the White House:

- Ways to continue and maintain the relationships with Hollywood which were built during the campaign.
- People to whom we should reach out. Any fences that need mending?

Communications

Shaping the message:

- Direction of the theme of the Presidency and communication of that theme through the media.
- Emphasis on direction and means.
- Where should press conferences with the White House press corps occur?
- Is the staging right for White House press conferences?
- What picture should be transmitted? Camera angle?

Conveyance of Message

Macro examination:

- **Better ways to communicate the substance of the message and the President.**
- **New avenues and technologies we can try to help convey to message.**
- **How do people perceive messages through T.V. and other medium? Best use of words, visuals, visual aids,images, sounds and feelings.**
- **How can entertainment industry professionals and technicians help.**

Media

Use of media and technology:

- Discussion of message and theme of the Presidency.
- Are we state of the art with our use of available media and technologies?
- Better means of communicating with local press.
- Use of town meetings. Setting the stage, feel and picture conveyed in the meetings. Use of entertainment industry production techniques.
- Radio addresses. Any issues?

April 27, 1993

MEMORANDUM FOR ADAM GOLODNER
OFFICE OF POLITICAL AFFAIRS

FROM: JACQUELINE CRAGG
OEOB LIBRARY

SUBJECT: Recurring White House events

There is no one satisfactory way to answer your request for a list of events which occur annually. What I did was scan the Public Papers of the Presidents in two places : Appendix A, "Digest of Other White House Announcements", which includes the president's meetings where he does not have any recorded remarks, and the "Documents Categories Index -- Addresses and remarks" for meetings where he does. This is not a totally accurate source, but it is as close as we can get. I scanned three years, 1987, 1988 and 1989 (Reagan and Bush). Unfortunately, earlier years of the Public Papers is not structured in a way that would let me check Carter or early Reagan.

The three lists which are attached will need to be compared for you to decide which are the annual events. As you can see, the Easter Egg Roll only shows up once and the turkey presentation twice, even though we know these are annual events. Other events which involve only the First Lady do not appear at all -- for example, the arrival of the White House Christmas tree. Perhaps the Office of the First Lady could help you. I included lots of events on the lists which only happen once, but which are annual possibilities (poster children, for example).

I suggest that you contact, if you haven't already done so, the White House Social Office, who might have what you are looking for. Another possible source is the Usher's Office. I talked to the Photo Office, the president's diarist, and the Curator's Office, but no one had such a list.

Another thing to consider is the various awards which the president presents from time to time. I suggest that you contact the Executive Clerk's Office for information about those.

WHITE HOUSE PHOTO EVENTS, 1989

Sources : Public Papers of the Presidents, Appendix A (Digest of Other White House Announcements) and Document Categories List, Addresses and Remarks.

Date	Event
2/3	Super Bowl champions
2/16	Easter Seal Poster Child
3/3	Winners of Westinghouse Science Talent Search
3/24	Daytona 500 winner
3/27	White House Easter Egg Roll
4/12	NCAA basketball champions (men's and women's teams)
5/3	NCAA swimming champions NCAA hockey champions
6/16	NCAA baseball champions
8/1	Barbecue for members of Congress
10/31	Halloween party for schoolchildren
11/7	World Series champions
11/14	Official Christmas Seal presented by American Lung Assoc.
11/17	Thanksgiving proclamation signing and presentation of turkey by National Turkey Federation
12/11-	Congressional Christmas Ball followed in the next days by various Christmas receptions
12/14	Lighting of National Christmas Tree, Christmas Pageant of Peace

Various dates : crew members of shuttle missions

1987

2/2	National Collegiate Football champions
2/13	Super Bowl champions
2/19	March of Dimes poster child
4/2	NCAA basketball champions (women)
4/3	NCAA basketball champions (men)
7/30	Multiple Sclerosis Mother & Father of the Year
9/16	Arthritis Foundation poster child
9/22	Congressional Barbecue
9/24	Asthma and Allergy Foundation poster child
10/29	World Series champions
11/12	Official Christmas Seal presented by American Lung Assoc.
11/19	Epilepsy Foundation poster child
12/2	NCAA women's field hockey champions
12/7	Lighting of National Christmas Tree
12/15	Congressional Christmas ball
12/16-	Christmas parties for WH press corps, EOP staff

Occasional: America's Cup winners

1988

1/4	Sports Illustrated Sportsmen and Sportswomen of the Year
1/19	March of Dimes poster child
1/29	NCAA football champions
2/3	Super Bowl champions
2/9	Boy Scouts of America annual report presented
2/25	Easter Seals presented
3/8	U.S. Winter Olympic team
3/17	Shamrocks presented by Irish ambassador
4/11	NCAA men's and women's basketball teams
4/14	Teacher of the Year
4/19	Heisman Trophy winners
5/5	NCAA hockey champions
6/30	Multiple Sclerosis Mother & Father of the Year
7/8	Indianapolis 500 winner
9/15	Congressional barbecue
9/28	Boys Club Youth of the Year
10/24	U.S. Olympic Team
10/26	World Series Champions
11/18	Thanksgiving turkey presentation
11/28	Christmas Seals presentation
12/4	WH reception for Kennedy Center Honorees
12/12	Congressional Christmas ball
12/14,15	WH press corps Christmas party
12/15	Lighting of National Christmas Tree
Various	Space shuttle crews

WHITE HOUSE PROJECT

MISSION

We have been invited to study White House procedures in order to improve the use of The White House as a tool for more clearly defining the philosophy, programs and goals of the President, the First Lady, and this administration. There is general consensus that the manner in which the First Family chooses to use The White House will be a significant factor in how many Americans perceive them. Through the use of White House events, we hope to not only create a consistent trademark image and style for the Clintons, but also reflect their interest in making what is best and brightest in American culture, art, and entertainment, both accessible and desirable to the public at large.

In researching ways to use The White House more effectively, our methodology included: (1) Talking to personnel in each department, (2) Talking to people who have worked in other administrations, (3) Studying written information that exists on methods used in past administrations.

Over the next few weeks, we expect to prepare several papers addressing the minutiae of how things might be improved and a bible addressing how to put the personal style of the Clintons, their intellectual and artistic preferences, into events (both formal and informal, traditional and ground breaking) at The White House. However, we think it is very important to present this first overview now, addressing some of the most obvious problems that need to and can be rectified immediately! We are also acutely aware that any plans we discuss and/or implement will probably pertain to all aspects of the system. Therefore, we are addressing all aspects of the system. Our goal is not to inundate you with more bureaucracy, but to provide you some real and viable solutions, that will in turn, make your task easier.

CURRENT IMAGE

Current opinion on the image of The White House and the staff in general seems to be that it is, in varying degrees, underpeopled, overworked, harried, slightly disorganized, reactive, and inconsistent in style. Now before you throw up your hands in despair, that is only one predominant perception, and certainly not the whole story. On the plus side, in terms of sheer human potential, our bounty is great. Throughout our interviews, inside and outside The White House, everyone commented again and again that this particular staff is one of the brightest most industrious, most innovative and loyal groups to ever inhabit this arena. Also, most impressive was the fact that in interviewing dozens of staff members over a two day period, not one person tried to blame anyone else in any other department for whatever was not working (probably a landmark occurrence in Washington fact finding). Instead, every Clinton staffer concentrated on candid but positive assessments of how things could be improved. Following the staff's lead, we now intend to illuminate the significant problems currently and commonly facing us and the most positive and effective ways of correcting them.

OVERVIEW

Of all the factors discussed during our research, the decision to reduce White House expenditures by 25% appears to have had the most negative impact on current operations. This cut would have been acceptable had it not been coupled with new restraints on how public funds may be spent (restraints that did not apply to the last administration). As a result of this coupling, key departments have been decimated, sometimes operating staffs only one- fourth as large as their predecessors. We cannot over-emphasize how much the acute shortage of personnel is adversely effecting the current day-to-day operations of The White House. This human deficit has led to a breakdown of communications between departments. The breakdown of communication has led to a permanent reactive mode in which far too much time and energy is spent responding to daily crises rather than creating new ideas and planning positive long range, interlocking multi-categoried events. The breakdown of long-range event planning has robbed the President and First Lady of a consistent, original style and identity for which they have always been known. It is imperative that we now create an environment in which their very original personal style, innovative character, keen intellect, and sincere appreciation for social, cultural and artistic endeavor and achievement can flourish.

We will briefly present an overview of each department in this paper and we will only mention the major items that we think can be addressed immediately. Frankly, there is nothing you can or probably should do to reverse the budget cuts. But while you are learning to function with what budget you have, we will be investigating an independent source of financing which, if implemented, would allow many of you to increase the number of people on your staffs, at least for the duration of this very crucial and defining first year.

SCHEDULING AND ADVANCE

A heavy burden falls on this department in matters of day to day operations.
It is one of the departments most affected by the cutback. There are currently only four full time advance people (compared to approximately fifteen (15) in the past two administrations).

The image presented by Scheduling and Advance at various functions and events is sometimes inferior because they are so overwhelmed by the number of events that they can only concentrate on the execution of the event and not the visuals. Advance is also getting very little lead time on the schedule because there seems to be a decision closure problem on events. Not necessarily the major decisions but minor ones that still effectively stall this unit.

There is no slot for a receptionist for this department. This job is filled by volunteers and therefore continuity is disrupted. This is compounded by the amazing fact that the phones have no message center capability.

Knowing that we are only hitting the broad strokes and will address minutiae later, we make the following recommendations for this department.

1. Immediately install message capability on the departments phones.
2. Immediately add three (3) full time advance people
3. Hire one (1) additional advance person that does nothing except oversee visual concepts of the events. We would be happy to offer names for this position if requested.
4. Other departments that create events should strive to effect long range plans and communicate these plans to this department. We should be seeing crowds of twenty and thirty thousand on the road instead of the four and five thousand we are seeing now. The crowds still want to turn out but our lack of time severely inhibits our crowd builders.
5. Finally we should immediately hold a seminar for our advance teams on how to get the most appealing visuals from our events. This is one of the FEW ways we can use members of the Hollywood community. We are assured the best and brightest art directors and set decorators would be glad to devote a day of their time to this project.

COMMUNICATION

We have combined communications, message and media into one category for this preliminary paper. A more detailed paper will follow.

These Departments also suffer from being understaffed . This point is most dramatically confirmed by the fact that this group has three (3) full time speechwriters as opposed to the twelve (12) that the last occupants of the White House had. We noticed in examining the schedule that there were eight major speeches in one six day period. To say this is overload for three speechwriters (and the President for that matter) would be putting it mildly. We also looked at a list of all canceled events of the past several months. They ranged from a canceled Town Meeting to a Union Station train appearance and represented dozens of wasted manhours preparing for these events. Since this staff is operating with fewer people, long range planning becomes even more critical so that we might avoid wasted effort.

We will repeat that everyone seems to have a feeling that we are unfocused at the moment. I'm sure that everyone has heard this ad naseum and it deserves no further discussion here other than to say maybe the message should be, " It's the focus, stupid!".

Continuing to point out the obvious we would like to remind everyone that the campaign was most successful when large numbers of people had pertinent information. Richard Nixon once said that during the campaign everybody talks to each other but when they get to Washington they quit talking and start reading the Washington Post. Nixon was right, so quit reading the Post and start communicating!

It is not in our Mission to suggest policy decisions to communication but we would like to offer the following items for your considerations.

1. A representative of the speechwriters should be in senior staff meetings. Great and eloquent speeches need time to incubate and attendance at these meetings will give the speechwriters a much better overview of what they have to plan for in the long run
2. Looking at past White House Schedules our group believes that the number of events the President is scheduled for should be cut by twenty five percent. We know it is hard to enforce this kind of schedule but you will ultimately have to do it so you might as well start now.
3. We propose that for obvious reasons you add two (2) members to the writers group.

SOCIAL EVENTS

This department more than any other conveys the image of the President and First Lady. There is also no department that has a greater need to know what is going on. Unfortunately this seems to be the department that is last to get the word.

Of all the social events held at the White House there has only been enough lead time to send written invitations to FOUR events. This is the most damming indictment of the lack of long range planning.

This department has NO advance people as opposed to three full time advance people assigned to the previous administration. The lack of advance people and the continuing habit of over scheduling the number of events leads to the to the East Wing looking more like a catering hall than part of The White House. If this continues, The White House will only be defined by the numbers of events rather than the style and grace of those events. This is not the definition this administration wants. Also the severe over scheduling does not allow The President and The First Lady the flexibility they would like.

Photo opportunities have gotten out of hand. Sometimes as many as two hundred people participate taking hours rather than the fifteen minutes allotted. You can not have it both ways. You either have to give the proper amount of time or be realistic about the number of people you can schedule.

The Kennedy Center box should be handled under this Department in association with the Political Department. Much thought should be given to who sits in the box. Historically it has been used as a very effective tool. Currently people outside the White House think the box is now a liability since it sometimes remains offensively empty at important events.

We offer the following suggestions.

1. Add two (2) advance people to the staff.
2. Include the Social Director in senior staff meetings.
3. Give the Social Director more power to curb the continuing over-scheduling of White House events.
4. During photo opportunities, always ANNOUNCE the President rather than let him just wander in. Besides being more appropriate to the office it will save several hours of time per week and give more clarity to the event.
5. Transfer the management of the Kennedy Center box to the Social Director in consultation with the Political Affairs Department.

6. It is imperative that all department heads contact the Social Director BEFORE scheduling any event in the residence.

CORRESPONDENCE

The Correspondence Department is the most overloaded department of all. The mail is arriving at a rate of forty five thousand letters a day. This is double the amount of mail any previous President has received. So far only about sixty five hundred a day can be answered. Taking into consideration that approximately twenty five thousand are mail-in propaganda pieces, we are falling behind at a rate of thirteen thousand five hundred per day!

Because it is so seriously understaffed, the department is in danger of having to destroy hundreds of thousands of pieces of mail that have not even been read much less answered. The thought of destroying mail quantities this large is demoralizing to this department as well as the First Family. What should be demoralizing to everyone is the fact that for each letter destroyed there is one more angry person out there who probably voted for President Clinton . It is a name also lost to the data base for the next campaign.

Steps should be taken to increase the communication between this department and other White House groups. Correspondence is one of the White House's most valuable assets and should be respected as such. We should also seek to build and use this data base in our image making plan.

We offer the following suggestions.

1. Add seventy five (75) full time employees for a limited time in order to reduce the backload of mail.
2. Find office space to house the additional people. This space will probably have to be offsite.
3. Include Correspondence in senior staff meetings.
4. Special letters should be handled in a more timely manner. They should not languish on the President's desk.
5. Boost this unit's morale and the White House press image by getting some of the more successful pieces of correspondence into the media stream.

HARRY THOMASON

PRESIDENTIAL INAUGURAL COMMITTEE $$$

PRESIDENTIAL INAUGURAL COMMITTEE AND FUNDING OF WHITE HOUSE "VOLUNTEERS"

* "Tues a.m. 5/11 [93] "Mtg with Berman, Thomason, Watkins in David's office to discuss possible uses of PIC money to support WH goals and/or operations, including correspondence response backlog and advance."

- First calendar entry in Vince Foster's Travel Office file labelled, "Attorney Client Privileged in anticipation of litigation

* "Q - intent to reprogram travel....can be paid by 3rd parties"

PIC = C4 ... can give to C3 and U.S. govt...Greater Washington Fdn - C3 a vehicle to give $$ without setting up own fdn"

- Entries in Vince Foster diary

* "We realize we have proposed adding personnel even though there is no money to do so. Unless staff members have a better suggestion, we propose that Presidential Inaugural Commission surplus funds be transferred to the Presidential Inaugural Foundation which is qualified as tax-exempt under the IRS code. By amending the Articles of Incorporation, we could start an "intern" or "scholar" program. These people hired under the program could then be utilized as needed on the staff. We have additional information on how to accomplish this task on file."

- "White House Project" memo by Harry Thomason

Attorney Client Privileged
in anticipation of Litigation

5/30/93

Calendar

① 5/11
Tues am Mtg w/ Berman, Thomason, Watkins in David's office to discuss possible uses of PIC money to support WH goals and/or operations, including correspondence response backlog and advances.

② 5/12
Wed am Receive call from HT atty, set up mtg.
Mtg w/ HT re family issues (Va, Roy)

③ Wed 240 Call from DW requesting mtg., explain conflict
④ 245 Mtg w/ DW, HT & CC in my office
300 Lv for haircut, set up mtg w/ CC for 4
⑤ 355 pick up WK on way back from haircut, describe goal parameters
⑥ 4:00+ mtg w/ WK, DW, CC & HT in my office

13162

√ TEL 514-32
RM 4243
Rm 1145
514-21

Travel

3/1 - $600M left vs 900M app
+ 100M = Pres budget
205 left in VP "

Q- intent to reprogram travel

Volunteer help to do trl
can be pd by 3d parties

personnel

Eg
Fdn can pay for salary of "volunteer"
to help him
but can't pay expenses

Locals pay for on ground cost
but not pay for advance people

Q -- Historical conversion from 1st class
reimbursement to Tourist

Q - use of military cheaper since
military has to fly anyway

* * *

Ark office
$350m budget

* * *

Mondale had his office
in a GSA bldg
kept his senate office

* * *

Ark. - 2 alternatives
(A) State party raised $
(B) Fdn created & funded by PIC

DNC can't pay volunteers since has
on-going conflict of interest

Car backlog

$1MM cost of contractor

Legal authority to pay contractor for catch-up — probably no

Q - What has GSA

GSA would have to bid out

OLC - can't receive cash for service vs operating bldg./maintenance

Computer

$4MM in Suppl

Miter Corp. non-profit - industry intermediary

take $11MM as gift

Cabinet ~~Tax~~ Retreat

1) $20 M facilitators

2) $15 M film - Bob Squire

DAC

PIC

PIC (Debra Ashford)

$7.5 - $10 MM

Some will have to be given to MD.

$2.3 MM tax liab

audit in 94-95 since tax return not due 'til 3/

Q -

Personal

$1100/mo $400-500/mo

food, supplies - wholesale

guests' food is chgd

transportation 4 guests is not

bill 30 parties for event

get the leftovers (liquor)

Sources for payment

State Dept

DAC

~~liquor from~~

Butlers are free (work around Overtime)

PIC = C4

can give to C3 & US govt

Greater Washington Fdn — C3

a vehicle to give $ w/o

setting up own fdn.

Reagan Drug Fund

CRW D. Kopfly
Lee

1. Advance services by use

A. gen'l rule vs. augmentation of appropriation

B. Past view re expenses = augmentation

WH has peculiar position re having statute

w/ maximum but no minimum salary

no augmentation by 0 salary

31 USC 1342 — anti-deficiency act
may not accept voluntary service (avoid mischarges/claims for quantum meruit)

2. may accept gratuitous services

Someone employed by outside org can

Lesson - should have ~~to~~ doc
recognizing no intent to be paid

even if outside grp hires someone
to provide gratuitous services to WH

A. — 3d party
Can hire

BUT Stat prohibits gov't from incorp w/o Cong appr

pts of light fdn.: —

Pres suggested to private individuals

Group incorporated but maintain control

1) Control @ time of incorp.

2) misc receipt act —

anyone who receives money must dep in Treas

whenever gov't controls ↑

Bottom line - outside entity to hire indiv
must not be controlled by govt @ time
of incorp or during operation

Also - Can a 501(c)(3) do this?
- no attempt to influence legislation

* * May need to ask Tax div'n if go further

May be problem if advance political trip
or trip which includes political leg.
501(c)(4) may be different

2c - only if organ is involved in or sponsors event -

2B

Q - Local sponsored event - who pays
expenses of our Ees?

3) Use of Excess

Subsequent act as to members of Congress takes away their ability to use

Previously FEC informal op. that money counted [illegible] campaign limits (later struck down) – not clear which one, present or future? but what if in 2d of member's term

Practical consideration:

1) Count vs ~~[illegible]~~ next campaign?

other repercussions

2) FEC could give contrary op.

---

4. expressions on?

5. Training official activity

WH should not do training

nor while on govt roster

6.

A. Some prohibited by tax status

B. OK if under effort but can't control

also anti-lobbying act implication

+ misc receipts act problem

Providing volunteers — see 2A

Relationships
Politically
Problem of scale —
the more volunteers the more likely
the test of the OLC & Comptroller gen'l

Q - Who has standing - who has injury
OLC resists Congressional standing
They argue nullifies vote

Possible suit vs 501(c)(3) or (4)
re improper purpose

MEMORANDUM

TO: Vince Foster
David Watkins

FROM: Mike Berman

DATE: May 18, 1993

SUBJECT: Attached

I am embarrassed for the delay but as you know other activity has interfered with getting to this. This is a first cut done at about 5:00 a.m. this morning for you all to reflect on. I will do an additional cut on Thursday.

Please let me know if your notes reflect that I have left anything out. I have comments on a number of these questions and will add them on Thursday.

We will want to go over this stuff with Deborah and with Lynn.

The Duberstein Group, Inc.

FAX TRANSMISSION

DATE: 5/18/93

NUMBER OF PAGES (including cover) 4

TO: Vince Foster

COMPANY:

FAX NUMBER: 456-6279

DIRECT NUMBER:

FROM: Mike Berman

MESSAGE/INSTRUCTIONS:

If you have any questions or problems with this transmission,

please call (202) 728-1100

FAX NUMBER (202) 728-1123

MEMORANDUM

TO: Vince Foster
Mike Berman

FROM: Mike Berman

DATE: May 18, 1993

SUBJECT: Issues for possible review by OLC

Our most recent discussion resulted in several issues that should be reviewed by the White House Counsel's Office and the Office of Legal Counsel in the Department of Justice.

In all of these situations the primary issue is whether or not the activity or funds provided by a non-governmental source will result in a prohibited augmentation of appropriations.

There is also the issue of constraints that are placed by law on the activities of certain exempt organizations.

It is assumed that all of the volunteered efforts or funds will be directed to supporting official activities not political activities. By official I mean activities that could be paid for with appropriated funds.

Scheduling and advance

1) May a 501(c)(3) or a 501(c)(4) properly provide voluntary advance services to the White House by hiring a consulting firm that would essentially provide "turnkey" advance of particular events with supervision by White House staff members?

2) Is it possible for a 501(c)(3) or a 501(c)(4) to hire individuals and make them available as volunteers, essentially on a full time basis, to advance official trips?

Is it possible for those same organizations to pay the expenses of those volunteers while they are advancing including travel, living accomodations, food, local transportation etc.

Is it possible for those organizations to pay so-called "event costs" including sound systems, lights, staging, advertising etc?

3) Is it possible to use excess campaign funds in the Gore for Senate Committee, The Clinton for President Committee and the Clinton/Gore General Election Compliance Fund to pay the costs of scheduling and advancing official trips including salaries, transportation and living expenses for advance people and event costs?

4) If it is possible for a tax exempt organization to provide volunteers on its payroll to serve as advance people would it be permissible for excess campaign funds to be used to pay the expenses of those volunteer advance people and event costs?

5) If a tax-exempt organization can provide persons on its payroll as voluteers can it pay the costs of recruiting and training people in the art and techniques of advance? (These costs would include the salaries of recruiters and trainers, travel expenses for recruiters and potential advance people who are coming to training sessions and the costs of training.)

6) May a 501(c)(3) or a 501(c)(4)organize events around the country for the purpose of promoting public interest in legislative initiatives proposed by the President? Promotion of events would include...all event costs, all costs relating to teams of people to organize such events

Providing volunteers

1) May a 501(c)(3) or a 501(c)(4) operate a program whereby it will pay individuals regular salaries and then provide those individuals as volunteers to various offices in the White House ranging from speechwriting, to correspondence processing, to scheduling and advancing to general staff work.

Relationship between organizations and the White House

1) Assuming that a 501(c)(3) or a 501(c)(4) may engage in any or all of the activities described above are there any limitations on the relationship between the White House and those organizations?

Scheduling and advance

1) May a 501(c)(3) or a 501(c)(4) properly provide voluntary advance services to the White House by hiring a consulting firm that would essentially provide "turnkey" advance of particular events with supervision by White House staff members? no

2) A Is it possible for a 501(c)(3) or a 501(c)(4) to hire individuals and make them available as volunteers, essentially on a full time basis, to advance official trips? yes, but

b Is it possible for those same organizations to pay the expenses of those volunteers while they are advancing including travel, living accomodations, food, local transportation etc. probably not

C Is it possible for those organizations to pay so-called "event costs" including sound systems, lights, staging, advertising etc? if a sponsor

3) Is it possible to use excess campaign funds in the Gore for Senate Committee, The Clinton for President Committee and the Clinton/Gore General Election Compliance Fund to pay the costs of scheduling and advancing official trips including salaries, transportation and living expenses for advance people and event costs? want FEC advice

4) If it is possible for a tax exempt organization to provide volunteers on its payroll to serve as advance people would it be permissible for excess campaign funds to be used to pay the expenses of those volunteer advance people and event costs? depends

5) If a tax-exempt organization can provide persons on its payroll as voluteers can it pay the costs of recruiting and training people in the art and techniques of advance? (These costs would include the salaries of recruiters and trainers, travel expenses for recruiters and potential advance people who are coming to training sessions and the costs of training.)

6) May a 501(c)(3) or a 501(c)(4)organize events around the country for the purpose of promoting public interest in legislative initiatives proposed by the President? Promotion of events would include...all event costs, all costs relating to teams of people to organize such events

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Relationship between organizations and the White House

1) Assuming that a 501(c)(3) or a 501(c)(4) may engage in any or all of the activities described above are there any limitations on the relationship between the White House and those organizations?

MEMORANDUM

TO: Vince Foster
David Watkins

FROM: Mike Berman

DATE: May 23, 1993

SUBJECT: Attached

Attached is a 2nd draft of possible issues to be reviewed by OLC. This replaces the first list that I forwarded.

MEMORANDUM

SUBJECT: 2nd draft of issues for review by OLC

DATE: May 23, 1993

In all of these situations the primary issue is whether or not the activity or funds provided by a non-governmental source will result in a prohibited augmentation of appropriations.

There is also the issue of constraints that are placed by law on the activities of certain exempt organizations.

It is assumed that all of the volunteered efforts or funds will be directed to supporting official activities not political activities. By official I mean activities that could be paid for with appropriated funds.

Scheduling and advance

1) May a 501(c)(3) or a 501(c)(4) properly provide voluntary advance services to the White House by hiring a consulting firm that will essentially provide "turnkey" advance of particular events with with or without the supervision by White House staff members?

The services provided might include recruitment and training of advance people, cost of transportating advance people to and from the location of events to be advanced, costs associated with putting on the event such as sound systems, lights, staging, advertising etc.

If not all of the services could be provided through such a contract...what services could be provided?

2) Is it possible for a 501(c)(3) or a 501(c)(4) to hire individuals and make them available as volunteers, essentially on a full time basis, to advance official trips?

Is it possible for those same organizations to pay the expenses of those volunteers while they are advancing including travel, living accomodations, food, local transportation etc.

Is it possible for those organizations to pay so-called "event costs" including sound systems, lights, staging, advertising etc?

3) Is it possible to use excess campaign funds in the Gore for Senate Committee, The Clinton for President Committee and the Clinton/Gore General Election Compliance Fund to pay the costs of scheduling and advancing official trips including salaries, transportation and living expenses for advance people and event costs?

4) If it is possible for a tax exempt organization to provide volunteers on its payroll to serve as advance people would it be permissible for excess campaign funds to be used to pay the expenses of those volunteer advance people and event costs?

5) If a tax-exempt organization can provide persons on its payroll as voluteers can it pay the costs of recruiting and training people in the art and techniques of advance? (These costs would include the salaries of recruiters and trainers, travel expenses for recruiters and potential advance people who are coming to training sessions and the costs of training.)

6) May a 501(c)(3) or a 501(c)(4)organize events around the country for the purpose of promoting public interest in legislative initiatives proposed by the President? Promotion of events would include...all event costs, all costs relating to teams of people to organize such events

Providing volunteers

1) May a 501(c)(3) or a 501(c)(4) operate a program whereby it will pay individuals regular salaries and then provide those individuals as volunteers to various offices in the White House ranging from speechwriting, to correspondence processing, to scheduling and advancing to general staff work.

Vendor services

1) May a 501(c)(3) or a 501(c)(4) hire a private firm that provides mail handling services and volunteer the services of that company's correspondence handling services to the White House?

Does it make any difference whether the services would be provided in non-government facilities rather than White House or other government offices?

If the private firm can not provide full services, can the private firm provide personnel only to the White House, the company being paid for those services by the tax exempt organization?

Relationship between organizations and the White House

1) Assuming that a 501(c)(3) or a 501(c)(4) may engage in any or all of the activities described above are there any limitations on the permissible relationship between White House officials and those organizations?

Mr. PODESTA. Mr. Thomason and Ms. Post were in the White House for a couple of days. They had some meetings. They were dealing largely with communications questions about how the White House projected itself, its communication, its voice.

Mr. Thomason, as you know, is a skilled television producer. So I think it was—I think that's a fair characterization of what he was doing there and what the, quote, White House Project was all about.

Mr. CLINGER. Were you aware, though, that he was in fact at least soliciting or exploring the possibility of getting a sole-source contract to provide travel services for the White House? Were you aware of that?

Mr. PODESTA. Sole-source contract for travel service for the White House?

Mr. CLINGER. Yes.

Mr. PODESTA. No. I think that inaccurately—I think what he was talking about is the GSA contract. I was aware that Mr. Martens was trying to solicit a contract from GSA and that Mr. Martens—and Mr. Thomason was helping him to try to do that.

Mr. CLINGER. My time has expired.

I would now yield to the gentlelady from Illinois.

Mrs. COLLINS OF ILLINOIS. Thank you, Mr. Chairman.

At one point, Mr. Chairman, you suggested that this hearing is not related to the criminal trial of Mr. Dale. I would like to ask unanimous consent that a letter dated October 12 that you sent to Deputy Attorney General Gorelick be in the record.

In this extraordinary letter, you directly infer that they interfered with the criminal trial by suggesting that the Justice Department is withholding documents from Mr. Dale's lawyers. You also make a request on behalf of Mr. Dale's lawyer to provide him with a copy of the Office of Professional Review report, which the Justice Department had refused. So let me respectfully suggest that this committee investigation is directly interfering in this case and that your letter is evidence of that relationship, Mr. Chairman.

Mr. CLINGER. If the gentlelady would yield, that letter was deliberately done confidentially so that——

Mrs. COLLINS OF ILLINOIS. Well, will I get more time if I yield to you?

Mr. CLINGER. Just to respond.

Mrs. COLLINS OF ILLINOIS. Well, Mr. Chairman, let me go on with my questions then, if you don't mind.

Mr. WAXMAN. Regular order of unanimous consent request, Mr. Chairman.

Mrs. COLLINS OF ILLINOIS. Unanimous consent request, Mr. Chairman.

Mr. CLINGER. Without objection.

Mrs. COLLINS OF ILLINOIS. Thank you.

[The letter referred to follows:]

October 12, 1995.

The Honorable JAMIE S. GORELICK,
Deputy Attorney General,
Department of Justice,
10th & Constitution Avenue, Northwest,
Washinaton, DC.

DEAR MS. GORELICK: In the course of reviewing documents to prepare for the Committee's October 24, 1995 hearing on the White House Travel Office matter, the Committee's Chief Investigative Counsel brought several documents to my attention that appear to contain material subject to *Brady* v. *Maryland.*

Although the issues we intend to discuss during the Committee's hearing do not involve the Justice Department's two-count embezzlement charge against Mr. Billy Dale, we feel it is our obligation to bring these documents to your attention. One of the enclosed documents is an example of material found in the personal handwritten notes of the White House Counsel Office Associate Counsel and may not have been produced to the Public Inteqrity Section.[1]

The first document is the handwritten notes of Associate White House Counsel, William Kennedy, III. The statement:

> Found a Petty cash Notebook "w/envelope in the front—behind credenza behind Billy R. Dale. Anyone in the office can gain entry to petty cash. . . .

directly goes to Mr. Dale's publicly disclosed defense that the missing pages of his petty cash notebook were placed in an envelope and then disappeared from the credenza behind where he sat. As you know, the Department of Justice has argued that this defense has no basis in fact, and thus, should not be permitted.

The second document is an FBI e-mail written on July 16, 1993, which states that the:

> WMFO has also determined that the petty cash log covering the period prior to 1/92 is "missing." Interviews of other Travel Office employees who have been interviewed indicates that the log disappeared approximately the time that Catherine Cornelius started working in the Travel Office. . . .

Finally, I have attached a letter sent to my staff from Mr. Dale's attorney requesting access to the Office of Professional Responsibility Review. My staff met with the Chief of Public Integrity to discuss protocols for interviews of FBI Agents who are also involved in the investigation of the embezzlement case. They agreed to Department of Justice presence at these interviews. They were informed that the OPR Report was being withheld by the Criminal Division because of the possible unfavorable press for the prosecution that would result from its release as well as a claim that its release "would harm the criminal case." Again, I must question whether this "harmful information" is not the very reason the Supreme Court found that such material must be turned over to the defense prior to trial.

Thank you for your attention to this matter. I look forward to your response.

Sincerely,

WILLIAM F. CLINGER, JR.,
Chairman.

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[1] We are mindful of the difficulties the Public Integrity Section has experienced in obtaining documents from the White House Counsel's Office that relate to this matter. The Vince Foster Travel Office file was not produced in its entirety to Public Integrity until July, 1995, after it was publicly disclosed.

Craig Livingst[illegible]

[illegible] records: Arrange for [illegible] plane

Accommodations for GOP [illegible] staff

4 Xactions [illegible] [illegible] — [illegible] Air or Airline of the Americas → [illegible] to [illegible] [illegible] [illegible] for Domestic Travel of the [illegible]

both TWA
& ATT → both..

written arrangement [illegible] [illegible] ~~[illegible]~~ [illegible] — contract @ $6,000 per hour = [illegible] of Thumb

[illegible] on Petty Cash [illegible] [illegible] of [illegible] in front — [illegible] [illegible] [illegible] [illegible] & Dale

[illegible] [illegible] office can [illegible] [illegible] to petty cash

[illegible] PC 1/92 — [illegible]
17 checks:

Xactions which deal with [illegible] [illegible] →
Check to cash

[illegible] Billy/Billy checks all to cash

1/9/92 $5,000 check : [illegible] on $2,000
Cannot get satisfactory answer yesterday

$2800 [illegible] [illegible] on cash [illegible] of an [illegible] — [illegible] [illegible] in [illegible]

[illegible] Xactions 6/17/92 $3,000 check [illegible]
no entry
4/10/92 $2,500 check
no entry
2/18/92 $3,000
no entry
12/27/91 3,000
12/18/91 3,000
12/5/91 2,000
→ cleared on 1/92

[illegible] [illegible]

NO [illegible] [illegible]
Billy Dale

EZO04340

[DOCUMENT REVIEWED AT DOJ 8/23/95—ACCESS ONLY DOCS]

From: Carl
To: Kubic/Dorch
Date: Fri 7/16/93 1:05p.m.
Subj: WHTO Update

WMFO has confirmed that subject Billy Dale, the former Director of the Travel Office withdrew $2500 in cash from his White House Credit Union account on 5/14/93 following his being questioned by auditors regarding a check payable to "petty cash." The check was entered on a petty cash log as having been written for $2,000 when in fact it was written for $5,000. On 5/15/93 Dale gave the auditors an envelope containing $2800 in cash which he claimed had been in his desk for approximately 6 months. Dale claimed the cash was the balance of funds from the petty cash obtained from above check.

WMFO has also determined that the petty cash log covering the period prior to 1/92 is "missing." Interviews of other Travel Office employees who have been interviewed indicates that the log disappeared at approximately the time that Catherine Cornelius started working in the Travel Office. Cornelius has turned over all records which she had taken home during the period she was working at the Travel Office and the log book was not among the documents turned over by her.

Preliminary review of the financial records of Travel Office has failed to reveal any confirmation that the checks written to cash correspond with trips taken by the White House.

WMFO has scheduled an interview of John McSweeney the remaining Travel Office employee for this afternoon. Efforts to interview David Watkins, Harry Thomason and Darnell Martens are continuing.

May 21, 1993.

MEMORANDUM FOR JOHN PODESTA

FROM: LEE JOHNSON

SUBJECT: TRAVEL OFFICE FILES

Thursday morning May 20th, Catherine Cornelius requested boxes from this office. They were sent to her the same morning. We have heard nothing from her since. We are, of course, concerned about the disposition of Travel Office files. I've left phone messages with Steve Neuwirth three times, beginning Thursday evening, and have received no reply. These calls were made because for obvious reasons we believe that there must be rigid procedures established regarding the storage and handling of these records. Terry and I agree that these files are definitely Presidential records.

What else can we/should we do?

TIGHE, PATTON, TABACKMAN & BABIN, L.L.P.,
WASHINGTON, DC,
September 19, 1995.

BARBARA BRACHER, Esq.,
Chief Investigative Counsel,
Government Reform and Oversight Committee,
United States House of Representatives,
2157 Rayburn House Office Building,
Washington, DC.

Re: *United States* v. *Billy Ray Dale*, Crim. No. 94–469 (GK)

DEAR MS. BRACHER: This firm represents the defendant, Billy Ray Dale, in the case *United States* v. *Billy Ray Dale*, currently pending trial on October 26, 1995, in the United States District Court for the District of Columbia. As the enclosed pleadings filed by the defense demonstrate, there is a substantial reason to believe that certain records that are material to the defense of Mr. Dale were removed from the Travel Office in May, 1993. Recent press reports disclose that your Committee is in possession of a report prepared by the Office of Professional Responsibility of the Department of Justice, which addresses the termination of my client and the conduct of certain White House officials in connection with that action. Press reports also disclose that your Committee has a log of documents prepared in the course of the White House internal investigation of that action.

It is imperative that I obtain any and all documents that describe the actions of certain White House officials, including but not limited to Patsy Thomasson and David Watkins, taken in connection with the termination of my client. The above-described OPR report and log clearly fall within that description. Accordingly, I am requesting that the Committee release to me a copy of the report and log as well as any other documents in possession of the Committee that describe the conduct of White House officials in connection with the decision to terminate the employees of the Travel Office.

Your prompt attention to this matter will be greatly appreciated.

Very truly yours,

STEVEN C. TABACKMAN.

Mrs. COLLINS OF ILLINOIS. Ms. Kingsbury, you have been involved in the GAO Travel Office investigation for more than 2 years now. Would it be accurate to say that Mr. Phil Larsen, the former chief investigator of the committee, attended many of the meetings you had with congressional staff during the time period that GAO was performing its review and that he took a very active role in this investigation?

Ms. KINGSBURY. Yes, ma'am, that would be accurate.

Mrs. COLLINS OF ILLINOIS. And for the purpose of this current investigation, weren't you interviewed by Mr. Larsen?

Ms. KINGSBURY. Yes, ma'am.

Mrs. COLLINS OF ILLINOIS. Who else in GAO was interviewed by him?

Ms. KINGSBURY. Two other staff members who worked on the assignment with me.

Mrs. COLLINS OF ILLINOIS. Did anyone on the committee ever discuss with you during this time his position in the White House during the previous administrations?

Ms. KINGSBURY. During the time of the interviews?

Mrs. COLLINS OF ILLINOIS. Yes.

Ms. KINGSBURY. It did not particularly come up during the time of the interviews.

Mrs. COLLINS OF ILLINOIS. At any other time?

Ms. KINGSBURY. During the job—well, we had had dealings with Mr. Larsen in his former position on previous jobs, so we knew he had had a position at the White House.

Mrs. COLLINS OF ILLINOIS. Did you——

Ms. KINGSBURY. Our understanding was that it was associated with the personnel function.

Mrs. COLLINS OF ILLINOIS. Did you know that he was a deputy director for the Financial Management Division with responsibility for the White House Travel Section?

Ms. KINGSBURY. At that time I did not know that, no, sir—no, ma'am.

Mrs. COLLINS OF ILLINOIS. OK.

Mr. WAXMAN. Did she know it later?

Mrs. COLLINS OF ILLINOIS. Did you know it later than that time?

Ms. KINGSBURY. Not until about 4 days ago.

Mrs. COLLINS OF ILLINOIS. OK. If Mr. Larsen worked for the General Accounting Office, would he have been able to participate in any major way in the Travel Office investigation?

Ms. KINGSBURY. It would depend on the scope of the investigation. We were not looking at the activities of the Travel Office at the time that Mr. Larsen apparently held the position that had something to do with travel. We would have examined that issue at the time the job started and decided whether there was a conflict.

Mrs. COLLINS OF ILLINOIS. I have here a copy of the GAO hotline complaint, Ms. Kingsbury. Could you briefly describe the allegations that were raised in that particular complaint?

Ms. KINGSBURY. The complaint took the form of a letter to Mr. Bowsher, signed "a concerned citizen," and it included several allegations having to do with receipt of tickets to sporting events at the Capital Center, RFK Stadium, and fishing parties on the Chesapeake Bay, and I am reading directly from the document itself.

Mrs. COLLINS OF ILLINOIS. While you are reading, would you also read the date of the document.

Ms. KINGSBURY. October 3, 1988.

Mrs. COLLINS OF ILLINOIS. Thank you.

Ms. KINGSBURY. It also suggested that Pan American World Airways, which was providing a great deal of travel service at the time, was obtaining that business without competitive price and that they were providing gifts for the travelers as a part of those trips. There were also some allegations about upgrading services being provided.

Mrs. COLLINS OF ILLINOIS. I ask unanimous consent that this document that she has just spoken about also be made a part of the record, Mr. Chairman.

Mr. CLINGER. Without objection, I will enter it, although I would indicate to the gentlelady that this line of questioning really is beyond the scope of the focus of this hearing.

Mrs. COLLINS OF ILLINOIS. It is in the GAO report, Mr. Chairman. And also, in your press release that you sent out, you said hearings were needed to air the facts. So we are just airing the facts, Mr. Chairman.

[The information referred to follows:]

October 3, 1988.

Mr. CHARLES A. BOWSHER,
Comptroller General of the United States,
General Accounting Office,
441 G Street, NW,
Washington, DC.

SIR: A conflict of interest exists in the White House transportation office and should be investigated.

1. Mr. Barnaby L. Brasseux has been employed in the transportation office for the past 5 or so years.

2. Mrs. Fran Brasseux is employed by Pan American World Airways, as Manager, Sales/Promotions, in the Washington, D.C. office.

3. During the period of Mr. Brasseuxs' employment, members of the White House transportation office staff, "token" members of the Office of Administration staff, Press Office staff and Counsel Office staff, have been "guests" of Pan American at sporting events at the Capitol Center, RFK Stadium and at fishing parties on the Chesapeake Bay.

4. For the past three and a half years, the White House press charters, have been offered directly to Pan American World Airways, without consulting with different airlines for a competative price. "Gifts" for the travelling press on oversea's trips are ordered by the White House transportation office, billed to Pan American World Airways, and then added to the price of the charter.

5. Mr. Brasseux has passed out Pan American World Airways "up-grading" chits to selected friends and senior staff members that might improve his position in the White House transportation office. These chits if passed out at all, should be passed out to everyone being booked on Pan American World Airways flights, not a select few people.

6. Mr. Brasseux used his and his wife's position to establish "frequent flyer" updating for Mr. Larry Speakes and Mr. Donald Regan prior to their leaving the White House.

I'm sure that this matter should be investigated and corrective action taken.

Sincerely,

A CONCERNED CITIZEN.

Mrs. COLLINS OF ILLINOIS. The GAO report states that the Reagan White House counsel reviewed the allegations by interviewing the Travel Office employees in 1989 but concluded that the allegations were not substantiated and closed the matter without any further action.

Now some of the allegations of taking gifts from contractors went beyond the Travel Office but to the Office of the Administration and even the Counsel's Office itself; is that not correct, Ms. Kingsbury?

Ms. KINGSBURY. There is reference in the letter to other people being involved in accepting these, yes.

Mrs. COLLINS OF ILLINOIS. Well, wasn't it inappropriate for the Reagan White House to assign to officers accused of taking gifts the responsibility to investigate those same allegations in another office?

Ms. KINGSBURY. The documents that we have don't make it clear exactly who the people were who did the investigation. I think one would normally stay away from that kind of a relationship however.

Mrs. COLLINS OF ILLINOIS. I also have the notes of the interview with Mr. Dale, and I assume you have reviewed these notes from that so-called investigation. Doesn't Mr. Dale admit to having accepted gifts from airlines doing business with his office, including fishing trips and the sporting events tickets that you just spoke about?

Ms. KINGSBURY. Yes, ma'am.

Mr. CLINGER. This is now getting into an area that I think I have tried to keep off limits here, because we do not want to discuss in any sense the pending trial of Mr. Dale or any charges that he might be accused of.

Mrs. COLLINS OF ILLINOIS. Well, Mr. Chairman, since we are having a hearing 2 days before the trial, it seems to me we would not have had this hearing until after the trial if this were your primary concern and that you would not have sent the letter to Mrs. Gorelick.

Mr. CLINGER. My primary concern is to avoid doing anything that would jeopardize——

Mrs. COLLINS OF ILLINOIS. This has nothing to do with that, Mr. Chairman. And, you know, you are on my time, Mr. Chairman.

Now, Mr. Shaheen, you wrote in a memo last July to Mr. David Margolis, the Associate Deputy Attorney General, that the White House had been uncooperative during OPR's review. The minority members of this committee had requested that Mr. Margolis be invited to accompany you to discuss this memorandum, but we were denied that opportunity.

The question I would like to have asked Mr. Margolis was this: Since the Deputy Attorney General had requested this review, was the Office of the Deputy Attorney General ever requested to contact the White House to complain about lack of cooperation?

When we learned that he had not been invited to attend today, we asked him that question directly, and his answer was no. Neither you, Mr. Shaheen, nor any member of the OPR staff ever asked the deputy's office to complain to the White House.

Mr. Margolis did state that OPR was becoming frustrated by the pace with which interviews were being scheduled but that OPR was never denied an interview that it requested.

Therefore, I would suggest that if a serious problem did in fact exist with cooperation, the obvious way to correct it would have been a phone call to Mr. Margolis or another official from the deputy's office. That was never asked for.

Mr. CLINGER. The gentlelady's time has expired, and I would now recognize the gentlelady from Maryland, Mrs. Morella, for 5 minutes.

Mrs. MORELLA. Thanks, Mr. Chairman.

First of all, I think that in line with what had been stated, I think Mr. Podesta at some point had investigated, you know, the White House in terms of looking internally for investigations and who should be doing it.

But I wanted to pick up on what Mr. Moran had said about the fact that these employees were excepted service employees so they served at the pleasure of. Indeed, I think that after 9 to 33 years of service, that the highest office of the land should have treated these people far better. In fact, I think in a GAO report the insensitivity of the treatment of these employees is pointed out and is emphasized.

You know, at the same time that we talk about them serving at the pleasure of the President, the very length of their service suggests that they served any number of the administrations and the press corps which covered them and they served them with distinction.

I'm assuming, of course, that had the White House Travel Office employees not been competent, don't you think that the press corps itself would have called for their removal years ago?

Therefore, why wasn't there—and I guess I would be asking you, Mr. Podesta—why wasn't there more of an effort to remove them in a manner that would be done such as reduction in force or something like that?

Mr. PODESTA. Well, I think that the Travel Office staff served the press corps, I don't disagree with that, and I think that there were not complaints from the press corps about how they served the press corps.

Mrs. MORELLA. Right.

Mr. PODESTA. That I think that our report pointed out that they were dismissed with insensitivity and that it could have been done in a manner that was much more sensitive to their needs, and I think especially with regard to the disclosure of the FBI investigation which had begun by that date, that was inappropriate, and, as I said, Mr. McLarty apologized for it publicly. I would agree with you.

Mrs. MORELLA. You would certainly agree that the Travel Office was not handled in a proper fashion?

Mr. PODESTA. I would say that everyone in the White House does know that they serve at the pleasure of the President, it is not the Federal civil service, and people do have that expectation that tomorrow they can be dismissed, and those are the——

Mrs. MORELLA. We know these things can be done——

Mr. PODESTA. Right.

Mrs. MORELLA [continuing]. With good reason, but they are thoughtfully done and only if absolutely necessary, particularly considering the kind of dedicated service they offer.

I was looking at the GAO report, and I noticed that in the category on page 32 and page 33 where they give the various category criteria, when it comes to administrative guidelines, oversight and guidance, the observation was made that there was none, no oversight and guidance was noted in that report by Peat Marwick.

So, therefore, do you think then that it is fair to fire the entire White House Travel Office on the basis of gross mismanagement, let alone criminal misconduct, when there is no evidence that shows that the White House made any effort in the 4 months leading up to the firings to understand how the office worked, let alone manage it, let alone guide the employees?

Wasn't there some concern expressed by some in the White House about the need to fire all seven employees when only two had any financial or management authority? This troubles me that this happened. And I guess I would direct this both to Mr. Podesta and if Ms. Kingsbury would like to comment on it also.

Mr. PODESTA. Well, yeah, I think you drew an appropriate distinction. I think there was evidence of financial mismanagement, at the very least, which we noted in our report may have justified the management changes in the office, but I think that it was used also as a basis for dismissing the five employees who did not exercise financial control, and we thought that was inappropriate.

Ms. KINGSBURY. I guess my only comment is that we do, in our report, make the observation that not only in the 4 months prior to these events but over many years before that, there had been very little oversight of this office, except just sporadically if something popped onto somebody's radar screen, and that the people running the office had, in fact, never been given any guidance about how the office ought to be run.

The fact that we had to articulate the criteria that the management of the office should be using struck us as an unusual lack of oversight and guidance to people who were arguably travel professionals and not financial management specialists to begin with. So we did make that point in our report.

Mrs. MORELLA. I appreciate your emphasizing that statement, because that's the point I am bringing out.

Mr. PODESTA. Could I add one point?

Mrs. MORELLA. Yes, you may.

Mr. PODESTA. And that is that we had been in office all of 4 months, and I would admit that the seven employees of the White House Travel Office was not the highest priority of a new administration coming into office. But they had all been supervised for the past 12 years under a rather continuous list of people who did have supervisory authority. They did get around to it.

I agree that we made errors, and I think we admitted them, apologized for them, reinstated the five employees, and found them new jobs in our executive branch agencies.

Mrs. MORELLA. You know, in reading the accounts before you came, I noticed that—and this ties into a question—what time on the morning of May 19 did the White House move Worldwide Travel into the White House Travel Office?

Mr. PODESTA. I believe they moved in essentially immediately after the employees, seven employees, were called upstairs in the Old Executive Office Building to be informed by Mr. Watkins that they would be terminated.

Mrs. MORELLA. That's exactly my point. I just——

Mr. PODESTA. They were there——

Mrs. MORELLA. It seemed like, in fairness, you have some people, you call them upstairs to fire them at the very same time that the—that you are moving this Worldwide Travel, you know, with no competition or anything, right in there, and the fired White House Travel Office employees returned to their office and within a half hour after leaving it, that's when they find—am I not correct?—they find that their desks are taken up by their replacements? Is this any way to run a government? I mean, is that not correct? It happened awfully as stated.

Mr. PODESTA. I think you have stated the facts correctly, and I think, as I said, we said that that manner of handling this incident was insensitive and we've apologized for it.

Mr. CLINGER. The gentlelady's time has expired.

Mrs. MORELLA. My time has expired. I will ask more questions later.

Mr. CLINGER. The gentleman from California, you are going to yield?

Mr. WAXMAN. I yield to the gentleman from Pennsylvania, Mr. Kanjorski.

Mr. KANJORSKI. Thank you very much, Mr. Waxman.

Mr. CLINGER. The gentleman is recognized for 5 minutes.

Mr. KANJORSKI. Mr. Chairman, I think there's some need to clarify the record here, and I want to go back to the extensive record from the Subcommittee on Human Resources of the Committee on Post Office and Civil Service hearings held in 1991 and 1992. And in the official report, we have statements in the contents on page 111 that Mr. Larsen, Phillip D. Larsen, as Director of Personnel Management Division, Office of Administration, at the White House. His biography, provided for the committee, it indicates that between the years 1988—or for the years 1988 and part of 1989, Mr. Larsen was deputy director of the Financial Management Division of the Office of Administration.

Then later, on page 156, the director of that office, Mr. Rasmussen, testifies that that office had control over all nine agencies of the White House, with the exception of the executive residence, and that they handled all the accounting control for those offices.

Then further, on page 167 of that congressional hearing, the authority of financial management is defined, and in that section, as they go through various things, is accounting, budget, impressed funds, and travel.

So there isn't any question that during the tenure of Mr. Larsen at the White House, as deputy director of the Financial Management Division of the Office of Administration, he had jurisdiction over travel as a deputy director.

Now, I point that out because it's very important. It refers to the letter that the chairman read of a denial by Mr. Larsen that was sent to the chairman on October 25, 1995, and in that letter Mr. Larsen makes a compelling statement.

On page 4, at the bottom, he inserts:

> Further, I have no knowledge of any allegations the staff at the White House Travel Office or any member of the staff of the Office of Administration received any gifts from anyone doing business with the White House Travel Office, as suggested by Representative Collins.

Mr. Chairman, I would like to offer into evidence today two statements, both just testified and referred to by the witnesses: One, the whistle-blower letter addressed to Mr. Bowsher, the Comptroller General of the United States, dated October 3rd, 1988, where an individual who we suspect was later fired makes allegations of gifts being given, fishing parties being taken, and these being very broadly shown throughout the White House. That too is a whistle blower's unsigned statement.

However, we have a two-page copy of a report from George E. Saunders, a memorandum for Phillip Brady—and I believe this is to the General Accounting Office investigating it—regarding the unsigned letter to the General Accounting Office. In this letter, Mr. Dale concedes that he knew of gifts being given. He knew of fishing events. He knew that this was common practice at the time that he was in the White House and for a very long period of time before that during the entire 12 years of the Reagan/Bush administration.

Now, I believe that—and now the question is: Did he know this as the investigator of this committee?

We have members of this committee's investigative staff that will be willing to testify under oath that Mr. Larsen made two individual trips to the Executive Office of the President where he examined these documents and read these documents.

Now, it would seem to me that we have a letter of total denial of any allegations of gifts or any gratuities given, yet we know for a fact that Mr. Larsen, while he was the chief investigator of this committee, made two trips, had these documents at his disposal, and, we assume, read them.

Now, if he didn't read them, we would like him to say that under oath. But it seems to me since the investigative staff on the minority side in just a few days went right to these documents, since they were very clear and very germane to this issue, that we now have the chief investigator of this committee, in writing to the chairman of this committee, making an absolute denial of knowledge of allegations of gift giving and impropriety occurring in the travel of the White House when he was deputy director of financial management of the administration of the White House. I think that issue is so fundamental that anything these witnesses have to add for a 4-month period of time pales in comparison to the need for an investigation, as indicated by Mr. Moran in his opening statement, that what we really have here, is an ugly mess for a period of 10 to 12 years through the entire Reagan administration and the Bush administration and that was ultimately cleared up only by the precipitous act of the Clinton administration in the first 4 months of office, after they became aware of the hearings of this Congress in 1992 that there was something wrong in the White House Travel Office.

Mr. WAXMAN. Mr. Chairman, I think the gentleman asked unanimous consent that all the documents he referred to be in the record.

Mr. CLINGER. Without objection, so ordered.

[The information referred to follows:]

THE WHITE HOUSE,
Washington,
January 5, 1989.

MEMORANDUM FOR PHILLIP BRADY

FROM: GEORGE E. SAUNDERS

SUBJECT: INTERVIEWS REGARDING INFORMATION CONTAINED IN AN UNSIGNED LETTER TO GAO INVOLVING THE WHITE HOUSE TELEGRAPH AND TRAVEL OFFICE

The following interviews of Billy R. Dale and Barnaby "Barney" Brasseaux were conducted by Charles Easley and George Saunders.

The anonymous letter contained information set out in 6 paragraphs. The interview of the individuals were covered on a paragraph by paragraph basis. The results will be set out in the memo under the corresponding numbered paragraphs.

On 1/5/89, Billy R. Dale, Director, Telegraph and Travel Services (TTS) gave the following information:

Barnaby Brasseaux has been employed in TTS approximately 5 years as an Assistant to the Director, TTS. He married Fran Brasseaux after being employed at the White House. She is presently employed by Pan American World Airways in sales and promotions.

Dale stated that he counselled Barney after he married to insure that he be particularly careful in his day to day dealings with Pan Am so there would be no possible conflict of interest. Dale stated when Brasseaux receives an official call from his wife, he refers her to another TTS staff person. Dale feels Brasseaux has been extremely circumspect in regard to his official contacts with Pan Am.

Paragraph 3

Dale stated all the major airlines, United, American, Continental, etc., including Pan Am, make available tickets to his office for sporting events being held in the area. He first inquires if anyone on his staff wishes to attend a particular event. In those cases when no one on his staff cares to use these tickets, he will make calls to different offices in order to make these tickets available. These offices include the Messenger Unit, Correspondence Unit, and the Advance Office. Dale noted all these tickets are stamped "Complimentary" with no admission price listed. In his opinion, the different airlines receive complimentary tickets from the ticket sales offices at the Capital Centre or RFK Stadium for publicity purposes. Dale stated that he has never singled out particular members of any office to give out those tickets. Dale stated the author of the anonymous letter is in error to this accusation.

Regarding the "fishing parties" on Chesapeake Bay, Dale stated each September, Pan Am sponsors fishing parties in which they make spaces available to a number of different transportation offices in the WDC area for this excursion. There are generally about 15 persons in the party, Dale stated he generally receives 4 or 5 invitations and handles them the same way he handles the sporting event tickets.

Dale noted these complimentary tickets have been make available for years and not just since Brasseaux joined the staff.

Paragraph 4

At the outset, Dale advised Pan Am is the only airline that will book international charter flights for the White House. He has on a number of occasions personally contacted other airlines for bids for these flights to no avail. Dale also advised that anytime he speaks with a sales representative from any airline, he will ask if they have any interest in providing a plane for the White House Charter flights. All except Pan Am have declined. He stated the first sentence of this anonymous letter is absolutely false.

As regards "gifts" Dale stated on any given flight overseas, a memento or souvenir of some type is given to persons, both press and staff, who board these flights. These gifts vary from monogrammed glasses to small jewelry boxes. All are engraved to commemorate a particular flight. Dale stated the cost for the Charter flight is negotiated. He has never heard of any billing to Pan Am for these gifts and allegedly added to the cost. Dale stated he has opposed these gifts being handed out because it is just one more item that has to be handled by TTS prior to plane boarding. He categorically denies there has ever been a purchase of gifts by the TTS for distribution to the press.

Paragraph 5

Dale stated the allegations contained in this paragraph are absolutely false and the "up-grading" of chits by TTS does not exist. If there is any upgrading, it would be a matter between the particular staff member and the airline involved. He stated almost all travel for senior staff members is on military aircraft which negates the "up-grading" feature for this group.

Paragraph 6

Dale stated any one traveling on official business for the White House maintains his own record of the miles traveled. TTS does not get involved with the airline regarding "frequent flyer" status. Both, Larry Speakes and Don Regan requested TTS to obtain "frequent flyer" applications for them so they could request this status. Out of courtesy, applications were obtained. TTS knows nothing further on this matter.

Dale was informed by the interviewers, that based on the info contained in the anonymous letter, it appears the letter was written by someone on his staff. Dale concurred and feels he knows the identity of the individual. Dale has talked to his staff about the content of this letter (Dale does not have a copy) except the person he feels is the author. Dale has been dissatisfied with this individual's performance and is seriously considering terminating his employment. Dale is planning to pursue this matter with his staff.

Dale stated he will keep this office informed of the result.

On 1/6/89, Barnaby L. Brasseaux, Assistant to the Director, Telegraph and Travel Services (TTS) gave the following information.

Brasseaux has been employed in TTS since July 1982, and was not married to Fran until March 1984. Fran is presently employed by Pan American World Airways, and is responsible for Pan Am's promotional activities in this area. Barnaby stated that he does not have any official dealings with his wife. As per an agreement between himself and Billy Dale, should he receive an official call from his wife he immediately turns over to one of the other TTS staff persons.

Paragraph 3

Barnaby stated that it is common practice for all major airlines to obtain free tickets for local sporting events which they in turn pass on to their clients. He is aware of Pan Am providing free tickets to the TTS, but stated that it is a routine practice that been going on for many years, certainly not long before he married his wife or even before he started working at the White House. Tickets are normally sent to Billy Dale, but should he or anyone else in the office receive tickets they are immediately turned over to Billy who handles the distribution. The invitations for the September fishing party on the Chesapeake Bay are handled in the same manner.

Barnaby stated that neither he nor his wife had any influence over the TTS receiving free passes from Pan Am, and felt that should both lose their jobs tomorrow the free tickets would still be provided.

Paragraph 4

Barnaby stated that he is not involved in making any decision as to which airlines receives a charter. That decision is the responsibility of Billy Dale. Barnaby concluded that he was aware that Pan Am was the only major airlines that had shown any recent interest in providing an aircraft for charter. Since the deregulation of the airlines most companies can turn a higher profit by keeping their aircraft in passenger service rather then tying one up on a charter.

Barnaby was aware that Pan Am did pass out mementos or souvenirs to both members of the press and staff traveling on certain flights. Barnaby did not know if that increased the cost stating that Billy was responsible for negotiating the cost for charters.

Paragraph 5

Barnaby stated that about a year ago Pan Am had a promotion which involved chits that upgraded full fare passengers to the next class (i.e. 2d to business to 1st). These chits were given to him by his wife. Most White House Employees fly under government rates, not full fare, and did not qualify for the chits. The limited number of chits were available to anyone flying full fare. The availability of these chits were common knowledge and available for any TTS staff member to pass out to qualified flyers.

Barnaby stated this was a one time event, that normally the TTS does not get involved in upgrading tickets for any staff member.

Paragraph 6

Barnaby stated that both Larry Speakes and Donald Regan had ask if TTS could obtain applications for the Pan Am Frequent Flyer Club. He did obtain the applications, but it was left up to both Mr. Speaks and Mr. Regan to complete the applications and return them to Pan Am. Barnaby stated that he would do the same for any employee in this complex for Pan Am or any other airlines.

Chuck and I both felt that Billy and Barnaby were cooperative during these interviews, and appeared to be sincere and honest in all their answers. From the information they provided we feel the conflicts of interest and/or improprieties alluded to in the anonymous letter from a concerned citizen dated October 3, 1988,

RECOMMENDATION: Unless the writer of that letter chooses to come forward with additional information to substantiate the allegations we recommend the investigation be closed.

[The letter dated October 3, 1988, appears on page 351.]

[A copy of the Post Office and Civil Service hearing, Serial No. 102–46 "White House Personnel Authorization Act of 1978: To Review Transportation Expenditures Under the Act" can be found in the committee files.]

Mr. KANJORSKI. I would direct my first question to——

Mr. CLINGER. Or only question, I might point out.

Mr. KANJORSKI. All right.

Are you familiar, Ms. Kingsbury, of the number of examinations particularly made by the General Accounting Office in the period of 1988, 1989, 1991, I believe, of the White House Travel Office and the 89th wing?

Are you aware, or do you have any reports at hand, about the lack of cooperation and the total stonewalling that the General Accounting Office received at that time and that in total frustration did not complete their audit and left without being able to conclude anything because of the stonewalling and because of the lack of cooperation of records and documents available to the General Accounting Office?

Ms. KINGSBURY. Would you repeat the timeframe you are referring to?

Mr. KANJORSKI. Stretching through the period of 1988 through 1991.

Ms. KINGSBURY. Well, I am aware of having done some work on the military airlift wing. We did issue a report on that though, and I would have to go back and look at the timeframe.

We have periodically done work at the White House, and it has always been something of a challenge to get the documents that we needed. But I am not—I am not aware of actually complaining about stonewalling at any point in that time.

Mr. CLINGER. The gentleman's time has expired, and before I yield, I would just make the point again, though, that this investigation and the call for it was initiated long before Mr. Larsen came to work for the committee. So in no way was it at his initiative that this investigation was undertaken.

I would now yield to the gentleman from New Mexico, Mr. Schiff, for 5 minutes.

Mr. SCHIFF. Thank you, Mr. Chairman.

Mr. Chairman, I want to reemphasize your point. What we are hearing today is criticism of the timing of this hearing and criticism of an individual who was an investigator in this matter.

Very simply, Mr. Chairman, when you requested this hearing more than 2 years ago, as our then senior minority member, before Mr. Larsen even went to work for this committee, the majority could have set any time they wanted for this hearing. The majority could have chosen any investigators they wanted. They chose not to do so. In fact, they chose not to do anything.

Now, Mr. Chairman, I would like to say that what we are trying to determine today is, in view of the fact that there have been five inquiries into the Travel Office matter, whether any further action by Congress is necessary, and it seems to me the first obvious question is whether these five agencies that did investigations received the full cooperation of the administration in the course of that investigation or whether they were not provided with certain information that might have been critical to their respective tasks.

I note a great deal of discussion in the media in the last several months that apparently the late Mr. Vincent Foster, when he was deputy counsel for the White House, had his own file on the Travel Office, and I again am getting this all from the media, but that that file was not—it was not even made known that that file existed until this year, which is after all of these investigations were completed.

Now, Mr. Shaheen, you have been quoted in the press at some length on that issue, and if any of those statements are correct, I wonder if you could elaborate: Is there—was there a file that Mr. Foster put together in his role as counsel, and was it made available to you?

Mr. SHAHEEN. Congressman, I believe the quotation attributed to me was from a memorandum I prepared for the Deputy Attorney General's Office to express our office's dismay and surprise, shock—I think I used the word "stunned"—to learn from a magazine article that——

Mr. CLINGER. Could you pull the microphone a little closer, Mr. Shaheen?

Mr. SHAHEEN. I am sorry, Mr. Chairman.

Mr. SCHIFF. What word did you say you used?

Mr. SHAHEEN. I think in the memorandum I am quoted as using the word "stunned"?

Mr. SCHIFF. "Stunned"?

Mr. SHAHEEN. And shocked, at learning, by reading Newsweek, that the late Deputy Counsel Foster had maintained, we were told, compulsively—he was a compulsive note taker and had maintained a daily log, which would have been very helpful. We have since obtained a copy of that. A daily log——

Mr. SCHIFF. I am sorry to interrupt. Did you say the timeframe? In other words, when did you say this in Newsweek?

Mr. SHAHEEN. We learned of it in July of this year.

Mr. SCHIFF. Of this year.

Mr. SHAHEEN. Of 1995. We needed it, had requested that and anything relevant such as that at every interview we conducted in the White House, and that request for all relevant documentation was preceded in writing by a letter to the White House, to White House Counsel Nussbaum and to Chief of Staff McLarty from the deputy attorney general informing when he, Deputy Attorney General Heymann, informed the White House by that communication that we would be conducting the review.

Mr. SCHIFF. I am sorry to interrupt, but could you set the timeframe straight. You said you learned through a Newsweek article that this file may have existed, kept by the late Mr. Foster, in July of this year. When were the requests made for information and documents that you are now describing?

Mr. SHAHEEN. I am sorry for any confusion, Congressman Schiff. We made the request, both orally and in writing, at the inception of our investigation in 1993.

Mr. SCHIFF. Two years earlier?

Mr. SHAHEEN. Yes, sir, at the time we needed them, during the pendency of our inquiry and at the outset of our inquiry, and we learned of their existence in July of this year.

I might also add that it came as a surprise to the first special prosecutor, Fiske, whom I had occasion to see recently at a departmental function, and he indicated that his subpoena for those records was quite explicit and covered—and there was no way of mistaking that his subpoena specifically requested precisely those documents that we learned this July 1995 had never been tendered to either me or to Mr. Fiske.

Mr. SCHIFF. Do you happen to remember when Mr. Fiske, as special prosecutor, issued his subpoena? Do you remember the timeframe, I mean?

Mr. SHAHEEN. I do not. It had to be in the spring or—late spring of 1994. He took office approximately then.

Mr. SCHIFF. Thank you.

All right. Let me ask the other witnesses, on behalf of the agencies that you represent here, let me start on this end. Mr. Smith, did you know about the file kept by Mr. Foster?

Mr. SMITH. My investigation was really in-house within the FBI; and, no, I did not know about a file.

Mr. SCHIFF. Ms. Kingsbury, did you know about that in the investigation?

Ms. KINGSBURY. No, sir, I didn't know about the file until recently.

Mr. SCHIFF. Mr. Podesta, did you know about the file?

Mr. PODESTA. Mr. Schiff, I didn't know about it during the time that I was conducting the review. I learned about it, I believe, in early July 1994.

Mr. SCHIFF. You learned about it in early July 1994?

Mr. PODESTA. That's correct.

Mr. SCHIFF. And that was as you were working at the White House at that time?

Mr. PODESTA. That's correct.

Mr. SCHIFF. When was it made public that this file exists? Because Mr. Shaheen said he didn't learn about it until July 1995, a whole year later.

Mr. PODESTA. Well, I believe it was made public in the timeframe that Mr. Shaheen raised. It was made available to Mr. Starr; relevant portions were made available to the Public Integrity Section, which was still looking at the Travel Office matter; and it is my understanding that it was tendered to Mr. Fiske in July 1994 by—first by a phone call from Mr. Klain, the deputy White House counsel, to one of Mr. Fiske's associates and then in a letter from Mr. Klain to the Independent Counsel's Office.

Mr. SCHIFF. If I could follow it up just quickly: Was a copy of that file actually given to Mr. Fiske?

Mr. PODESTA. I think Mr. Fiske was—the existence of the file was noted to Mr. Fiske, and they asked him whether he would—that whether—whether he was still requesting it, and I believe that shortly thereafter Mr. Fiske was removed. Mr. Starr came in. The file was made available to Mr. Starr.

Mr. SCHIFF. Thank you, Mr. Chairman.

Mr. CLINGER. The gentleman's time has expired.

The gentlelady from New York is recognized for 5 minutes.

Ms. SLAUGHTER. I am going to split my time between Mr. Moran and Mr. Kanjorski, if I may.

Mr. MORAN. I thank you very much, Ms. Slaughter. I trust the chairman won't take that from my time.

I would like to first address Ms. Kingsbury from the General Accounting Office.

On October 3, 1988, a letter was received by the Comptroller General of the General Accounting Office asking for the investigation of gifts that were received by President Reagan's White House travel employees and other Reagan White House staff who were guests of Pan Am Airways at various events and they were the recipients of other favors as well.

At that time, Pan Am was the near exclusive provider of charter services for the Travel Office. Now, Barnaby Brasseux was an employee of the Reagan White House Travel Office and was married to Fran Brasseux, who was the sales promotion manager at Pan Am.

The letter to the General Accounting Office implied that Mr. Brasseux used the availability of the airline's gifts, Pan Am airline's gifts, that were made possible through his wife, as a way to improve his status and that of his wife.

Now, when this letter was received by the General Accounting Office, what did you do with it?

Ms. KINGSBURY. Well, this letter came in to——

Mr. CLINGER. Ms. Kingsbury, before you respond, I must at this point indicate that the subject of this hearing is the firing of the White House Travel Office employees and of the subsequent investigations that occurred as a result of that firing.

The issues that the gentleman from Virginia are raising and the gentleman from Pennsylvania are raising relate to other issues that are not germane to this hearing. It is entirely possible that, if the gentlemen request, we can hold hearings on those matters.

Mr. WAXMAN. Mr. Chairman——

Mr. CLINGER. That is not the subject of this hearing, and I am going to rule those questions out of order.

Mr. WAXMAN. Mr. Chairman, point of order.

Mr. CLINGER. Point of order. The gentleman will state his point of order.

Mr. WAXMAN. My point of order is that the questions of the gentleman are completely appropriate and within the scope of this hearing. This hearing is about the actions of the Clinton administration that they took with regard to the Bush administration's White House travel operation.

All of the irregularities in that Bush White House operation are appropriate as to the actions of the Clinton people to get rid of them, to stop that kind of misconduct, and to replace them with others who would run the operation appropriately.

I can't see how you can say that we are going to investigate the Travel Office, ignore all the wrongdoing of the Bush administration's Travel Office, and only look at how the Clinton administration dealt with the question of replacing the people who had not acted appropriately.

Mr. CLINGER. The scope of this hearing, the scope of any hearing for investigative purposes, is determined by the chairman of the committee.

Mr. WAXMAN. Mr. Chairman.

Mr. CLINGER. The scope of this hearing is limited to the consideration of whether or not the investigations and the reports that came out of those investigations were indeed accurate, complete, and thorough.

Now, the issues that you raise having to do with what may or may not have gone on in previous administrations may very well be a subject for future hearings, but they are not germane or relevant to the issues that we are exploring here today, and I think it is clear that this is an attempt to obfuscate, to sort of confuse, the issue with a bunch of irrelevant information.

So I am going to preclude further questioning with regard to events that occurred in previous administrations at this hearing, and I will assure the gentleman that I would be willing to entertain requests for hearings to examine those issues at another time, but we cannot allow this hearing to be subverted on the issues that are not germane to the purpose of this hearing.

Mr. WAXMAN. Mr. Chairman, if I might be heard further on this very point, to say that you can't ask what happened, what the reasons were for someone firing an employee, inquire into the actions of wrongdoing by that employee that was fired, but only as to the procedure that might have been followed for firing that employee, seems to me to be very narrow.

Why the Clinton administration acted as they did, as a result of the hotline information they were getting about irregularities in the Travel Office, clearly had something to do with their thinking about getting rid of Mr. Dale and the others that were there.

How can you inquire about the Clinton administration's actions without finding out what information they had, what misconduct they were responding to, by the Travel Office under the previous administration?

Mr. CLINGER. I might just indicate that the witnesses that we have before us are either the authors of or the principal supervisors of the preparation of reports which were very limited in their scope. These witnesses are not, with all due respect, necessarily competent to get into the issues that the gentleman and others have tried to raise at this hearing which have to do with items that occurred in a previous administration. If we need to explore those, we would obviously have to have different witnesses who would be much more conversant with the elements that were involved in those investigations.

So I would again indicate that the purpose of this hearing and the scope of this hearing is limited to the discussion of these investigative reports and to make a determination of whether they were thorough and complete enough so that we don't need to look at this any further.

Mr. WAXMAN. A point of parliamentary procedure.

Mr. CLINGER. The gentleman will state it.

Mr. WAXMAN. I would like to know what authority the chairman would rely on to limit the scope of a Member of Congress questions relating to a hearing before us, especially when the GAO report makes it clear—and the GAO witness and report before us makes a clear reference that in 1988 the GAO hotline received an anonymous letter regarding the Travel Office. In keeping with its standard practice, the hotline referred the letter to the appropriate agency officials for action, in this instance, to the White House Counsel's Office. And they go on further to talk about that issue.

How is that not within our scope? And on what authority does the chairman rely to make such an arbitrary ruling that members may not fully explore the matters that are before us with the witnesses that are before us?

Mr. CLINGER. I am not indicating that you—to restrict the rights of any member to ask a question. I can, however, indicate to the witnesses that they need not answer, and certainly they will not answer if they do not have the relevant information to respond to those questions, and I feel that this particular panel is not really competent to address this kind of a question.

Mr. GREEN. Mr. Chairman, I think the best folks to ask this are these witnesses.

Mr. CLINGER. We are now getting to the point of obstructionism in this hearing.

I will tell the gentleman and the gentlelady that at some point, if we are going to persist in trying to broaden the range of this hearing in the areas that are not under consideration in this hearing, that I will adjourn this matter and we will go to a much more formal procedure of subpoenaing witnesses and bringing before us other individuals that are directly involved.

Mr. WAXMAN. Point of parliamentary procedure.

Mr. CLINGER. I would indicate that there does seem to be an effort here to, in effect, not allow the witnesses to talk about their reports.

I mean, the whole purpose of this is not in any way to either characterize these reports as one thing or another. Our whole purpose was to determine were they thorough, were they complete, did they address all the issues that were raised?

Now having said that, I would now yield again to the gentlelady from New York——

Mr. WAXMAN. Point of parliamentary procedure.

Mr. CLINGER. If the gentleman would state it.

Mr. WAXMAN. Could the chairman cite to me the authority that would say when a Member of Congress asks a question, it amounts to obstruction of the hearing and that the witnesses can be limited in the answer of the question, even though they have knowledge that would be relevant and responsive to the question asked?

Mr. CLINGER. I would cite the gentleman to Rule (k)(1) of the Committee rules which state, "The chairman at an investigative hearing"—which is what this is—"shall announce in an opening statement"—which I did—"the subject of the investigation. Thereafter, anything that is deemed beyond the scope of that investigation is irrelevant to the consideration before the committee."

I have ruled that these—and I have stated that the scope of this hearing is limited to a consideration of the five investigative reports that were done with regard to the Travel Office.

Now, those questions that relate to those investigative reports I think are perfectly relevant. But now to discuss matters that occurred in 1988 or 1987, or 1920 for that matter, are beyond the scope of what we are dealing with here today.

I have indicated to all of the members of the minority side that if those are issues which, by the way, they might well have explored in the last 2 years but apparently did not feel they were significant enough to explore at that time, that we can indeed look at those issues.

Was the Bush administration in dereliction or doing wrong things? We will look at that if the minority chooses to do so. This is not the time nor place to be exploring those issues. The time and the place to explore those issues would be at a subsequent hearing. And now I would yield again——

Mr. WAXMAN. But, Mr. Chairman, point of further parliamentary inquiry. We have before us the GAO report. We have a witness from the GAO. In that report, they talk about actions in 1988 in the White House Travel Office. This was during the Bush administration. They raise these points because they talk about how that office was mismanaged, which is clearly relevant to the actions taken by the people who inherited the White House Travel Office when they inherited the White House.

I just raise the——

Mr. SCHIFF. Point of order, Mr. Chairman. He is making assertions in a point of order.

Mr. WAXMAN [continuing]. That the chairman cannot exclude from coverage in the scope of this hearing matters that are in reports before us for investigation.

I further ask unanimous consent that the gentleman be given a full 5 minutes because he was interrupted, and I hope that he would not be obstructed by the Chair in trying to limit his questions.

Mr. CLINGER. I will indeed limit the scope of the discussion to the matters that are relevant to this hearing.

Mr. GREEN. Mr. Chairman, could you direct us to what pages of the GAO report that we can ask questions on?

Mr. CLINGER. The gentleman is free to ask any questions regarding the investigations that were explored and that are the subject of this hearing, but I think to explore elements that may—that preceded that event I think are irrelevant and beyond the scope of the discussion.

Now, as I have indicated, there would seem to be here a pattern of attempting to basically abort this particular hearing by going way astray from things that are beyond what we are trying to accomplish here, which is—you know, I thought would be a noncontroversial hearing because I really was interested in finding out what had been determined by the investigative reports.

Mrs. COLLINS OF ILLINOIS. Would the chairman yield?

Mr. CLINGER. I would be happy to yield.

Mrs. COLLINS OF ILLINOIS. Mr. Chairman, I don't believe that we on this side are trying to abort the hearing. We want a full and open airing of what has happened with the Travel Office.

Mr. CLINGER. And I have promised you that you would have that opportunity to determine, to discuss, and to look into matters which you raise which are not relevant to the scope of this hearing. I am perfectly willing to consider further hearings on the matters that you are looking at, although I did indicate I'm not sure why you didn't pursue these matters when you basically had the majority.

Mrs. COLLINS OF ILLINOIS. We didn't know about them, Mr. Chairman, because they were well hidden in the documents, because the investigations that were done at that time were all closed.

Mr. CLINGER. That's why we are having this hearing, to try to find out.

Mrs. COLLINS OF ILLINOIS. Well, if that is the case, Mr. Chairman, you know, a lot has gone on with this Peat Marwick review and other things, and you never got into any of those kinds of questions. I think they all are part of this hearing today. The scope of the hearing cannot be narrow beyond what is relevant.

The status of the White House providing information to GAO and Congress in previous administration is also relevant.

It is also relevant to look at the context of the White House response to allegations of wrongdoing in the Travel Office and how it compared to previous actions. That's very relevant, everybody knows that, and I think we should follow along those lines, Mr. Chairman.

Thank you for yielding.

Mr. MICA. Regular order, Mr. Chairman.

Mr. MORAN. Thank you, Mr. Mica.

I would appreciate us getting back to a question that I had left pending and certainly did not come anywhere near using my time.

Mr. WAXMAN. I ask unanimous consent that the gentleman be allowed to ask his questions.

Mr. CLINGER. The gentleman has 4 additional minutes.

Mr. MORAN. Thank you, Mr. Chairman. Regardless of what the young lady from Mr. Gingrich's staff has been whispering in your ear, I am going to appeal to your sense of——

Mr. CLINGER. Would the gentleman yield? The young lady is not from Mr. Gingrich's staff.

Mr. MORAN. She was. She was, Mr. Chairman.

Mr. Chairman, White House Travel Office operations, General Accounting Office report, May 1994, it's part of this hearing, and on page 22 it says in 1988 the GAO hotline received a letter regarding the Travel Office, and it goes into exactly the information that I asked of our General Accounting Office witness.

It just doesn't seem to me appropriate to preclude me from asking a question that is in the one GAO report just because the information may be embarrassing to the Reagan White House or the Bush White House or Speaker Gingrich or anyone else.

A lot of these people are constituents of mine. I want to find out whether they acted properly or improperly. I want to find out whether the White House acted properly or improperly, and the only way to do that is to find out what the background of this—of the conclusion that the Clinton people made when they came into the White House. Were these people, people they should or could keep or should they be replaced?

And so this letter to the GAO is very relevant to that, and I think that the question was entirely appropriate.

So, having asked that question, now I would appreciate an answer, Ms. Kingsbury, at this point.

Ms. KINGSBURY. There's been a lot of dialog since the question. Would you repeat the question?

Mr. MORAN. I will be happy to repeat the question.

There was a letter that was received by the General Accounting Office and the letter said that Mr. Brasseux, who worked for the Reagan White House Travel Office, had been receiving gifts, and they were recreational events, sporting, fishing events, and all that kind of thing, and other favors, and that actually Mr. Brasseux was married to a woman who was in charge of sales and promotions for Pan Am Airways. Pan Am was almost the exclusive travel agent that provided the travel for the Reagan White House at the time. And so this was a serious allegation that the GAO received.

I wanted to find out what GAO did with it. I've been given information that indicates that Mr. Dale was interviewed and he said, "Oh, I know who made that complaint; I am going to fire them," or something to that—there is no information that he actually fired him, but he indicated that he was going to do that, which, of course, would be a serious breach as well if you fire people who are whistle blowers.

But there were some serious allegations of conflict of interest. I want to find out whether GAO pursued those, if anybody pursued them, whether in fact they were typical of the kind of operations that might have gone on within the Travel Office for the Reagan and Bush administrations at the time.

Ms. KINGSBURY. Mr. Moran, the work papers that we have for this assignment contain two documents related to this. One is the incoming letter and related referral documents. We operated and continue to operate a hotline function for the Federal Government, and when these kinds of allegations are brought to our attention we normally refer them to an IG or, in the case of a White House, in the absence of an IG, our normal practice was to refer them to the Legal Counsel's Office, which we did.

The only other document I have—and you have had access to that document—is the report that was written up of interviews conducted with Mr. Dale and Mr. Brasseux about these matters. That is the absolute limit of the information and facts I have at my disposal, and those documents I believe have been entered into the record. So I am not going to be able to help you get much else beyond that.

Mr. MORAN. I see. So we need to find out who subsequently pursued them.

What is so troubling, Mr. Chairman, is that we tried to make this investigation, we went to the White House and asked GAO for all the information possible, because we were supposed to be authorizing the White House travel operations and determine how much money should be provided, and we couldn't get any of this information. And now we have this report which contains so much more information than we could get, all of which was relevant to our deliberations. It was a frustrating experience.

Does anyone on the panel have any idea how this allegation was pursued by any investigatory agency? Do we know whether Mr. Dale fired the whistle blower? Do we know whether the conflict of interest was corrected? Do you know whether Mr. and Mrs. Brasseux still have this kind of arrangement going on?

Ms. KINGSBURY. We don't know anything.

Mr. MORAN. Nobody knows anything, OK, with regard to this.

Mr. PODESTA. Mr. Moran?

Mr. MORAN. Yes.

Mr. PODESTA. In the context of my doing my review, I did try to pursue this matter. I called Mr. Dean McGrath, who at the time I believe was an associate White House counsel. He said that he hardly remembered the incident.

It was a time—this is my recollection of our conversation—at a time when the transition was taking place between the Reagan administration and the Bush administration; that he believed that he had passed it off to the counsel in the Office of Administration.

I think the notes that were produced in response to a request from the White House to look into the archives to see what papers were left from this indicated that that probably is indeed what had, because the papers that Ms. Kingsbury referred to indicate that there were some brief interviews conducted with Mr. Brasseux and Mr. Dale, and that was the end of the matter.

Mr. CLINGER. The gentleman's time has expired.

The gentleman from California is recognized for 5 minutes.

Mr. HORN. Mr. Chairman, I yield the first minute to the gentleman from New Mexico and hope that he will yield me one.

Mr. SCHIFF. I appreciate the yielding, and I recognize I owe the gentleman time at another time.

I want to ask one question, and this relates to the file on this subject, of the White House Travel Office, kept by the late Vincent Foster. Mr. Shaheen testified that he learned of that file's existence in July 1995. Mr. Podesta testified that he learned about its existence, the White House staff member, in July 1994.

My question is to Mr. Podesta.

Mr. Foster died in July 1993. Do you know where this file was, who had charge of it, from July 1993 to July 1994?

Mr. PODESTA. I believe that Mr.—it was in the counsel's office, I think, under—and that Mr. Nussbaum had custody of the file.

Mr. SCHIFF. I thank you.

I yield back, Mr. Horn. Thank you.

Mr. HORN. Thank you very much.

Let me pursue the investigative role of each of you. This is going to be the dull part of the hearing. We have heard all of the partisan clap trap. Now I would like to know from each of you the degree to which in investigating a situation like that do you merely take notes or do you also record the conversations of the various people you investigate? Can we start with the IRS?

Mr. BELL. Mr. Horn, we do not record the interviews. We basically take notes and then do Memoranda of Interview of all people that were in them.

Mr. HORN. Is this true also of your agency, Mr. Shaheen?

Mr. SHAHEEN. No, sir, we don't record any interviews. However, in this instance, the practice we followed, we routinely followed in comparable situations. When an FBI agent is present for an interview, including an attorney from our office, that's reduced to a 302, that's the Bureau's designation of a memorandum of interview. In some instances we took signed sworn statements. With the White House, notwithstanding the presence in some instances of a Bureau agent for some interviews, we did memoranda of interview in those instances.

Mr. HORN. How about the GAO? Notes or recording——

Ms. KINGSBURY. Our normal—our normal practice is to take notes and write up what we call interview summaries, which we include in our work papers. In this particular assignment, for a couple of reasons in the case of two of our interviews, they were transcribed.

Mr. HORN. And what were those interviews that were transcribed?

Ms. KINGSBURY. The interview with Ms. Penny Sample was transcribed at her request. She had a reporter and we obtained a copy of the transcript.

We interviewed two representatives of World Wide Travel. We asked them, because there were two people and it was a hurried interview, if they minded if we recorded it. They said no. We recorded it and later had it transcribed ourselves and sent them a copy.

Mr. HORN. Mr. Podesta, on the White House management review, what was the procedure?

Mr. PODESTA. First of all, I would point out that you correctly titled that, it was a management review. We informed witnesses we were not conducting an investigation. It was a nonadversarial process. We were trying to get the facts out, and in—and in my case, I did not take notes. In many of the interviews there was an assistant present who would take notes. And there were no transcripts kept of any of——

Mr. HORN. So in your case you did not take notes is any of the——

Mr. PODESTA. I think I took some brief notes in my first interview with Mr. Thomason.

Mr. HORN. So there were some witnesses you merely talked to——

Mr. PODESTA. That's correct.

Mr. HORN [continuing]. And that became part of your input, but there is no written record of it?

Mr. PODESTA. That's correct.

Mr. HORN. FBI, Inspector Smith, what is your practice?

Mr. SMITH. This particular case, I took notes. We used it to do a draft report and I submitted it back to the people that I interviewed to ensure it accurately reflected what they told me, and then did a final report. None were recorded.

Mr. HORN. And you accepted whatever they said as what their accuracy was, I take it, and incorporated in the record?

Mr. SMITH. Given the limited scope of this investigation, that would be correct.

Mr. HORN. All right.

Let me pursue a few questions with GAO. Did anyone at GAO receive any telephone call, communication, this is now your supervisors, above you, to your knowledge, either a telephone call or a communication from a Member, a volunteer or a spouse in the White House staff, or any elected officials that might have been involved?

Is your knowledge that any interference was made or any attempt to even communicate between White House staff, spouses, volunteers, employees? Anybody.

Ms. KINGSBURY. Nothing outside the normal scope of the relationship we would have with an agency during the review. I mean, there were communications between us and the White House at various levels during the job as problems arose or matters had to be disposed of. But there were no contacts that I am aware of that I would characterize as an effort to influence anything.

Mr. HORN. But they were simply people you had already interviewed in the course and were relevant to the investigation specifically, I take it?

Ms. KINGSBURY. Well, rarely did we have further conversations with people we interviewed. We talked to representatives of the Legal Counsel's Office on a regular basis. But the interviews were arranged through that office and we were precluded from having separate conversations with those people.

Mr. HORN. Give me your supervisorial line. Where would your report go in GAO; to whom is the next reviewer on the draft?

Ms. KINGSBURY. Well, at the time I did this work I was an issue area director. And the normal line of review above that is the Director of Planning and Reporting, which is the job I happen to hold now, and the Assistant Comptroller General for the General Government Division, Johnny Finch. Above him, the line goes directly to the Office of the Comptroller General, which can involve a number of other parties. It usually involves such parties as the general counsel; the special assistant to the Comptroller General; Mr. Hinchman; the Director of the Office of Public Affairs the Director of the Office of Congressional Affairs may see it; or other advisors to the Comptroller General. There's a fairly substantial number of folks at that level who tend to read a report, particularly if it is as sensitive as this one was considered to be.

Mr. CLINGER. The gentleman's time has expired.

Mr. HORN. I will pursue these in my next round.

Mr. CLINGER. The gentlelady from Florida, Mrs. Thurman.

Mrs. THURMAN. Thank you, Mr. Chairman.

First of all, to Mrs. Morella's concerns on the firing of the seven employees, I would hope that if we are going to look and take investigations into all of these, that we would look at what has happened in this House and the Clerk's office and Doorkeeper's and Sergeant at Arms, and all of those who in fact in some cases were given notice 5 days before Christmas that they would not be asked back. If we are looking at that kind of information, certainly Mr. Mica with his Federal employees would want to have some concern about those long-time employees of this House as well.

Mrs. MORELLA. Would the gentlewoman yield?

Mrs. THURMAN. In a moment.

However, to Ms. Kingsbury, I am interested in the fact that when we do oversight and we request—and it is my understanding that you finished another report at the request of the chairman in September as to whether or not your recommendations to improve the travel were in fact taken on and they did that. Is that correct?

Ms. KINGSBURY. We did implement a brief review in the month of September. We have not issued a report. I have a summary document with me that lays out the 29 criteria and the status we found about those.

Mrs. THURMAN. Could you give us an idea of some of those 29 criteria so that we can understand based on the other reports?

Ms. KINGSBURY. It includes such matters as whether the office has written policies and procedures, whether they conduct periodic audits, whether they determine their customer's needs, whether they identify and record all the costs in their systems, whether their billings are prepared in a timely manner. And as I mentioned in my statement, in this case we found that that was not being done. Whether payments were made timely, whether vouchers were reviewed and approved by appropriate officials, whether there was a segregation of duties so there were some internal controls operating and so forth. It's that kind of managing——

Mrs. THURMAN. And they met 26 of the 29; is that correct?

Ms. KINGSBURY. That's correct.

Mrs. THURMAN. In what period of time were they issued the recommendations by GAO, from the beginning and to when they actually have completed those 26 of 29?

Ms. KINGSBURY. At the time we issued our report in May 1994, they had made progress on or substantially completed a number of the criteria, which was included in our report. That would have been about a year and a half ago, little less than that.

Mrs. THURMAN. So then the White House Travel Office has been cooperative in at least doing the recommendations or bringing the office up to expectations, other than three or four that you have mentioned that you have gone back and cited again; is that correct?

Ms. KINGSBURY. That's correct. And we have in our recent review made some additional suggestions to them about——

Mrs. THURMAN. Were they of the original ones?

Ms. KINGSBURY. Some of them went somewhat beyond the original ones. For example, we had recommended a periodic audit. Having reviewed the audit that was in fact conducted of the financial records for 1994, we had some additional suggestions and recommended in conversations with the White House that such audits be done under generally accepted government auditing standards as opposed to private sector standards, which would provide more information, that sort of thing. So it's that kind of recommendation that we made.

Mrs. THURMAN. But you do believe they are working to resolve——

Ms. KINGSBURY. They have—they have indicated that they are working on these matters. Some of them are very difficult.

One of the things that we observed is that the office does not have a working capital fund. It bills the press and then pays its bills when it gets the money from the press. That is the underlying cause of the untimely payments being made. And without resolving that situation, it's hard for us to see how they could make their payments timely, since they don't have a working capital fund. We discussed that with them, and they know that's a problem and they're discussing what to do about it.

Mrs. THURMAN. So some of the suggestions you made were not even ones that they could necessarily comply with, without some other outside action from people that are actually using these services?

Ms. KINGSBURY. Yes, depending on how they wanted to solve that problem. For example, they might have to come to the Congress to solve it or go back to the press to solve it or whatever.

Mrs. THURMAN. I think it is important for this committee, because we do have oversight, that we requested and asked for the GAO report. We in fact got that report back, and the White House in fact has met those recommendations, has continued to work on making this a better run position. And I think that is important. I think if that is what our responsibility is, oversight, and we see what has been put out there, we recognize that there has been problems, and mistakes made. The issue is are they then complying with our oversight and making sure that it runs correctly. That is a part of this. So at this time I would yield the additional—rest of my time to Mr. Kanjorski.

Mr. KANJORSKI. Thank you very much, Mrs. Thurman.

Mrs. MORELLA. I thought the gentlelady was going to yield to me.

Mrs. THURMAN. For just a second.

Mrs. MORELLA. Thank you.

I just wanted to indicate that although downsizing took place here congressionally, that there were no criminal charges against any of those employees. I think that is a distinctive difference.

Also——

Mrs. THURMAN. I think it is irrelevant, but the issue is that there was firing.

Mrs. MORELLA. And the fact that the FBI——

Mrs. THURMAN. Claiming back my time and yielding to Mr. Kanjorski.

Mr. KANJORSKI. Mr. Podesta, may I direct a question to you? You obviously took your office some time in January 1993 and this eruption occurred in May 1993. Is that correct?

Mr. PODESTA. Yes, that's correct.

Mr. KANJORSKI. When you assumed your position as secretary, were you aware of the flack that the Congress had gone through the year before in examining travel at the White House and the executive office of the President and that there was potential of abuse, fraud, and mismanagement there?

Mr. PODESTA. I was not personally aware of it, no. And, in fact, I think one of the reasons I was chosen to perform the task of doing the review is because I had really no involvement in the travel operation.

Mr. KANJORSKI. Were there people in the White House who were aware of that?

Mr. PODESTA. Mr. Kanjorski, I assume that Mr. Watkins was aware, but I'm not certain of that.

Mr. KANJORSKI. All right.

Ms. Kingsbury——

Mr. CLINGER. The gentleman's time is expired. The gentleman from Florida.

Mr. MICA. Thank you, Mr. Chairman.

It is interesting, I hope our new members on this side are watching the process because the other side shows you how to try to discredit the investigators, divert attention to another administration, or even the House, to get away from the issues at hand here. So it is kind of an interesting exercise we see here today.

I want to ask Mr. Shaheen a question. Are you aware of this document, the White House Travel Office Chronology of Events? Have you seen it?

Mr. SHAHEEN. I believe so, yes, sir.

Mr. MICA. Well, it is kind of interesting, and I don't think you have to be a Sherlock Holmes to figure out what took place here. But if I just go over it briefly, it says December 1992, the President's cousin Catherine Cornelius and David Watkins meet with a representative from World Wide Travel in Little Rock to discuss White House travel business. Then if you look at January 20th, Watkins hires Cornelius as a special assistant in the Office of Management and Administration.

January 21, White House Travel Office begins to receive calls asking for the President's cousin, Catherine Cornelius, quote, as head of the new White House travel agency. February 15, Cornelius gives Watkins their briefing and book proposal, a.k.a. February 15th memo on the White House Travel Office, setting them up as codirectors of Travel and World Wide as the outside travel agency. Then you get to the next stage in this, April 1993, Watkins tells Cornelius he is placing her in the White House Travel Office to make commercial arrangements and also to report to him by May 15.

Then you have the President's best—one of his best friends, Harry Thomason, calls Watkins and said he heard rumors of improper activity in the White House Travel Office. Then we get up to No. 6 here, Thomason meets with Watkins who asked him if anything had been done in the White House Travel Office. Watkins says he put Cornelius in there. Then you get to May 12. You have Thomason, talks about cutbacks and the crisis with Watkins and complains that these guys are ripping us off and sees the opportunity for a great press story.

Then you get to number 8, the First Lady tells Harry Thomason to stay ahead of this and the corruption in the White House would be, quote, a good story, close quote. And then you see Cornelius going back home to get White House travel files she took from the White House Travel Office.

And then we get to the interesting part, the part that this is really all about, is the questions of the use of the IRS and the FBI to help cover the capturing of a political plum, which is what this all amounts to.

Mr. Shaheen, did you consider these facts when you were looking at what took place?

Mr. SHAHEEN. Congressman, yes, we reviewed those and looked at them in the broader context. But they went beyond the focus of our inquiry, and that was whether——

Mr. MICA. So they weren't really considered. You were looking more at I think you said was there created an appearance of misuse of the FBI.

Mr. SHAHEEN. Of the FBI.

Mr. MICA. And what was your conclusion? Was there the appearance of misuse?

Mr. SHAHEEN. Our report indicated that there was, it did create an appearance of a misuse.

Mr. MICA. But you didn't find that there was misuse. Doesn't this make you kind of suspicious, that again they were trying to capture this political patronage plum?

Mr. SHAHEEN. I appreciate the inferences you're asking me to draw. I think that is a document generated by Mr. Podesta and I think he conducted the investigation that generated that chronology.

Mr. MICA. Inspector Bell, did the White House or could you disclose if someone outside the White House contacted you to initiate the IRS probe?

Mr. BELL. The probe was initiated within the IRS.

Mr. MICA. But was that done on your own or was it at the initiation of the White House or someone outside?

Mr. BELL. No, the inspection was initiated on May 26 after discussions between the Commissioner and me that an investigation needed to be conducted.

Mr. MICA. Without any contact from anybody else in the administration?

Mr. BELL. Without any contact outside the IRS at all.

Mr. MICA. Mr. Podesta, you didn't learn that reprimanded employee, Jeff Eller, quote, threw away all of his Travel Office documents when he removed himself from this matter shortly after the Travel Office firings became public and revealed his intense involvement with events leading up to the firings as well as his personal relationship? I guess he was dating the President's cousin, Catherine Cornelius. This wasn't in your report; was it?

Mr. CLINGER. The time is expired but we will allow the witness to answer.

Mrs. THURMAN. Mr. Chairman, could I just ask Mr. Mica to restate the first document that he was reading off of? I missed that. What was that accounting of?

Mr. MICA. This is a chronology, White House Travel Office Chronology of Events.

If Mr. Podesta——

Mrs. THURMAN. Written by?

Mr. MICA. It is a committee document.

And I asked him and he said he was familiar with it. I did have a question, Mr. Chairman, that was pending.

Mrs. THURMAN. Could I get a copy of that, please?

Mr. CLINGER. The gentleman's time is expired but we can ask the witness to respond.

Mr. MICA. Could we make available also to the other side a copy of the document I referred to?

Mr. CLINGER. Without objection.

Mr. MICA. Without objection, I would like it part of the record, too, sir.

Mr. CLINGER. Yes, without objection.

[The information referred to follows:]

PARTIAL CHRONOLOGY OF EVENTS AND DOCUMENTS AS OF 10/24/95

WHITE HOUSE TRAVEL OFFICE CHRONOLOGY OF EVENTS

Post-Election Transition Period

NOV.'92—World Wide Travel is awarded DNC business and begins to discuss a Washington, D.C. office to handle the President's travel.

DEC.'92—Catherine Cornelius & David Watkins meet with a representative from World Wide Travel in Little Rock to discuss White House travel business.

DECEMBER 31, 1992—Cornelius memo to Watkins & Barbara Yates to discuss how White House travel might be handled.

Jeff Eller allegedly tells reporters of "problems in the WHTO." (NY Times).

JANUARY, 1993—Watkins meets with Cornelius, Steve Davison, Yates & Betta Carney in Little Rock & discuss "outsourcing" WHTO business and mention the travel office in passing.

The Clinton White House

JANUARY 20, 1993—Watkins hires Cornelius and Clarissa Cerda as special assistants in the Office of Management & Administration.

JANUARY 21, 1993—WHTO begins to receive telephone calls asking for Catherine Cornelius—the "new head of the WHTO."

JANUARY 26, 1993—Cornelius drafts a memo to Watkins concerning White House travel.

JANUARY 26, 1993—Cornelius drafts a memo to Watkins concerning White House travel.

JANUARY 29, 1993—Memo from Darnell Martens to Dee Dee Myers and Harry Thomason to hire TRM as a consultant to perform a review of all non-military government aircraft to determine possible savings.

[Note: President requests this at a February 10 cabinet meeting].

FEBRUARY—Watkins asks Matt Moore to prepare a memo on the WHTO concerning the 25% staff reduction goals.

Darnell Martens calls Harry Thomason about getting White House travel business for TRM.

Thomason calls Myers about bidding on WH charter business.

Thomason tells Martens to call Myers.

Martens calls Myers and is forwarded to Billy Dale.

Dale allegedly told Martens that no outside company would get the business.

Martens calls Thomason about the Dale call.

Craig Livingstone, tells Bill Kennedy about rumors in WHTO about employees.

Martens calls Penny Sample at Air Advantage about the Dale conversation.

FEBRUARY 8, 1993—OMB issues a new GSA Order re-authorizing ICAP, the Interagency Committee for Aviation Policy.

FEBRUARY 10, 1993—POTUS states in a cabinet meeting that "his staff" has told him there are savings to be had in a review of all govt. aircraft. [This is covered on CNN-Live].

FEBRUARY 11, 1993—Memo to Harry Thomason from Darnell Martens to hire TRM to "audit" all govt. aircraft to determine possible savings.

[Note: Martens asserts at one point that this can save "several hundred million dollars"—"PUT ME IN FRONT OF THE RIGHT PEOPLE AT THE WHITE HOUSE. . . ."

FEBRUARY 15, 1993—Brian Foucart begins work at WH as Special Asst. to Watkins.

Cornelius & Cerda give Watkins their "Briefing Book & Proposal" (aka Feb. 15 Memo) on the WHTO setting them up as co-directors of travel & World Wide as the outside travel agency. Cornelius left the memo on Watkins' chair that night with a handwritten memo.

POTUS stops by Watkins' office once in the morning and again as Cerda is copying the memo

FEBRUARY 16, 1993—David Watkins finds Memo on his chair and his secretary, Jean Charleton says that he took it home to read that night.

FEBRUARY 17, 1993—Darnell Martens 2/11/93 memo to Harry Thomason stamped with "THE PRESIDENT HAS SEEN" was forwarded to Mack, Mark, Watkins for "Action."

MARCH, 1993—Martens sees Harry Thomason in L.A. and tells him he heard a rumor of corruption in the WHTO. (WH Report).

Harry Thomason tells POTUS that he heard there was "trouble" in the WHTO. (WH Report).

MARCH 10, 1993—Thomason fills out WH Personnel Action paperwork which lists him as a "volunteer." It isn't signed until March 22nd & is stamped on March 23d with "RUSH ASAP."

MARCH 12, 1995—Memo to Harry Thomason from Darnell Martens concerning Harry Thomason's discussion with POTUS to hire TRM as a consultant to review use of government aircraft and claims to be able to save "hundreds of millions of dollars.

MARCH 23, 1993—Harry Thomason is given a White House pass for access to OEOB, White House Mess, 2d Floor East Wing, Roosevelt Room & Rahm Emanuel's office & is given an office in the East Wing.

APRIL 1, 1993—Rahm Emanuel in memo to Mark Gearan: "I have asked Harry Thomason to come to the White House and do an inventory of ways in which we can better use the White House for public relations events. The Disney event [Mickey Mouse's 65th Birthday] seems to fit under this category. I will put your inquiry on Harry's docket for his advice.

APRIL, 1993—Watkins tells Cornelius he is placing her in the WHTO to make commercial arrangements for the White House staff and to observe the WHTO & report to him by May 15th. (WH Report).

Harry Thomason calls Watkins that he had heard rumors of improper activities in the WHTO. (WH Report) [Other reports place this call before Cornelius goes into WHTO].

Cornelius begins to take files to make copies & takes home travel files taken from Dale's cabinet after showing them to Watkins.

APRIL 3, 1993—Cornelius begins work in the WHTO. (Some reports list this as April 12th).

APRIL 6, 1993—Memo to Bruce Lindsey from Darnell Martens concerning POTUS's meetings with Harry Thomason to hire TRM as a consultant to review govt. use of its aircraft.

Memo to David Watkins from Marjorie Tarmey (First Lady's office) regarding travel expenses of members of the Health Care Task Force. The invoices for reimbursement were sent to Catherine Cornelius as instructed by David Watkins.

Memo to David Watkins from Marjorie Tarmey (First Lady's office) regarding reimbursement for travel expenses for members of HCTF. "Thus far, we have assisted them in getting the best travel rates possible through WORLDWIDE TRAVEL."

APRIL 7, 1993 2:30—Bruce Lindsey meets with Darnell Martens to discuss TRM to perform an "operational and financial audit" of government aircraft.

Darnell Martens met with Harry Thomason to discuss the Lindsey meeting.

APRIL 12, 1993—Memo to Bruce Lindsey from Darnell Martens concerning proposed TRM audit of govt. aircraft & requesting Executive Orders from POTUS. Martens claims this will be part of reinventing govt.

APRIL 26, 1993—Harry Thomason calling Bruce Lindsey to discuss hiring TRM to audit use of govt. aircraft. [Note: Letterhead for TRM now also includes "Harry Thomason & Associates, Inc."]

APRIL 28, 1993—Harry Thomason calling Bruce Lindsey to set up Friday/Saturday meeting.

APRIL 29, 1993—Rahm Emanuel assigns Reta Lewis to prepare schedule for Harry Thomason & his unnamed assistant (it is Markie Post) to interview White House staff on April 30 & May 1. (GAO Int). An assistant named Bobby Ferguson also assists.

Memo from Darnell Martens to Bruce Lindsey with a summary of the proposed TRM audit of govt. aircraft using GSA ICAP & FAA to help with the 11 month proposed audit.

6:53 p.m.—Harry Thomason called Bruce Lindsey to call him back at the Jefferson Hotel & that Rita Lewis is scheduling meetings for him.

APRIL 30, 1993 8:45—Harry Thomason meeting with Bruce Lindsey at OEOB.

9:15—Harry Thomason scheduled to get photo I.D. & then to attend meetings on Health Care Task Force.

11:40—Harry Thomason to meet with Scheduling & Advance personnel.

3:25—Harry Thomason to meet with Ricki Seidman on " Communications".

4:45—Harry Thomason to meet with Political Affairs personnel—Rahm Emanuel & Reta Lewis.

MAY 1, 1993—Cerda transfers to White House counsel's office.

HRC leaves to go to Michigan.

11:30—Harry Thomason to meet with Dee Dee Myers on "Communications".

12:30—Harry Thomason to meet with David Dreyer on "Conveyance of Message".

1:30—Harry Thomason to meet with Jeff Eller on "Media".

p.m.—Harry Thomason, as guest of Time, attends WH Correspondent's Dinner & hears George Condon speak of growing expenses for traveling press. (GAO Report).

Rahm Emanual asks Harry Thomason how to use White House as a symbol.

MAY 3, 1993—Harry Thomason calling Bruce Lindsey to confirm that he received the Darnell Martens fax and that he had scheduled the meeting.

MAY 6, 1993—Darnell Martens sent Jack Kelly of OMB a fax with the 4/12 and 4/29 memos he had previously sent to Bruce Lindsey.

MAY 7, 1993, Friday—Cornelius & Cerda meet with Harry Thomason

MAY 10, Monday—Harry Thomason calls Watkins about the status of the WHTO.

Harry Thomason has Martens memo faxed to the White House.

Harry Thomason meets with Watkins and asks him if he had done anything about the WHTO. Watkins says he put Cornelius there.

Watkins calls Cornelius to meet with Thomason about the WHTO to get information for her May 15 memo. (WH Report, 453).

Ricki Seidman calls Webb Hubbell at DOJ.

MAY 11, 1993, Tuesday 7:45—Senior White House Staff meeting. (VF Calendar).

Cornelius is paged while on a Chicago presidential trip to call a TIME magazine reporter who wanted to know if she is the President's cousin.

Cornelius mentions this call to Eller.

a.m.—Meeting with Foster, Mike Berman, H.Thomason, Watkins in Watkins' office to discuss "possible uses of PIC [Presidential Inaugural Commission] money to support White House goals and/or operations including correspondence, response backlog and advance."

Bill Kennedy, Berman & Betsy Wright call Hubbell at DOJ.

Cornelius tells Jennifer O'Connor she is concerned that Watkins wants her to meet with Harry Thomason.

Watkins tells O'Connor to meet with Harry Thomason about the White House 25% personnel cuts.

MAY 12, 1993, Wednesday—Nussbaum wrote letter to FBI liaison about clearance for Darnell Martens stating that he was being considered for a White House staff position. (Nussbaum denied this in GAO Int.).

Martens receives a WH pass.

Foster receives call from Harry Thomason's secretary to set up meeting. (VF diary).

8:40—Watkins calls Foster to set up meeting and tells Foster that the First Lady was interested in the matter.

8:55—Foster calls Hubbell at DOJ.

9:30—Darnell Martens meets with Jack Kelly of OMB regarding GSA contract.

10:00—Foster met with Harry Thomason.

Cornelius met with Foster.

10:45—Darnell Martens arrives to go to West Wing.

Harry Thomason meets with Cornelius in East Wing of WH about WHTO wrongdoing. (WH Report).

O'Connor scheduled to meet with Harry Thomason about the 25% cuts but it is cancelled because of "crisis" with Watkins. They go to Watkins office where Thomason complains that "these guys are ripping us off." and that it will be a "great press story, Bill Clinton cleaning up House." Cornelius shows "her file" to Harry Thomason & Bobby Ferguson and tells him that cash seemed to be missing.

Harry Thomason, Cornelius & later, Martens, meet with Watkins to "report their suspicions." (WH Report).

11:20—Darnell Martens checks in at WH gate again to meet with Ferguson in East Wing.

Harry Thomason met with First Lady. (OPR, GAO) The First Lady tells Harry Thomason to "stay ahead of this" and that corruption in WHTO would be "a good story."

Lunch—Watkins has lunch with Jennifer O'Connor in White House mess and tells her "confidential information" that Harry Thomason has dealings with travel company and that WHTO solicited kickbacks.

Thomason and Cornelius have lunch

Meeting with Harry Thomason & Cornelius about "greater urgency."

2:45—Meeting with Foster, Watkins, Cornelius, Martens & H.Thomason in Foster's office about WHTO kickbacks & Ultrair

3:00—Cornelius goes home to get WHTO files she took from WHTO.

4:00—Meeting with Foster, Kennedy, Watkins, Cornelius & Harry Thomason in Foster's office (VF Diary). Cornelius gives the WHTO files to Kennedy at Fosters' direction. (GAO Int.). Foster & Kennedy suggest an internal WH audit.

Cornelius calls Betta Carney at World Wide Travel at Watkins' direction and tells them to be prepared to come to the White House.

5:30—Kennedy calls James Bourke at FBIHQ about a problem that he is unsure of how to handle and mentioned possible "embezzlement" or "skimming of funds."

MAY 13, 1993, Thursday—World Wide Travel sends one agent to Washington, D.C. in response to Cornelius's May 12 call.

7:30—Bourke calls Wade to tell him about Kennedy call.

After WH Counsel staff meeting, Kennedy tells Foster that he called Bourke at FBI for advice. (WH Report).

8:00—Bourke & Wade meet with Thomas Carl about Kennedy call. (Wade & Carl do not remember Carl being there.) They suggest Bourke contact Apple.

8:30—Bourke calls Kennedy to get more information and Kennedy says he needs prompt attention. (OPR, WH).

Harry Thomason spends entire day at White House.

Ricki Seidman calls Hubbell 2 times.

9:00—Bourke calls Apple & briefs him. Bourke calls Kennedy to say that Apple will call.

9:15—Apple calls Kennedy & set up White House meeting with Apple & Foran at Kennedy's request for person from FBIHQ. When Apple suggests a FBI filed office person, Kennedy tells him it is directed "at highest levels."

9:30—Apple met with Foran about Kennedy call.

Apple & Foran met with Coulson about Kennedy call.,

Coulson told Apple & Foran to go to WH to meet with Kennedy although Foran suggested a field person go. [Kubic says he approved Apple going to White House.

Apple told Coulson about IRS mention by Kennedy.

9:40—Seidman calls Hubbell.

Apple, Foran & Coulson briefed Gow about matter and tell him that it is at "highest level."

Gow said DOJ should be notified.

10:00—Kennedy returns Bourke's call & says he needs a call back in 15 minutes or he will go to IRS or another agency. Bourke described Kennedy as "frustration/desperation." [Kennedy told OPR he initiated first call because he hadn't heard from Bourke].

11:00—Apple & Foran met with Kennedy at OEOB and Kennedy repeats "highest level" and IRS threat. [Kennedy told OPR he considered evidence weak and merely wanted advice]. Kennedy tells them that a company that worked for the President during the campaign wanted a contract for services in the WH but were told they could not get the business.

Foran & Apple return to FBIHQ & briefed Coulson.

Coulson said he would brief Verinder.

a.m.—O'Connor meets with Harry Thomason again to "explain the 25% staff cut." Harry Thomason has to leave to meet with Watkins and O'Connor joins them.

11:30—Kennedy calls Hubbell.

12:00—Foster calls Kennedy for a "status" (VF Diary).

1:00—Coulson called Foran to come to brief Wade.

Foran told Wade to call Kennedy.

Wade briefed Kubic, said further interview was at 2:00.

Verinder told Wade &; Carl to go to OEOB to meet with Kennedy.

Cornelius & Harry Thomason meet with Eller & Watkins

Eller meets with Watkins & P.Thomasson.

[3:30]—Wade & Carl meet with Kennedy. Kennedy tells Wade & Carl about highest levels.

Foster joins meeting and they claim this matter is urgent because of possible leaks to the press, IRS threat repeated.

Wade & Carl say that there is not enough to go forward with a criminal investigation.

Kennedy arranged for Wade & Carl to meet with Cornelius.

Wade & Carl meet with Cornelius in Kennedy's office & she said Darnell Martens told her of "kickbacks" from Miami Air Charter and his conversation with Dale.

O'Connor says Cornelius tells her she met with FBI and they asked good questions but left meeting with no resolution and Watkins and Foster agreed that there wasn't enough evidence.

Meeting with Harry Thomason, Ellers & Cornelius to push for immediate dismissals.

4:45—Seidman calls Hubbell.

Wade & Carl meet again with Kennedy & Foster after Cornelius leaves and suggested outside auditors. Carl felt confident after meeting with Cornelius that the FBI had sufficient predicate to do investigation.

Foster said he would check with "higher authority" to see if FBI could be present at audit.

Foster, Watkins & Patsy Thomasson meet with McLarty & McLarty approves the KPMG review. (WH Report).

Patsy Thomasson says Foster mentions that POTUS & HRC—"the clients" as he refers to them are "concerned" about the WHTO matter.

Foster & McLarty speak to the First Lady about WHTO. (OPR).

The First Lady sees McLarty & asks him about the WHTO. (WH Report).

Foster meets with the First Lady & tells her of the KPMG review.

Patsy Thomasson & Watkins call the Procurement Department about a WH audit.

Watkins & Thomasson arrange for KPMG, Larry Herman, auditors to start Friday, May 14, 1993. Watkins calls KPMG Larry Herman because he had "volunteered his services" for the Performance Review audits.

Wade & Carl return to FBIHQ and brief Kubic in his office. Kubic tells Wade to contact WMFO

Wade speaks to Kennedy 2 or 3 times.

Wade, Carl & Kubic brief Verinder in his office.

Foster tells Ricki Seidman of the audit teams.

5:00—Patsy Thomasson pages Jennifer O'Connor to come to Watkins' office.

Watkins is on phone with Larry Herman asking about the audit.

5:30—Meeting with O'Connor, Patsy, Watkins & Foster. Watkins says KPMG Review will be part of NPR.

6:00—Patsy Thomasson meets with "SWAT team. Foucart, Paul Toback, Matt Moore, O'Connor, Peter Segal, V.Foster & Bill Kennedy to plan next day for KPMG review. They are told to be in at 7:30 a.m. the next day.

6:30—Foster called Wade that FBI should not accompany auditors into WHTO because of bad press. Kennedy tells Wade he checked with "higher ups" on this.

7:30—O'Connor calls KPMG Larry Herman that another NPR person will cover for him on NPR on Friday.

7:40—Wade sent e-mail to Larry Potts about matter & mentions "highest level" & that Foster expressed his "appreciation" several times.

Carl & Wade meet with Jerry Campane from WMFO & ASAC Don Thompson from the FBI Field Office.

Harry Thomason at White House all day into late evening

Patsy Thomasson pages Foster at Israeli Dinner to confirm plan with auditors.

Foster speaks with the First Lady in evening re:travel

11:00—Foster calls Patsy Thomasson to find Watkins.

Watkins discusses plan to audit with Foster.

Cerda stays up "all night" at White House (or their home with Jennifer O'Connor & Catherine Cornelius).

MAY 14, 1993, Friday 7:30—Kennedy, Foster, Patsy Thomasson, O'Conner & Matthew Moore met with KPMG auditors. [Also present were B.Foucart, Segal, Paul Toback (Cornelius wasn't invited)

O'Connor and Toback are to do WH NPR Review at same time. Larry Herman was to update Patsy Thomasson every 2 hours & she was to brief Kennedy & Watkins.

Kennedy calls Carl to say that the "audit" began and that records "were in shambles."

Foster briefed Ricki Seidman.

Foster met with Seidman, McLarty & Jeff Eller about immediate WHTO firings and Eller recommends immediate firings

Watkins met with Seidman & Eller.

Patsy Thomasson calls Dale Helms about competitive bidding.

Cornelius calls World Wide and says firings may happen at "any minute."

Cornelius tells World Wide they will be paid under an "emergency procurement procedure" until they could do a bid.

[9:00]—Patsy Thomasson calls KPMG for an update but he has none. Harry Thomason returns to the White House in the morning

Foster spoke to the First Lady about WHTO.

Watkins called Thomasson for an update in Foster's presence.

Kubic calls Gerald McDowell 1 or 2 times and mentioned talks to Keeney

McDowell tells Kubic it is within the jurisdiction of Public Integrity, Joe Gangloff.

McDowell contacts DAAG Jack Keeney [as per Kubic].

2:30—Amy Stewart from the Rose Law Firm calls Hubbell from Foster's office & says she will be in a meeting for a few hours and will call afterwards.

Watkins notes say he had a phone conversation with the First Lady in which she told him "Harry says his people can run things better; save money, etc. And besides we need those people out—We need our people in—We need the slots."

Billy Dale tells Matt Moore he has already put in retirement papers. Moore tells Patsy Thomasson and she asks for information from WHTO files she has collected.

Jennifer O' Connor does a Lexis/Nexus search on UltrAir.

Notes from an unknown author on "White House Travel" state: "What will reaction by press be if we do S&L/Bank type audit and no improper findings?" . . . "Do we hamper possible criminal investigation re disposal of evidence?". . . . "What are negative political consequences if no criminal violations?" . . . "FBI would not ordinarily get in but . . ."

2:32—Kubic e-mails Carl & Wade about calls & told them to call Gangloff at DOJ PIS.

Kennedy calls Carl to say that 13 checks had discrepancies. (Notes 09459).

Cornelius shows WHTO documents she took to KPMG Herman & tries to direct him to look at checks made to cash.

5:00—Carl called Gangloff & told him Keeney had been contacted. [Keeney thought Gangloff contacted him.]

5:05—Carl told Kubic he briefed Gangloff.

Verinder recalls being told that DOJ was contacted.

5:45—Kennedy told Carl that a performance review of the WHTO in the a.m. showed "disarray."

6:30—Watkins calls the First Lady at Foster's suggestion, to give update from P.Thomasson & auditors.

8:45—Patsy Thomasson oversees GSA changing of the WHTO locks.

Patsy calls Watkins in Memphis to "urge him. to call Harry Thomason at the Jefferson Hotel. He calls Harry at midnight to tell him the report will not be released before Monday.

Jennifer O'Connor works until midnight.

MAY 15, 1993, Saturday 8:00—Foucart waives in auditors into WH compound.

Auditors reported to Patsy Thomasson.

Thomasson reported to Foster throughout day about audit.

Fan Dozier of World Wide Travel met Billy Dale at WHTO.

Cornelius tells World Wide personnel the First Lady wanted travel office employees out of there.

Patsy Thomasson calls Cerda/Cornelius home.

9:00—Patsy Thomasson calls Foucart and asks him to speak to travel office employees about the scope of their work "since they may be fired" soon.

10:00—Jennifer O'Connor & Foucart interview Billy Dale & report back to Patsy Thomasson & give her their notes.

O'Connor is present during audit allegedly as part of Nat'l Performance Review. (O'Connor denies her presence was part of NPR & says she was only an observer).

[12:00]—Briefing with Kennedy, KPMG Herman & Jack Miller, O'Connor & Patsy Thomasson concerning WHTO accounting procedures, quality of records, cost estimates & ULTRAIR.

Kennedy called Carl at home to come to White House for briefing from auditors.

Carl called Wade about Kennedy call. Wade said Kubic said it was ok to go to WH meeting.

Wade called Thompson and Thompson told Wade that Carl & David Bowie should go to White House meeting.

4:00—Foster calls Kennedy that auditors were ready to report "possible improprieties."

Foucart finishes 2-page typed memo to Patsy Thomasson concerning his interview with Dale.

Foucart gives memo to O'Connor to edit.

5:00—Carl & Bowie meet with Kennedy, Patsy Thomasson & KPMG Larry Herman in White House West Wing and are told about the 13 checks.

Carl & Bowie reaffirm to Kennedy that there is sufficient predicate to initiate an FBI criminal investigation as per DOJ. They are told that the auditors final report is due Wednesday, May 19, 1993.

Kennedy assures Carl that the WHTO records are secure.

Carl returns to FBIHQ and briefs Kubic.

Kubic briefs Verinder about WH auditor's briefing.

Patsy Thomasson says she has the WHTO hard drive printed of all computer information.

Lindsey says he showed "Mack memo" to POTUS that night in California and discusses WHTO (but they are not in California until Monday and Tuesday.

MAY 16, 1993, Sunday—Fan Dozier of World Wide spoke to Harry Thomason who said the First Lady would be very angry that the WHTO employees were still there.

Patsy Thomason calls several computer people at home to come in to perform the hard drive removal process of the Travel Office computers. A file with data in it was named "flotus.db". It was printed out and all the data in the database was given to an Office of Administration computer official.

"HRC pressure" (written notes by Mack McLarty on a chronology of the Travel Office firings done on 5/25/93. The committee has reviewed this document but has not been allowed a copy.) Foster meets with POTUS with several other staffers. (POTUS and First Lady both at White House this day.)

MAY 17, 1993, Monday—Patsy Thomasson in Travel Office when employees arrive to work that day.

Patsy Thomasson briefs Watkins about WHTO weekend events.

KPMG First Draft Report is given to Kennedy with letter that the procedures were not an audit & they give no assurances on the information in the report.

Watkins reviews KPMG auditor's draft report.

Watkins offers to give Foucart Chris Vein's job.

Patsy Thomason and Watkins brief McLarty on report & the Saturday meeting. McLarty tells Watkins that "this is a hot topic

around here." Watkins is to prepare a memo on the procedures to fire the WHTO employees.

Watkins asks O'Connor to draft memo to McLarty. It is given to McLarty that evening.

Cornelius calls Watkins to say that Dale wants to see him.

5:00—Dale comes in to tell Watkins that he wants to retire but Watkins says no, that there will be a meeting on Wednesday, May 19th at 10:00 a.m.

Watkins sends memo on KPMG Draft Report in context of NPR & firing procedures with Cornelius in charge & World Wide temporarily taking over travel services. to McLarty & cc to HRC. They will reduce staff from 7 to 3.

Watkins faxed Martens memo and talking points to Eller in California. Eller discusses problems in WHTO with Bruce Lindsey in California.

Lindsey discusses Memo with POTUS.

Watkins spoke to Foster of his decision to terminate the WHTO employees on Wednesday, May 19th.

Helms gives Patsy Thomasson information on the procurement & process to manage charters by competitive bidding.

MAY 18, Tuesday—Watkins tells Foucart to get involved in the WHTO, that they plan to fire the travel office employees.

Watkins asks Foucart to be a witness at the firings.

12:40—Kennedy calls Kubic to say that "performance review" team was still reviewing the WHTO records.

Kubic e-mails this information to Wade.

Mike Berman faxes memo to Foster outlining "Issues for Possible Review by OLC which included analysis of how to provide an outside source of funding to pay for volunteers using leftover Presidential Inaugural Commission money.

Eller shows Martens memo & talking points to Myers and Dreyer and they decide to pre-brief George Condon & Al Kamen.

1:46—Kubic e-mails information about fraud on the part of the Director of the WHTO.

Cornelius contacts Steve Davison and Fan Dozier of World Wide to Meet with Watkins in the morning.

p.m.—Far, Dozier & Steve Davison of World Wide has meeting with Watkins & P.Thomasson & Cornelius at OMB.

Meeting at OEOB with Watkins & Brian Foucart (Foucart denied attending)

Patsy Thomasson said firing was to occur tomorrow. Watkins calls Eller and says firing is tomorrow.

Eller briefs Myers and David Levy on the trip.

MAY 19, Wednesday—Patsy Thomasson called Kennedy to tell him a decision was made to fire WHTO employees.

Patsy Thomasson calls Dale Helms to see how White House could have short term contract with World Wide.

Helms suggest waiver and to go through GSA Administrator.

Watkins told Dee Dee Myers about the firings and promised to give her talking points.

Watkins gave Myers talking points as she left for the Hill.

Eller does pre-briefing with Kamen and Condon. (224).

Meeting in Watkins' office with Steve Davison of World Wide, Patsy Thomasson, Frank Stidman, Cornelius, O'Connor, Fan Dozier, & Chris Walton about WHTO.

Kubic e-mailed Verinder about completion of the audit & that there is "adequate predication; for a criminal inquiry." (audit was not complete)

Kennedy called Carl & Wade about firings & Wade discussed problems the firings could cause with the FBI investigation.

Kennedy discussed Wade's concerns with Watkins.

Kennedy called Wade & Carl to tell them that the firings were going forward.

Martens calls Penny Sample of Air Advantage to come to WHTO on a volunteer basis to arrange Presidential press charters.

Watkins gave Kennedy a copy of the talking points.

Kennedy met with Foster about the FBI investigation talking points.

9:00—V.Foster tells staff at morning meeting of the firings and Beth Nolan mentions obligation to report.

Kennedy & Foster told Watkins to delete FBI investigation reference from the talking points.

10:00—Watkins asked Ellers to contact Myers to delete FBI investigation reference. (225).

10:00—WHTO employees wait for Watkins meeting in Room 480.

10:30—Watkins and Foucart tell WHTO employees they are fired (this is a "for cause" firing) and have until 12:30 to clear out which is later changed to the end of the day.

10:30—Watkins spoke to Myers and found out she had disclosed investigation to media.

11:30—Kennedy calls Hubbell.

Kubic met with Gangloff at FBIHQ.

Gangloff called Keeney about firings and the "URGENT Report."

Foucart goes with Dale to the WHTO bank where Dale tells Foucart of the Cornelius & Cerda memo and the memo concerning TRM & Thomason.

Foucart tells Watkins of these 2 memos

Dale hands over checkbook, cash, journal & black notebook to Foucart.

12:30—Myers returned to White House. Terry Hunt called Myers about the FBI investigation to which she confirmed.

2:22—Myers gave Press Briefing about firings, the National Performance Review and denied there was an FBI investigation.

Susan Thomases at White House in the afternoon and into the evening.

After press conference in which firings announced on basis of Peat Marwick audit, meeting with KPMG's Larry Herman, Foster, Seidman, Stephanopolos, Myers, Kennedy, Patsy Thomasson & H.Thomason who was asking about the charters. Larry Herman, the auditor, is asked "Where the hell is the report?" Herman also asked to brief press but he refused. He then agrees to do background briefings for press.

KPMG Herman calls in Senior Partner from KPMG, New York.

Myers called Collingwood & told him she had disclosed information of the FBI investigation. [Collingwood doesn't remember this conversation.]

Stephanopolos, Myers, & KPMG auditors meet with media to brief them on WHTO firings on background.

Levy spoke to Collingwood "a couple of times" each day to coordinate responses.

Collingwood had FBI press office prepare an FBI Response.

Collingwood discussed press release with Carl Stern at DOJ.

Keeney contacted David Margolis about URGENT Report to Reno on WHTO.

Margolis gave URGENT Report to Heymann's special assistant, Cynthia Monaco who personally hands it to Heymann that day, tells him it is important and saw him start to read it. (Heymann says he didn't read it until the next week.)

MAY 20, 1993, Thursday—Sample begins work in WHTO on alleged pro bono basis.

Steve Davison of World Wide asks Foucart, Chris, Overton & other lawyers how World Wide was going to get paid & about a contract.

Helms, Patsy Thomasson, Foucart & Stu Bender meet with Cris Wise of Right Way Travel (subcontractor for World Wide) to discuss short-term contract for World Wide.

Helms prepares contract and waiver to go to GSA but it is never submitted.

Patsy Thomasson pages Cerda & Cornelius after Counsel meeting. Patsy Thomasson tells Cornelius to make sure she tells the press that David Watkins did not read the February 15, 1993 Memo.

Watkins sees Cerda and Cornelius outside of Myers' office and says "you never saw me read the memo" and "you guys did this on your own, right?.

Watkins then tells Myers that Cerda can verify his story. Watkins tells Cerda, "I put it in the file, I never looked at it, it was a low priority."

Cerda mentions to Foster to "gt signatory on memo, first mention."

Watkins tells Foucart not to discuss his conversation with Billy Dale. (0112).

Eller "throws away" all documents he has concerning the WHTO when "he removed himself from the issue."

9:00—Senior Staff meeting B.Kennedy tells Nussbaum "on slippery slope, get involved . . . terminating though FBI wanted to interview."

10:16—Myers gives Press Briefing & mentions NPR in context of KPMG Review.

Jeff Eller's relations with Cornelius becomes public. Eller "removes himself" from issue and destroys all documents

KPMG Herman still reviewing the report and call in Senior KPMG New York partner, Mike Conway, to review Report. KPMG refuses to release Report since it is not ready.

Myers spoke to Collingwood about FBI response. [Collingwood doesn't recall any conversation until May 21st].

Carl calls Kennedy about audit report but is told that the auditors are making changes in the audit report because parts didn't make sense.

1:30—Stephanopolos gives Press Briefing.

Stephanopolos asks Harry Thomason if he had any financial interest in any competitive bidding in WH work and he denied that he did.

Watkins tells Stephanopolos he never read the Feb. 15 Cornelius memo.

4:49—Carl sends chronology e-mail to Kubic that no FBI investigation would begin until after audit report on May 21st.

5:46—Kubic e-mails the Carl chronology to Verinder.

Steve Davison of World Wide realizes they are "never going to get the business."

p.m.—Gene Gibbons of Reuter and Wolf Blitzer of CNN notify George that they have obtained the Cornelius/Cerda memo on restructuring the travel office. They agree to hold the story until George, Dee and David can meet with their bureau chiefs the following morning.

8:00—Foster scheduled to have dinner with Hubbell.

MAY 21, 1993, Friday—POTUS tells press that WHTO firings were aimed to save taxpayer $$ & that KPMG Review was an "audit."

George, Dee Dee and David meet with Bill Headline, Wendy Walker and Wolf Blitzer of CNN and Bureau Chief and Gene Gibbons of CNN. Following meeting, they run story.

Collingwood told Myers that FBI was going to say it was conducting a criminal investigation.

Nussbaum calls Phil Heymann because George urging him to do something, Floyd Clark happens to also be in Heymann's office when Heymann agrees it isn't improper to disclose the FBI investigation.

10:30—Steve Davison of World Wide meets with Foucart and is told he will get him "anything he needs." Davison says what he needs is people who were fired.

P.Thomasson says "we'll give you anything you want."

Davison tells Foucart they are leaving.

11:30—V.Foster calls Hubbell.

Stephanopolos set up meeting with FBI & WH about WHTO in the presence of Nussbaum, Foster, Kennedy, Podesta, Watkins, Eller, Levy, Herman, Myers, & KPMG auditors.

Levy called Collingwood to come to WH meeting.

P.Thomasson calls Steve Davison and says to hang on.

Davison halts SABRE delivery of new equipment.

Watkins and Foucart met with Davison and tell him he will give him whatever he needs.

Davison says he needs B. Dale's staff to explain how things work.

Watkins tells Foucart to figure it out and leaves.

Foucart calls Dale Helms & says World Wide is leaving and P.Thomasson & Watkins decided to go with a GSA approved agent.

1:30—Meeting in Stephanopolos' office with Nussbaum, Foster, Kennedy, Seidman, Myers, Watkins, KPMG press person-Barbara, Collingwood, Levy and resulted in Collingwood being asked to revise the FBI Response.

Collingwood revised FBI press response.

Levy called Collingwood to get a fax copy of the revised FBI response.

White House & World Wide Travel "agree" that World Wide will leave the WHTO according to White House. Davison gets on a plane and goes back to Little Rock.

P. Thomasson meets with AMEX. Patsy asks Kennedy to ask FBI to guard the door and is told that would not be a good idea. Patsy gets Secret Service to guard the door.

Watkins tells Dreyer that AMEX will handle commercial travel for the WHTO.

Ann Devroy and Ruth Marcus notify George and Dee Dee that they have obtained copy of Martens memo.

Myers calls H.Thomason in Florida. He tracks down Darnell Martens and tells him to go to the White House.

Martens comes to White House at Dee Dee's request and calls Ruth Marcus from Dee Dee's office to discuss memo.

3:00—White House releases the FBI Press response to the media.

Stephanopolos disclosed WH meeting with Collingwood and announces that World Wide is not leaving, which he has to revise one hour later.

3:30—Carl called WH Associate Counsel about auditors' report but was told it wasn't complete. Kennedy says that audit report won't be ready until Monday.

Sessions is seen "running" over to the AG's office by the media.

KPMG Herman & KPMG "team" walks final Report to Stephanopolos' office for his Press Briefing.

4:10—Stephanopolos Press Briefing about FBI criminal investigation & mentions NPR and announces that World Wide is leaving and that AMEX will start on Monday.

Watkins calls Betta Carney and apologizes.

Davison calls Foucart and says will only stay until Monday when AMEX comes in.

4:17—Carl e-mails to Kubic that he still didn't have a finalized auditors report.

5:30—Car spoke to Kennedy about audit report and that he felt they were sandbagging them by not producing it.

6:30—Final KPMG Report is faxed to Kubic at FBI.

IRS begins investigation of ULTRAIR with 3 IRS agents going to ULTRAIR offices in Smyra, Georgia with a summons.

MAY 22-23, 1993, Saturday & Sunday—POTUS travels to New Hampshire and talks extensively about the travel office during a session with local radio and television reporters.

Patsy Thomasson calls Cornelius and complains she can't handle the "situation."

GSA Jack Williams calls Patsy Thomasson and tells her not to contact AMEX again & that he is going to do a "competitive bid."

GSA carried out a "limited" competitive bid process for commercial travel arrangements over the weekend.

American Express is awarded a 120-day contract to handle commercial travel arrangements.

Berman sends 4-page Memo on "2d Draft of Issues for Review by OLC" to Foster & Watkins regarding the personnel issues and the use of inaugural funds.

On Sunday, William Safire is on "Meet the Press" and accuses the White House of "politicizing" FBI.

MAY 24, 1993, Monday—Kennedy calls Hubbell.

Bill Safire column on politicizing the FBI appears.

10:30—Carl Stern calls Hubbell.

10:45—Kennedy calls Hubbell.

American Express begins in the WHTO

AG told press she knew nothing about WH contacts with FBI concerning the WHTO.

AG is briefed on WHTO by Margolis, Heymann, or Keeney.

Reno, Hubbell and Heymann say they hadn't read URGENT Report.

Reno called Nussbaum about White House direct contact with FBI.

4:30—Foster meeting on the travel office in Gearan's office regarding the WH Management Review

4:32—Carl e-mailed Verinder with a chronology of the May 13-21 contacts.

Nussbaum issued a statement of policy for WH contacts.

5:00—Hubbell meets with Seidman, Klein, Stern, McFadden, Hoffman, Guineres & Dubben at DOJ, Room 5131.

MAY 25, Tuesday—Floyd Clark met with Weldon Kennedy, Collingwood, Joseph Davis, Verinder, Joseph C. Johnson & Larry Torrence about the press articles and WH contacts with the PBI.

Clark declined to initiate an PBI/OPR inquiry and instead requested a "management review" be done by Kennedy & Smith.

Davis was to review Manual of Administrative Operations & Procedures and Manual of Investigative Operations & Procedures concerning the WH contacts with the PBI.

Davis was to confer with Margolis about DOJ policies.

Chronology was prepared by the "agents." (OPR).

10:30—McLarty had a meeting with senior staff on the Travel Office

W.Kennedy prepares chronology. (several versions of a chronology are prepared on this day)

WH announces that McLarty, who approved the firings, will do an internal management review of the WH with the assistance of Panetta. Podesta and Stern to conduct interviews.

4:25—Kennedy calls Hubbell at DOJ.

4:30—Foster meets with HRC in Maggie's office. Political team, Podesta, Gearan & Seidman meet at Gearan's.

Nussbaum issued a statement that all future WH contacts would be routed through the Justice Department.

WH announces that the 5 non-financial WHTO employees would be placed on paid administrative leave.

Gearan calls the five employees to tell them they are on administrative leave.

6:50—Kennedy-calls Hubbell at DOJ.

MAY 26, 1993, WEDNESDAY—FBI WMFO scheduled appointments to interview Kennedy, Cornelius & Cerda.

Frank Wolf initiated a congressional inquiry with IRS, Office of the Commissioner regarding involvement by the IRS in UltrAir investigation.

10:30—Meeting with McLarty, Gearan, Foster, Watkins, Nussbaum, Lindsey, Myers, Stephanopolos, Panetta, Neel & Bill Kennedy.

5 of 7 WHTO employees are placed on Administrative leave.

MAY 27, 1993, Thursday—POTUS press conference tells press that WHTO firings were part of 25% downsizing & that nothing was done until KPMG found "serious mismanagement." [Note: KPMG disagrees with this.]

FBI Carl initiated contact with IRS as reported in the Aug. 5, 1993 IRS Richardson letter.

11:05—Foster calls Hubbell.

8:00p.m.—Peggy Richardson scheduled to see Foster at her home.

MAY 28, 1993, Friday—FBI Management Review is completed.

Heymann overheard Session discussing the FBI Report and blaming Deputy Clark for the FBI's overly enthusiastic response to WH.

Richardson calls Hubbell to give congrats.

Stern memo to Heymann about procedures for FBI Press Office contacts with the White House and says he thinks there was more going on at the FBI then has been admitted. (Stern now says he did not give the memo to Heymann but in his initial GAO interview he did not say this.)

David Gergen goes to White House for evening meeting with President and First Lady for new job as Senior Counselor to the President.

Harry Thomason still in town and at White House

LATE MAY—Alice Sessions calls Sheila Anthony and tells her that the "Travel Office wouldn't have happened if there weren't people within the FBI who were trying to do in the Administration."

JUNE 1, 1993, Monday—Cerda receives calls from Foucart & he tells her she should resign.

FBI Report is signed by Weldon Kennedy in Session's absence.

FBI Report is hand carried by Smith to AG's office

Chairman Clinger makes FIRST REQUEST for hearing on the White House Travel Office.

JUNE 2, 1993, Tuesday—Patsy Thomasson tells Cerda that Cornelius should resign rather than to be fired. She suggests a DNC job for Cornelius and that

Cornelius can just say she is leaving because of the "stress." She says it is the only way to save Watkins' job.

Cerda relates her conversation to Cliff Sloan and he promised to tell only Nussbaum or POTUS.

Patsy Thomasson finds out and denies conversation.

Penny Sample and Air Advantage leave the WHTO.

Penny Sample is replaced by the GSA to make all press charter arrangements.

Hubbell signs off on 1st official response letter to Sen. Dole concerning the WHTO firings.

JUNE 3, 1993, Wednesday—Stern met with Collingwood about FBI press office.

Foster is interviewed by Podesta & Stern for WH Management Review. He does not mention the First Lady's role in this intitial interview.

JUNE 5, 1993—Steve Davison of World Wide Travel tells Management Review interviewers that "when Harry Thomason and Darnell Martens found travel office not putting business out for bid he heard Harry Thomason hired a private investigator." Also says "Harry Thomason was moving force who stirred this up . . ."

Davison also said "we ended up doing Health Care Task Force travel . . . done with private funds." (White House appears to have sought and received reimbursement through public monies.)

Davison also says "Amex last people we should've put in . . . biggest . . . need to put out for bid."

JUNE 7, 1993 4:10—IRS Commissioner Richardson calls Hubbell 2 times.

5:00

JUNE 9, 1993—IRS response by Dolan tO Wolf letter stating that he has directed a review of IRS investigation of ULTRAIR.

JUNE 10, 1993—FBI begins to take custody of the WHTO records.

JUNE 11, 1993—Senator Dole letter to Sessions about WHTO.

Wolf letter to IRS Commissioner Peggy Richardson requesting additional IRS review of WH contacts.

JUNE 16, 1993—Kennedy, Foster, Larry Potts, Betsy Wright, Cardozo & Heather Foley call Hubbell.

IRS Inspection Report finished but not released. IRS released statement to press.

IRS letter from Richardson to Senate regarding willingness to share redacted report.

HOUSE RESOLUTION OF INQUIRY on the White House Travel Office is introduced. Chairman Clinger an original co-sponsor with Bob Michel, Henry Hyde, Newt Gingrich and Dick Armey.

3:00—Hubbell has WH meeting.

SOMETIME IN MAY AND JUNE—Foster compiles notebook and documents reviewing the travel office matter. File contains detailed notes on Foster's analysis of the White House Management Review, the FBI report, the issue of Harry Thomason as a Special Government Employee and the role of the First Lady in the travel office matter. The discussion about the FBI is directly on point regarding "the FBI lied" statement in Foster's note—Foster reviews the FBI report and notes "wrong" in numerous instances.

JUNE 17, 1993—Peggy Richardson calls Hubbell.

JUNE 18, 1993—Memo from Cynthia Monaco to David Margolis about Cliff Sloan's call that DOJ criminal investigation and IRS inquiry should be coordinated.

MID JUNE, 1993—White House requests draft of FBI internal management report.

JUNE 21, 1993—HRC calls Hubbell.

Susan Thomases and Kennedy, call Hubbell.

JUNE 23, 1993—Andre Oliver receives a chronology from GSA concerning the WH contracts regarding procurement for World Wide to get a contract.

Peggy Richardson calls Hubbell.

JUNE 24, 1993—Wolf letter to IRS Richardson with additional questions not answered by IRS Report.

JUNE 25, 1993—Letter from Podesta to DAG Heymann requesting copy of the FBI Review.

Jack Brooks calls Hubbell.

Peggy Richardson calls Hubbell to say she will be out of town for 2 weeks and will call.

Susan Thomases, V.Foster, Neuwirth, & Sloan call Hubbell.

JUNE 28, 1993 11:00—Joe Davis returns call to Margolis and is told that WH staff renewed its request on Friday to receive the FBI Report.

11:38—Davis e-mails Director, Clarke, Kennedy, Gow, Binney & Collingwood that the WH has repeated its request to view the FBI Report given to Reno by "5/29 memorandum" and that report was being sent to WH by messenger "this a.m." At direction of Heymann, Margolis gives FBI Report to WH staff attorneys conducting internal White House inquiry over FBI objection.

4:00—Keeney calls Hubbell.

JUNE 29, 1993—Seidman calls Hubbell.

JUNE 30, 1993—Foucart Memo to Patsy Thomasson on the procurement process and whether World Wide contract should have been ratified.

Sessions responds to the Dole letter. Paragraph inserted into FBI letter at request of Margolis that agents did not consider the IRS mention by Kennedy to be a threat.

Foster and McLarty meet with Podesta on WH Management Review. Discuss role of First Lady.

Foster writes in his Travel Office file notebook "Thereby defend HRC role whatever is, was in fact, or night have been misperceived to be . . ."

Linda Bloodworth-Thomason at the White House

First Lady has brief 5-10 minute interview with John Podesta on the Travel Office. She says she did not see the Watkins memo at the time, did not know FBI being called in and heard about the travel office before the correspondents dinner . . . asked a couple people what happened.

JULY 1, 1993—Neuwirth & Sloan meet with Hubbell.

p.m.—Seidman calls Margolis and tells him draft copy of Management Review will be coming over to him around midnight. (It arrives about 7a.m. the next day)

JULY 2, 1993 6:30—White House, Podesta & Stern fax Margolis & Nancy McFadden (Chief of-Staff to Hubbell) a draft of the WHTO Management Review.

Margolis give White House Review draft to Heymann.

Margolis gives draft of WH Report to Davis at FBI.

Legislation mandating GAO Report is signed.

White House Management Report is released to the media.

McLarty, Panetta, Gearan and Podesta give press briefing on White House Management Review. They announce the "reprimands" of four employees: Watkins, Eller, Cornelius and Kennedy.

Gearan issues WH policy guidelines for WH Communications contacts with FBI.

Talking points prepared by the First Lady's press secretary state that "Mrs. Clinton never asked for the memo [Watkins memo] and did not read the memo. Mrs. Clinton had the memo routed to Maggie Williams. . . . Mrs. Clinton does not recall seeing the May 17 memorandum from Mr. Watkins . . . until after the Travel Office employees were terminated."

Foster, Nussbaum, Heymann call Hubbell.

Seidman asks Margolis to get AG to confirm that WH Report is accurate and spends day hammering out a letter with Margolis. Margolis only agrees to say that FBI-internal review and White House report are "similar." The White House wanted something stronger.

Party to celebrate Hubbell's Senate confirmation with Sheila Anthony & Foster attending.

EARLY JULY—Foster talks to Jim Lyons about hiring outside attorneys for the Clintons to advise them on WHTO in case Foster had to testify. Lyons recommended Foster call Jim Robertson (now a D.C. district court judge) if the Clintons needed outside counsel.

Lyons spoke to Nussbaum about representing the Clintons since Nussbaum allegedly wasn't as involved in the WHTO as Foster.

Lindsey says that he discussed outside counsel for the Clintons with Beryl Anthony.

Foster gives Lyons an URGENT call to come to Washington because travel office matter "was escalating."

Foster discussed the WHTO matter and outside counsel for the Clintons with Susan Thomases & Jim Hamilton.

JULY 9, 1993—Foster asks Anthony for names of outside attorneys for White House staff in anticipation of Foster testifying at Congressional hearings.

Podesta calls Hubbell two times.

Foster notebook states that Peat Marwick auditors disagreed with the Management Review conclusions regarding their review.

JULY 11, 1993—New York Times editorial calls the White House Management Review, "A Stealthy, Evasive Confession."

JULY 12, 1993—Roll Call reports there will be a vote on a Travelgate Resolution of Inquiry on July 14.

Peggy Richardson calls Hubbell.

JULY 13, Tuesday—Podesta & Stern brief members of Judiciary Committee.

Peggy Richardson calls Hubbell.

Chairman Jack Brooks calls Hubbell.

Podesta & McLarty call Hubbell together.

President Clinton informed then Rep. Jack Brooks that the AG was in the process of reviewing matters relating to the Travel Office "and you can be assured that [she] will have the Administration's full cooperation in investigating those matters which the Department wishes to review."

JULY 14, 1993, Wednesday 12:15—Jim Lyons calls Hubbell.

Mike Berman, Nussbaum and Ricki Seidman call Hubbell.

Judiciary Committee vote taken (and fails) on House Resolution of Inquiry demanding that the White House release WHTO documents.

Senator Dole letter to Reno requesting special counsel for Travelgate.

IRS Commissioner Richardson calls Hubbell.

IRS Commissioner Richardson cancels meeting with Rep. Wolf on IRS Travelgate Report.

JULY 15, 1993, Thursday—Commissioner Richardson again cancels meeting with Rep. Wolf

Wolf letter to IRS Richardson concerning her cancelling meetings on July 14th and 15th.

3:20—Counsel for Chairman Jack Brooks calls Hubbell and on behalf of Chmn. Brooks extends thanks "for all your help."

Heymann e-mails Margolis on the OPR Review to be done on the WHTO.

JULY 16-17, 1993—Foster on weekend trip to Maryland with his wife, Hubbell and Cardozos. Hubbell says they never talked about anything having to do with business or the Travel Office "even though you may find that hard to believe."

JULY 18,1993, Sunday—Lyons spoke to Foster to confirm their meeting on Wednesday, July 21st.

Lyons was to call & confirm his flight schedule with Foster on Monday or Tuesday.

JULY 19,1993, Monday 10:50—Berman calls Hubbell

FBI Director Sessions is fired.

11:00—Hubbell meets with McLarty

3:00—Sheila Anthony calls Hubbell

p.m.—POTUS movie with Hubbell, VF can't make it.

JULY 20, 1993, Tuesday 9:30—Louis Freeh is appointed Director of FBI.

Jim Lyons telephones Foster 3 times at WH.

11:00—Seidman calls Hubbell.

2:45—Nussbaum calls Hubbell.

4:00—Jim Lyons calls Hubbell.

5:45—Foster's body is found.

8:30—White House's first notification of Foster's Death to Watkins. (7/21 Press Briefing).

[10:30]—Nussbaum, Maggie Williams & Patsy Thomasson enter Foster's office and look through files in briefcase & on desk while searching for a note.In Senate testimony Patsy says the briefcase was in the knee hole of the desk and she pulled it out and just thumbed through it and didn't take anything out. (Later told GAO investigators she saw nothing "on his desk."

JULY 22, 1993, Thursday 8:00—Susan Thomases pages Nussbaum.

1:00—Search of Foster's office by Nussbaum, Sloan & Neuwirth with Burton, DOJ Margolis & Adams, & Michael Stafford present.

Foster's personal papers moved over to Jim Hamilton's office.

White House explanation of Foster Travel Office file: First letter from White House (7/25/95) explaining the custody of the Foster file, states: "the actual documents in Mr. Foster's Travel Office file remained in the custody of the Counsel's office from the time of his death on July 20, 1993 until they were provided to Independent Counsel Kenneth Starr. We have provided copies of documents from the file to the Office of Public Integrity of the Department of Justice and the Senate Special Committee to Investigate Whitewater . . ."

1:00—White House letter of 8/30/95 says, "the documents were located in Mr. Foster's briefcase on July 22, 1993 by Mr. Nussbaum who removed them in the presence of investigators and, after generally describing them, placed them on Mr. Foster's desk. We have no knowledge of how or where Mr. Foster maintained this material prior to this date." [Note: Mr. Foster did not maintain the documents from the time of his death on July 20 through July 22 when the review of his office began. Previous Mikva letter said the documents had remained in the Counsel's office from the time of Foster's death to the present. This response changes this prior explanation.]

6:00—Maggie Williams puts Clinton personal documents from Foster's office in a closet in the First Family residence including a file about "The White House Project" a matter that Foster was working on with Harry Thomason and David Watkins. (The file is empty except for an envelope from the Brookings Institution.)

JULY 26, 1993, Monday—Neuwirth inventories Foster's office & finds notes. Neuwirth's index does not include the Foster Travel Office file because allegedly at this point Nussbaum has already taken it and put in his office.

More of Foster's personal items are sent over to Jim Hamilton's office.

11:52—Jim Lyons calls Hubbell.

Wolf meets with IRS Commissioner Richardson and sends letter with additional questions.

JULY 27, 1993 11:00—Bruce Lindsey meets with Roger Johnson, GSA.

24 file folders of Foster documents are sent to First Family personal attorneys at Williams & Connolly

2:30—HRC calls Hubbell.

9:00pm—Foster suicide note turned over to Park Police. White House statement reads: "The writing is undated and does not mention suicide, but it does contain statements which may shed light on Mr. Foster's state of mind and which may provide additional confirmation that Mr. Foster committed suicide." No one at the White House including White House Counsel Nussbaum mentioned the Foster Travel Office file that also "shed light on Mr. Foster's state of mind" and explained some of the note.

JULY 28, 1993, Wednesday—Heymann memos Keeney & Shaheen to start review for an OPR Report to review conduct of FBI contacts with WH.

5:00—Kennedy calls Hubbell

JULY 30, 1993—OPR/FBI role assigned to Leroy Teitsworth.

Neuwirth interviewed by FBI about finding Foster note and July 22d search of Foster office.

Nussbaum interviewed & states that he is not aware of other notes or messages which would be relevant.

AUGUST 10, 1993—Jim Lyons calls Hubbell: "would like to see you tomorrow at 5:30 or 6p.m."

AUGUST 17, 1993 2:00—Hubbell meets with Kennedy.

AUGUST 18, 1993—GAO opening day of interviews.

SEPTEMBER 22, 1993—Cliff Sloan calls Hubbell

Clinger letter to Potts on Thomason's status as an SGE.

SEPTEMBER 23, 1993—Kennedy, Lindsey, Jim Lyons, Cliff Sloan call Hubbell.

SEPTEMBER 27, 1993—Hubbell has lunch with Kennedy.

SEPTEMBER 30, 1993—GAO Interim Report on WHTO matter to House & Senate.

DECEMBER 20, 1993—Press reports that Whitewater documents were taken out of Foster's office.

1994

JANUARY 20, 1994—Fiske appointed special counsel for Whitewater.

FEBRUARY 1994—In meeting with GAO of majority and minority Government Operations staff, then Deputy Majority Counsel Don Goldberg discussed he has learned that Public Integrity is close to indicting Billy Dale and two other individuals. Then Republican minority staff raise issue of why Majority Counsel has been informed of criminal indictments.

FEBRUARY 3, 1994—Heymann announces resignation as DAG.

FEBRUARY 11, 1994—Heymann resigns as Deputy Attorney General.

FEBRUARY 24, 1994—Chairman Clinger, Henry Hyde and Dick Armey wrote to the Attorney General of their concern that DOJ criminal investigators were informing congressional staff about possible criminal charges.

MARCH 14, 1994

Nussbaum resigns as Counsel to the President.

Fiske issues subpoenas on Whitewater Treasury contacts.

Patsy Thomasson obtains a White House pass along with dozens of staffers who had delayed this process.

MARCH 14, 1994—Hubbell resigns as Associate Attorney General.

MARCH 18, 1994—OPR Report forwarded to Acting Assistant Attorney General Joann Harris.

MARCH 19, 1994—Kingsbury GAO draft of report is completed.

MARCH 31, 1994—OIG Treasury Report of Inquiry on Possible Misuse of IRS in WHTO.

APRIL 11, 1994—Associate Counsel Eggleston writes memo to Cutler on GAO document requests noting that the White House had not addressed "the effort by Martens to get a contract to conduct an accounting of the federal aircraft fleet . . ." previously decided documents were not called for. . . . (they were not provided to GAO)

MAY, 1994—Neil Eggleston reviews Foster WHTO file to determine if responsive to Fiske subpoena. He says it was not. Eggleston said he learned of the file when Nussbaum called him in May and told him there was a Travel Office file that Foster had and it was under "T" for "Travel" in the general secretarial files.

MAY 2, 1994—GAO issues final GAO Report.

MAY 26, 1994—Watkins submits his resignation after using a military helicopter for a golf outing.

JULY, 1994—Lloyd Cutler, Joel Klein, John Podesta, Jane Sherburne, & Sheila Cheston review Foster Travel Office file.

JULY 10, 1994—Neil Eggleston writes a memo to the file regarding the Vince Foster Travel Office file and how it may or may not be responsive to numerous investigations including GAO, OPR, Public Integrity and Independent Counsel Fiske. He decides it is responsive to Public Integrity but only portions are provided one month later. (The whole file is only received by Public Integrity after it is given to press) Eggleston says there is no need to tell GAO and OPR who are done with their reports.

JULY 26, 1994—House & Senate Whitewater Hearings begin.

AUGUST, 1994—Ken Starr appointed as independent counsel for Whitewater.

SEPTEMBER 15, 1994—Grand jury subpoena for documents from White House relating to Harry Thomason and Darnell Martens due on Sept. 30, 1994.

OPR Report is redacted and sent over to Marvin Krislov at the White House to review pursuant to a FOIA request. (Faith Burton).

OCTOBER 1, 1994—Mikva begins at WH as Counsel to the President.

NOVEMBER 18, 1994—Kennedy resigns from WH counsel's office.

DECEMBER 7, 1994—Billy Dale is indicted for embezzlement and conversion.

1995

APRIL 5, 1995—White House turns over Vince Foster Travel Office file to Ken Starr.

JULY 6, 1995—White House provides Vince Foster Travel Office file to press

MAY 31, 1995—Government Reform and Oversight Committee sends first document request to the White House on Travel Office matter.

JUNE 14, 1995—Government Reform and Oversight Committee sends second document request to the White House.

JULY 7, 1995—White House provides Committee with first documents—White House personnel forms

JULY 13, 1995—Chairman Clinger requests a copy of the Travel Office file made available to the press.

JULY 15, 1995—White House sends copy of Senate document protocols requiring guards, signed non-disclosure agreements by staff, special paper, etc. and conditioned receipt of the Foster Travel Office file on acceptance of these security protocols.

JULY 17, 1995—Chairman Clinger wrote to Mikva pointing out that the Committee should not be required to comply with extensive protocols on documents already provided to the press.

JULY 19, 1995—Committee receives Foster Travel Office file.

JULY 20, 1995—Chairman Clinger requests a "chain of custody" explanation for the Travel Office file.

JULY 24, 1995—OPR memo from AAG Shaheen to David Margolis regarding "Undisclosed Foster Notebook re the White House Travel Office Matter". Shaheen writes, "we were stunned to learn of the existence of this document since it so obviously bears directly upon the inquiry we were directed to undertake in late July and August 1993."

JULY 25, 1995—White House "chain of custody" explanation states that the documents in the file "remained in the custody of the Counsel's Office from the time of his death on July 20, 1993 until they were provided to Independent Counsel Kenneth Starr." There was no listing of who found, reviewed, dates, etc. as was requested.

JULY 26, 1995—Chairman Clinger notes the non-responsive answer on the "chain of custody" and renews the request.

AUGUST 28, 1995—Govt. Reform and Oversight staff reviews additional pages of Foster Travel Office file that White House had said were "non-responsive." These pages were regarding Mr. Thomason's efforts to use Presidential Inaugural Funds to finance volunteers at the White House and were clearly responsive to our request for documents to the White House.

AUGUST 30, 1995—White House provides another "chain of custody" explanation.

SEPTEMBER 15, 1995—White House provides a further explanation of the "chain of Custody" which includes the White House informing Independent Counsel Fiske of the file in July 1994 after Cutler reviewed the file.

Mr. CLINGER. The gentleman, Mr. Podesta.

Mr. PODESTA. Thank you, Mr. Chairman.

I tried to keep up with you, Mr. Mica, as you went down that list of facts, but I believe they're all contained in the management review until the very last point that you raised with me, which was the question of whether Mr. Eller had destroyed documents. I was not aware that Mr. Eller had said that he—I don't believe that I was aware that he said he destroyed documents, but the document that was specifically referred to—I see counsel rushing to refresh my recollection about this; I would appreciate it if they could. The document that was specifically referred to I think in Mr. Clinger's opening statement, the memo that Mr. Watkins wrote, there were multiple copies of, and the committee has them, and in fact we released that document in our management review on July 2nd.

Mr. MICA. Mr. Chairman, I know my time is expired. I have additional questions.

Mr. CLINGER. The time has expired. The Chair will declare the committee in recess until 1 o'clock.

[Whereupon, at 12:14 p.m., the committee was recessed to be reconvened at 1 p.m. this same day.]

Mr. CLINGER. The committee will resume sitting. And at this point, no other members being present, apart from the gentleman from Virginia, I will recognize the gentleman from Virginia for 5 minutes.

Mr. DAVIS. Thank you very much, Mr. Chairman.

In early February, 1993, Mr. Martens claims to have written a memo, following a call he made to Billy Dale, inquiring whether White House charter business was subject to competitive bidding. It was faxed to the White House on May 10, 1993, and became a key document in accelerating the calling of the FBI. It appears that document may even have been shown to the FBI.

The memo refers to TRM seeking White House business during Mr. Martens' interview with Mr. Podesta's White House management review team; Mr. Martens claimed it was a memo to myself.

I knew what I was talking about, which was to find out the bidding process. What was in it for TRM? Nothing. Would you have continued consulting? No, on this bid; future projects, yes. I was trying to bring closure to this.

The thing I wanted to ask, Mr. Podesta—I tried to share with you a couple of documents a minute ago—did anyone tell you this was Mr. Martens' memo prior to you interviewing Mr. Martens? Do you remember?

Mr. PODESTA. Congressman, I'm not sure whether someone told me whether it was Martens' memo prior to my interviewing Martens, but Martens, I think, confirmed that it was Martens' memo.

Mr. DAVIS. The OPR report states that Darnell Martens was interested in gaining some of the Travel Office business for its client charter carriers. And as I look at his own memo, it looks pretty clear to me that's the direction it was going.

I know the interview seems to indicate something different, but when you take a look at the memo, his own memo, it says Dee Dee Myers stated to both Harry Thomason and Darnell Martens that the White House was not tied to any particular charter operator and that, based on that assumption, she saw no reason why TRM shouldn't be able to compete for the White House press corps charter business.

Another couple of paragraphs down, it says—she talks about Mr. Dale, says that it would be impossible for TRM to earn the White House business. Later on, TRM informed Dale that TRM purchases a much higher volume of charter hours than the White House does and that the buying power could be combined with the White House business to lower the cost from particular vendors and the press corps. Looking at that, doesn't it appear he might have been interested in the White House charter business at that point?

Mr. PODESTA. I think the memo on its face appears that way, but then we did do the subsequent interview with Mr. Martens, and he explained, at least what he said to us.

Mr. DAVIS. OK. Now, I've shown you the—looks like the notes from the interview of Mr. Martens on that; and it says you refer to the possibility of TRM getting the business, and he said it was a memo to himself, he knew what he was talking about, which was to end the bidding process. But that doesn't really—it looks to me like that doesn't really square with the substance of his own memo. It looks like it's the old "I lied to my diary" routine.

How—I guess you're just taking his word for it.

Mr. PODESTA. Well, I think that there's a context to this—let me explain it—which is that according to Mr. Martens, TRM was not in the charter brokerage business and they weren't in the chartering business. They didn't own—they didn't own airplanes that were being used for this type of service. In fact, I'm not sure that they owned any airplanes, but if they did, they were small, private jets, not the kind of commercial airliners that needed to be utilized.

Mr. DAVIS. Although he did broker—he did broker those during the campaign, did he not?

Mr. PODESTA. That is not my understanding. My understanding is that when the campaign came to chartering these, these types of aircraft—you know, 727's, that kind of thing—in the campaign, that Penny Sample at Air Advantage brokered—bid and brokered the provision of those airplanes. Martens provided some advice to her; I think he provided billing services to her. But—and I'm—but I don't think he actually did the brokerage. I think that was Sample's job.

Mr. DAVIS. You don't know if he received any compensation from Sample, Martens, for the brokerage?

Mr. PODESTA. During?

Mr. DAVIS. The campaign.

Mr. PODESTA. I think he received payment for the services he provided. I don't know whether he received a—any payment for the brokerage services that Ms. Sample was providing.

Mr. DAVIS. He notes in the memorandum, Martens informed Dale that TRM is aware of at least one operator that has aircraft based in Washington, has aircraft superior to those currently being used and could be obtained at a rate comparable or probably lower than that currently being paid by the press corps. That could be airplanes that they would charter and broker, wouldn't it? I'm talking about his memorandum here. I mean, it looks like they didn't have them, but he could broker them and have access to them.

Mr. PODESTA. I think that—I'm just telling you what Mr. Martens told us, which was that Mr. Martens wasn't in the airline brokerage business.

Mr. DAVIS. OK. But looking at the memorandum, one——

Mr. PODESTA. Obviously, we provided all these documents to the Justice Department, and I assume that they looked at that question. But we——

Mr. DAVIS. I'm just asking you. For example, your report stated that it's entirely plausible that Mr. Thomason was in no way motivated by the hope of financial gain.

Mr. PODESTA. I think we framed that carefully. It was entirely plausible——

Mr. DAVIS. Let me ask you another question.

Mr. PODESTA. It was entirely plausible that that was the case.

Mr. DAVIS. I understand. Could it also be entirely plausible that he was motivated by the hope of financial gain?

Mr. PODESTA. I don't think so. I don't think Mr. Thomason was motivated by the hope of financial gain.

Mr. DAVIS. You don't think that would be plausible at all? You don't think that would be plausible at all, to assume——

Mr. PODESTA. I'll tell you what I think. I don't think that he was interested in this Travel Office matter because he thought that Mr. Thomason would financially gain from it.

Mr. DAVIS. What about the GSA business and the report in general on aviation that he wanted to do for the White House?

Mr. PODESTA. I think Mr. Martens was clearly interested in pursuing that contract and getting that business.

Mr. DAVIS. You don't think Mr. Thomason was interested?

Mr. PODESTA. I believe he pursued it through TRM, through the company which Mr. Thomason is one of the owners.

Mr. DAVIS. He's an owner in that, and Mr. Thomason was an owner in that, TRM?

Mr. PODESTA. He was an owner in TRM.

Mr. DAVIS. But Mr. Thomason's interest in that, in your judgment, wasn't motivated by—wouldn't it be plausible to think under this situation it might have been motivated by making some money?

Mr. PODESTA. I didn't say that. You asked me about—you asked me about the contract with GSA. I assumed that——

Mr. DAVIS. Could it be plausible in that case?

Mr. PODESTA. I assumed that Martens was interested in making some money on the GSA contract. He was seeking the contract. I don't know whether Mr. Thomason thought that, if TRM got the business, whether he would financially benefit from it.

Mr. DAVIS. Let me ask a couple of other questions.

Did you learn in your review that Mr. Martens had received payments through Air Advantage during the campaign?

Mr. PODESTA. Had received payments?

Mr. DAVIS. Right.

Mr. PODESTA. I'd have to go back and check notes on that, Mr. Davis.

Mr. DAVIS. I'd appreciate your getting back.

Mr. PODESTA. I'm happy to take the question.

Mr. DAVIS. OK. Did any of you besides—did any of the other panelists, besides Mr. Podesta, speak with Mr. Martens or Mr. Thomason about their actions at the White House?

Ms. KINGSBURY. No.

Mr. BELL. No.

Mr. DAVIS. OK. Was your knowledge of who wrote this memo then based on the management review and the White House representation?

Ms. KINGSBURY. Yes.

Mr. DAVIS. You had no original interpretation of this language? Ms. Kingsbury, did Mr. Podesta provide any of this information to you in his GAO interview?

Ms. KINGSBURY. Information about?

Mr. DAVIS. About GSA.

Ms. KINGSBURY. No.

Mr. DAVIS. OK. Thank you very much.

Mr. CLINGER. The gentleman's time has expired.

The gentleman from Texas, Mr. Green, is recognized for 5 minutes.

Mr. GREEN. Mr. Chairman, I'd like to reserve my time.

Mr. CLINGER. The gentleman reserves his time.

The gentleman from Minnesota, Mr. Gutknecht, is recognized for 5 minutes.

Mr. GUTKNECHT. Thank you, Mr. Chairman. I'd like it address a few questions to Mr. Podesta.

First of all, are you aware or were you aware of a Sunday, May 16, event, at which Patsy Thomasson called several computer people at home to come and perform a hard disk drive removal process from the Travel Office computers?

Mr. PODESTA. I was aware that Ms. Thomasson did do a printout of the hard drives of the computers in the Travel Office, but whether—you're asking me for a level of detail that I just don't recall. Whether that was on May 16 or sometime immediately thereafter, I don't remember.

Mr. CLINGER. Mr. Podesta, could you pull the microphone a little closer to you? Thank you.

Mr. GUTKNECHT. Sir, you were aware or you were not aware that she contacted——

Mr. PODESTA. I was aware that Ms. Thomasson had done a printout of the hard drives. I don't recall with that level of specificity whether that occurred on May 16.

Mr. GUTKNECHT. But we're not talking about just a printout. We're talking about removal of the hard drives. Are you aware of that? Were you aware of that?

Mr. PODESTA. I'd have to go—again, I'd have to go back and check the notes. These are things that happened two-and-a-half years ago.

I knew that she had the information and she captured the information on the hard drives. So to the extent that that's what's relevant, yes, I knew about that.

Mr. GUTKNECHT. Do you know Mr. Jeff Eller?

Mr. PODESTA. Yes.

Mr. GUTKNECHT. Were you aware that on—make sure I get the right date—that on May 20, a Thursday, of 1993, Eller reports that he threw away, and I quote, all documents he has concerning the White House Travel Office, close quote, when he removed himself from the issue? Were you aware of that?

Mr. PODESTA. I was asked that question before and said that I wasn't—I didn't remember it, but I would be happy to have my refresher—recollection refreshed. I've been provided with the document of an interview that I conducted with him, at which point he said—I asked him for documents and he said he threw them away.

But that's not exactly the way you set—you framed it, and I don't know whether you have documents. If you could, maybe you could provide them to me, which would indicate that he went beyond that.

Mr. GUTKNECHT. Well——

Mr. PODESTA. All I have is, I asked him for documents; he said, I threw them away.

Mr. GUTKNECHT. So you were aware that the documents had been thrown away?

Mr. PODESTA. Evidently, yes. I asked him a question and that's his answer.

Mr. GUTKNECHT. Did any of that information appear in any of your reports?

Mr. PODESTA. That he threw these documents away?

Mr. GUTKNECHT. That's correct.

Mr. PODESTA. No. We went back and, I believe, actually recaptured from his hard drive a document that was—that he was referring to; and as I said earlier, I believe the document he had on the airplane was—was the memo that Watkins had done, in which case there were multiple copies of that document.

Mr. GUTKNECHT. So you were aware that documents had been thrown away, but that did not appear in your final report; you didn't feel that that was newsworthy?

Mr. PODESTA. Newsworthy? I was trying——

Mr. GUTKNECHT. You didn't feel that that fit in your report?

Mr. PODESTA. We didn't put in our report. I didn't think it was——

Mr. GUTKNECHT. That wasn't the question. You didn't feel that that belonged in your report?

Mr. PODESTA. I didn't think it was material to the report. We had the facts we needed to know to decide what happened, and we had the documents that we thought were relevant.

Mr. GUTKNECHT. I'd like to follow up on that.

One of the files, the computer files that you say was printed out and some may believe was destroyed, the title of that file, the name of that file was FLOTUS.DB, F-L-O-T-U—I'm sorry, F-L-O-T-U-S, point, D-B. Any significance to that title?

Mr. PODESTA. FLOTUS is the—is an acronym for the First Lady of the United States. I don't know what D-B means.

Mr. GUTKNECHT. Probably data base.

Mr. PODESTA. What?

Mr. GUTKNECHT. Probably data base.

Mr. PODESTA. I don't know. I'd only be speculating; I don't know.

Mr. GUTKNECHT. Mr. Podesta, in your review you learned that David Watkins, assistant for the President for management and administration, placed a special assistant, Catherine Cornelius, in the Travel Office to assess staffing and possible reorganization; and he knew of her interest in running that Travel Office and replacing the current employees with travel companies that she'd worked with during the campaign. Isn't that correct?

Mr. PODESTA. Yes.

Mr. GUTKNECHT. Mr. Podesta, you also mentioned——

Mr. PODESTA. Congressman, can I—can you bear with me? Could you repeat that question one more time, since I've already answered it affirmatively? I'm not sure I caught it all.

Mr. GUTKNECHT. Well, you knew that David Watkins had appointed Catherine Cornelius, and you also knew that she had an interest in running the Travel Office; isn't that correct?

Mr. PODESTA. Yes.

Mr. GUTKNECHT. You also learned that Catherine Cornelius wrote a memo on February 15, 1993, to David Watkins at his request; isn't that correct?

Mr. PODESTA. That's correct.

Mr. GUTKNECHT. In the memo, Cornelius outlined the reorganization of the White House Travel Office, placing herself and Clarissa Cerida——

Mr. PODESTA. Cerda.

Mr. GUTKNECHT. Cerda, OK, thank you—Cerda, as the Travel Office—as Codirector of the Travel Office, including World Wide Travel to handle staff travel. Cornelius and Cerda were told by Mr. Watkins' secretary that Watkins took the memo home that night and he questioned them about the contents of the memo the following day; isn't that correct?

Mr. PODESTA. Is it correct that that's what Ms. Cerda said?

Mr. GUTKNECHT. Yes.

Mr. PODESTA. I think that's a characterization of Ms. Cerda's testimony—of her interview with us. But I think that she was of the view that there were a couple of questions asked by Mr. Watkins, which led her to believe that—that he had looked at the memo.

Mr. GUTKNECHT. But Mr. Watkins' secretary indicated that that was correct; isn't that correct?

Mr. PODESTA. You have to tell me who you're referring to.

Mr. GUTKNECHT. Well, in the aftermath of the firings, David Watkins stopped Cornelius outside the press office and told her, and I quote, You never saw me read that memo, close quote. And I quote, You guys did this on your own, right?, close quote

Watkins told Cerda, "I put it in the file; I never looked at it," and that it was a low priority. Both Cerda and Cornelius told the White House interviewers that Watkins' secretary told them that he took the memo home the night after receiving it and he discussed the contents of the memo with them the following day.

Mr. PODESTA. I think that's an overcharacterization of what they said to us.

Mr. CLINGER. The gentleman's time has expired.

Mr. GUTKNECHT. Well, Mr. Chairman, I would like to submit for the record some notes and documentation about the Cornelius and Cerda interviews.

Mr. CLINGER. Without objection, so ordered.

[The information referred to follows:]

CATHERINE CORNELIUS

WHITE HOUSE

①

with cc [illegible]

- March '93 [illegible] asked me [illegible] come
  - [illegible] part of [illegible]
  - cc work [illegible] agents
  - did approach, [illegible]
- cc came at some time. did [illegible] stuff
  - cc did only [illegible]

- Initially worked with [illegible]
  - For [illegible]
  - [illegible] around [illegible], want a ops budget
  - Reported to both Steve T. and

I dealt with [illegible], not
  - For [illegible] Area, then [illegible]
    [illegible] [illegible] [illegible]
  - SD worked mostly with [illegible]
      [illegible] [illegible] did, continued & SD [illegible] [illegible] [illegible] [illegible]
      [illegible] annoying.

Q Air Adapter?

cc knew of [illegible] didn't

Didn't know any of HT, OR until my.

[illegible] [illegible] after the [illegible] in July, but job not [illegible]

Asked by Steve T., recommended by Steve T., to go over & [illegible] [illegible]
  [illegible] asked me
  - [illegible] [illegible] did [illegible] much [illegible]

[redacted]

②

Idea was to have it be the same as drug general
- much smaller, but higher profile

Had no knowledge of how they were doing transition

- Did you think about what to do during from new admin:

clearly I thought about it a
I knew David, was that

~~around [illegible], to what [illegible]~~

- Did you know David?
  we hired a person in 10/01
  he was in daily mtgs
  He called me around 1/11 and asked me to come be his asst.
  < we went back and forth on it.
  I agreed would be significant spot, & not just clerical
  started as just me, but later meant me CC and [illegible]

we both decided would begin initial commitment of start w/ 6 mos.
- c Any understanding of what afterwards?

maybe implied that he'd help after that, but

o Did you have contact w/ WW?
- SD guy came to me about the possibility of out-sourcing | Probably in December
- They'd had done a great deal of research with GCA, etc.
  said [illegible] and DoD were the only agencies which don't do outsourcing

③

Read the ink, thought it was interesting, thought there could be savings from a bid persp.
Wrote a memo to David W. as an entry, gave it to Betta, Barbara Yates
(probably 1/13

Had a mtg. with Betta, SD, Barbara Yates - just before he left for DC.
(was maybe 2 days after memo
(He pulled it out during mtg and said he planned to take it to D.C.
(there was a question about budgets - and David had the transition book right there.
• Did you talk about just buying in? or did you never bid.

They clearly understood it was a bidding process, as did I

To the best of my knowledge, ~~a memo~~ material from WW on history of process, not on how to bid.

• what after you got here?

· we did very little, we were really busy.
- David Marr Moore began asking questions → early February
about travel office

- we had a Sat. morning mtg. DW, CC, CC
(told him it was frustrating to have to answer Marr's questions, esp.
- when we had the knowledge
- Kyle he said - if you want to do your, you can do your own proposals
- BD had offered them to come visit
Clarissa
CC. did, that helped
- we stayed up all night one night thinking about how the travel office runs
- 2

④

Clarissa and I did it together

Did ~~yo~~ anybody else help?

- Joann helped, mechanical
  - no Jeff
- Talked to WW, maybe about little things, but no call re: this is

Did you send it to WW?

Not to my recollection.

Jeff saw original ~~of~~ January memo, not February

- and gave it only to DW

- Put it only David's chair on 2/15, after he'd left
  - remember in-box then
  - it was in a binder

o Memo has WW written in. What was intent?

- intention was to lay things out succinctly. DW likes things as a how to.

o Your intent was that it would be bid, but this was one way to do it?

- ~~that's~~ clearly, it would go through

• what did you mean "pre-press"

- They do all kinds of support for press, wave, almost more for staff

• Had anyone complained

- Fidel, Mike Lufsen had complained
- Admin had gotten in trouble with booking non-union hotels

with i had done it, "that" asked i why isn't catherine doing travel.

⑤

They had asked WHTO to do it, but they didn't get it politically.

I was doing a great deal of travel then DW's office.
- Carol Rasco, Mark Middleton

What was your intent in re-thinking, memo
- 25%. staff cut
- I thought we could do it with 4 jobs cost-saving

- Ann Edwards had expressed concern, she'd had poor relationship w/ staff during Carter administration, thought could be done better

- In your memo, had you contemplated a savings in state?
- no, maybe 2. We thought of as salary reduction

- Any $ for jobs in here?
- No. would ensure Full disc.

Christine mentioned that we don't have a page
Yes. schedule page.

~~and~~ we contemplated CC and CC running the place.
- Catherine - [illegible]
- Christine - charter

~~For the~~
Christine and I wanted to leave. We were drawing - phones were ringing. For diff. reasons, we wanted to leave.
- we were his special assistants, if there was doing it, we should

Eller

Reasons: [illegible] ?
- Who got copies

①

Henry

- I never met Henry until May 12.
  Totally oblivious to what Henry & Dowell were doing

• Did you get any reaction?
- not initially
- Jim said he had [illegible]

About 2 days later:
- "Is this Dixie Sanders [illegible] you're talking about"
- I'm ~~not so~~ worried you are

- Asked: What successful corporation has been run by co-directors?

→ He clearly indicated that he had [illegible]

JP - Did Mark ever propose royalty?
I know of 2 things
· First, handed to DW
- second, handed to CC to give to DW
("as discussed in my earlier memo")

when we met

~~A~~ Did you discuss this with anyone else?
· widely known that I wanted to do this; wanted to do it [illegible]
· I like it, I'm comfortable
· people asked me why I was [illegible]

Sometime in March, DW called CC in office: Discussion w/ John Gough to see if CC ~~how~~ could ~~[illegible]~~ nullify copyrights. Also mentioned for Chris: [illegible]

⑦

- David said 'couldn't you "create this position" for Catherine? This comes from the highest authority" to get John a

- Christine, who understood personnel, explained that there would be "excepted service"
  - she was uncomfortable
  - would be putting a political person in a traditionally career role
  - I thought it was unethical"
    - David b/c uncomfortable also

- Sometime in late March, DW told me I was going to travel office. not permanent yet, but we'd figure it out

- ~~Billy~~ DW spoke w/ BD late the first ~~or second~~ week of April, ~~and I~~ ~~said I would~~
  - I told DW I'd like begin 4/12
  - DW said: one condition (jokingly): write report by 5/15

no discussion of [illegible] of [illegible] at all b/w 2/17? and late March

After B BD and David spoke, BD called. Janet said BD wanted to talk to Catherine. He was off going to 2 wks of med leave.
I came over and met with him. , about 4/8
BD asked: why do you really want to be here?
CC said yes.
BD was ~~[illegible]~~ ~~[illegible]~~ uncomfortable with
TS - • School
(~~[illegible]~~ CC had talked about going to other school)

⑨

April 1st
on Monday: I sat down, began to learn system.

- Gary Hughes was working on computer next to me. She asked what he's doing. press billing
- Asked if when first indicted.

He abruptly said never
I hurried along to the next week.

I wanted to bring computer over. this was pt. of contention over where it should be.

- first in front (with some others)
- Gary came and said, Billy ~~you~~ wants you in back. (with me)

That day I saw DW, said they moved me into the back.
I assumed just b/c I'm young, I'm woman

(David asked me to come back to office
Took out a big brown notebook with legal pad.
read a quote

" I have a source, I don't know how reliable. "I've heard these guys have been on the take for years"

~ keep your eyes open. b/c ~~But~~ they're supposed to be crooks.
I asked if he meant back recent, he said no, he meant going along the lines of kickbacks

o This is the first you've heard

This is the first. I hadn't heard word one

CE told him - well, they take days off, maybe extra at lunch, long clip's etc., but...

- Never told me his source, which really bothered me. I thought was official source
- DW told me to keep my eyes and ears open.

What did you do?
- circle

Q - why mail office?

A. I thought, just speculation - a guess, b/c he does

So what happened -

Trying to keep my eyes and ears open. But not hearing much, because no one would go past Fran

They started to share stuff, but all personal, no work

- Billy - ~~[illegible]~~ take home   Tommy had about
- Cory - ~~[illegible]~~ take home
- John - pass home
- ? try to scratch

In light of what ~~Tommy~~ DW told me, sound a little strange.

~~Tommy~~

I told Christine about this. I talked to her a great deal and I must thought this - a strange sound. She not an investigator

what I'd ask primarily about accounting system. Christine knew how to bill process, etc.

She started to question, but only after

→ My notion about accounting, came in February, struck me as strange. But only things that came into play after DW was [redacted]

- I was there by myself one night looking for paper clips & [illegible] staple. Found statements/ cancelled checks.

- I went there to Dr.'s office, sitting on ~~his~~ Dr.'s couch in reception area. [illegible] found a stack [illegible] all these checks.

(10)

~~Ba~~ [illegible] told him ~~[illegible]~~ what she found, she said she didn't know yet.

- Found all these checks to cash.
- copied a bunch.
- was looking for checks to Charter companies, figured I could compare with invoices.

But I really didn't know what I was doing.

Took copies at home so I could think about it.

- Returned originals that night

0 when was this?

- still while BD's gone.

- Didn't know ~~what I was~~ if anything was wrong.

Next night

- pulled trip file, to try to compare, including a couple ~~trip~~ statements.
- copier ~~[illegible]~~ jammed.
- Christian walked in. Trying to fix
- [illegible] two nights - no receipts for petty cash, but still ~~[illegible]~~ I didn't know what I was doing.

Next morning:

- ~~[illegible]~~ Check to Ron Ann (!) Found in copier
- they freaked, "stole a bunch of [illegible]"
- they knew someone was going thru stuff
- they put copy in ~~[illegible]~~ BD's desk

- GW took statements out of file, methodically went thru, took [illegible] and [illegible] some

(11)

Timmons legit. she Didn't know if she was suspicious. suspect.

Gw. said: we both think someone's going thru our stuff.
cc I said: "Really?" No indication what it was
said had conversation with Hubbard probably about GAO and/or of person // she thinks maybe GW overheard
(Around 4/21 - 4/22)

I decided this was nuts. I knew I couldn't figure this out, but decided
I couldn't figure this out.
~~we talk~~
- Doing the Tapes, cc did memos, etc.
- Basically I'd just try to listen, [illegible] play dumb

When the BO came back.
Headed to Chris Keightley's office, presumably to discuss - but wanted check up behind
He just breezed along
~~I knew~~
I listened, - I knew they were using just one company.
- sound strange.
• who is Evergreen (mentioned earlier)
& I ~~a~~ noticed this b/c strange - Evergreen - b/c it's not meant to be GSA chosen
& seemed like ~~a~~ they had bids in

~~Jeff was~~
Regular discussion w/ clients only
had no discussion with David after ~~a~~ the coach
- I told him I'd tell him what I knew ~~if I knew it~~ once I figured it out, which I didn't. And I was writing
JeP not involved)
(I in fact asked Jeannie if she thinks I should put this in memo. She said
[illegible] [illegible] - its importance. its structure.

[Went Back]

• Any more incidents?

I had [illegible] do a better share in [illegible]
~~I know~~ [illegible] the background on [illegible], but that's it.

Anything else: other companies, etc. ✓ I know [illegible]
- working full days
- never did working all day

Chinese billing.
- they covered, not just air, ~~[illegible]~~ ground transport
- I know they billing off estimates
- didn't know if they were necessarily, but I didn't think so

I thought it was problematic that there was no system

BD + [illegible] to (only) had signing authority.

All 7 had been there a long time.
- [illegible] ~~[illegible]~~ [illegible] got from David - [illegible] or [illegible] had been there [illegible] long.

• Any discussion in employees?
Only discussion I can make is here
when BD met with Dan, he said he had 1 person he could get [illegible]
Both were clearly separate

⑬

- which employees had lifestyle.
  - Danny Bruce – went extensively most weekend,
  - John McAnany – lived in Farm in Va., owned a race horse (cowl pig) Trip to [illegible]
  - [illegible] – had [illegible] gas [illegible] take [illegible]
  - Billy Duke – [illegible] Aces [illegible]
  - Bob Van Cleave – had mutual fund [illegible], had take 1½ week vacation across country

5/10 CC and Mike going to Chicago. [illegible] trip

- David called and said come over.
  [illegible] asked if memo finished
  David says you have to meet w/ Thomason and include his information in [illegible]
  ↳ Dewitt [illegible] you on his phone [illegible] – x2977
- what did you think?
  ÷ immediately thought: This the same.
- ~~where~~ were you aware of HT connection to [illegible]?
  Yes, He Bux had made off-the-cuff remark about Harry and Darrell involved in during campaign-head.
- what did you think was your future?
  ~~not more~~
  - didn't feel I had one. DW had said have to find a [illegible] books, don't [illegible]
  - I was assigned there on for a specific amt of time
    did not think [illegible] that I was only on May 15
- Had you thought: if they're crooks, maybe I'll get in? nothing wrong with that..
  if they were crooks. then you could replace their [illegible].
  no, not at all.
- Tried to find HT left message – wasn't around (young man [illegible] phone)

This is John

CGEPR 0151

went to trip.

Tuesday a.m., ~~Ann~~ paged by Bob. –

I call Ann Blackman from Time

-1. Are you ~~not~~ an appointee

2. ~~by~~ Are you his cousin?

· Said she would call

People know "about this" C saying cousin — President introduces me this way.

· I thought she was trying to do piece on "cousin who's an appointee"

cc - Decided it was travel office ~~and~~ setting Catherine up

Called Christa about employee status. She called back, said she was ok.

Told ~~Gen~~ Jeff (on the trip) It was personal, so I told him. He told me he'd take care of it with Gen & Dee Dee, but not to call her back.

Got back Tues night,

Wed a.m.

(Bobby in HT's office called to set up mtg..

Had been told she couldn't reach cc on the road which seemed strange, since they'd found her for Time mtg.

Met w/ HT. First meeting, etc.

(He asked: shall I go first, or you.

Harry told me they had been sole source, etc.

Prior AA Dwaine told (Darnell or "us") that they had done a few charters in period to take Pan Am and [illegible] of AA

~~when asked came on line~~ RD told ~~Gen~~ Airline Air that to keep business would cost 5%. "commission or kickback, I'm not sure which."

This sound cut and dried to me
Nina Aer said Ultrair|A.A. Agha [illegible] bragged publicly that they had
PB with these business

Keep in mind - some of with employees

HT said: I've heard ~~x~~ about bank account in Georgetown, I said
I know that a bank account, and they rights to

I told Harry about lifestyles, etc.

- Do you have any knowledge where he's getting this
  s/t he says a source, s/t he's reading from a file

Any knowledge of Harry retaining s/o to look into?
- no

Harry says: who can we tell?
CC: we tell David
He wasn't there, ~~CC~~ HT wanted to tell Percy, but CC says no: Petty mem.
who we might "Fosdle"
We decide to see DW in an hour (at 11:30 or 12, they met ~~Harry~~ David)

CC: doesn't talk to anyone else in the interim
CC meets ~~Durand~~ HT and me Darnell back in Dir's office
(first meeting

DW doesn't know what they here for, opens by saying:
- Harry Timothy, we're begging NTR, so good
And I think: ~~what~~ he doesn't want to know what we're going to tell him

⑥

- HT and Darrell tell DW
- HT did most of talking, CC chimed in
  I doesn't remember how much of detail he recounted.

- HT and Darrell: what do you plan to do?

- DW says: how do we proceed?
  ~~[illegible]~~ ~~[illegible]~~ said he had to figure it out, would call

- Tricia calls, says meet in VF's office
  She thinks about 2pm.

- ~~[illegible] says~~ we talked about kickbacks, etc. versus [illegible]
  DW asked: are we in danger of being fired then
  VF: says no, you can't hide this kind of stuff. Tells me to go get checks
  Given we into the whole total lawyer thing
  we agree to reconvene at 3:30p
- So HT arguing for [illegible] to be fired?
  No.
  He was not advocating. At we move further into [illegible], yet.

called Christina to drive her home to get records.

Returned for 3:30 mtg.

⑰

[I left mtg then Chron]

- DW comes late, but mtg. does not begin substantively,
  Dan., ~~Dan~~ HT., RK, VF

Bill begins with: what are we trying to do? Are we trying to get rid of them?
  general discuss. but not satisfactory to Bill
  - VF says: let's treat it like S & L, evidence & admin. term. DW said you can't just walk in, need
  you'll scare them
VF Finally says: we want to investigate possible criminal activity and prosecute if approp.

- Discussions of: IRS auditors, or
  FBI auditors

- Left with Bill ~~?~~ saying he'd pursue options.
- Rehashed all of accusations,

o ~~?~~ wasn't VF said there'd been advocacy ~~by~~ for action, was there yet?

- There are:
  - David calls, asked for concrete proposal for what to do if fired, by 10:30

  - ~~Sa~~ CC called ~~Dw~~ AT re.
    (spoke with Bobby, want by to talk about charters.
    (Jeff inadvertently joined
    (At 10, said: I have to go to mtg w/ DW
    (they said, we want to come in

~~?~~ CC asked DW if okay to join, DW said yes.
Also in mtg: Patsy, Peter Siegel
~~Pope~~
"In this mtg. seems like people are taking positions." ~~The team to be saying~~

⑲

(Clint [illegible])

I feel like hostility is growing in WTC

Mac asked how I slept, I told him poorly. he said weather or stress

I consider this bizarre tell Dave in our meeting.
He ~~past~~ calls BK, BK said they're going with FBI

HT thought we needed to do something - when you know there might be criminality
JE says: want to stay ahead of story

All options on table, nobody taking positions yet.

Around 1pm, maybe earlier DW calls CC says come over,

I came, Rosy there. which she thought was strange.
DW barraged with questions:
- what makes you think & I can fire these people and replace them w/in 25 y.o.?
- coming from both of them:
  - couldn't the proof be circumstantial?
  - Rosy went into discussion of

I wasn't trying to tell them what to do, I told them I wasn't investigator
& I literally broke into tears.
[know of checking account in Feb]

For one hour I said "I don't know". we all shared this sense that it was going out of control
& Were they trying to justify action, or were they attacking you.
they were venting
at times they were attacking my person! qualifications

During this mtg, CC told DW + Patsy that she thought ~~they~~ he who ~~[illegible]~~ was trying to set her up, and about the Time mag.

David said that's not our issue, but I'd give her cover that there's problem

Right around 2p, Vince called and said go see Kennedy ~~bring~~ and FBI. Kennedy and Vince spoke — was in and out.

Dw - let her go there

I called them, ~~#~~ repeatedly

They had files ~~[illegible]~~ b/c she had given to Vince and BK, BK had taken possession

Spent 1½ hours or so. Seemed to me 1 agent more interested in charter, 1 more interested in press.

Told them HT would know more.

Vince asked if how to contact ~~[illegible]~~ HT, VF said "thru me"

came back at [illegible] we [illegible]

VF ~~said~~ and CC walk to mtg. in DW's office.

~~DW~~ said

- VF said FBI would call at 1p. to report their plan.
- DW said process is already underway, auditors will be here tomorrow
- VF said probably ok.

• Did you talk to WW Thursday.

~~David he~~ Yes I called Peter. David had instructed me to get a [illegible] agent ~~[illegible]~~ here

- Indicated to Peter that might happen, not definite, but wanted [illegible] here
  - would [illegible]

First indication of firing [illegible] when?

- First a.m. mtg, ~~[illegible]~~ came after first morning meeting and David said he'll be in close touch with us. I thanks in [illegible] hours that day, very [illegible]

20

when back to Dave to be hanged, think he started to doubt himself.
[illegible] designer ... e.g., the [illegible] two in pos. when he doubted

- Did you have sense of diff. factions: [illegible] vs. go slow.
  Yes, by Thurs. [illegible] schedule - but all participated
  1. [illegible] would [illegible] evidence
  2. we have enough.
  VF. [illegible] [illegible] hoping: put a [illegible] here, [illegible] immediate [illegible]
  ~~HT's [illegible]~~
  Dav. thought: not [illegible] more, [illegible] here. [illegible] relationship. [illegible] [illegible]
  HT: [illegible] - not like David, ready to say the [illegible].
  [illegible] [illegible] from call from ~~the~~ that would to say the case

- Jeff ?
  more friend - opinion 1 way or other. They knew what was up
  - [illegible] came over to dinner, explained auditor process [illegible] that they wouldn't know what [illegible] [illegible] CC [illegible] [illegible] Auditor Mtg. [illegible] CC [illegible] [illegible]: S.O. [illegible] this [illegible],
  - ?
- Dav was: get a friend [illegible] here
  "have her fly up here" said [illegible] David.
  there was a [illegible] - [illegible] the situation. they would help us. [illegible] [illegible], [illegible] take a [illegible].

Ford
went to work @ [illegible] [illegible]. Auditors were there.
[illegible] [illegible], asked to have office with her.
She [illegible] them what she knew.
[illegible] back to office - very uncomfortable. there [illegible] Billy questions [illegible] [illegible]

HT and chicken [illegible] chemic etc

②

~~Hed~~ Pert called up for a second trip upstairs. Asked a few more questions, then Pert said come on up for ~~[illegible]~~ update to BK.

cc listens, mostly. Also there: Patsy, Jennifer, Pert.
BK very worried, ~~she~~ she told ~~[illegible]~~ Patsy ~~BK~~ myself to send in FDI
(Patsy so okay by her, b/c would keep CAO out of it.

~~[illegible]~~ Came in briefly ~~for~~ Sun, not on Sat.

Did you talk to Fern about this?
- Yes, daily for three nights

Did ~~she~~ Fern get nervous -
- not at all uncomfortable.
- I checked in, but mostly Fern
- she hung out watch movies.

Anybody else involved, to your knowledge?

no
Tolley Ferguson. b/c she helped

5/17
- I answered phone, Anne Blakeman calling for BD. → in early afternoon
- cc called HT.
(HT said a ~~[illegible]~~ source at TIAA told him she was a ~~[illegible]~~ ~~at~~ State Dept reporter
and HT's source said Billy Dale had been calling her

- ~~[illegible]~~ cc Flu'd with DW that clearly she was being set up
- DW thought it was not an issue. Never gave any sense of importance

[Indicated that she thought DW and Bates has spoken several times]

(22)

she'd told Tocrand
~~I had said~~ when I got back to WHTO (in T/S) that I'd called him, etc

- To CC's knowledge, ~~and~~ ~~no~~ DW had no mtg. re:
- Around C.O.B., BD said how do you get in touch with ~~[illegible]~~ DW. He said, oh I think I must (Tuesday) come. I called DW, set it up. As soon as ~~DW~~ BD left, called back to warn that he was going to attend
- DW called and ~~[illegible]~~ asked me to get "my group" together before whoever happens to be here.

Around lunch time, there's a meeting

o. In Bates's corner

I indicated that it was on ~~basis of~~ emergency basis, but not emergency procurement process

DW spoke 1 hour recounting facts
mission of OMR etc., whether or not they could come out of Financial

[DW had told BD ~~for~~ during 5/17 mtg. that there were going to be drastic changes.

He'd wanted to meet initially Tuesday; then pushed to Wed. a.m.
Tue. pm., they ~~[illegible]~~ WHTO staff started to clean out personal effects mobile telephones, etc

Tues. 2pm. mtg w/ WW, CMB, Jennifer and, ~~Patsy~~, Clair
([illegible] 'Darwin' happens to be there.

David told me he ~~had~~ would call ~~to~~ Bates,
& discuss were sending more people - ~~[illegible]~~
CC didn't tell ~~him~~ FC to send more people, but we did presumably because DW talking to Bates.

㉓

(Were you to run the place? Never determined

- CC had told DW ~~of~~ the conflicts to [illegible], so that's why only we there

After hand off into San David,
CCR say: deal ✓ing account and bank

Talked ~~of~~ about system they'd set up - who could provide what
CC - travel logistics, [illegible], VW - commercial

We were told to meet at Tides at 178
- Didn't talk to Press crowd on trip in
- Bobby and I talked almost daily - they were concerned about me

(told to be in 178 at 9:45am.
↳ We're going to travel ~~to~~ there at 10am

DW asks for ~~[illegible]~~ TPs on how charter will run.
↳ I gave them to DW at ~~[illegible]~~ 8:30

No Tides mtg
10am: DW to LHTO
10:30 DW meets group to tell them what happened: it's done, they have until 2p. to get here. CC goes to S+A - by 12p, [illegible] all over Tube
2p. Fawcett calls, says come on down. ~~[illegible]~~ She goes, VW's there, when she sits down, they all return and circle around her while she's on phone. She splits
[Bumped into Craig on ~~[illegible]~~ Tues p.m. - he said: I'll be there tomorrow

CC returned at 6 p.m. & ABC ~~[illegible]~~ shows up with a crew.
~~[illegible]~~ They left.
(Didn't talk to Billy or David on Wed night. They had ~~[illegible]~~ asked for her

[illegible]

Thurs, May 20

I woke up. crews on yard.

when I went home ^wed p.m., J.O. told me Brian had gone to breakfast BD: he claimed [illegible] if you're [illegible] they had [illegible] I.

[3 copies: 1 David, 1 Clarissa, 1 Catherine.]

I thought DW would have told press. ^first I don't know if they would.

Thurs p.m., Nightline called every 5 ~~[illegible]~~ minutes.
& she called Jeff.
& Jeff called Jack. Said they knew ~~[illegible]~~ fax, knew car had and they wanted

Patsy beeps.
She said: "I'd just as soon we ~~[illegible]~~" don't remember
She asked if he'd read the memo. I told her I don't know if definitely. I know he at least ^saw
That's not what we want you to say. What we want you to say he never read the memo.

She said 'Did he read.' I said, 'I can't say but he at least ^he reviewed.'
That's not what ~~[illegible] you~~ I'm asking. Did he read"

I ~~[illegible]~~ asked why she was hounding me, I would not talk to press
Patsy said: you may get

I came into work Friday a.m. and found out he'd marched into G.S.'s office ~~that~~ at 7:45 and told him he'd never read ~~the~~ the memo, he
And that's not true.

If this was a press position, ok by me. But DW wasn't doing that because he [illegible] ~~[illegible]~~ GS the [illegible] true

(25)

CC knew David did this from Jeff.
Jeff told CC that he told ~~DD~~ GS he should verify DW's statements. CS told Jeff to stay out, continually involved.

Next phone call from Levy, who called and said: this is ugly. Let's try to figure out.

David L. called over. While she was in with ~~Darden~~ LU, DD joined, others joined, Clarissa had had interchange with David W. → At one point i/o expense she brief
– Became apparent [illegible] was on this

Bumped into Watkins, Patsy: they said ~~David~~ Gov 1 MDG wanted to keep WW, how could she deal?
She said yes, as long as GSA brings travel power

Charters

~~on Tuesday~~ Who called Penny? ~~[illegible]~~

Tuesday HT and I talked about the fact that at least one wanted help.
Lide says we'll get someone in you.
L: I'll call Darnell, Penny can probably come.
(By Tuesday, knew Penny was going to be coming.
[From the day fired on, DW and I never had a discussion.]

out of the For HT

Did know Penny had done campaign.

Q: What about M.W. express?
Penny said they were good.
We bid it out. Thursday Sent out basic specs to Penny's list of charters.
included UltrAir, M.W. Express.
Did Penny [illegible] GSA process, or office list.

Penny did ~~[illegible]~~: all her list. We'd had several mtgs.

M.W. Express ~~[illegible]~~ rep came in Friday to discuss

When did M.W. Express ~~[illegible]~~ make clear they'd ~~[illegible]~~ need $ up front

Well, we had discussed w/ Darrell, including Fox, that charter company would float for 30 days. ~~$~~ This was during contingency planning around 5/12, 5/13.

Bobby kept Fox.

CC understood that cash would be floated, according to Darrell's plan, by M.W. Express

- As it turns out, AA did float

When this went down, she didn't know anything about - ~~[illegible]~~ saw bill only.

o Did you see RFP.

Yes.

- Penny handled faxes
- CC I did not execute, I know that

~~By~~ Friday, Steve pulls out. Fine, Judith stick around to do courtesy walkthr

I was told by DW it would be GSA.

- I found out AMEX was doing it on Nightline.

Sam

we had mechanical. United delay Military wouldn't help with mechanical

(27)

(Back to Penny -)
- was there to broker for fees, whatever
- on basis for question on her ethics

I became more involved with Second and Third charters.

C/1 Tuesday → charter a week - photo service, etc.
- At this point, I decided I couldn't really trust Penny -
didn't get the logistics

- This was the day that David just flashed. what - charter quickly
- story w Penny broke

Bush out and Cliff contacted, suggesting possibility

Dan said he needed to [illegible] in contract/$ supervision
- didn't you know BF was your
~~[illegible]~~ didn't you know you could see $ in account?
-

-Dewey story breaks, First CC knew ~~[illegible]~~ about fact the new expense paid.

o What is BF's mgt?
- Never met before [illegible]
- ~~However~~ All of a sudden s/o in between me and David
- [illegible] in and out of the office

long conversation with David W, Brian was there
called me on that night, spoke to me telling me: why it's best for CC to resign

(28)

o 5/21 - 6/1 . wh is merger?
-Patsy's in, same Brian, same DW

~~Often~~:
6/1 , 10am
Brian and Cliff suggest possibility of indept counsel
Thought a good idea - began to understand DW saying
└ began to feel pressure to say things
└ starting ~~$~~ to feel out there

Called around, friend suggests Steve Burgr.

Summoned to DW's and Nally: Penny, Brian, DW, Patsy, CC
└ are you getting commission?
No!

After lunch, 1½ later for update
└ maybe DW & PS have talked since
└ CC: became clear what happened
└ Didn't you know you could have used money, etc.
└ why didn't you talk to [illegible] Brian?
└ Brian said: actually, not clear that

└ DW Dee calls - bad charter
DW explodes
└ then recompresses - · PS, you can't stay
· CC: I'm bringing in financial mgr

[illegible]

(29)

CGEPR 0166

That evening, BF calls.
· Wouldn't it be best to resign?
No, I can do this given a little support
- BF: but story would go away — cc said: would go away if you or DW would resign
~~said~~ Said several times: DW and ~~BS~~ Patsy didn't put me up to this
If the President thinks I should resign, I will

I wasn't hostile to him, but I was frustrated.

[illegible] could
~~Brian somebody~~
Can somebody show up, from GSA. To do fraud.
BF asks: do you want to talk some more? cc: no.
Clinton left message: drop everything. need to talk to you ~~[illegible]~~
└ called at 11:30.
└ need to talk to you in an hour

Called back at 12pm. Tried to meet
~~said~~ I had been saying
Said Patsy had [illegible] to meet with her.
- cordial, [illegible] content
- ~~I~~ Had talked to Cliff Sloan, explained.
- Sloan went to [illegible].
~~Bruce and Cl~~
~~Said~~ · Cliff said BN + I agree: don't do, don't repeat, call ~~[illegible]~~ Patsy back and tell her you can't do what she asked.
cc + cc We agreed best not to
• Did you find out what ~~Clinton~~ Patsy said?
→ Clinton said it would be more harmful to know. still tell me later if

30

Have not spoken with David or Patty since.
Up to date.

Doesn't really know what she's ~~supporting~~ reporting to do.

DW talks to BF, BF talks to Lin.

Ljn started to do checks through Amex - CC pointed out that would invoke [illegible]

~~[illegible]~~

Cutting: JK in VP mtg. ~~Talk said~~ VP said JK said he had heard nothing about

CLARISSA CERDA

WHITE HOUSE

Meeting w/ Clarissa. 6/7/93

* Started Counsel.

Campaign:

- Budget officer under Buxton. (who then reported to Watkins).

* Role was to bring in money from press & SS–) financial liaison for press. Director of Press & SS reimbursements —

* ~~Also to~~ collected on charter money + expenses –

* Darnell was the dispatcher —

Phelps, Alderton, Callygar, Buxton (budget director)

first contact Watkins

- Yates meeting

· Buxton (6 budget Moore, Cerda, Cornelius, Segal, Buxton)

- Believes the Air Advantage ran the charter system.

- Clarissa last w/ Phelps.

-

Dealings w/ Darnell –

· Met him on election night. (Dealt w/ him on billing – Darnell figured her charter costs – she then went to Worldwide on press billing)

2.

Darnell gave Cerda

Know HT?

- She knew through Buxton That HT was a friend of Darnell —
- Didn't know him —

Darnell

- She met Darnell, Penny Sample two nights after election night - also Debbie Shiff (Deb was flight attendant on charters).

Transition

* Handled contracts for press travel, handled manifests, and billing

* Darnell asked Cerda to work w/ Ingel in The DC office (handled overall budget for DC transition office).

* She thought she wanted to work at State (international law) -

* David and Clarissa came over to WH early January. Asked her to make a 6 mo commitment.

Cerda & Cornelius shared a house.

3

After 1/20
- Met w/ BD on access [illegible]
- Talked on [illegible], visitors

Any discussion w/ Catherine on travel office?

Met B. Dale. Catherine thought that BD did their job. Dale asked Cerda to drop by to learn their [illegible] charter methods (and [illegible] in '92)

Dale said he was Cerda's counterpart on Bush campaign.

Personnel openings [illegible] [illegible] Dale's [illegible] [illegible]. Cerda did meeting [illegible]. Realized that Dale likes to handle staff travel. So Catherine did staff travel in David's office. Isabelle and others in scheduling and advance wanted help coordinating staff travel —

Any impressions of mtg w/ Billy?

- too many people
- billing on estimates (not proper)
- [illegible] pay [illegible] ([illegible] [illegible]
- they [illegible] [illegible] [illegible] [illegible] away).
- didn't use credit cards — or contracts w/ [illegible] —

Did you discuss these impressions?

May have mentioned "too many people" to Watkins. Also may have discussed w/ Catherine. Met w/ Isabelle on

3/

need for staff travel coordination, w/o coordinating w/ WHCA. presidential advance. Staff may have said "That's not our job."

Feb. 15 Memo?

- Beginning of Feb. David was soliciting memos on cuts, phones, personnel (ie How. ways to manage the function) David asked for - got a memo from Moore on travel office - Matt approached Cornelius & CC for details.

- Some tension arose Cornelius & CC over division of responsibility (Dave asked them to be there) Cornelius & CC asked what Dave [illegible] about doing substantive work ([illegible] in travel) Dave said if you think you have better ideas, submit a proposal. So they did —

[illegible]

Submitted a proposal that included staff travel support.

Overly [illegible]? Cornelius tried to highlight that ~~the~~ the office didn't have a "coordinating" staff travel component.

Also says Cornelius had no [illegible] involvement w/ report. They didn't speak to anyone about the report (may have mentioned report to Janet Green)

Pres. visits office there on 2/15 in morning. He visits as Cerda makes copy of memo.

2/15 She made 3 copies of the memo — Darnell's copy stays in the file in the office — David commented That he filed it in his office. — Jean said that David took ~~Walters~~ the report home to read. The following

2/16. morning David comments "what perfection for 3 Co. Directors"; Says 3 co-directors will never work.

Cerda notes an article in ~~Busi~~ Business Week on multi-purpose management — mentions this to David. Cerda was doing four conversations w/ Counsel office

Harold, Forbes were secondary to counsel'/ (her appointment.)

- Thom. Harry complaints about press office from "going press people" w/ The White House.

- Shortly after 2/15 she heard that of rumors

~~Thom~~ There would have been a string of (2?) visits and meetings w/ Thom. proposal.
~~Thom~~

Wynne. World Wide? Cerda was going "new proposed model" knew That World Wide could handle press and staff travel components. Thought They were merely recommendations

5

Any proposal to merge w/ advance office?

* Some of your times would come out of advance.

+ look for Bush/Clinton proposals in David's file. Cathe's proposals concentrated on advance functions. The proposal was the "worst case scenario"

* When did you know of comments about the office?

David sends Catherine

- Mid April - when Dave sent Catherine. David asked for written memo from Catherine for May 15. And Catherine would recount info to David

Asked Cathe to find out what's happening there.

Letter is Catherine's [illegible] and May?

Says David says a "~~said~~ money" Those guys are crooks" They've been on the take for years." David would ask her "have you found anything yet" periodically.
Cathe also noted That employees weren't around for days off.

Contact w/ Darnell?
- No.

No knowledge of Darnell contact w/ Dale prior to May 12.

Catherine in TO

Catherine gets moved to back room. They make racist and sexist comments. Dale asks her "did you sleep well" They are suspicious and hostile to Catherine

6/

Cornelius would leave items off
Cerda to better understand system

+ May 10 or 11. (Pres. in Chicago) —

Prior to that weekend, David met w/ HT. (also Friday)
(Friday → David and Catherine had to meet w/
HT to get information. Saw David
and HT That day.

Catherine says to Cerda That "David wants me
to meet w/ HT." Cornelius had not met
HT prior to That point. Cornelius was
to return from Chicago to meet w/ HT.

Cerda says [illegible] office, tells Catherine
That Ann Blackman of Time wants to
talk to you.

~~Reason wanted~~
Ann wanted to do a story on her in
The Press Corps. - DW was concerned
about The negative article. Cerda
recounted the article for her. CC
returns from Chicago, says to DW -
(on the press office)
HT tried to called CC That day. and They
the travel office put her off.

Ann Blackman also called for Dale after
The fact. CC answered the phone.

+ CC meets w/ HT on the 12th. CC shares
file w/ HT. says card seems to be
missing. (Catherine recounts this to Cerda.)

7/

Bobby Hegman recounts some of this to Cerda (she was in DC with HT).

Cozza ~~Cornelius~~ Cerda to say that she should go home to get her file. Cerda drives CC home - returns w/ file to give to Kennedy.

May 13.

Cerda's in the Counsel's office: People (David, Patsy, Cornelius) call her about these events.

/. O'Connor says all right w/ CC and Cerda at their [illegible] that morning.

- O'Connor tells them that auditors will come in - they did not know apparently that anyone would be fired.

- O'Connor wants CC ~~one~~ of them to attend Friday meeting w/ auditors to help Patsy (who has little knowledge of the Travel office situation). CC says she's not invited and shouldn't attend. Segal wanted to suggest Cerda to attend.

May 14 Catherine keeps out in scheduling and advance. Cerda speaks w/. Peat Marwick casually over lunch (Cerda eats lunch w/ O'Connor). Larry asks her general questions at lunch about press stuff generally. Didn't meet w/ FBI

Watkins is quiet.

E/

* When ~~do~~ were you ~~think~~ told that people were ~~told~~ going to get fired.

- Right before or morning thereof.

* Anything on there, may who pushed for people to get fired —

She heard conversations, regarding implications of firing. CC was concerned about how firings should be done.

There was concern how firing would happen. Was concerned about her being in the office. Dale was making strange comments to Cath—.

Anything

May 15/16 -

~~CC~~ Was told that Wed. That Tennant had an uncomfortable conversation w/ Billy. Tennant went to lunch (w/ Dale) Dale said to him in the car that "If you ~~said~~ played hardball w/ me, I'll ~~said~~ play w/ you." Dale showed Brian a copy of the memo and threatened to leak it. (This was after they were fired, but before FBI investigation).

Cath gets paged on 5/20 by Patsy (~~CC~~ Cath calls CC says she got paged - CC said she did too. Patsy called CC to make sure that they say that Brian didn't read the memorandum. Prior to first Brian of Tennant/Dale meeting.

Withers tells Dean not to discuss his conversation w/ Dellos.

Catherine is lead to believe that as part of your strategy not to tell that David read memo. Cerda thinks he did read it (based on the fact that he asked CC for another one).

May 21 Cerda gets called into the Dee Dee's office.

David yells her woke. Says "you never saw me read the memo" "you guys did this on your own?" Cerda says she remember David saying they should submit a counter-proposal. David says to Dee Dee that there's a conspiracy. Says to Dee Dee that Cerda can back up his story. Cerda corrects David in front of Dee (on submitter of memo).

[illegible]

Meeting with Cerda
6/7/93
ACO

Todd begins the meeting by telling Cerda that her interview is part of a management review of the office.

Campaign:

During the campaign, Cerda was a budget officer reporting to David Buxbaum (Buxbaum reported to David Watkins). Her role was to collect reimbursements from the press and secret service traveling on campaign charters. Other officers included Matt Moore, Catherine Cornelius, Peter Segal and Birnbaun (?). She believes that Air Advantage was the charter broker for the campaign.

o When did you meet/deal with Darnell?

She first met Darnell (and Penny Sample) two nights after election night. She dealt with him by phone on many occasions during the campaign (she handled billing for charters -- Darnell would fax her charter costs -- she would also deal with Worldwide Travel on billing to the media).

o Any dealings with Harry Thomason (HT)?

She knew through Buxbaum that HT was a friend of Darnell, but didn't know him personally.

Transition:

During the transition, Cerda handled contracts, manifests and billing for press travel. Watkins then asked her to work with Peter Segal on overall budget issues for the transition office in Washington. Her ultimate job goal at the time was to work in the office of the legal advisor at the State Department.

In early January David brought Cerda with him to the White House. He asked her to make a 6-month commitment.

On January 20, she began working in the Office of Administration, handling general administrative needs (access badges, visitors, tours, etc.)

Involvement in the Travel Office:

Two weeks after she began in the White House, Cerda met with Billy Dale. Dale invites Cerda to drop by the travel office to learn about the office. Dale characterizes himself as Cerda's counterpart on the Bush campaign. At the meeting they compared specifics on how Dale's system worked vs. Cerda's (for example, it was noted that the WH travel office used two planes whereas Cerda would often manage six at one time). Cerda also realized that Dale's office did not handle staff travel. Her impressions from the meeting were that 1) there were too many people in the office, 2) billing was estimated, 3) questions regarding record-keeping for possible audit purposes (Dale said the office kept records, but they "were locked away somewhere"), 4) they didn't use credit cards, 5) no contracts with press organizations.

Cerda may have discussed her impressions (specifically that there were too many people in the office) to David Watkins and CC (note: she was very unclear about this). She also met with Isabelle Tapia on the need for staff travel coordination (Isabelle reportedly complained on several occasions about the lack of staff travel help from the office, and reported that Dale responded to her inquiries saying staff travel was not their job).

February 15 memorandum:

Cerda recalls that beginning in February, David Watkins was soliciting memos on various White House functions and ways they could be improved (e.g., computer and phone systems, personnel). David asked Matt Moore to draft a memo on the travel office. Matt then approached Cerda and CC to get their ideas and answer questions he had.

Cerda recalls that there was tension with David over the division of responsibilities in the office (David was giving "substantive" responsibilities to Moore, Segal, Toback and asked Cerda and CC to answer phones). CC and Cerda approached him regarding their dissatisfaction, particularly on assigning Moore to draft recommendations on the travel office (CC and Cerda worked on travel during the campaign). Watkins responded by saying if they thought they had better ideas, they could submit their own proposal. So they did.

With respect to the proposal itself, Cerda says the main thrust of their report is that the office include staff travel support. On the "overly pro-press" comment in the report, Cerda says they tried to highlight the fact that the office did not have a staff travel component. She also says CC had more hands-on responsibility for writing the report. Additionally, they didn't speak with anyone about the report (except to mention to Janet Green that they were writing one).

On February 15 (President's Day), she remembers the President dropping by the office in the morning, and once in the evening as she's making a copy of the completed report for Watkins (she remembers being startled by him).

On the evening of the 15th, Cerda makes three (3) copies of the memorandum, one to the file, one was placed on David's chair, the other kept by Cerda. The following morning (16th), Watkins comments that he found the memo on his chair. The next day (17th) Jean Carlton (sp?) tells Cerda that David had taken the memo home to read the night before. That day, Cerda claims David asks her what justification they (Cerda and CC) had in recommending two co-directors for the travel office, claiming it would never work. The following day, Cerda mentions a Business Week article on the efficacy of multi-purposed management, to which David did not respond. (The inference here is that David Watkins read the 2/15 memo).

(She notes that she was also pursuing a job in the counsel's office at the time -- that Harold Ickes and Maria Eschavestes were helping her).

Cerda claims to have heard complaints about the travel office from "young staff in the press office," but didn't provide names.

Report Recommendations:

Cerda believes her proposal would have reduced two positions from the travel office and saved substantial money (salaries). On using Worldwide Travel, Cerda said she was giving her proposed model, and knew that WWT could handle both the press and staff travel components. She viewed her report as "merely recommendations." Her proposal also included merging of positions from the advance office.

o When did you hear about possible improprieties in the advance office?

Cerda says mid-April, when David sent CC over to the travel office. According to Cerda, David asked CC to find out what was happening over there, and prepare another memorandum by May 15. David told CC that a source said, "those guy's are crooks, and have been on the take for years." She also asserts that Watkins checks-in with CC periodically inquiring "have you found anything yet." Cerda also recalls finding out that travel office employees would sometime work on four days a week, without deducting time from their annual leave.

o Any contact with Darnell.

No.

o Any knowledge of Darnell contact with Dale?

Not prior to May 12.

(Cerda then recounts CC's time in the travel office and events following. Many of the events are recounted to Cerda by CC, Watkins and Patsy Thomasson)

Cerda notes that CC gets moved to the back room of the travel office. The travel office employees make racist and sexist comments. On one occasion, Dale asks CC sarcastically "did you sleep well?" CC feels that travel office employees are suspicious and hostile.

Prior to that weekend (May 7) Cerda reports that David Watkins met with Harry Thomason (HT). Cerda sees Darnell and HT in the West Wing that day. CC calls Cerda that day telling her that Watkins wants CC to meet with HT to share information on the travel office (she notes that CC had not met HT previously).

While on the Chicago trip with the President, CC gets paged by the travel office, who tell her that she has received a call from Ann Blackmun of Time Magazine. CC finds out that Ann wants to do a story on the fact that she's the President's cousin. CC phones Cerda from Chicago (in a panic); Cerda looks up the nepotism statute and informs CC that she has no problems. (note: Cerda believes that Billy Dale tried to frame CC. She notes the travel office said they could not reach CC when HT called for her -- the same day they paged her regarding Ann Blackmun's call. In addition, CC picked up a phone call from Ann Blackmun for Billy Dale after the incident.)

Cerda says CC met with HT on May 12. CC recounts to Cerda that she shared her file with HT, and indicated that cash seemed to be missing. (Bobby Ferguson, who works with HT also recalled this meeting to Cerda). Cerda also drives CC home to retrieve her file and present it to Kennedy. REDACTED

On May 13, Jennifer O'Connor stays with Cerda and CC at their home all night. Jennifer informs them that Peat Marwick will audit the travel office the next day. Cerda gets no official indication whether the travel office employees will be fired.

Jennifer also wants CC or Cerda to attend a Friday am meeting with Peat Marwick, because Patsy and Jennifer have little background on the office, and have been asked by David to brief the auditors (and David has left town). CC says she hasn't been invited and shouldn't attend. Cerda says she doesn't want to get involved any further.

On May 14, Cerda speaks briefly with Larry Herman (on general issues of press travel) while having lunch with Jennifer.

o When were you told that employees would be fired?

 Maybe two hours beforehand.

o Do you know of anyone who pushed for the employees to be fired quickly?

 Cerda said she heard conversations regarding implications of the firings. Says CC was concerned at how the firings would happen. CC was concerned about being in the travel office, and Dale was making strange comments to her.

On Wednesday (May 19), Cerda is told by Jennifer O'Connor of an uncomfortable conversation Brian Foucart has with Billy Dale. Watkins asks Foucart to go to the travel office's bank; Dale accompanies him (you should note that Dale and the employees have already been fired). In the car, Dale reportedly tells Foucart "if you guys want to play hardball with me, I'll play hardball with you," whereupon Dale shows Foucart a copy of the Feb. 15 memo. Dale threatens to leak the memo to the press. (this was prior to the FBI investigation of the office, and allegedly Dale is responding to that likelihood).

On May 20, Cerda and CC are paged by Patsy Thomasson (Cerda doesn't connect with Patsy but CC does). CC tells Cerda that Patsy called to make sure that they state (in any public comments) that David Watkins didn't read the Feb. 15 memorandum (the story is fairly hot in the press at this point). CC is led to believe that not telling that David read the memo is "part of the press strategy." (note: Cerda believes he read the memo).

Watkins tells [illegible]

On May 21, Cerda is called into Dee Dee Myer's office. Outside her office, she recalls that she's approached by David Watkins who states, "you never saw me read the memo," and "you guy's did this on your own, right." Cerda responds to David saying he suggested they develop a counter-proposal to Moore's travel office memo. When David and Cerda meet with Dee Dee, David tells Dee Dee (falsely in Cerda's eyes) that Cerda can verify his story.

End of Notes

[redacted]

While there
billing [illegible]

records for audit purposes
"locked away"
never audited
no files
no credit cards
no computers except 1 guy
[illegible]
How many people in DC

[illegible] will complained re no one covering
[illegible] / staff

---

phones: computers
[illegible] personal office
[illegible] site. memo from [illegible] Morris re
Travel office

[illegible] [illegible] a [illegible]

Chambers could be [illegible]
press [illegible] Clinton eg at White House
not [illegible] staff support

"What protection system at 2 directors
Cl. can't [illegible] re multi-person
[illegible]

DV: Spencer told me Lowell
when CC moved a [illegible] to
May 1 (C). still in [illegible]

or May 7 [illegible] DW told CC to get
in [illegible] NT

Ann Blackman
Time

PT status bill:
re docs

@ DV: "never saw the draft memo"
you did it on your own

CL solicited from Matt. I explained
you said go ahead counterproposal

May 21

Cerussi (6/8/93)

Continuation of 6/7 meeting

* [illegible] wrote the 4/28 memo at Noon –.
Memo was in papers on Saturday – with the [illegible] being leaked —

May 21 [illegible] was [illegible] out Cerussi's name. Press had been calling him at top [illegible]. Celia's name came out Friday morning —

Also had comments about Wathen not reading memo – [illegible] of Reuters (that Chutichoke gave it to her) —

After reading article, David called her where she had the whole conversation. She also demanded anyone getting together.

David said "I put it in a file, I never looked at it" Celia responded and "you're right, I never knew you read the memo" —

Celia said go the [illegible] on the [illegible] — would stand up to him [illegible]. She felt comfortable in confronting David —
David responded "I never asked for it" and "you mailed it to me, I read it the time it was a few [illegible] to me."
Celia responded that DW asked Matt for a memo, and told them if they had better ideas, you should send out a memo.

2/

- David suspects that he had forgotten about the Matt memo.

- Remembers comment to Catherine that it was a temporary "if something isn't broke, don't fix it"

· David then tells DeeDee that Cerda remembers it the way he did. Cerda said she didn't remember it totally as he did.

Monday DW and Cerda ~~[illegible]~~ was in sitting in the open area of the administration office. He then wanted to consult w/ CC + Cerda about handling the press generally.

May 22 · Story in news [illegible]. CC + Cerda stayed at home.

Patsy called CC (CC was upset) Cerda was in the foyer naturally. CC was napping - Cerda was answering phone calls.

CC was furious after Patsy's call. (CC got hives)

· DW and Patsy chewed her out that Friday (CC tells her) CC had got hives because they yelled at her.

→ Patsy makes catty comments in a call to her home. They're saying she can't handle the situation.

The [illegible] is carrying even the [illegible] —
[illegible] The Ins trip.

Philadelphia trip (May 30) The cartoon "Can I help you?" a story about cartoon Catherine — The Ins Company sent her an invoice in Cary Wright's name!

Mem day weekend One of the [illegible] Ins drivers is handing out copies of the cartoons to the press.

Tues — (June 1)

Cecilia and CC at home — Brian [illegible] calls. He asks for CC — (She doesn't know his voice) CC says "no, I haven't considered resigning." (Cecilia hears CC's part of the conversation) Cecilia learned that Brian asked CC to resign.

Then calls "as a friend"

CC said Cecilia had been advised to seek independent counsel.

June 2 early morning —

Cecilia is paged after a council meeting by Patsy. Patsy asks to meet her in one of the tunnels under OEOB. Cecilia meets her.

— Patsy runs OA — [illegible] reorganizing Patsy's management staff — OA has Administration Brian Foucart's old position. Patsy reports to [illegible]. Patsy seems to be taking Brian's job —

- Patsy says she's concerned about Catherine. "[illegible] worried about her" Says David has [illegible] her "she's been fucking up" Patsy thinks the only option is for CC to resign. Says Patsy is afraid that CC would be marred, if she were fired. Suggesting letter for her to leave than to get fired.

~~Then~~ Patsy offers a job at the DNC doing travel at the same pay — Celia thinks it would create another story. [illegible] David said CC make that very clear.

Also told Celia that it was the only way out, only way to save David's job. Suggested a move from CC to DO, saying the stress is too great, given difficulties, that she should resign and request reassignment.

Patsy said it was an urgent time — David's only option was possibly to fire CC within the next couple of hours. CC's resigning would be the best thing.

Celia says she would let her know of another job availability, but she would recommend resigning

"Doesn't she know she's embarrassing the Pres." (Patsy became hostile) ~~Patsy says she wouldn't be saying~~
Patsy also saying that David had helped Celia in the past.

Celia called CC to let her

Went to Cliff Sloan's office (he told her she didn't need indep. counsel) Celia was concerned about possible responses. Sloan worried about possible coercion. Celia wanted to know if [illegible] was protected - Cliff said he'd only tell Bernie or Patsy -

See Cliff [illegible] page 1 and later: Patsy then paged Celia again. Celia was concerned about possible coercion.

After mtg w/ Patsy — Celia said she didn't feel comfortable about conversation w/ Patsy. Was uncomfortable talking CC of [illegible] opportunity; wanted Cliff's guidance. Cliff talks to Bernie — then demands no conversation w/ CC or Patsy on this subject. Celia tells Cliff that David was planning to fire her. Cliff said not to worry, it won't happen.

[illegible]

June 2

Celia called Patsy. (Patsy knew of Celia's conversation w/ Cliff): Patsy was hostile, said "I never told you that this was the only way to save David's job"

"never meant to suggest that Catherine should resign" * Patsy became hostile and began to ask more questions. Celia says she was

phone call

Patsy asked "who did you tell" Celia said Bernie - Patsy said "we thought you had sensitivity, and if we knew you were going to speak of Bernie, we would have never had the conversation"

Afterwards Celia sought independent counsel. Hasn't discussed this further w/ ~~counsel~~. CC.

June 3 or 4

Cecilia & CC were informed by J. Assures that Patsy (in a morning meeting) ~~Pat~~ suggested Cecilia and CC's access privileges would be terminated.

DW called Cecilia June 7. (evening) Didn't speak. Thought it odd that he ~~didn't~~ ~~leave~~ number when call (he called himself)
wouldn't had

She spoke w/ Kelly. Asked her what he called about. They didn't know.

Mr. PODESTA. May I answer the question, Mr. Clinger?

Mr. CLINGER. The gentleman may proceed.

Mr. PODESTA. One of the problems I think we found in the conduct of the Travel Office was that Ms. Cornelius and—was forthcoming with facts, would tell us what she knew, when she knew it, et cetera. But sometimes she and sometimes Ms. Cerda would jump to conclusions that we didn't find the basis. And I think that this is an example of that.

They—Mr. Watkins asked her, Did you ever know a two-headed operation to run right? I believe he must have said that to them, because they told us that. But I didn't draw the conclusion that Mr. Watkins therefore had studied this memo.

Mr. CLINGER. All right. The gentleman's time has expired.

Does the gentleman from Texas seek to claim his time now?

Mr. GREEN. Yes, Mr. Chairman.

Mr. CLINGER. The gentleman is recognized for 5 minutes.

Mr. GREEN. Thank you, Mr. Chairman.

My colleague earlier, Mr. Mica, mentioned in his opening that he wanted—he thought that the Democrats, the minority was trying to discredit the hearing. I think that's far from the truth. What we want to to is be able to look at a broad-based hearing to make sure that we can see not only what happened in 1993, what's happened since then, and what has happened before.

Let me ask our witnesses, and I'm just going to read a statement from each of them and ask them if it's correct. Mr. Shaheen, on page 4 of your statement, you say the agents—and again you're with the OPR, the Department of Justice, and obviously talking about the FBI here. The last four lines:

> The agents did not interpret Mr. Kennedy's statements as threats or attempts by him to pressure them to respond to the situation in an inappropriate manner or in any way inconsistent with normal procedures. In fact, the FBI did not.

Obviously that's your testimony you gave today. There was no involvement from the White House, there may have been some appearances, that was concerned, but the FBI did not feel like that there was any inappropriate manner and they did not take that. Is that correct?

Mr. SHAHEEN. That's correct, yes, sir.

Mr. GREEN. OK, thank you.

On the—Mr. Bell, the Chief Inspector for the IRS, on page 4 of your statement, at the top, you say, reported investigations and conclusion; and you're the Chief Inspector for the IRS, and it's nice to be on this side asking questions of the IRS instead of on the other side so often. The inspection service investigators conclude there was no evidence of any attempts by anyone outside the IRS to influence the course of the matter. There was no evidence of any improper or irregular actions on the part of any IRS employee; and all actions taken in the course in this matter were in the context of the respective employees' official duties. Again, this is your statement that you provided today. There was no effort by the White House to ask the IRS to do something that they shouldn't be doing in their investigation; is that correct?

Mr. BELL. That is correct, Mr. Green. There was no evidence of any attempts by anyone outside the IRS to influence.

Mr. GREEN. OK. Now, to the GAO and Ms. Kingsbury, in your—on page 5 of your statement, the results of your work, you talk about on September 15 you were asked to revisit the White House Travel Office financial operations to make a further assessment of these operations comparison to the 29 criteria that you identified. And you state that 26 of 29 of those criteria have been complied with and the other three are things that are long term that they're addressing. Is that correct?

Ms. KINGSBURY. The other things are things they're aware of, and there are some difficulties in addressing them, at least in the case of two of them. Reconciling your bank accounts is something you could do every month if you wanted to.

Mr. GREEN. Yeah, but you think—is the White House making an effort? That's one of those——

Ms. KINGSBURY. They told us that they recognized the problems.

Mr. GREEN. OK. Let me, each of you, and again I know you've been called here, you've been under questioning, having even more questioning, but it seems like the effort was to show that, you know, within 5 months of the Clinton administration, they actually fired a person who is in 2 days going to go to trial on a felony indictment. And now two-and-a-half years later, we're looking at it and saying, well, we want to know if there was any evidence of any impropriety from the White House.

Obviously, the GAO, you said 26 of the 29 recommendations you've made they've complied with. The IRS and the Department of Justice and the FBI have shown from the testimony today that there was no improprieties.

Mr. Chairman, I'm glad to have this hearing. I would hope we could broaden it and ask to find out why the GAO in 1988 actually maybe had two investigators that set there with the person who is now under indictment and may have caused someone to lose their job because of that. And I would hope we could expand our committee to that jurisdiction to that—or hearing.

With that, I'd like to provide the rest of my time—yield the rest of my time to Mr. Kanjorski.

Mr. KANJORSKI. Thank you very much, Mr. Green.

Ms. Kingsbury, I was about to ask you the question after Mr. Podesta, when I broke off my last examination, this anonymous letter that was received by GAO, as I understand it, was referred to the office, the Counsel of the President's staff of the White House and the inquiries were handled there and Mr. Saunders from the security staff made inquiries of Mr. Dale and others in regard to it. Is that correct?

Ms. KINGSBURY. We referred it to the legal counsel's office. We had a meeting with them to discuss it. We do not have any information about what happened after that, other than the text of the report.

Mr. KANJORSKI. I see. You don't have a follow-up procedure? If somebody alleges impropriety, illegality and criminal activity to the GAO, you just send it over to the White House and it dies there?

Ms. KINGSBURY. We ask agencies to inform us what they have done with matters that we refer to the IG's or whatever. We do not have what I would call an aggressive follow-up to make sure everything gets done every time.

Mr. **KANJORSKI.** Are you aware that the Post Office and Civil Service Committee of the Congress did make an investigation of the Travel Office and travel arrangements of the Executive Office back in 1991 and 1992?

Ms. **KINGSBURY.** I am aware of it in vague memory, yes, sir.

Mr. **KANJORSKI.** Are you aware that we were assigned some detail from the General Accounting Office to help us through their previously frustrated audit, to help us and give us assistance on any information they were unable to obtain that we could obtain?

Ms. **KINGSBURY.** I've—I think I don't have any current memory of that, although it would not surprise me at all.

Mr. **CLINGER.** The gentleman's time has expired.

The gentleman from Indiana, Mr. Souder, is recognized for 5 minutes.

Mr. **SOUDER.** Mr. Shaheen, I want to return to some questions of Mr. Schiff, and I apologize for my voice. I was at the Notre Dame-USC game and yelling as loud as I could for Notre Dame, and I only have part of my voice back.

When the White House turned over Mr. Foster's note, they also said that Mr. Nussbaum said that he thought it might shed light on Mr. Foster's state of mind at the time of his suicide. Yet the same standard doesn't seem to be applied to the Travel Office file, and that one of the concerns is that if it was considered significant enough to potentially contribute to Mr. Foster's death, doesn't it seem that the file might have helped in your investigation as to what Mr. Foster meant in his note?

Mr. **SHAHEEN.** Without any doubt, it would have been of great assistance in reaching our conclusion as to why we believed he killed himself, which we believe he did, in a much more unequivocal manner.

Mr. **SOUDER.** I also want to ask Ms. Kingsbury, my understanding is that you sought the documents about the Travel Office from Mr. Foster's files; is that true?

Ms. **KINGSBURY.** During the course of our job, we made several inquiries about whether there were files in Mr. Foster's office that mentioned the Travel Office. And we were repeatedly told there were not.

Mr. **SOUDER.** And didn't Patsy Thomasson tell you in her interview that she didn't see anything related to the Travel Office on Mr. Foster's desk?

Ms. **KINGSBURY.** I'd have to double-check the interview, whether that was in the interview. We submitted a question to her in writing on that matter, and she responded in writing that, to her knowledge, there was not any information.

Mr. **SOUDER.** On the desk?

Ms. **KINGSBURY.** I don't remember a reference to the desk, but I can check that.

Mr. **SOUDER.** And the core question comes is that it came out later that it was under the desk. Is this a typical problem that you face in examining government officials, that you have to ask them whether it was on or under or in a file or in some type of chair or in their shoes or in their hat; or is it that literal when you're interviewing somebody, that if you say, I want the file on the desk, they're nonresponsive because it was under the desk?

Ms. KINGSBURY. It is not normally our experience that we have to be compulsively precise in order to get documents, no.

Mr. PODESTA. Mr. Chairman, that's not a fair characterization of Ms. Thomasson. The question was whether she saw the file, and when she responded that she did not see the file, it wasn't—and I don't think she was drawing a distinction between on top of the desk or under the desk. I'll let her speak for herself, but I just don't think that's fair.

Mr. CLINGER. I think we should let her speak for herself.

Mr. SOUDER. Yes, we're looking toward to the opportunity, and we wish today we could have had some people who repeatedly have not allowed the committee to have access to them. Mr. Bennett's protected some of his clients, and I hope that we can get into that.

If I could ask some more follow-up questions of Ms. Kingsbury, isn't it true, we heard Mr. Green refer to your report, but in the written report, which you summarized, you said that some of the key individuals with whom you wished to speak, refused to speak to you at all.

You said that you had concerns about whether our interviews were influenced by earlier events. Fortunately, it is a practice that does not routinely occur in our work. You said in your written testimony that it was limited to some extent by our ability to fully evaluate the operations of the Travel Office or to fully resolve some of the issues we sought to address.

You said also that it would be difficult indeed to provide Congress in a timely manner with the information it needs to carry out, if you were put under these kind of constraints.

For example, did you not try to get information on the document that had the question of how Mr. Thomason was—what business he was doing at the White House and how he was employed, and did you get any information on Mr. Thomason?

Ms. KINGSBURY. We asked—I don't know the exact number—probably 10 or 12 people at the White House for information about what Mr. Thomason was doing, up to and including the Chief of Staff. Toward the end of the job, we were finally provided some information, which is included in our report, about what he was doing, but that's all. And we did repeatedly ask about it. And if press reports and statements that have been made this morning are correct, we didn't get all the information that was available.

Mr. SOUDER. Does that concern you? Is that typical, that when you request that type of information, that it's that hard to get it? We've heard the chronology, we hear all the excuses about the past abuses in the office, yet it's clear that right after the election there was a discussion about changing the White House Travel Office.

There's a White House project paper that Mr. Podesta said he believes was the same thing that Mr. Eller erased, but he didn't say he was sure, but he apparently went on that belief, that the project paper suggests that people should be brought under 501(c)3's to, in effect, do what they wish inside the office to supplement the work of the Congress.

Is that type of thing traditionally not supplied in a GAO audit? Is it this hard when you go in to try to get this kind of information?

Ms. KINGSBURY. As I said in my statement, sir, in most agencies and under most circumstances, we get good cooperation and sometimes literally are permitted to go through filing cabinets. That was not the case here.

You have made reference in that introduction to a number of documents that I'm not—that we have not actually seen and that I don't know about, so I can't comment about those. But it is—it is strictly true that in most of our work it is not as difficult as it proved to be on this occasion.

Mr. SOUDER. Thank you.

Mr. CLINGER. The gentleman's time has expired.

The gentleman from Pennsylvania is recognized.

Mr. KANJORSKI. Mr. Chairman, I yield my 5 minutes to Mr. Waxman from California.

Mr. CLINGER. The gentleman from California is recognized for 5 minutes.

Mr. WAXMAN. Thank you very much, Mr. Kanjorski.

Mr. Chairman, let me put some things into perspective, because I think there's more going on in this hearing than might meet the eye.

We have a fact that the Bush administration, Reagan administration, had a Travel Office, and people in that Travel Office, according to a Peat Marwick evaluation, were pretty poorly handling their responsibilities. It got to the point where the head of that Travel Office has already now been indicted for embezzling.

Second, the Clinton administration came in and responding to these problems at the Travel Office, poorly handled the removal of the people working there. They were insensitive, clearly, and they have apologized.

Third fact, the chairman of this committee wanted a hearing in the last Congress on this issue. He thought it was an important issue to explore. I think that it's appropriate to explore this matter, and it was inappropriate not to have that hearing. But nobody asked me, then or now, about the hearings.

There were hearings attempted by another committee of the Congress when the Democrats controlled this institution, about the political use of the White House Travel Office by Bush and Reagan; and when Mr. Kanjorski was chairman of that subcommittee and tried to hold hearings, he was frustrated by the Republican White House in conducting that hearing. Wrong for them to do.

But now we have this very strange situation of a hearing being held by this committee where the focus is being narrowed. Members want to inquire about the Bush and Reagan Travel Office, and the chairman said, Well, we're not permitted to go into those questions. It seems to me that what we have is the scope of this investigation deliberately being designed to embarrass the President, not to learn the truth about the Travel Office.

Perhaps it's payback time. But that's really not a very noble goal for this committee, to try to go tit for tat on a political basis.

What we ought to be——

Mr. CLINGER. Will the gentleman yield?

Mr. WAXMAN. No. What we ought to be doing is trying to find out the truth. Members ought not to be muzzled in inquiring about matters that, I believe, are relevant.

The next thing that's very peculiar about this hearing: The guy who was the chief advisor to this committee used to work at the

Bush White House. What did he do at the Bush White House? He was in charge apparently of looking at accounting within the White House operation; and it appears from testimony that was taken by another committee, that under the jurisdiction of that fellow—who was Chief Counsel of this committee—was the Travel Office.

Now, that just seems to me a very disturbing appearance of a conflict of interest. If this committee's chief investigator was responsible for accounting in the White House Travel Office, that ought to make him a material witness at our hearing, not an independent investigator for a committee of the Congress.

The next point I want to raise, the Attorney General of the United States wrote to the chairman of this committee and said, Don't hold this hearing right now; Mr. Dale is going to go to trial on embezzlement. This may confuse the jury evaluation of the case. Instead, we're going forward with it; nevertheless, it seems to me inappropriate.

And then third, Mr. Chairman, I have letters and I want to put these in the record. You wrote to the Honorable Jamie Gorelick, Attorney General, Department of Justice, and you said, in the course of reviewing documents to prepare for the committee's October 24, 1995 hearing on the White House Travel Office matter, the committee's Chief Investigative Counsel brought several documents to my attention that appeared to contain material subject to *Brady* v. *Maryland.*

Now, our committee got boxes of documents. I'm sure Mr. Dale's attorneys got boxes of documents. I don't know how your chief investigator would know that Mr. Dale didn't have a particular document. There must have been close cooperation between our investigators and the man who's being accused of embezzlement for you to write a letter saying, I want you, the Attorney General, to give to Mr. Dale's attorneys these particular documents, which we know about. How did you know they didn't have it? How did you know they didn't have this one sheet that was attached to the letter?

And I'm going to put this in the record, and I'm going to distribute it to the press. I think they ought to see this, a letter written by the chairman of this committee telling the Justice Department they are not giving a defendant in an embezzlement case documents. I find that this close contact between our staff and Mr. Dale's attorneys to be very, very peculiar. I hope we're not actually having our committee intervene in a criminal trial.

And, Mr. Chairman, I'd like to yield to you, because I find it highly irregular; and frankly, I'm very disappointed in how this inquiry is being conducted.

Mr. CLINGER. The gentleman's time has expired.

Mr. WAXMAN. I would like to yield.

Mr. CLINGER. And in response, let me say that the letter to Deputy Attorney General Gorelick was done in—very confidentially. You have now made it a matter of public record. The intention of that was to suggest that there might be information that was subject to the Brady rule. We did not in any way suggest that that should be given or not given. We just indicated that there was a potential at least of Brady implications. But it was in no sense our intent to make that a matter of public record.

I would suggest to the gentleman from California that on this side of the aisle we have been very scrupulously avoiding and not involving ourselves in anything that might in any way impede or impute or undermine the prosecution of Mr. Dale. Any implication in that regard is coming from your side of the aisle. You're the only one who has actually raised these questions, tried to enter into the record material that might be damaging to Mr. Dale.

I don't think that we should have material at this hearing either damaging or exculpatory of Mr. Dale.

Mr. WAXMAN. Can I inquire of the chairman, did your committee staff have contact with Mr. Dale's attorneys? And if they didn't, how do they know that Mr. Dale's attorneys did not have that particular document which evidently came to you in boxes of other documents?

Mr. CLINGER. My staff was not aware of whether they had it or did not have it. We had no contact with them on this matter.

Mr. WAXMAN. You had no contact—your staff has had no contact with Mr. Dale or his attorneys; is that your statement?

Mr. CLINGER. On this matter, no. You know we've had contact with—not with Mr. Dale.

Mr. WAXMAN. What does that mean, "this matter"? That sounds like the kind of thing you say when you're trying to obfuscate.

On what matters have you had contact with Mr. Dale?

Mr. CLINGER. We've had contact both with the prosecution on this matter and on Mr. Dale, primarily to fence off any possibility that we could in fact jeopardize this trial. That has been the purpose of any contacts which we've had with either side of this matter. But there has been a scrupulous effort to insulate or fence off, avoid having any involvement of this matter in that pending trial——

Mr. WAXMAN. Mr. Chairman, you wrote a letter asking that this particular——

Mr. CLINGER [continuing]. Which you have now made public, and we had not intended to because we thought it would in fact raise the question or raise questions with regard to the Dale——

Mr. WAXMAN. Well, it raises questions as to what you're doing. Why are you going out and trying to get documents to be given to a criminal defendant?

I'd like to know how many meetings your staff had, what those meetings were about. It just seems to me that maybe you had a proper inquiry where you thought you could score some political points, but it sounds like you've got an overzealous staff that's running away and doing very inappropriate things.

Mr. CLINGER. I think that the gentleman has made his point. I would suggest that the line of questioning which he wants to pursue, which is to explore evidence or suggestions of malfeasance or misfeasance in previous administrations, may well be the subject of a future hearing. These witnesses are not competent to discuss the matters which you have tried to raise at this hearing.

Mr. WAXMAN. But you and your staff are competent to answer the questions of perhaps malfeasance——

Mr. SOUDER. Regular order, Mr. Chairman. He is making points that are not point of order, that are not parliamentary inquiry.

Mr. CLINGER. You're absolutely correct.

The Chair now recognizes the gentleman from Pennsylvania, Mr. Fox.

Mr. FOX. Thank you, Mr. Chairman.

I first want to state that I believe that this inquiry by the committee is not in any way payback time for anything, but actually a thoughtful discourse on an issue that's important to the committee's efforts to attempt to find the truth; and anything that we do, I hope doesn't confuse juries or anyone else in the country, but frankly gets to the clarity of what our coequal branch's responsibility is to see how we could improve our inquiry into the executive branch of government as it relates to our oversight responsibilities. And in that connection, I would ask Mr. Podesta a few questions.

Mr. Podesta, why was a direct reference to David Watkins' and Patsy Thomasson's glaring and complete failure to provide any oversight to the Travel Office employees prior to their firings watered down by Peat Marwick in the final Peat Marwick report and in your management review to apparent oversight?

Mr. PODESTA. I'm sorry, Congressman, you have to repeat the question. Which—what was watered down?

Mr. FOX. OK, I'll repeat the question.

Why was a direct reference to David Watkins' and Patsy Thomasson's glaring and complete failure to provide any oversight to the Travel Office employees, prior to their firings, watered down by the Peat Marwick report, in the final report they had and in your management review, into no apparent oversight?

Mr. PODESTA. I'm unaware of your reference to the Peat Marwick review. And with regard to the—our report, I think it was immaterial to our report, although I would say that we recognized that and criticized the way Mr. Watkins handled the firings of the seven employees, based on cause, especially with regard to the five people who did not have financial control.

So I don't—I think Mr. Watkins was publicly reprimanded, so I don't—I don't accept the characterization that this was watered down.

Mr. FOX. Mr. Podesta, did you ever ask Mr. Kennedy why Peat Marwick's first draft was identified as private and confidential, subject to attorney/client privilege?

Mr. PODESTA. Why the report was?

Mr. FOX. Right.

Mr. PODESTA. Was——

Mr. FOX. Identified as private and confidential, subject to attorney/client privilege.

Mr. PODESTA. I assume that was standard operating procedure for Peat Marwick. Attorney/client privilege is waivable by the client. The client in this case was the White House.

Mr. FOX. Mr. Podesta, on what basis did Larry Herman, a Peat Marwick management consultant and Harvard MBA, invoke attorney/client privilege on his firm's work product, if you know?

Mr. PODESTA. I don't know.

Mr. FOX. In both its draft and final reports, Peat Marwick wrote a disclaimer clearly stating, "Our procedures do not constitute an audit, examination, or review, in accordance with standards established by the American Institute of Certified Public Accountants, and therefore we do not express an opinion or any other form of assurance on the information presented in our report."

This disclaimer all but says, as far as understanding how the Travel Office worked, that the Peat Marwick report was not worth the paper it was printed on, let alone the $40,000 that the White House paid Peat Marwick to prepare it. Isn't that true?

Mr. PODESTA. No, that is not true. Peat Marwick went in. They found what they found. I think our reports noted that there weren't sufficient records to conduct an audit in the Travel Office, and we made that very specific report in our travel review.

Mr. FOX. The Travel Office employees were accused of corruption and mismanagement because of their failure to put all of their press charters out for competitive bidding. That ignored the fact that, because of the President's schedule, many charters are arranged with only 2 days' lead time. Did Peat Marwick win the White House Travel Office contract by competitive bidding?

Mr. PODESTA. Peat Marwick?

Mr. FOX. Yes.

Mr. PODESTA. No, they did not.

Mr. FOX. Did World Wide Travel and Air Advantage take over the White House Travel Office operations on May 19 after winning a competitive bid for the business?

Mr. PODESTA. I think—I would split those two questions. World Wide did not make a competitive bid, to the best of my knowledge, although I think they were prepared to do so, and that was remedied when they were removed from the Travel Office, and American Express did make a competitive bid over that weekend following the firings, and American Express came in and took over the—those responsibilities in the Travel Office.

With regard to Ms. Sample, I don't believe that Ms. Sample was being paid for those services. I don't think that she was providing the—she was essentially there, in her mind, as a volunteer, although we criticized that action as well, as you know if you have read the report.

Mr. FOX. Did you mention anywhere in your Management Review, Mr. Podesta, that even as it plotted the firing of the White House Travel Office employees in part because of their failure to competitive bid press charters, the White House arranged for three separate organizations to undertake Travel Office-related business without a single competitive bid?

Mr. PODESTA. I am sorry, Congressman, I think I need that one more time.

Mr. FOX. OK. Did you mention anywhere in your Management Review that even as it plotted the firing of the White House Travel Office employees, in part because of their failure to competitive bid press charters, the White House arranged for three separate organizations to undertake Travel Office-related business without a single competitive bid?

Mr. PODESTA. Are we talking about Peat Marwick or are we talking about——

Mr. FOX. We are talking about the travel business without competitive bid.

Mr. PODESTA. The travel business, I believe that—I'm not sure about the first flight, but I think after that they instituted competitive bidding procedures, and I think those competitive bidding procedures are still in effect, notwithstanding the fact that the President often changes his travel plans and must decide to travel on very short notice.

Mr. FOX. We have established that Peat Marwick management consultants, not auditors, looked into the operations of the White House Travel Office, the management side, not the auditor's side. To what extent were their efforts directed by the Office of White House Counsel, to your knowledge—Peat Marwick?

Mr. PODESTA. They were briefing Mr. Kennedy in the White House Counsel's Office, certainly. I believe that the arrangement was made through Mr. Watkins. They reported primarily to Ms. Thomasson because Mr. Watkins was away for the weekend at his daughter's graduation.

But they were clearly briefing Mr. Kennedy as the review went along, and I believe—I believe that Mr. Kennedy was briefing the FBI, but it's conceivable that Peat Marwick was doing that directly. I can't recall specifically.

Mr. CLINGER. The gentleman's time has expired, and the Chair now recognizes the gentleman from Virginia, Mr. Moran, for 5 minutes.

Mr. MORAN. Thank you very much, Mr. Chairman.

Mr. Chairman, I believe that the White House Travel Office ought to be privatized, and I came to that conclusion the last time that this committee, which was the Post Office and Civil Service Committee at the time, the subcommittee had responsibility for authorizing the White House Travel Office.

We as a committee also have that responsibility for authorizing the office. I don't think we ought to. It has been operating without authorization. I don't think we should continue with it any longer, and I'll share with you some of the reasons I came to that conclusion.

I think they are relevant to the reason why the administration felt there needed to be a dramatic change in the way the office was operated when it came in, which of course is the subject of this hearing.

We didn't know, at the time, a lot of the information that has subsequently come out. We did know that Pan Am was virtually exclusive, got all the business for the Travel Office. We didn't know that one of the employees in the Travel Office was married to someone that was doing sales and promotion for Pan Am and getting some form of kickbacks in return.

But what we did have was a long list of trips for which there seemed to be no accounting, at least no accounting of reimbursement, and that is what is relevant to this Mr. Larsen, because he was the one we asked to come and testify. He was responsible for doing the accounting of these trips. He refused to do so. That is why we were interested. He subsequently became the staff director staff person on this committee.

But three of the trips—and I can refer you to the hearings on page 264, this committee's hearings—three of them cost the taxpayer about $3.6 million, for which the candidates that they benefited reimbursed the Republican National Committee for about

$50,000. But the U.S. Treasury only got back something less than $350 for that $3.5 million of taxpayer-financed trips.

None of those trips involved any official activity. One of them, for example, was to Utah, Oregon, and California for $1.1 million. Senator Seymour reimbursed the Republican National Committee for $7,500 and Senator Packwood for $15,000, but that money in return never got back to the U.S. Treasury from the Republican Committee.

There was a subsequent one to Florida where, in fact, Mrs. Ros-Lehtinen reimbursed the Republican National Committee for $17,000, of which the RNC reimbursed the Treasury of the United States less than $350 to pay for that trip, and there was a third one that we looked into that had three fund-raisers in it and a golf outing, and that was about $1.5 million apparently.

But there was no accounting for these trips. They were all political, all political fund-raisers by either President Reagan or President Bush, and there didn't seem to be any disagreement that there was no official function performed. But there was no reimbursement—there was reimbursement to the Republican Committee, there was no reimbursement to the taxpayer, and it is because of this lack of accounting that I think we ought to just eliminate the Travel Office or at least get some idea of how the money is accounted for.

We asked Mr. Larsen to come up. I remember the day when the seat was empty. We had his name tag there. Do you remember, Paul? And I think if we could get some of this cleared up on how the office maintained its accounting, there may be a good reason for why we didn't have the information. In fact, maybe everything is above board. It appeared that that was not the case given the hearings that we held.

But if we don't get answers to that kind of inquiry, then I really think we ought not be having an office that has the official sponsorship and has such immediate access to taxpayers' money and can, in fact, be used purely for political purposes and avoid reimbursement to the Treasury.

Now, there may be good answers for what—the issues we raised, but I think, again, Mr. Chairman, that if we are going to get into this issue of the Travel Office and the way in which it functions, we need to get those kinds of answers that were raised by this committee the last time we had hearings on the White House Travel Office.

If any member of the panel can respond to any issues that I raised, I would love to hear a response or some information that would clarify these unanswered questions.

Ms. Kingsbury.

Ms. KINGSBURY. Well, the trips that you describe clearly predate any records that we have seen about the finances of the Travel Office, so I can't comment, although I'm mildly puzzled by the use of taxpayer money, because at least the trips that we examined did not involve the use of taxpayer money, at least not insofar as the press travel was concerned. So I really can't comment about the financial management of the office that long ago.

Mr. MORAN. This was the cost to the President and his entourage, not the press.

Ms. KINGSBURY. That's a whole different subject then.

Mr. CLINGER. The gentleman's time has expired.

Mr. MORAN. Thank you.

Mr. CLINGER. And I think we all appreciate and are grateful for his view of what happened in the Travel Office, but I would point out, that entire speech was beyond the scope of this hearing this morning—this afternoon.

Mr. WAXMAN. Mr. Chairman, point of parliamentary inquiry.

Mr. CLINGER. The gentleman will state his point of parliamentary inquiry.

Mr. WAXMAN. If the questions related to why the Clinton Administration decided that the Travel Office needed a change in personnel because they had been abusing their office, wouldn't that be relevant to the issue before us?

Mr. CLINGER. I would suggest that that may well be relevant, but not with this panel. This panel is dealing with the investigative studies that were done at the time of the firing.

Mr. WAXMAN. Well, that is for the panel to reply.

Mr. CLINGER. The fact that Mr. Moran gave a long speech and then got nobody really to respond to that question suggests that it is a waste of time. We should deal with these witnesses with the matters which they are competent to address.

I now recognize the gentleman from Ohio, Mr. LaTourette.

Mr. LATOURETTE. Thank you, Mr. Chairman.

Inspector Smith, I would like to chat with you for a minute. You have sort of been ignored down there at the end of the table.

Mr. SMITH. I am not complaining, Congressman.

Mr. LATOURETTE. I know that. I know that. But I would like to invite you into the fray.

I am going to follow Mr. Horn here, and I am really interested in the chronology of things that occurred relative to the FBI's involvement and the White House request that they be involved.

From reading everyone's report and as someone who has had to review things based upon material that was submitted based upon this discussion we had with Inspector Smith, I would more than appreciate you jumping in.

But it is my understanding that at about 5:30 in the afternoon, the 12th of May, is the first contact that the FBI had with the White House concerning this potential matter, and that was in a phone call from Mr. Kennedy to Special Agent Burke. Would that be correct?

Mr. SMITH. Yes, sir.

Mr. LATOURETTE. OK. That was a pretty preliminary—basically a discussion that, "The White House didn't have audit capabilities. Who can audit? We have some problems over here. We should take a look at." Some names were thrown out: the Resolution Trust Corporation, the IRS, others. It was sort of left that Mr. Burke could get back to Mr. Kennedy as soon as he discussed that internally. Is that right?

Mr. SMITH. Yes, sir. It appeared that the call was made initially because Mr. Kennedy had had prior contact with Mr. Burke because of——

Mr. LATOURETTE. They had worked together because Kennedy was in charge of security clearances at the White House and Mr.

Burke was in charge of conducting those for the FBI. Is that correct? That was your testimony?

Mr. SMITH. That is correct.

Mr. LATOURETTE. In the conversations that took place on the 13th of May, would it be correct that your report indicated that Mr. Kennedy advised that this matter would be—should be handled or could be handled by an agent, a field agent from the Washington Metropolitan Field Office? That advisal was made to the White House by the FBI, and that was rejected. Is that correct?

Mr. SMITH. That's correct.

Mr. LATOURETTE. As a matter of fact, the insistence was made by the White House that it be handled by someone from FBI HQ. Is that right?

Mr. SMITH. Yes, sir.

Mr. LATOURETTE. And as a result of those conversations that occurred on the 13th of May, there was then a memo prepared by those who had been in contact with the White House, and among those copied was Deputy Director Larry Potts. Is that right?

Mr. SMITH. I think that's correct.

Mr. LATOURETTE. As a matter of fact—and I am a little disorganized, I apologize—in that memo there was an advisal to Mr. Potts and others that this concerned a theft or possible embezzlement, that representations had been made by the White House to Special Agent Burke and also to Special Agent Apple that the highest level at the White House was somehow interested in this investigation. Is that accurate?

Mr. SMITH. That was a characterization made on a couple of occasions, yes.

Mr. LATOURETTE. That was a characterization made by special agents of the FBI based upon what they claimed to have heard from people at the White House?

Mr. SMITH. That's correct.

Mr. LATOURETTE. As a matter of fact, Agents Apple and Foran met with Mr. Kennedy at 11 on the 13th; that was repeated to them, according to them. Is that right?

Mr. SMITH. According to their statements to me, right.

Mr. LATOURETTE. OK. What, in your parlance or in the parlance of the FBI, does "highest level of the White House" mean? I don't know. What does that mean? Does that mean a guy on the third floor? Does it mean the President? What does it mean?

Mr. SMITH. I would think that it means the highest level of the White House, and it certainly would be beyond the third—you know, the basement level.

Mr. PODESTA. I object to that.

Mr. LATOURETTE. And who is the highest guy in the White House? Again, are we talking about altitude or are we talking about the President of the United States, the Vice President of the United States? Who are we talking about?

Mr. SMITH. Given the White House, I would assume that it probably would not involve the Vice President.

Mr. LATOURETTE. OK. Well—and not to offend anyone—can I assume that it meant the President? Is that what you believe your agents understood from that conversation, or is there another meaning?

Mr. SMITH. Not necessarily.

Mr. LATOURETTE. OK.

Mr. SMITH. It could have been, you know, someone in a higher management position within the White House. It did not necessarily mean the President himself.

Mr. LATOURETTE. Regardless of whether it meant the President, the Vice President, the First Lady, or someone high up in the administration, it certainly misspeaks that at least the speaker in this case, Mr. Kennedy, considered this to be important and it had the attention of important people at the White House. Is that a fair characterization?

Mr. SMITH. That's right.

Mr. LATOURETTE. OK. Now we come to the question during the 13th of May on the issue of predication, and predication, as I understand it, is, before the FBI conducts a criminal investigation, the FBI needs predication—is that correct?—or would like to have some predication.

Mr. SMITH. That's correct.

Mr. LATOURETTE. Now——

Mr. SMITH. It is the basis to begin the investigation.

Mr. LATOURETTE. I imagine one aspect of predication means there would be some Federal jurisdiction involved, that a crime potentially is out there that the Federal—FBI has jurisdiction over. Is that a fair observation?

Mr. SMITH. That's correct. That was one of the things that was already ongoing, was to determine which unit in our Criminal Division would be responsible for that type of investigation.

Mr. LATOURETTE. Does the FBI, in establishing predication—let's say that I make an allegation or an allegation is made about embezzlement of Federal funds. That is something over which the FBI has jurisdiction, is it not?

Mr. SMITH. Yes, sir.

Mr. LATOURETTE. OK. In determining predication, does the Bureau simply say an allegation has been made that comes within our bailiwick, or does the FBI also evaluate the credibility of that allegation?

Mr. SMITH. It's certainly going to have to be beyond just the—the statement made by an individual, and certainly the credibility of the individual. The individual would have to be in a position to know that sort of information. That's the things that would have to be considered.

Mr. LATOURETTE. OK, great.

I see the yellow light has gone on. For the record, I want to talk about credibility if I ever get another chance to talk to you, and that is, on the 13th, it is my understanding that the Special Agents Apple and Foran conducted an interview of Ms. Cornelius at the White House. Is that correct?

Mr. SMITH. I would characterize it as a conversation, less than an interview.

Mr. LATOURETTE. OK. There was a conversation about the Travel Office with Ms. Cornelius, was there not?

Mr. SMITH. Yes.

Mr. LATOURETTE. During the course of that conversation, was it related to the agents of the FBI that she was the President's third cousin?

Mr. SMITH. No.

Mr. LATOURETTE. Was it related to the agents of the FBI that she had written a memo on the 15th of February advising that she and Ms. Cerda would take over the White House travel operations?

Mr. SMITH. I don't recall.

Mr. LATOURETTE. Was it related during the course of that conversation that there had been an individual who had called the Travel Office in attempting to bid on business and that call was rejected and she didn't recall who that person was?

I guess my time is up.

Mr. CLINGER. The gentleman may respond to that question.

Mr. LATOURETTE. I don't know that I finished it, and it is going to take me another 2 minutes to finish it.

Mr. CLINGER. The gentleman's time has expired.

The Chair now recognizes the gentleman from Wisconsin, Mr. Barrett, for 5 minutes.

Mr. BARRETT. Thank you, Mr. Chairman.

Mr. Chairman, earlier this year, when constituents asked by me about committee assignments, I always told them I enjoyed this committee because we had the opportunity earlier in the year to deal with issues such as unfunded mandates and the line item veto.

I then, as the year went on, told them that it took a sharp turn downward when we were unable to reach agreement as a committee on the reconciliation matters, particularly dealing with pensions, and I thought that that was an abdication of our responsibilities.

Today, frankly, is not going to go down as another red letter day, because I think what we are engaged in here today is simply some political chicanery in an attempt to keep this issue alive.

I am particularly troubled for two reasons. One, I think that Congress would be better served and the American people would be better served if we worked on an issue such as Medicare and Medicaid and had held hearings as those.

Second, the timing of this hearing raises some concerns with me in connection with the trial of Billy Ray Dale, and I must comment on that because it is my understanding that that trial is scheduled to begin 2 days from now, on October 26.

I have before me, I think, some documents that Mr. Waxman may have referred to. One is a letter dated October 12, 1995, to the Honorable Jamie S. Gorelick, deputy attorney general, signed by the chairman, and it says—starts out, "In the course of reviewing documents to prepare for the committee's October 24, 1995, hearing on the White House Travel Office matter, the committee"—"chief investigative counsel brought several documents to my attention that appeared to contain materials subject to *Brady* v. *Maryland.*"

The letter goes on to basically advise the Justice Department what documents they should be producing for the defense in this criminal case that is going to begin 2 days from now.

The Justice Department responded to this letter just yesterday, assured this committee that it is well aware of the mandates of

Brady v. *Maryland, that it has complied with those, it will continue to comply with those, and pointed out that the previous letter erroneously quoted from some handwritten notes.*

What concerns me is, I certainly agree with this committee's role as an investigative committee. I think that is appropriate, I think that is something we should be doing, but it seems to me to go beyond the role of this committee when it injects itself into a criminal matter that is to begin 2 days from now.

I think that it is not appropriate for this committee, in any fashion, to do so, and, frankly, I don't know of any precedent of this. I don't know of any time that a committee has injected itself into a criminal case, particularly 2 days before it is going to start.

So I have to raise that matter, because I think it questions the validity of this hearing in its entirety. It is something that I think we should investigate further.

I will now yield the balance of my time to Mr. Kanjorski.

Mr. KANJORSKI. Thank you very much, Mr. Barrett.

Are you aware of Mr. Conahan, Ms. Kingsbury?

Ms. KINGSBURY. Yes, sir. I used to work for him.

Mr. KANJORSKI. When he testified before this committee, or a predecessor of this committee, back in 1992, he indicated he did not receive adequate information or documentation from the White House for literally months, having meetings attempting to acquire that information. Are you aware of that fact?

Ms. KINGSBURY. I am aware that there were some difficulties and that he testified, yes, sir.

Mr. KANJORSKI. Now I call your attention to your report. In your report you have interviewed an individual named John Vickroy, former Travel Office employee.

Ms. KINGSBURY. Yes, sir.

Mr. KANJORSKI. Did you make a transcript or a written statement or notes regarding what questions were asked him and what information was given?

Ms. KINGSBURY. We have an interview summary discussion with him. It was a brief telephone discussion with him, as I recall.

Mr. KANJORSKI. Is it reasonable to conclude that he is identified as the anonymous letter writer of 1988?

Ms. KINGSBURY. I did not make that linkage, but I need to review this summary.

Mr. KANJORSKI. In the examination of the subsequent examination of the White House, did you have an occasion to go back and ask somebody in the General Accounting Office why this committee 3 years ago was not provided with that anonymous letter and the follow-up investigation of that letter?

Ms. KINGSBURY. I did not ask that, no, sir.

Mr. KANJORSKI. Would that be a reasonable examination to be made since it is still within the purview of the statute of limitations, if there were an attempt to frustrate justice or obstruct justice? Wouldn't there be a charge still lie?

Ms. KINGSBURY. It would have been a reasonable inquiry to make.

Mr. KANJORSKI. You have had an occasion to read and examine Mr. Saunders' statements, including Mr. Dale's, where Mr. Dale categorically admits that gifts were received, trips were had, illegal activities were carried on by the Travel Office and the White House in the prior administrations of President Bush and President Reagan. Is that correct?

Ms. KINGSBURY. Yes, sir.

Mr. KANJORSKI. Has that referral been made to the Justice Department or any other investigative or prosecutorial body to determine what actions should be taken against those individuals?

Ms. KINGSBURY. We have no knowledge of what happened after that report was written, but we also have no evidence that any such referral was made.

Mr. KANJORSKI. I see. Well, does this fall into limbo again? The inquiry came to the General Accounting Office. It was sent to the White House's Office of Counsel in 1989. It was investigated. And then what? It dies there, or does it go to the Justice Department? Who gets this?

Ms. KINGSBURY. It would have been up to them what they did with it.

Mr. KANJORSKI. They decide whether to prosecute their own? So when gifts are admittedly given and illegal gratuities and improper activities and abuses of the laws, they, the counsel of the President—at that time, President Bush—decided not to do anything and just contain that?

Ms. KINGSBURY. I don't know factually what they decided. It would have been their responsibility to make those decisions.

Mr. KANJORSKI. Didn't Mr. Vickroy discuss those conditions with you when you made the examination for the study that this was activity that was occurring down in the Travel Office as early as 1989 and 1989?

Ms. KINGSBURY. I do not believe he did, no, sir.

Mr. CLINGER. The gentleman's time has expired.

I would indicate at this point that we seem to have two hearings going on, one with regard to what went on in previous administrations and one with regard to this investigation, which is limited to the determination of how accurate these matters were. And I would again just warn, or at least raise the question, with the gentleman from Pennsylvania, we are doing our very level best to stay away from anything that might in any way affect the trial, one way or the other, of Mr. Dale, and by referring to things that seem to be raising the issues that may be raised during the part of the trial I think is irresponsible.

Mr. WAXMAN. Will the chairman yield?

Mr. CLINGER. I will yield to the gentlelady from Illinois.

Mrs. COLLINS OF ILLINOIS. Thank you, Mr. Chairman.

I was sitting here at both times, and I understand that, and I have heard Mr. Waxman say that, he wanted to have unanimous consent to have the documents that he was reading from made a part of the record.

Now, one was a letter from Mr. Steve Tabackman requesting a variety of documents from a member of your staff, Ms. Barbara Bracher, dated September 19, 1995; and the other was a letter to Ms. Gorelick. I don't recall your saying—and other documents.

Mr. CLINGER. Without objection. Without objection, so ordered.

Mrs. COLLINS OF ILLINOIS. Thank you, Mr. Chairman.

[The documents referred to appear on pages 347 and 349.]

Mr. **Waxman**. Point of order, Mr. Chairman.

Mr. **Clinger**. The gentleman will state his point of order.

Mr. **Waxman**. Mr. Chairman, the scope of the hearing is determined, as I understand from the parliamentarian, based on the call to the meeting, and this hearing that we were informed was being held today is—hearing topic, White House Travel Office. It does not say—the hearing notice—that we will only hear and talk about the White House Travel Office if it embarrasses the Clinton administration, it says the White House Travel Office, which seems to me that this committee ought to know whether the office was being abused and taxpayers funds were being misdirected.

Mr. **Clinger**. The gentleman's point of order—I understand the gentleman's point of order.

I would point out to the gentleman that we are not in any way inhibiting you from asking the questions, we are just saying that this panel is really not competent to answer those questions. The questions that you want to raise and the material you want to get into is clearly the subject of another hearing, not today's hearing.

So I will now recognize the gentleman from New Hampshire, Mr. Bass.

Mr. **Bass**. Thank you very much, Mr. Chairman.

We have been here now—I have at least—for 5 hours. I have yet to hear the other side talk about what is the stated subject of this hearing, which is an investigation of the White House Travel Office, except to complain about the fact that they were unable to obtain some information back in 1988, and, as you mentioned, we are dealing with what appears to be two different hearings here.

But I guess I have to assume that since there has been no word of refutation or discussion on the part of the other side with respect to the hearing subject today, that they don't have any real comments or concerns or whatever.

I would like to take a different tack, if I could.

Mr. Podesta, I had a chance to read your report that you produced on July 2, despite what the New York Times said on the 11th, calling it stealthy, evasive, is it, confession? I have to tell you that——

Mr. **Podesta**. My recollection was that the——

Mr. **Bass**. Pardon me?

Mr. **Podesta**. The person doing the reporting on that, of course, was in the editorial pages and had some more kind things to say about it.

Mr. **Bass**. I have to say, considering the length of time it took, it was very quick, and you did a very good job of outlining the issues and making recommendations for changes, and I found it very informative.

However, in the course of examining the principal issues and the recommendations, I find one issue missing perhaps, and I was wondering if you could make some comments on some observations I am going to make.

First of all, you may recall the word "credibility gap" arose back in the sixties concerning Vietnam and later concerning Watergate. As you probably well know, the same issue arose during the time that this—these firings occurred.

If I could give you a couple of examples. For example, on the 19th of May, DeeDee Myers said that Peat Marwick went in and did a full accounting and looked at it and there was enough ample evidence of mismanagement that we thought the best thing to do was to restructure the office immediately.

It turns out that Peat Marwick did not conduct an audit, and it wasn't done by an auditor but rather a management consultant.

There is another item on May 20. DeeDee Myers stated that: Did David Watkins have any association with Worldwide Travel? She responded, "I don't believe so." But, in fact, it was well-known that Mr. Watkins did have a business relationship on and off with the owner of World Wide Travel.

Another instance here on the 20th, where she states that—DeeDee Myers—quote, Peat Marwick went in with the intention of performing an audit, end of quote.

The fact is that the engagement letter never even mentioned an audit anywhere.

Another example on the 24th of May: George Stephanopoulos said—and I quote, I can just—both Darnell and Harry have said that they were not seeking White House business. We have no indication that they were seeking business. They have said they were not seeking the business, close quote. But the fact is that they were seeking the business, and there is evidence to indicate that.

Another example: Mr. Podesta—let's see, George Stephanopoulos stated that Peat Marwick partner, Larry Herman, was, quote, one of the country's leading experts on government accounting practices, but he turned out to be an MBA, not a CPA.

Another example on the 25th: George Stephanopoulos stated, quote, First of all, I reject the contention that we hauled in the FBI in any way, close quote. And now, of course, we have discussed this morning the issue with Mr. Kennedy and the discussions that he had with the FBI.

I am just wondering, Mr. Podesta, given the fact that this appeared to be an issue that the New York Times addressed and, in fact, as recently as today the Washington Times addressed in an editorial, why didn't you include in your report that you presented on July 2, 1993, any discussion about the apparent misstatements that were made over a period of some—some period of time by White House personnel who were charged with the responsibility of telling the truth to the American people and the press?

Mr. PODESTA. I would answer that in two parts. One is that what we tried to do is lay out the facts, which I think we did a pretty good job of, and if you have to hear somebody contest any of the facts that are contained in the management review.

With regard to the questions of the credibility from the podium, I think we have learned some lessons about speaking without full information. I must tell you—and I'll take responsibility for this—the questions—you focused in on this question of whether this was a full accounting, whether he was an accountant, et cetera. I think the report is accurate in that regard.

We did not go back and look over each and every one of the statements from the podium—a terrifying experience, I might add, to stand up there and try to answer those questions and analyze it from that perspective.

But I think that the—both Ms. Myers and Mr. Stephanopoulos did not intend to deceive. I think they tried to provide accurate information. I think maybe perhaps sometimes they were too quick to respond to questions when they didn't have full information. That's a lesson that we learned, and I think it's a—we learned it the hard way.

Mr. BASS. Thank you very much, Mr. Speaker—I mean Mr. Chairman.

Mr. CLINGER. Thank you.

The gentleman's time has expired, and now I recognize the gentlelady from New York, Mrs. Maloney, for 5 minutes.

Mrs. MALONEY. Thank you very much, Mr. Chairman.

One of the reasons that I joined this committee was the wide jurisdiction that we have to look at the pressing problems before this country. Yet we spent the summer, 20 days, reviewing Waco. Then I got to go around the corner and spend 26 days in the Banking Committee reviewing Whitewater. Then there were 8 days on Ruby Ridge.

And how many days do you plan to spend on the White House Travel Office? Point of inquiry.

Mr. CLINGER. Depending on the outcome of this hearing, which we anticipate will conclude sometime today, we would then make an assessment in our judgment as to whether there need be any further hearings. At the moment there are no scheduled further hearings, but that may be subject to change. I can't give the gentlelady a definitive answer at this point until the hearing is over.

Mrs. MALONEY. Yet this committee hasn't had one hearing on Medicare or Medicaid or the effects on——

Mr. CLINGER. If the gentlelady would yield?

Mrs. MALONEY [continuing]. Child care and children.

Mr. CLINGER. If the gentlelady might yield for just one follow-up question, I would have much preferred to have held these hearings in the last 2 years. Unfortunately, we were never able to get them scheduled under the previous majority, and that is the reason for holding the hearing today.

Mr. WAXMAN. Will the gentlelady yield to me?

Mrs. MALONEY. No, I will not. If you will excuse me, Mr. Waxman, I am getting too old, too tired, too worn out, to waste my time at this hearing, and I am really becoming very angry over the lack of review of some of the really tremendous problems before this country, yet we continue reviewing this.

There is one statement that I do agree with though, Mr. Waxman—I believe you made it—that we should privatize this office. There have been statements before that during the prior administrations, under the Bush and Reagan administrations, the head of the office was indicted for mismanagement. He is going on trial. And there are allegations of mismanagement now.

So I think the best way to get this behind us is to just privatize the entire office and save taxpayers' dollars, and I hope the chairman will lead this effort in a bipartisan move to solve the problem once and for all.

I would like to ask, how much does the Travel Office cost the American taxpayer?

Mr. CLINGER. Are you addressing that to the witnesses?

Mrs. MALONEY. Yes, to the witnesses.

There have been five reports. Any of you who have done a report, did you look at the cost to the American taxpayer when you were looking at this—when you were investigating this? How much does the Travel Office cost the American taxpayer?

Ms. KINGSBURY. Well, since I represent the General Accounting Office, I guess I get first dibs at that.

One of the observations that we made in our recent work in the General Accounting Office is that the financial records that are reported by the White House for costs associated with this function do not include and do not disclose the actual costs over and above what's reimbursed from the press, and there are some additional costs. There are the costs of the employees.

American Express is not an additional cost, because they are conducting their services under a Federal Travel Management Center arrangement where their payments are made directly from the vendors. But there is a cost. There is a cost for overhead and space, which is very difficult to quantify, and we have recommended to the White House that they should be disclosing those additional costs, even if they choose not to obtain reimbursement from the press, which I think is a separate issue.

One might argue that the press ought to have to pay for some of that additional cost. But the cost is roughly the cost of the employees plus some additional overhead.

We are aware that the financial statement audit that they had done was a fairly expensive venture, something on the order of $50,000.

So there are some taxpayer costs. Those are not fully disclosed.

Mrs. MALONEY. Well, you have already moved to privatize it somewhat by contracting out to American Express. How much do you think that saves, and when was that movement—when did that decision take place, to contract out to American Express?

Ms. KINGSBURY. That happened in the immediate aftermath of the dismissal of the employees in May 1993.

Mrs. MALONEY. How much did that save the taxpayers?

Ms. KINGSBURY. It's probably very difficult to estimate that. There was an expectation at the time that there would be savings because those employees would replace the Federal employees that had been conducting those activities before.

As it has evolved over time, there are still I believe it's five Federal employees over and above the American Express staff in that office. So the savings has not been as great as might have been characterized at the time.

Mrs. MALONEY. Could I just ask a follow-up question as to what—what functions does it perform that cannot be contracted out?

There is congressional travel. We travel many times for hearings around the country. We call up a travel agent and secure it, and there is no cost to the American taxpayer whatever.

So why can't we just abolish the whole office and have the President's scheduler call up and order a ticket every now and then when he has to travel or other White House staff has to travel? Why do we have to pay one cent for it?

I feel, after five reports, not to have a clear indication of how much this is costing the American taxpayer, that should be the first question you should look at, and I want to know why we can't just do away with the whole office.

Ms. KINGSBURY. I think it's important to understand, there are two functions here. One is a function that provides ticketing services for White House employees, similar to the example of congressional travel that you just made.

The other service is a very different service. It provides air chartering arrangements to rent whole airplanes on relatively short notice to take the press around the country and then bills the press and gets reimbursement for those accounts.

I frankly think the——

Mrs. MALONEY. Why couldn't American Express take on the responsibilities or any firm who would like to competitively bid to supply this service? That is what they do. They charter airplanes. They charter private tickets. Why can't we just take the entire office and contract it out and save taxpayers' dollars and have a conclusion to this hearing?

And I call upon the chairman to join me in a bill to move this forward and to complete this problem.

Mr. CLINGER. The gentlelady's time has expired.

Mr. Podesta, do you want to respond?

Mr. PODESTA. May I just briefly answer?

When we wrote our management review, we concluded that we could remove the two slots that Ms. Kingsbury talked about, which saved, in our estimate, about $100,000.

I think the biggest cost that the taxpayers bore, in addition to what the issues that Mr. Moran brought up earlier, was the failure to collect excise tax, which probably amounts to millions of dollars of lost revenue.

Mrs. MALONEY. Millions of dollars in lost revenue?

Mr. PODESTA. I would assume that.

Mr. CLINGER. The Chair now recognizes the gentleman from Arizona, Mr. Shadegg, for 5 minutes.

Mr. SHADEGG. Thank you, Mr. Chairman.

I think I would like to commend Mrs. Maloney, before starting my remarks, by saying I finally found someone on the other side who was willing to ask a question about the White House Travel Office now and about what we ought to be doing about it, and I commend that, because I have spent a good part of the day here listening to a discussion about what went on in the White House Travel Office from 1988, and maybe even back beyond that, to 1994, during which this committee was under the control of the other side. I can't imagine why, if they had all of those questions about all of those years, they didn't conduct hearings back then.

Mrs. MALONEY. Would the gentleman yield?

Mr. SHADEGG. And I commend Mrs. Maloney for that.

Mrs. MALONEY. Thank you.

Would the gentleman yield?

Mr. SHADEGG. We have such little time. Following your tradition with Mr. Waxman, I think I will not.

Mr. Podesta, I really would like to follow up on an issue that puzzles me as a former assistant attorney general in Arizona.

In Arizona we have a very, very broad open records law, and I for many years supervised a series of investigators and agents whose job it was to go out and ask questions, and, at least in those years, we always found the most fascinating things not what you were told or what you found but what you discovered you weren't told or didn't find.

I find it puzzling that when you interviewed Mr. Eller and you discovered that—or maybe you didn't discover this in an interview—you discovered at some point that he threw away all of his Travel Office documents when he removed himself from that office, why did not that strike an inquiry in you, and why did not that merit some mention in your report? I'm puzzled about that.

Mr. PODESTA. Mr. Eller wasn't in the Travel Office. Mr. Eller was the deputy communications director. He was traveling with the President. He got some documents about the Travel Office. He brought them back and threw them away.

Mr. SHADEGG. They were Travel Office documents that he threw away.

Mr. PODESTA. He got a memo on the road about the Travel Office.

As I said earlier, I believe that we were able to go back, for example, and he had prepared some talking points the week before, and I think they were on his hard drive, and we were able to recover that.

Mr. SHADEGG. Did you recover all the documents in his hard drive? Do you know that?

Mr. PODESTA. I believe we recovered documents relating to the Travel Office on his hard drive. I don't think we recovered all the documents that he had on his hard drive.

Mr. SHADEGG. How were you able to do that?

Mr. PODESTA. I would have to go back and check the record.

Mr. SHADEGG. OK.

Ms. Kingsbury, did you learn of Mr. Eller destroying documents in the course of your inquiry?

Ms. KINGSBURY. No.

Mr. SHADEGG. Were you—did you make inquiries which could have led you to that kind of information?

Ms. KINGSBURY. We talked to Mr. Eller about his role in the discussions about what should be done about the Travel Office activities. We did not inquire, to my recollection—I could go back and check the interview write-up—whether he had any particular documents or what he had done with them.

Mr. SHADEGG. Mr. Shaheen, were you told by anybody at the White House about documents being destroyed by Mr. Eller or by anybody else that related to this investigation.

Mr. SHAHEEN. No, Congressman, we were not.

Mr. SHADEGG. You were led to believe that you were going to be given full cooperation in your efforts?

Mr. SHAHEEN. Yes, we were.

Mr. SHADEGG. And you are an investigator trained to look for this kind of information?

Mr. SHAHEEN. We are trained to look for just this kind of information, yes.

Mr. SHADEGG. You wrote that when the memo of July 24 came out, that you were stunned to learn of the existence of this document because of its relation to your investigation.

Did you feel to some degree betrayed at that point in time?

Mr. SHAHEEN. I think that's a fair characterization.

Mr. SHADEGG. OK. I take it that can't give you or anybody else a great deal of confidence in the ultimate conclusion of your report, at least with respect to the candor with which you were being dealt?

Mr. SHAHEEN. That's correct.

I might add that this is not the first time we have been asked to investigate White House personnel. We are, pursuant to the order of the Attorney General, authorized from time to time to do it. We do it discreetly. This is the first time we have had a failure of cooperation or candor.

Mr. SHADEGG. I take it then that you would share my concern that, having had these five different investigations and looking over the chart over there as to what came out and what didn't come out, at least with regard to your experience and what you were given or not given, it probably doesn't surprise you that the other reports prepared by different offices similarly didn't get to the bottom of all the information that was being sought?

Mr. SHAHEEN. Yes, sir.

Mr. SHADEGG. So I would take it you feel a further inquiry to at least try to put this information together is appropriate?

Mr. SHAHEEN. I would be interested to know what the Independent Counsel Starr comes up with. I understand that he considers this within his charter.

Mr. SHADEGG. I am pretty interested in what this committee can find out, because I think it is important that we learn it, if we privatize it, which it looks to me like it was almost being privatized by the President in a kind of family friendly way, when this all went on.

Thank you very much. I yield back the balance of my time.

Mr. SHAHEEN. If I could make a correction, when Congressman Mica asked me a question, he referred to a chronology. I thought it was one chronology that I had seen and not one that apparently had been generated by the committee. I want to correct an earlier statement that I had—I indicated that I had seen that chronology. I had not. I am aware of another chronology that was prepared in the Department.

Mr. CLINGER. The gentleman yields back his time?

Mr. SHADEGG. Yes.

Mr. CLINGER. We will now start a second round of questioning and see how far that goes.

Let me state, as I begin the second round, one thing that has dismayed me, frankly, and upset me about where we are so far is the really gratuitous attacks that have been made on some very, very valuable employees of the Federal Government, specifically with regard to Mr. Larsen, who I think served admirably and outstanding as a public servant for over 30 years and whose role in this exercise was strictly as a result of his being hired by me to carry out the investigation to the best of his ability. He in no way instigated that investigation. He has been actually somewhat vilified in these hearings.

It was stated earlier in the hearing by the gentleman from Virginia that there was an empty chair on a hearing that was held up here before the Committee on Post Office and Civil Service and that Mr. Larsen did not appear. We have it now that Mr. Larsen testified for over 6½ hours at that hearing and, in fact, testified from——

Mr. KANJORSKI. Will the gentleman yield?

Mr. CLINGER. I will in a moment. But Mr. Kanjorski at one point in the hearing, which, as I say, went on for six and a half hours, let the audience know, "There are two hard-working guys from the White House who did not eat lunch all day, and perhaps we can make it a much more productive hearing the next time we have you gentlemen testify." One of those gentlemen was Mr. Larsen.

Further, Mr. Kanjorski said, "Mr. Larsen, thank you very much for testifying. We do appreciate it. Thank you very much, gentlemen. I think I really look forward to the meetings and the transfer of information that we will have over the next several weeks. Thank you very much."

I don't think that this suggests lack of cooperation and certainly was not an empty chair.

Mr. Larsen was here, did testify at length for six and a half hours.

And I will yield at the conclusion of my statement here, but I need to get a couple of questions on the record, and that is, specifically: Were any of you—I know Mr. Podesta has some awareness of this, but were any of the rest of you, specifically Mr. Shaheen, Ms. Kingsbury, Inspectors Smith, Bell, aware of the fact that Mr. Martens and—that they were having conversations with the White House with regard to the ICAP, Thomason and Mr. Martens, with regard to the ICAP and the potential for doing a survey, sole-source contract survey of all nonmilitary aircraft? Were any of you aware of those discussions?

Mr. BELL. Mr. Chairman, I was not aware.

And I would like to clarify something in my opening statement. Our investigation within the IRS was strictly internal. This was an internal inquiry by our Criminal Investigators and Internal Auditors. We did not make contacts outside of the Internal Revenue Service.

I would also like to clear up a point in terms of access to records and access to information within the Internal Revenue Service. In all of our audits and in all of our investigations, we have complete access and complete cooperation with all employees. And I think it's important to note that in the IG investigation, as well as in the GAO inquiry into the IRS, they had complete and full access to all employees and all the information, including all tax information relevant to their inquiries.

Mr. CLINGER. Thank you.

Ms. Kingsbury, you, in your investigation, determined that Harry Thomason was not a special Government employee. But in making that determination, were you aware of some of the discussions and contacts that Mr. Thomason had had, that Mr. Martens had had, with regard to ICAP?

Ms. KINGSBURY. No, sir.

Mr. CLINGER. Might that have change your conclusion?

Ms. KINGSBURY. I can't comment on whether it would change our conclusion or not. We would need to see the facts associated with it.

Mr. CLINGER. All right. Thank you.

Any of the others?

Mr. Shaheen, were you aware of any contacts carried out at the White House?

Mr. SHAHEEN. No, Mr. Chairman.

Mr. CLINGER. Now, it has been suggested here that perhaps, you know, the investigation that was carried out was the reason why these gentlemen were fired from their jobs; that it became apparent to the White House that there was all kinds of malfeasance and so forth going on in the office.

But were any of you aware that there had been discussions as early as December 1992, actually before the Inauguration Day, discussions by Catherine Cornelius and David Watkins, who met with the World Wide Travel in Little Rock to discuss White House travel? Were any of you aware of those discussions?

Ms. KINGSBURY. The parties involved had told us that such meetings took place.

Mr. CLINGER. And that, further than that, in January 1993, Mr. Watkins met with Cornelius, Steve Davison, et cetera, in Little Rock about outsourcing White House Travel Office business and mentioned the Travel Office in passing. Were you aware of that—those conversations?

Ms. KINGSBURY. Only——

Mr. CLINGER. The record is replete with numerous discussions that were held with regard to the White House Travel Office that clearly predated any suggestion of any kind of wrongdoing in the operation of that office by the people who were presently occupying those seats.

So I think it is a little disingenuous to suggest that suddenly we had to move against the Travel Office because of all of the wrongdoing that was going on there, when clearly this was a matter that was under very, very intense discussion long before Peat Marwick came on the scene, long before anybody else came on the scene. It does seem to me that some of these employees were made fall guys.

Mr. PODESTA. Mr. Clinger, those memos and those incidents were referred to in our management review. So I think that anybody who was looking at it would have had to have been aware of them.

Mr. CLINGER. All right.

Anybody else was aware of these discussions? I mean, wouldn't you—wouldn't it suggest to you that, in fact, there was at least a suggestion that we were moving to do something about this?

As a matter of fact, wouldn't it have been perfectly legal for all of these people to have been fired without any reason whatsoever, given that everyone at the White House serves at the will of the President?

Mr. PODESTA. Yes.

Mr. CLINGER. OK.

Mr. Podesta, didn't your management review, however, really rely on the Peat Marwick audit—or it wasn't an audit, it was a management review—as the basis for the firing? Didn't you conclude that that was the reason for the firing, even though you were aware of all of these previous discussions that had gone on with regard to turning the Travel Office over to, quote, our people, close quote?

Mr. PODESTA. I think we tried to seriously analyze what had happened. We noted and disclosed these memos and incidents that you discussed.

We did note that when Peat Marwick came in, that they found serious mismanagement, and our conclusion was that the White House essentially fired these people for cause, and the cause only related to the two people who had financial control of the management—of the office of the—the Travel Office. As a result, on May 25th, Mr. McLarty reinstated the other five, put them on paid administrative leave. Other jobs in the executive branch were found for them.

Mr. CLINGER. Thank you.

I will now yield to the gentleman from California. You are recognized for 5 minutes.

Mr. WAXMAN. Thank you very much, Mr. Chairman.

I want to read something that the chairman said when he called this meeting to order. He said, "The committee is meeting today to hear testimony on the firings of the entire staff of the White House Travel Office in May 1993, the related events leading up to their firings, the individuals prompting these firings, the appropriateness of actions taken, possible conflicts or ethical violations that occurred, the subsequent investigations of these matters, and the levels of candor and cooperation by those involved in both responding to the investigations and conducting the investigations." That is Mr. Clinger's opening statement as we started this hearing this morning.

I think we ought to have a full hearing on this issue, although I think it is a little stale. We have had so many reports on the White House Travel Office that I think all the information that we have known about it has already been known and we haven't learned anything more today.

But there is another investigation that I think we ought to have, and that is the investigation of the investigators.

Mr. Chairman, you talked about Mr. Larsen and the attacks on him. I don't know Mr. Larsen. I wouldn't know him if he walked in the room. But he worked for this committee. He was the chief investigator on this issue. Yet he had personal knowledge about the White House office because he oversaw their operations when he worked at the White House prior to coming here. This is not a disinterested person.

Second, he—I believe from what I have heard, he had some kind of personal relationship with some of the people in the White House Travel Office.

Now, I have already indicated in my previous comments that there is a very peculiar action by this committee asking the Justice Department to give Mr. Dale's attorney documents—not documents, one page, a piece of page, and the letter that you wrote to the Department of Justice was that in reviewing your documents, which came in boxes——

Mr. CLINGER. Will the gentleman yield for a point of correction?

Mr. WAXMAN. I will in a second, because I do want to get your response to this.

In the course of getting all of these boxes of documents, there was one document that you thought that Mr. Dale and his attorneys did not have. I don't know how you knew whether they had that or not.

I would like to have, for the record, questions answered about your staff contact with Mr. Dale, his attorney, the involvement of Mr. Larsen and the Travel Office prior to his coming here, during his investigation.

I don't know why Mr. Larsen left. This was his main preoccupation. He left in September. Why isn't he here a month later to be part of this investigation?

These are questions that I think are legitimate, because they go to the integrity of the investigators, and this committee is one of the investigators.

So I would submit, Mr. Chairman, I yield to you for time you might want to respond, but I would like a response in writing, because I think this will probably require your staff to go through their diaries and give us the times and calls and all of that, and I want that information given to us on the record, with the full expectation that when people give us information for the record, as any other witness, we don't expect to have anything but the full and accurate truth and information in response to those requests and that even staff members should be responding with that appropriate concern.

Mr. CLINGER. If the gentleman would yield?

Mr. WAXMAN. Certainly.

Mr. CLINGER. Let me briefly respond to what you have suggested here.

First of all, we in no way ever directed the Department of Justice to divulge or reveal anything to the defendants in this case. We merely said that there was information which we had come across, reviewing the—literally pages and pages of documentation, which may or may not have had implications for Brady. We brought that to the attention of the Department of Justice to do with what they chose.

I mean, we had no idea, no knowledge of whether the defendants had this information or didn't have the information. We merely did what any decent lawyer would do, and that is to alert somebody that there might be Brady implications had which they should take into account. They took them into account and determined that there was not a Brady implication. That's fine with us.

Mr. WAXMAN. Let me reclaim my time, Mr. Chairman.

Your letter says:

> In the course of reviewing the documents to prepare for today's hearings, the committee's chief investigative counsel brought several documents to your attention that appeared to contain materials subject to *Brady* v. *Maryland*. *Brady* v. *Maryland* is the rights of defendants to have information. Although the issues we intend to discuss during the Committee's hearings does not involve the Justice Department's two court embezzlement charges against Mr. Billy Dale, we feel it is our obligation to bring these documents to your attention.

One of the enclosed documents is an example of material found in the personal handwritten notes of the White House Counsel's Office—counsel, associate counsel—and may not have been produced to the Public Integrity Section. The first document is the handwritten notes, and then they identify it, that goes to the question of Mr. Dale's publicly disclosed defense that certain pages were missing.

First of all, how did you know that he was alleging that certain pages were missing? How did you know that he didn't have these documents?

And you go on further and say that——

Mr. CLINGER. If the gentleman will yield, these are public documents.

Mr. WAXMAN. Why is your committee staff looking out after the interests of Mr. Dale to get documents that you have in your records submitted to you by the—by, I guess, the White House? And how did you know he didn't have it?

Mr. CLINGER. In the course of our review, we came across these documents and this suggestion which we thought might have some bearing on the trial. We, as good lawyers—I think my staff felt they should alert the Department of Justice that this was, in fact, a possibility.

That is all we did. We didn't in any way choose to help one side or the other. We just thought it would make them aware.

Mr. WAXMAN. If I might further reclaim my time, your letter concludes that, "I must question whether this harmful information," in quotes, "is not the very reason the Supreme Court found that such material must be turned over to the defense prior to trial."

You are asking them to give information to Mr. Dale in preparation for his defense on a charge of embezzlement during the Bush Administration when he ran the White House Travel Office. That is not, it seems to me, the appropriate role of this committee.

I just find it peculiar, and I would like to have further information about it.

Mr. CLINGER. Does the gentleman have further questions?

Mr. WAXMAN. Since I have another second or two, your opening statement——

Mr. CLINGER. The gentleman's time has expired.

Mrs. COLLINS OF ILLINOIS. He hasn't finished his question.

Mr. WAXMAN. I think the chairman is correct. I won't insist on any further time.

Mr. CLINGER. I would now yield to the gentlelady from Florida, Ms. Ros-Lehtinen.

Ms. ROS-LEHTINEN. Thank you so much, Mr. Chairman.

I would like to ask some questions for Mr. Podesta about the competitive bidding.

It seems that, of course, there was some concern that the White House Travel Office employees were not competitively bidding their charter airplanes, and they had said that this was a concern to some people in the White House and other areas about this not competitive bidding in the White House, and I wanted to ask: Did anyone in the administration, upon hearing that the Travel Office was not competitively bidding the press charter flights, ever pick up the phone and ask any of the other airline charter companies if they were even interested in competitively bidding for this press charter business?

Mr. PODESTA. I would have to go back and review notes, but I am not aware of anybody who did that.

Ms. ROS-LEHTINEN. So would you say that none that were qualified ever were denied the opportunity, or do you know if that is so?

Did anyone at any time express any interest or feel that they were being denied the opportunity?

Mr. PODESTA. I just have no knowledge about that.

Ms. ROS-LEHTINEN. OK.

Ms. Kingsbury, you—about this competitive bidding, if I could ask you if you asked this question of the charter airline companies and found that no airline charter companies were denied an opportunity—if I could summarize that—to competitively bid for charter services if, in fact, they met the required standards of service and security? Would you say that that is true, that there was no such denial of opportunity?

Ms. KINGSBURY. We did not find any airline who said that they had attempted to bid and been rejected overtly. Several did say they would be interested in competing at some point in the future, but none of them said that they had been denied an opportunity in the past.

Ms. ROS-LEHTINEN. OK. And, Mr. Podesta, in the course of your investigation, did you come across any other instances of noncompetitive bidding in the White House?

Mr. PODESTA. Clearly, the letting of the contract to Peat Marwick was done on a noncompetitive basis. White House Counsel looked at that, I believe, and concluded that that was within the exception in the law for an emergency procedure.

Ms. ROS-LEHTINEN. All right. And speaking of that, they were brought into the Travel Office by the White House counsel's office to do a financial management systems review. And was this done without an inquiry of whether this could be done by an agency such as OMB or GAO? Would that be correct?

Mr. PODESTA. The White House counsel was informed that the White House had no independent capacity to review the finances in the office. I don't believe that they made further inquiries to determine whether the—they could utilize resources at OMB. I think the course of conduct they chose was that Mr. Kennedy called Mr. Bourke and asked him how to proceed, and we've outlined that I think at some detail in our report and in the other reports which are consistent with that.

Ms. ROS-LEHTINEN. And so you had stated they were brought in without a competitive bid?

Mr. PODESTA. Peat Marwick?

Ms. ROS-LEHTINEN. Right.

Mr. PODESTA. Yes.

Ms. ROS-LEHTINEN. Further, the World Wide Travel agency, the same agency that made travel arrangements for the Presidential campaign, was called to come to the White House over a week before the firings and there was no competitive bid for their services, was there?

Mr. PODESTA. No.

Ms. ROS-LEHTINEN. In fact——

Mr. PODESTA. Not that I'm aware. I believe that that's correct. They, as you know, came in on Wednesday, left or were—I think there was an announcement they would be leaving by Friday. I'm not sure whether they stayed over the weekend while a competitive bid was made. American Express won the competitive bid, three or 4 days later, and then American Express came in I believe on Monday following the firings.

Ms. ROS-LEHTINEN. And it seemed that some of the players of World Wide Travel had questioned, had some questions about the lack of a competitive bid and asked for an emergency procurement contract so that it, quote, would be legal, close quote, for them to come into the White House under the circumstances that the administration had brought them in. Would you say—go ahead.

Mr. PODESTA. World Wide Travel had been, I think, used to bidding competitively on government travel contracts, and I think they probably understood those rules perhaps better than the people who were trying to bring them in.

Ms. ROS-LEHTINEN. OK. Now, Air Advantage was called and asked if they would come into the White House to handle press charters for the Travel Office after the firing of all the Travel Office employees. That's correct?

Mr. PODESTA. Air Advantage, I think Penny Sample came in, who's the president, I believe, of Air Advantage, and helped arrange press charters in the week or two following the firings.

Ms. ROS-LEHTINEN. Now, they contributed heavily to the campaign, do you know that this is true, and financially and by arranging charters for the campaign?

Mr. PODESTA. Air Advantage was a—did work for the campaign. I don't know that they contributed.

Ms. ROS-LEHTINEN. Excuse me?

Mr. PODESTA. They did work for the campaign. I don't know that they were heavy contributors to the campaign.

Ms. ROS-LEHTINEN. They were brought in without any competitive bid?

Mr. PODESTA. Well, she was there really to help run the operation at no—and she was not receiving any salary. There was an incident where a commission was paid to Air Advantage and returned from Air Advantage to the carrier, which we noted.

Ms. ROS-LEHTINEN. And when it was discovered that that individual had taken an unauthorized commission on the very first flight that was chartered——

Mr. PODESTA. Well, "taken" I think is maybe perhaps a mischaracterization. The airline paid the commission, and Ms. Sample sent it—had it returned.

Ms. ROS-LEHTINEN. Correct, correct. I didn't mean to use that in any other way than that way. She was asked to leave the White House, would that be correct, upon that activity taking place?

Mr. PODESTA. She—at that point I think she left and a person from GSA came in, an employee of GSA came in to take over the process of bidding out the charters.

Mr. CLINGER. The gentlelady's time has expired.

Ms. ROS-LEHTINEN. Thank you.

Mr. CLINGER. The Chair now recognizes the gentlelady from Illinois, Mrs. Collins, for 5 minutes.

Mrs. COLLINS OF ILLINOIS. Thank you, Mr. Chairman.

Before the recess, Congressman Mica read from this document that we have talked about entitled White House Travel Chronology Document of Events. Now, the document has no mention of who prepared it, and there is absolutely no footnote documenting the validity of the items. It is my understanding that this document was prepared by the majority staff. Is that correct?

Mr. MICA. My understanding—is that a question directed to me or one of the witnesses?

Mrs. COLLINS OF ILLINOIS. Well, let me direct it to you, since you had it.

Mr. MICA. It is my understanding it was prepared by the staff and contains excerpts from all of the evidence and documents that have been before the committee.

Mrs. COLLINS OF ILLINOIS. Thank you.

Then I want the record to show immediately following the reference to the document that it was prepared by the majority staff and that it has not been reviewed by the witnesses or by the minority for accuracy, Mr. Chairman.

Also, Ms. Kingsbury, Chairman Clinger in an October 1994 letter made a series of allegations concerning the adequacy of your report. Now, these allegations appear to have been the basis for his lengthy investigation, yet the GAO has never been given an opportunity to respond to these charges. And I would like to ask you about some of these. He charged that, quote, many of the GAO report's opinions failed to take into account findings of its own investigative staff, close quote.

Now, is this accurate and could you please comment on how GAO came to its conclusions?

Ms. KINGSBURY. The process of writing a GAO report always involves reviewing all of the work done by GAO staff in reaching judgments about what to include or not to include in a report, and this review was no different from any other in that regard. There—one can read, as the committee staff has, every work paper that we have, and notice that there are things that we learned in some interviews that don't appear directly in the report. That is a common thing. It is not correct to say that we did not take those into consideration. Our processes are fairly rigorous with respect to what we do to make sure that our report is appropriately accurate and balanced, and that's what we did in this case.

Mrs. COLLINS OF ILLINOIS. He further alleges that, quote, significant efforts were made by senior White House officials to withhold or possibly distort information provided to the GAO, close quote.

Now, do you agree with that statement, Ms. Kingsbury?

Ms. KINGSBURY. At the time we did our review, there were a large number of documents we asked for and a large number of documents we ultimately received. I've always been a little puzzled about what the reference to distortion was intended to refer to, and I can't really comment on that.

In the months since our report was issued, and in particular in the last few months, it appears that there are some documents that I believe would fairly have been considered to be within the scope of the multiple requests we made to the White House for the categories of documents that we were not provided and/or in some cases were told did not exist. So while I—if I had answered that letter at the time it was written, I might have said I didn't think there was anything major; the last few months have clearly suggested that there may be, although we have not seen that evidence.

Mrs. COLLINS OF ILLINOIS. Mr. Podesta, could you comment on whether to your knowledge any efforts were made to withhold or distort information that was requested by GAO?

Mr. PODESTA. Not to my knowledge.

Mrs. COLLINS OF ILLINOIS. Now, there were a number of contested documents which were the subject of negotiations between GAO and the White House. Were there any contested documents that the GAO felt strongly about that were not provided, Ms. Kingsbury?

Ms. KINGSBURY. At the time of the review, I would have to say the answer is no. Had we known about the existence of some documents which have been reported to exist in the press, I would have to say that there are documents, to include Mr. Foster's Travel Office file, that would have been relevant to our work, and that were withheld.

Mrs. COLLINS OF ILLINOIS. Now, the letter also alleges that Travel Office records were not secured and that the whereabouts of some of the records are not known. Now this is the basis for Mr. Dale's defense in his criminal trial, that if only we could recover his missing secret ledgers, that would explain why he secretly deposited Travel Office funds into his personal bank account. So while you were conducting your review, did you come across any evidence that missing petty cash ledgers actually existed?

Ms. KINGSBURY. I need to preface my answer with the observation that in this work we asked for documents by name or category and were provided copies. We never were——

Mr. CLINGER. I think, Ms. Kingsbury, I am going to interrupt you here, because I think that question really comes very close to the area that I scrupulously tried to keep out of this hearing, which has to do with the pending criminal trial for Mr. Dale.

Mrs. COLLINS OF ILLINOIS. Mr. Chairman, I would like to go on record as saying that I think that it is most inappropriate for you to deny a Member of Congress an answer to a question that she has asked in a hearing, and I want the record to show that the witness was in the middle of her response when you said it was inappropriate. Now I think that is not the way hearings are supposed to be conducted. I am a full Member of this body, I have been one for 23 years, and I want my questions answered.

Mr. CLINGER. Indeed you do, and I think the concern that I think we should both share is that we don't want to do anything that would jeopardize the proper conduct of this trial. And in my view——

Mrs. COLLINS OF ILLINOIS. Well, I wonder why, Mr. Chairman, I wonder——

Mr. CLINGER [continuing]. It goes very close to that.

Mrs. COLLINS OF ILLINOIS. Taking back my time, Mr. Chairman, I wonder why we are even here. The trial is 2 days from now. I wrote you a letter saying we should not have this hearing at this point in time, and so did the Justice Department. And so here we sit, asking these questions. Now if we are going to have a hearing that is valid, and we are going to do what you say in your press release, to get it all out in the open, then I have every right to ask that question and I want the witness to please answer.

May I hear a response to the question, Mr. Chairman?

Mr. CLINGER. The Chair has ruled that this question is in jeopardy—or jeopardizes the potential of the trial that is pending. And we all would have much preferred to have had this hearing a long time ago.

Mrs. COLLINS OF ILLINOIS. Mr. Chairman, if in fact you would like to rule to go to executive session I would be willing to stay here all night to get an answer to my question. I certainly want an answer to it. We have only been here for 5 or 6 hours.

Mr. CLINGER. We will take that under advisement. The time of——

Mr. WAXMAN. Point of order, Mr. Chairman.

Mr. MICA. Unanimous consent request.

Mr. WAXMAN. Point of order, Mr. Chairman.

Mr. CLINGER. Unanimous consent request.

Mr. MICA. Yes, if I might have the courtesy, sir, of following up. The ranking member of the committee asked about the document that I had referred to. And I just have a simple unanimous consent request to make a part of the record documents relating to each of the 10 items that I referred to, as part of the record, the actual document.

Mr. CLINGER. Without objection, so ordered.

Mr. KANJORSKI. Objection, until they tell whether they conclude everything. I don't think we are going to start having editorial, edited documents.

Mr. CLINGER. All documents go in by unanimous consent at the outset of the hearing.

Mr. MICA. Thank you. Then they will be part of the hearing.

[The information referred to follows:]

SELECTED ENTRIES FROM THE WHITE HOUSE TRAVEL OFFICE CHRONOLOGY

Dec.'92—Catherine Cornelius and David Watkins meet with a representative from World Wide Travel in Little Rock to discuss White House travel business.

THE CLINTON WHITE HOUSE

JANUARY 20, 1993—Watkins hires Cornelius and Clarissa Cerda as special assistants in the Office of Management & Administration.

JANUARY 21, 1993—WHTO begins to receive telephone calls asking for Catherine Cornelius—the "new head of the WHTO."

FEBRUARY 15, 1993—POTUS stops by Watkins' office once in the morning and again as Cerda copies "Briefing Book & Proposal" by Cornelius and Cerda [aka February 15 Memo].

Cornelius and Cerda give Watkins their "Briefing Book & Proposal" (aka February 15 Memo) on the WHTO establishing them as co-directors of travel & World Wide as the WH's outside travel agency.

11:30p.m.—Cornelius leaves February 15 Memo on Watkins' chair that night with a handwritten memo.

APRIL, 1993—Harry Thomason calls Watkins to say he has heard rumors of improper activities in the WHTO. (WH Report)

In DOJ Public Integrity interview, Watkins says in early April he received a call from Harry Thomason. Watkins says Harry told him that the travel office employees "were crooks" and should be fired and it would be a good story.

APRIL 3, 1993—Cornelius begins work in the WHTO. (Some reports list this as April 12th). Watkins tells Cornelius he is placing her in the WHTO to make commercial arrangements for the White House staff and to observe the WHTO & report to him by May 15th. (WH Report)

MAY 12, 1993, Wednesday 8:40—Watkins calls Foster to set up meeting and tells Foster that the First Lady is interested in the matter.

8:55—Foster calls Hubbell at DOJ.

Late a.m.—The First Lady tells Harry Thomason to "stay ahead of this" and that corruption in the WHTO would be a "good story."

3:00—Cornelius goes home to get WHTO files she took from WHTO.

Mr. WAXMAN. Point of order, Mr. Chairman.

Mr. CLINGER. The gentleman may state his point of order.

Mr. WAXMAN. My point of order is that a question was asked by the ranking member of this committee of a witness. The Chair has ruled that the question may not be answered by the witness before us?

Mr. CLINGER. I would say to the gentleman that the witness may answer the question. I would indicate, however, that to lay it on the head of the gentleman who asked the question or the gentlelady who asked the question, that this is riding very perilously close to areas that we should not be involved in in this hearing.

This hearing is not about Billy Dale. This hearing is not about any of the employees of the former Travel Office. This hearing is about the adequacy of the investigations that were done. I really think that this is a red herring in terms of this hearing. It is an issue that may well need to be explored at some other hearing, but not at this one. Therefore, I would ask that the gentlewoman might withdraw that question, because I think it could jeopardize the pending trial.

Mrs. COLLINS OF ILLINOIS. Mr. Chairman, I was only asking questions that were in your letter in 1994. But in the spirit of comity, I will withdraw my question. That is the only one I will withdraw.

Mr. CLINGER. And the gentlelady's time is expired. And I would now recognize the gentleman from Indiana, Mr. Burton.

Mr. BURTON. Thank you, Mr. Chairman. I will yield 1 minute to my colleague from Virginia, Mr. Davis.

Mr. DAVIS. Thank you very much. I have just a very brief document; it is CGE–002296, I would like to, if I could, put before Mr. Podesta. This is a memo read by the President and given to Mack McLarty, Mark, and Dave Watkins for action.

I just want to ask, did you review this?

Mr. PODESTA. Yes.

Mr. DAVIS. Are you aware of the President writing any notes on this? Part of this is redacted.

Mr. PODESTA. Could you give me a moment?

Yes.

Mr. DAVIS. Do you know what it said, the President's comment said?

Mr. PODESTA. I know—I think I know what it said.

Mr. DAVIS. Did it say something like "these guys are sharp, should discuss with Panetta later?"

Mr. PODESTA. Yes.

Mr. DAVIS. Thank you very much.

Looking at the memo, it looks like we moved from small business set-asides and other procurement to celebrity set-asides, Mr. Chairman. I yield back.

Mr. CLINGER. Mr. Davis, thank you.

Mr. BURTON. I would like to follow up on the role of the First Lady in these proceedings. I was reading a document, it said when the FBI was called on May 12th, 1993, by Associate Counsel Bill Kennedy to provide, quote, guidance on the matter, the FBI was told that this matter was being directed at the highest level, close quote.

When Mr. Apple, this was a GAO interview, Mr. Apple, page 2, when Mr. Apple asked him what he meant by that, Kennedy responded, quote, let's just say that it's at the highest level, close quote. When Agent Apple tried to send a field agent instead of headquarters personnel to the White House, Kennedy repeated that the matter was being directed, quote, at the highest level, and that it required immediate action, close quote.

On May 13, 1993, Patsy Thomasson said she was waiting with Vince Foster to see Mack McLarty to discuss the Travel Office matter and, quote, Mr. Foster mentioned that, quote, his clients, meaning the President and Mrs. Clinton, were concerned about the White House Travel Office matter, close quote.

On May 14, 1993, David Watkins said he had a conversation with the First Lady. Quote, Hillary, telephone conversation with D. Watkins on Friday, May 14. Harry says his people can run things better, save money, et cetera. And besides, we need to get those people out. We need our people in. We need the slots, close quote. This is alleged that Hillary Clinton said that.

Mr. Foster's Travel Office diary, Mr. Foster in reconstructing his conversations with the First Lady after the fact discusses two discussions with the First Lady. The first was in the context of a health care meeting that it appears that Harry Thomason may also have been present at, and the second, another health care meeting where the First Lady expresses her, quote, general frustration with management drift, close quote, and asked him if he knew about, quote, any problems in the Travel Office, close quote. He told her Bill Kennedy was looking into the problems at the Travel Office.

In a Thursday, May 13, meeting, Foster says that in a discussion with Mack McLarty, Patsy Thomasson, and David Watkins, quote, he could have discussed general observation that Hillary Rodham Clinton generally appeared less than satisfied with timeliness of decisionmaking, i.e., closure, close quote.

By Saturday, May 15th, World Wide Travel was coming to the White House and met with Billy Dale and auditors. On Sunday, May 16, 1993, World Travel agent, Fan Dozier, said she was in the EOEB and ran into Harry Thomason. She said Harry said to her, you mean they're not up there working in the Travel Office? Harry Thomason said he'd call Hillary Rodham Clinton and she would be very upset to hear they were still there.

Now, my question is to any of you, and I understand there is a discrepancy between the GAO and the OPR in some of these, in these reports, can you tell us how involved the First Lady was in this issue and how much influence she exerted? Then can you give me some details on it, if you will?

Mr. PODESTA. I'm happy to take that first. I think the first reference that Mr. Kennedy made to highest levels of the White House, there is no indication that the First Lady was even aware of this matter.

Mr. BURTON. What about these quotes I just read by Foster out of his diary and everything else?

Mr. PODESTA. Foster, that occurred in a conversation that occurred later after Mr. Kennedy had originally contacted the FBI. So that's for starters.

I think she did inquire into it. She heard there were problems there. She asked Mr. Foster whether he was looking into it. He informed her that he was, that Kennedy was—had taken over the matter. He later informed her that Peat Marwick will review the situation. And subsequent to that, she asked Mr. McLarty whether he was on top of the situation and he informed her that he was, he was looking into it. But I think her involvement was rather limited.

Mr. BURTON. Who do you think Mr. Foster was referring to when he said "his clients"? You said that didn't refer to the President and the First Lady. Who do you think he was talking about? He was working at the White House, he was the President's attorney, who do you think he was talking about?

Mr. PODESTA. Can you refresh my recollection as to the date of that?

Mr. BURTON. May 13, Mr. Foster mentioned that his clients, meaning the President and Mrs. Clinton, were concerned about the White House Travel Office.

Mr. PODESTA. I think he—I think that the overall—Mr. Foster was counsel to the President when he was in the White House counsel's office. Watkins had come to see him. I think he treated all the people in the White House.

Mr. BURTON. As his clients?

Mr. PODESTA. As clients, absolutely.

Mr. BURTON. You have got to be kidding.

Mr. PODESTA. I am not kidding.

Mr. BURTON. Oh, my. What about the rest of these remarks that are attributed to the First Lady and her involvement, what she said that Vince Foster quoted?

Mr. PODESTA. Excuse me?

Mr. BURTON. What about the comments that were made by the First Lady that Vince Foster quoted?

Mr. PODESTA. Do you want to read them to me?

Mr. BURTON. Mr. Foster's Travel Office diary. Mr. Foster, in reconstructing his conversations with the First Lady after the fact, discusses two discussions with the First Lady. And the second one, which I will go into again, expresses her general frustration with management drift and asked him if he knew about any problems in the Travel Office. He told her Bill Kennedy was looking into the problems in the Travel Office.

Mr. PODESTA. I think that is accurate and as stated and that's stated in our report that we released on July 2nd, 1993, along with the memos he's seeing Mrs. Clinton on that. Before that time, before we released this report, Mrs. Clinton's involvement hadn't been brought up.

Mr. BURTON. I have been told, and I haven't read the entire reports, but I have been told that the GAO and the OPR reports are different than—the GAO report is not quite as thorough as the OPR report. Why is that?

Mr. PODESTA. Well, I'd let GAO and OPR reply to that.

Mr. HORN. Would the gentleman yield?

Mr. BURTON. Be happy to yield to my colleague from California.

Mr. HORN. Let me just note that as far as the GAO goes that on page 15 of the draft report of GAO, it notes as follows: You start, as acknowledged in the White House travel financial review, the involvement in the decision to remove the Travel Office employees of individuals with potential personal or business interests and the outcome created at least the appearance of a conflict of interest. These individuals' actions, reinforced by opinions expressed by the First Lady that changes should be made, appear to have triggered the Travel Office employees' removal.

The question is, why was that removed in the final report?

Mr. CLINGER. The gentleman's time has expired. And the Chair now recognizes the gentlelady from Florida, Mrs. Thurman.

Mr. WAXMAN. Mr. Chairman, there were two questions asked by the Republicans of the GAO, and I think the representative of the GAO ought to be able to respond to both of those questions. We will wait our turn over here. This is a hearing, we want the truth.

Mr. CLINGER. The generosity of the gentleman from California is—the magnanimity is marvelous. And I would therefore, in yielding, thank him for his consideration. I have been trying to keep the clock very close on all members here. But we appreciate your magnanimity and I would ask the witness to respond.

Ms. KINGSBURY. OK. The first question was an explanation of why the GAO and the OPR reports may differ. And without having gone into a detailed analysis of exactly how they differ, I would offer the observation that I believe that the OPR investigators talked to a number of people as a part of its effort that we did not talk to. And so it would not surprise me that there were some differences.

Our description of the role of the First Lady in the final report is based almost entirely on the interview we conducted with Mr. Watkins and responses by the White House on behalf of the First Lady to specific questions we put to her in following that up, following up on the interview. We did not, I would emphasize, talk to Mr. Thomason. We obviously did not talk to Mr. Foster. We did not talk to a lot of other people that I believe the OPR report did. And if the committee would like a more detailed analysis of the specific differences, I would have to get additional access to the OPR report to do that.

With respect to the second question, which is—has to do with language that existed in a draft that I was arguably largely responsible for that was dated in the middle of March, 1994, I have to point out that that draft was written while our audit work was still going on. We had not yet received the responses from the First Lady.

That language, in particular, I recall was taken almost exclusively from the management review as a source, and it generalized the conversations that may have taken place with the First Lady. As we got additional information and got in particular the responses from the First Lady, which are noted in a footnote, in specifics in a footnote on page 54, below the description of what Mr.

Watkins had said she said, we made our report more precise to conform to the evidence we had available to us.

Mr. CLINGER. The gentleman's time has now expired.

Mr. HORN. Well, could I have one follow-up?

Mr. CLINGER. I am sorry. We have got to hold the line here or we get off track. And I would now recognize the gentlelady from Florida for 5 minutes, Mrs. Thurman.

Mrs. THURMAN. I would yield my time to the gentleman from Pennsylvania, Mr. Kanjorski.

Mr. KANJORSKI. This is directed to the panel. I know you have made an investigation of what happened after the firing. But your investigations had to go back and determine whether or not there was any reason for the firings. Is that correct? Is there anyone that didn't examine what the status of the Travel Office was prior to the action in the White House that is being investigated?

Mr. BELL. Again, the IRS Inspection investigation was limited to the internal inquiry within the IRS, and didn't involve matters outside of the IRS.

Mr. KANJORSKI. All right.

Mr. SMITH. This would be also for the FBI, purely an in-house inquiry as to the chronology of events that occurred with the White House contact, but, second, if we violated any rules and policy, procedures within the FBI with those contacts.

Mr. KANJORSKI. So your reports do not go back as to any conditions existing in the White House prior to the actions taken by the White House; is that correct?

Mr. SMITH. That's correct for the FBI.

Mr. SHAHEEN. Congressman, that applies as well to our report.

Mr. KANJORSKI. So you don't know and have no information as to what the existence of circumstances were coming up——

Mr. SHAHEEN. We have general information that we gleaned in the course of some interviews, but that was not part of our investigative charge.

Mr. KANJORSKI. Not part of your investigative charge, but you have information now as to what the conditions were in the Travel Office and related travel conditions?

Mr. SHAHEEN. We got information that it was not a tidy place.

Mr. KANJORSKI. OK. Well, then, my question is directed to you, sir, to the GAO, and to Mr. Podesta. Is there any reason in the world, having all the information at your command after your investigation and knowing what was occurring in the White House Travel Office for the previous 3 months before the discharge and for the 12 years prior to that as a result of any information or studies that proper activity wasn't taken to change the circumstances of the management of that office?

Ms. KINGSBURY. We examined some of the records of the Travel Office for the period from January, 1992, forward. We were unable to do a comprehensive review. Our findings clearly support the KPMG Peat Marwick findings that there were significant financial management weaknesses in that office. We do not have an independent view of whether or not that meant the employees should be fired or not.

Mr. KANJORSKI. There was no question about mismanagement in that office; is that correct?

Ms. KINGSBURY. Not to us, sir.

Mr. KANJORSKI. Yourself, Mr. Shaheen, do you concur with that?

Mr. SHAHEEN. We agree there was mismanagement in the office. I don't have a basis on which to determine whether it was appropriate or not to fire them.

Mr. KANJORSKI. Mr. Podesta, in your internal study, do you have any indication that there was abuse, mismanagement, and potentially fraud existing in the Travel Office prior to the action taken by the White House that is the purpose of this inquiry?

Mr. PODESTA. We concluded I think based on—largely on the Peat Marwick study that management changes were necessary in the Travel Office and that the firings of the—of the people responsible for the financial affairs of the Travel Office were within reasonable—within reason for the White House.

Mr. KANJORSKI. In the prior examination of some of the members on the other side, they asked you whether or not there were notations of the President of the United States himself on some of the memorandum. And I understand that you have seen those documents. All of you have seen those documents?

Ms. KINGSBURY. No.

Mr. PODESTA. I think just I have seen them.

Mr. KANJORSKI. OK. They were shared with the committee; is that correct?

Mr. PODESTA. That—that's my understanding, yes.

Mr. KANJORSKI. May I make an inquiry of the chairman? Did those documents come to this committee upon a request of this committee of the Office of the President?

Mr. CLINGER. I am not sure which documents you are referring to.

Mr. KANJORSKI. There was a notation of a memorandum to the President of the United States where he actually made a notation.

Mr. DAVIS. If the gentleman would yield, as I——

Mr. CLINGER. No, I am advised that we did not have that. There was a redaction. We did hear about it from the media, but we never had access to that document.

Mr. KANJORSKI. You mean we received that document not directly from the Office of the President, but through the media?

Mr. DAVIS. No, Mr. Chairman. Would the gentleman yield? We have the underlying document, but one page was redacted. And the page with the President's comments I assume was redacted.

Mr. KANJORSKI. But you did receive that document from the White House but subsequently someone provided you with the redacted copy?

Mr. DAVIS. No one provided me with a redacted copy. We just did it here.

Mr. KANJORSKI. I understand the copy you had did not have the President's notations on it; is that correct?

Mr. DAVIS. That is correct.

Mr. KANJORSKI. Where did the notations come that were referred to in cross-examination of these witnesses?

Mr. DAVIS. I just asked. I assume the media had it somewhere, but it was not provided by the White House.

Mr. KANJORSKI. So it came——

Mr. DAVIS. Except under cross-examination, we got a redacted, empty copy.

Mr. KANJORSKI. It makes a point. The point is, when this committee held hearings in 1992 of the Bush White House, we requested five members of the President's staff to testify. And at that time his chief assistant asserted that the President was exercising executive privilege, that he would not even allow some of his assistants to come to the Congress of the United States to tell us in general form what facts existed in the Travel Office of the President. And the point I think I want to make is that there isn't anyone here asserting that there hasn't been total cooperation in every regard, even giving documents that have notations with the President's own handwriting on those documents to this committee in assisting us to make this examination. Is that correct?

One other point——

Mr. HORN. Would the gentleman yield for a question? I am just curious. The document you are talking about was released to the press apparently, but not released to this committee. Am I wrong on that?

Mr. PODESTA. I am looking for a representative of the White House counsel's office, but it was my understanding that the document that you have with the redaction was made—was sent to the committee, and that the redaction, the redacted portion was made available for inspection by the chairman and other members of the committee.

Mr. HORN. It doesn't make sense to me that you have sent us the document with the President's notations, then you have redacted it when the chairman looked at it. I don't get it.

Mrs. COLLINS OF ILLINOIS. Regular order.

Mr. DAVIS. Would the gentleman yield? Let me try to explain. As I understand the White House——

Mr. KANJORSKI. It is my time, Mr. Chairman.

Mr. CLINGER. The gentleman from Pennsylvania has the time.

Mr. DAVIS. If the gentleman will yield——

Mr. KANJORSKI. I am not going to yield for everybody's explanation. I will yield to Mr. Waxman from California. It is——

Mr. WAXMAN. My understanding from the White House counsel was the documents were given to the committee, but the President's notation on the document, that was held for inspection but not turned over to committee because the President's, obviously, personal statement to his staff is privileged. But information was given to this committee, this committee knew about it, and I think the gentleman from Pennsylvania's point is that all the documents that everybody's ever had on this whole subject has been given by the White House and everybody involved to this committee, unlike the investigation he conducted in the Bush White House.

Mr. CLINGER. The gentleman's time has expired and I am now going to recognize Mrs. Morella.

Before I do, I would just like to indicate these are the documents which were turned over to the gentleman from Pennsylvania, Mr. Kanjorski, by Mr. Larsen. So I would point out there are plenty of documents here.

Mr. KANJORSKI. May I ask unanimous consent to have 2 minutes to explain the purpose of my question, now that you have shown the documents my committee received, so the record is clear?

Mr. CLINGER. Is there objection?

Mr. DAVIS. If the gentleman will allow me 30 seconds of that to answer his question.

Mr. KANJORSKI. If we get unanimous consent of 2½ minutes, I will yield 30 seconds to you.

Mr. CLINGER. Is there objection?

Mr. MICA. Reserving the right to object.

Mr. CLINGER. And the gentleman reserves the right to object. Does the gentleman object?

Mr. MICA. Yes. I would like to just comment on my reservations.

Mr. WAXMAN. I object. I object to the unanimous consent.

Mr. CLINGER. The gentleman's objection is heard, and the Chair now recognizes the gentlelady from Maryland, Mrs. Morella.

Mrs. MORELLA. Thanks, Mr. Chairman. I wanted to get back on the track that I have been trying to pursue. And I recognize and value the deliberations. I am concerned about what happened to these gentlemen who were dedicated civil servants. And so in terms of pursuing that, early, early on, I think I mentioned something about what happened on May 19th as the new travel people were coming in, the others were being fired on the upper floor. But I have found out also, since then, that this had been anticipated, this firing had been anticipated long before that time; and that, frankly, the locks to the White House Travel Office had been changed on the 17th and the keys that they had didn't work when they arrived at work. All of these kinds of things had happened, and I think it is important that the record demonstrate that, too. And I wondered, Mr. Shaheen, didn't you find in your report that the FBI had been asked not to fire the employees before they had a chance to review the Peat Marwick work?

Mr. SHAHEEN. I think the FBI had been—that their opinion had been solicited, but I don't think that their answer was a dispositive one as far as the White House was concerned.

Mrs. MORELLA. I think it said that it was kind of immature—not immature, premature. Immature also maybe, but premature?

Mr. SHAHEEN. Right.

Mrs. MORELLA. So the point is no investigation had been held. I also was concerned about jumping to conclusions without doing research, not only in that regard, but the idea that Mr. Podesta, Ms. Kingsbury, and Mr. Shaheen, I understand that you reported that Ms. Cornelius told David Watkins, Vince Foster, William Kennedy, Harry Thomason, and eventually agents from the FBI, that the White House Travel Office employees lived extravagant lifestyles, well beyond the means of government employees. Is that correct, that that had——

Mr. SHAHEEN. She did—that was provided to us in interviews, yes.

Mrs. MORELLA. Well, did any of these persons to whom these allegations were made do any checking on it before we begin to tarnish characters?

Mr. SHAHEEN. In our case, Congresswoman, they were not relevant with respect to our investigative charge.

Mrs. MORELLA. They were not relevant?

Mr. SHAHEEN. For our purposes, they were not relevant.

Mr. PODESTA. Mrs. Morella, that may be a question better directed to Mr. Smith.

Mrs. MORELLA. OK, great, Mr. Smith, thank you.

Mr. SMITH. At the time of the initial investigation that we conducted, and I made a chronology of the contacts with the White House, I think it was on the 13th that Mr. Kennedy offered, he said he had three options to deal with the White House. One of them was to fire the seven employees. Second was to send them home and seal the office and conduct an audit. And third, to send half of them home and use the remainder to assist in the audit.

At that particular time, the two unit chiefs that were at the White House, unit chiefs Apple and Foran, refused to provide Mr. Kennedy with any advice in that regard. Later on of course, I think it was that day or the next day, they did in fact meet Ms. Cornelius. At that time, she voiced concerns for the life-styles that some of the Travel Office employees were using, without any elaboration, I might add. Other concerns are things, such as no competitive bids, checks written to cash and things of that nature. But it was just that—statements made at that time without any supporting documents or anything.

Mrs. MORELLA. Right. And my concern is that a statement like that that was made was picked up by others and perhaps used in this investigation. And I think it is a terrible situation for us in government to have occur with our dedicated people. You want to comment on that?

Mr. PODESTA. I would just note that that occurred on the afternoon of the 13th, when I believe Agents Wade and Carl interviewed Ms. Cornelius; is that right? Two of the FBI agents came in and—Wade and Carl interviewed Ms. Cornelius. And I believe at that point they determined they had predication to begin an investigation. It was Mr. Foster who I think kind of slowed down things and said, let's get Peat Marwick in, let's see the status of the Travel Office before we do anything precipitous.

Mrs. MORELLA. I certainly hope that, you know, that won't happen again.

I am also concerned about the fact that these people were not even placed on administrative leave. I think it was like a week to—you know, on a week-to-week basis which simply exacerbates the anxiety.

Mr. PODESTA. I don't think that's right, Mrs. Morella. They were put on administrative leave until June 5th, as of May 19th. And then on May 25th, they were—Mr. Garrett and Mr. McLarty made an announcement that they would have extended administrative leave until new positions could be found for them following the inquiry at the Justice Department.

Mrs. MORELLA. It also appears as though they were the only ones who knew how to run the Travel Office, too. Because you had people that went into the Travel Office that didn't even know how it operated, who had to ask questions. Is that not the case?

Mr. PODESTA. I think there—I think there was—I would say that with regard to the commercial ticketing side, that operation was up and running quickly and run well by American Express almost immediately.

With regard to the contracting of airplanes and the provision of those services, within a relatively rapid period of time that smoothed out, although the first trip had problems, the trip that immediately followed the firings, which I think was on Saturday following the Wednesday firings.

Mrs. MORELLA. Well, Mr. Chairman, with all that has been uncovered, brought out during this hearing, I guess what I want to bring out is the sad saga of mistreatment of human beings who have given a great number of years and expertise and commitment to their government. And I hope that among all the things we may learn that this will not be repeated.

I yield back the balance of my time, Mr. Chairman.

Mr. CLINGER. The gentlelady yields back the balance of her time.

The gentleman from Pennsylvania, Mr. Holden.

Mr. HOLDEN. Mr. Chairman, I'll pass at this time and reserve the balance of my time.

Mr. CLINGER. The gentleman reserves the balance of his time.

The gentleman from California, Mr. Horn, is recognized for 5 minutes.

Mr. HORN. Thank you very much, Mr. Chairman.

Let me pursue the White House management report, Mr. Podesta, and the GAO. As I understand, staff has counted the references to the management report and it appears 44 times in the GAO document.

Let me first ask you, Ms. Stansbury, did you have all of that report available to you?

Ms. KINGSBURY. I had the report available to me. I had no records underlying the report available to me, if that's your question.

Mr. HORN. Well, I understand it's a 907-page report. Am I correct, Mr. Podesta?

Mr. PODESTA. No.

Mr. HORN. What is it?

Mr. PODESTA. It's a—it's a——

Ms. KINGSBURY. Shorter report.

Mr. PODESTA. Twenty-eight-page report with exhibits, which are another probably 40 pages.

Mr. HORN. Well, I was told that 600 pages were furnished to the committee. Am I——

Mr. PODESTA. Those are working papers.

Mr. HORN. Those are working papers? Well, the committee asked for the full works, which I believe is 907 pages, including working papers, interviews——

Mr. PODESTA. I think—that whole 907 pages, I think, goes beyond the working papers of our review and includes some papers that were generated by the White House Counsel's office.

Mr. HORN. OK. And two-thirds of it were furnished. And then I'm told the chairman would be permitted to read the remaining 300. My problem being, what's left out and did GAO have access to those working papers?

Ms. KINGSBURY. The answer to that last question is, no, sir, not all.

Mr. HORN. You had no access to them, but you did depend——

Ms. KINGSBURY. We were not told they existed.

Mr. HORN. Yeah, and that's true, it sort of squeezes out and drips out.

Now let me ask a question of all of you, because I am very interested in the process by which this whole thing goes on. This won't be—this isn't the first time, it won't be the last time, that we investigate a White House function or an upper-level government function. And I think most of you have had an experience doing this before somewhere in the executive branch.

I'm sure Ms. Stansbury has. And, Inspector Smith, I take it you've investigated various executive departments. Mr. Shaheen certainly has had that experience; and Inspector Bell, I think you've investigated a number of executive departments.

Well, let me ask you this. On a scale of essentially 0 to 10, would you say your experience in the White House Travel Office operation is at either 0, where there's no cooperation, or 5, where there's average cooperation, or 10, where there's an amazingly wonderful, stupendous degree of cooperation? Where would you put the experience you had with the White House in terms of being forthright and cooperative, from 0 to 10?

Mr. BELL. Again, Mr. Horn, our investigation was completely internal to the IRS. We made no inquiries at the White House. But within the IRS, I would state again that all of the cooperation would be at a 10 level. Everything was provided to us in our investigation, and all employees involved in this matter were made available, not only to us, but to the GAO.

Mr. HORN. So the White House wasn't involved at all, you had the records and you simply explored them?

Mr. BELL. The White House was not part of our investigation. The records within the IRS were the only records that we utilized.

Mr. HORN. Right. Mr. Shaheen?

Mr. SHAHEEN. Congressman, let me try answering your question this way, and see if it responds. We have had, over the last nearly 20 years, occasion to investigate senior people at the White House at the direction of different Attorneys General, involving administrations of both parties. We have uniformly received full cooperation. It's as though they were in each instance employees of the Department of Justice. They were as cooperative as they could be, the other—the other investigations we conducted.

This one was without precedent in terms of its failure of cooperation and candor. And I don't impute ill motive a hundred percent. This was a brand-new administration, they were 4 months into it. We were talking about a beloved person in the White House Counsel's office, a Deputy Counsel to the President, who was a close friend of many people over there, who had killed himself. You had sensitivities that were raw.

You had the Director of the FBI under investigation, you had relative inexperience by a number of the people in the White House Counsel's office.

So if I can—if you permit me to set the stage, I think these are very bright people in the White House Counsel's office; they should have known better. We were terribly disappointed. We were as disappointed as we were dismayed by the failure of cooperation. But putting it in context, I think that explains some part of their failure.

But if I had to put it on a scale of 0 to 10, 4.

Mr. HORN. OK. Ms. Stansbury?

Ms. KINGSBURY. Kingsbury, just to get it right.

Mr. HORN. I'm sorry. One of my close friends is Stansbury, and I just looked at the end of it.

Ms. KINGSBURY. I'll take it as a compliment and put this where you can see it.

Mr. HORN. You've had a lot of experience. Where do you rank it?

Ms. KINGSBURY. Well, I think again, as with Mr. Shaheen, I think you have to think about what you compare it to. This was, as I said in my statement, an extraordinarily difficult job in comparison to the average run-of-the-mill audit we conducted in an executive branch agency.

It was not—we've had executive branch agencies get difficult as well. So by that comparison, I'd have to rank it fairly low. On the other hand, we have had other experiences in other White Houses, in other administrations, in which the extent to which documents were forthcoming in this experience was in fact better than our experience has been at some points in the past.

While we did not get every document now known to exist, we got a whole lot of documents. We had to be patient, because—largely because of the criminal investigation, I think. But we got a whole lot of documents. So somewhere in the middle is probably about right against the scale of audits at the White House. Better than that in some other places. I mean, the cooperation we had from the IRS and the ability we had to handle that part of the story was extraordinarily good.

Mr. SCHIFF [presiding]. The gentleman's time has expired.

Mr. HORN. Inspector Smith, could we get his answer to complete the question?

Mr. SCHIFF. Briefly, Mr. Smith, if you would.

Mr. SMITH. As I pointed out in my initial statement, we didn't interview anyone outside of the FBI. So it would be difficult for me to put a numerical evaluation on cooperation with the White House.

Mr. HORN. So there were no records denied? There were no records denied that you needed?

Mr. SMITH. We didn't ask for any records.

Mr. SCHIFF. Mr. Barrett from Wisconsin, you're recognized for 5 minutes.

Mr. BARRETT. Thank you, Mr. Chairman. Mr. Chairman, I would yield my time to Mr. Kanjorski from Pennsylvania.

Mr. SCHIFF. The time is yielded.

Mr. KANJORSKI. Thank you very much, Mr. Barrett.

Mr. Chairman, everything has to be put in perspective, and I think Ms. Kingsbury did that very well in comparing the cooperation of the White House with this investigation as opposed to other investigations.

And, of course, I was involved in the travel investigation of the White House in the immediate preceding administration of Mr. Bush. And at that time this committee requested the presence of five individuals from the White House. They consisted of Mr.

McBride, who was Assistant to the President for Management and Administration; and Mr. Bateman, who was Deputy Assistant to the President for Management and Director of the Office of Administration. The third member was Mr. Brennan, Administrative Operations Division Office of the Administration of the White House; and the fourth member, Mr. Alexander, Director of Administration, Office of Policy Development, at the White House; and the fifth member was Mr. Rasmussen. When we convened that hearing some 2 years and 3 months ago, we had five very empty seats. They just absolutely refused to come and testify before a committee of the Congress of the United States, that was the authorizing committee for White House travel.

After various discussions internally within the committee, with the Clerk of the House, an attorney for the House, after the suggestion of the need for direct subpoenas, and the assertion of executive privilege by the White House on these people, it was finally concluded that two members would testify, Mr. Rasmussen and Mr. Larsen. And the reason that is so interesting is, Mr. Larsen was the person who in the White House who really was responsible for all the documentation that 2 years ago should have flown to this committee and didn't. And though ultimately he did testify for 6½ hours, it was without the benefit of practically any internal documents from the White House of even the most minimal importance, no less documentation that had notations from the President or memorandums directly to the President.

The point I am making is that in prior administrations, there was an attempt to absolutely stonewall the Congress. And then we discovered that the Chief Investigator of this committee, Mr. Larsen, comes from that very atmosphere to the Congress of the United States, knew and testified for 6½ hours on this very subject matter of the abuse, mismanagement, miscontrol of travel in the White House. And knowing full well, Mr. Moran and other members of my subcommittee and Mr. Burton sat for literally 15 months in investigation and hearings, and over the period of 9 months of this new Congress, Mr. Larsen, as chief investigator of this committee, never saw fit to call me and notify me that the chairman was interested in this issue and what information we may be able to impart to him that would help in that investigation.

But, in fact, the approach here is a very narrow approach, to talk about merely the firing circumstances. It reminds me when I tried a case one time and we agreed to bifurcation of the issue of negligence and damages. My client was in a bowling alley, he stepped on a slippery element that was on the alley, and we were only allowed to put in the testimony of negligence. So, suddenly, he hit the slippery spot, flew up in the air, and that was the end of our testimony.

Here we have the same thing. We're asked to hear in bifurcation what happened at the White House after a set of circumstances when the new President was in only 120 days; and the American people, listening out there as to why did this all occur, if we had a total complex picture of what had been happening for 12 years in the White House prior to the Clinton administration, through multiple examinations by the General Accounting Office where their officials related to me, although Ms. Kingsbury may not be aware of those conversations, but we're willing to call them if it's need be, that they were stonewalled, not provided with documents, not given the information, and had zero cooperation from the White House over periods of years, not only months.

With all this, I think we can conclude that this picture of attempting to bifurcate what happened is going to give a total misimpression to the American people that there is not a substantial element of fact and information that justifies exactly what happened. That does not justify the new administration's inability to properly handle the situation or bungle the situation.

When I heard of the dismissal of the Travel Office, I said finally, after 4 months, they have gotten to a root, core problem in the White House. Little did I understand that it was not handled with the type of sophistication that I had expected. But never did I doubt that there was justification for cleaning up what I considered a clear rat's nest in the White House. And I can go on. It exists in other travel portions of the executive branch of government.

Now we're here with the American people watching us, and they're trying to figure out why five people are called here to tell us the nature of their reports on a very small period of time, and I'm not sure what we're asking them. They've all submitted reports. They feel very good about it; they had documents that even had notations of the President of the United States on them. We had letters from Judge Mikva to the chairman of the committee that all documents have been exposed. Some had to be done in camera, but they are perfectly available, everything is available, everything is before the Congress. What should be before the Congress and the American people is the history of travel in the White House and travel in the Executive Office of the President for the last 12 years, up until now. And as I discussed with Chairman Clinger the other day, I believe that processes have to be put in place very consistent with recommendations made by the General Accounting Office over a term of years of how office travel or how travel should be handled in the Executive Office of the President so that there's a proper accounting, voucher systems that are correct, and for documentation easily exposable not only to the Congress of the United States, but to the media and the American people so that they understand that never again should we have a President whose White House spent almost $200 million for travel in 1 year.

And I can tell you one thing as a result of watching the Clinton——

Mr. SCHIFF. The time has expired.

Mr. KANJORSKI. I would just conclude, if I may.

We have not had that experience in the last 2 years.

Mr. SCHIFF. Thank you. I now recognize myself for 5 minutes, and want to say first, since I'm sitting in temporarily for our chairman, Congressman Clinger, that more than 2 years ago he did express his interest in the subject and was ignored by the then-majority that ran this committee.

And I want to go on further now and ask Mr. Podesta, there was a subject I was asking you about when I ran out of time before, come back to it for that reason. And this deals with the file of the late Mr. Vincent Foster and the White House Travel Office.

Mr. Shaheen has testified before that he learned about this in July 1995. You learned about it as a White House staff member in July 1994, and I asked you, where was the file on Mr. Foster's death from July 1993 to July 1994; and I believe you said you believed it was in the possession of White House Counsel, Mr. Nussbaum. Is that right?

Mr. PODESTA. That's correct.

Mr. SCHIFF. Do you know why, and you may not know why, but do you know why Mr. Nussbaum did not make that file available in 1993 to the various investigations that were going on at that time?

Mr. PODESTA. I believe that he has said that he—that he was aware of the matters that they had requested—of the document requests that they had made, and thought it was either privileged or outside the scope. But I should defer to Mr. Nussbaum.

Mr. SCHIFF. That's fine. I just wanted to see if you did know for sure.

Mr. Shaheen, I'd like to come back to you. The note that Mr. Foster wrote that was found in shreds in his briefcase, some have called a suicide note; you know what I'm talking about?

Mr. SHAHEEN. Yes.

Mr. SCHIFF. He said in there that the FBI lied to the Attorney General, and it was apparently related to this particular investigation. And you testified in your opening statement that you believed that Mr. Foster was referring to the FBI report where it said that the White House told them "the highest levels are interested in this investigation" as almost implying kind of pressure on them.

Is your—did I have your testimony correct on that?

Mr. SHAHEEN. You heard that testimony correctly, yes, sir, Congressman.

Mr. SCHIFF. Did you—I realize that there's no way, of course, we can ask Mr. Foster precisely, but in terms of being an investigator in this matter, did you reach a conclusion about whether in fact the FBI did misstate what they were told at the White House?

Mr. SHAHEEN. We did reach a conclusion. The particular note that we were interested in that Mr. Foster wrote was that the FBI lied in its report to the AG. He was, we believe, referring to the FBI's own internal report when there was no reflection in that report that the FBI—that the FBI succumbed to any attempted pressure when there were adversions to interest at the highest levels, or the threats, as I'll characterize them, of the alternative use of the IRS in the event the FBI's help was unavailable—unavailing.

We believe that the Bureau, the Bureau's internal report accurately reflected that they are not pressured. They may have appreciated that Mr. Kennedy was trying to suggest pressure. On the other hand, Mr. Kennedy may have honestly been repeating the interest of his superiors, and honestly representing that the people above him were interested in this matter and keenly so. But the FBI in its report, we believe accurately, and we conducted a host of interviews about it with the operative FBI personnel, we believe the FBI honestly represented to the Attorney General in its report that they—they were not—they did not feel they were under pressure.

Mr. SCHIFF. Well, nevertheless, although I am proud of the FBI, based on your conclusion that they did not succumb to any threats or pressure, wouldn't statements to the FBI from a White House official, "the highest levels are interested in this" and something to the effect of if the FBI doesn't act the IRS will be asked to do so, don't you think those constitute an attempt to threaten or an attempt to influence the—"threaten" may be too strong a word—an attempt to influence the Agency to get involved when maybe there was not a basis to do so?

Mr. SHAHEEN. A cold reading of the record might suggest that, Congressman, but there was an honest belief that when Mr. Kennedy referred to interest at the highest levels, that he was honestly repeating the intense pressure he was feeling and was passing it on.

We've given careful thought to this, and the message may have been lost in the translation. Maybe there was some feeling of pressure. But the Bureau did not yield, did not succumb.

I might add, it's an observation of mine, I don't know if it's—with 10 cents and a cup of coffee you can't get on the Metro with it, but the FBI is probably the savviest institution in the executive branch in terms of dealing with the White House. They're, of necessity, in constant communication with them because they do the backgrounds of most of the senior people over there.

Mr. SCHIFF. What about when the White House announced, I think through Ms. Myers, I could be mistaken about that, but the White House announced the FBI was investigating the Travel Office right after the firings. Isn't that out of the ordinary as far as procedure goes, to announce the FBI is investigating?

Mr. SHAHEEN. It may be out of the ordinary. I don't know that it's inappropriate.

Mr. SCHIFF. All right. What about when Mr. Collingwood, of the Congressional Affairs Department, went and met with White House officials to discuss what press statement would be given? Isn't that kind of coordination between the White House and a law enforcement agency unusual?

Mr. SHAHEEN. Not with respect to an exchange of—not a visit by someone of Mr. Collingwood's rank, in the circumstances. It's not the norm, but it's not altogether unusual.

Mr. SCHIFF. It's not the norm, though, you would say?

Mr. SHAHEEN. It's not the norm. And he is a senior official, though.

Mr. SCHIFF. All right.

Mr. Podesta, did you want to respond to that?

Mr. PODESTA. I did, Mr. Schiff.

I just must tell you I was a little bit surprised when I read a redacted copy of Mr. Shaheen's——

Mr. SCHIFF. I'm going to ask you to be brief because my time has expired.

Mr. PODESTA. Mr. Shaheen's memo which criticized us for being too tough on ourselves on the points you just raised. I felt a little bit like I was in the movie Chinatown.

Mr. SCHIFF. Thank you. My time has expired.

Mr. Green of Texas.

Mr. GREEN. Thank you, Mr. Chairman. And, again, let me revisit what—I know we've had a long day for not only the Members, who can come and go, but the witnesses who have to stay. And again, I thought it was interesting, Mr. Chairman, that you questioned whether the FBI had lied to the Department of Justice.

And, Mr. Shaheen, if I could reiterate, again, did the White House have anything to do at all with any undue influence or question except the appearance of—in dealing with the FBI and asking them to investigate this?

Mr. SHAHEEN. We're satisfied that the answer to that question is no.

Mr. GREEN. OK. And the information I've received is that the independent accounting firm, the first time in the history of having a Travel Office, whether as the chairman said it was 1920, 1988, or 1993, that an outside accounting firm, Peat Marwick, confirmed that there was financial mismanagement on the part of Billy Ray Dale. Is that true from at least the information that the witnesses have, that there was financial mismanagement?

Mr. SHAHEEN. Congressman, that question appears to me, I think would be inappropriate to answer because that is the subject of a pending case.

Mr. GREEN. I am glad you answered it that way because that points to the concern that we have said all day today. We have a trial starting 2 days from today and we have a congressional committee that decided to have its first hearing today instead 5 months ago, or 6 months ago, when I am sure this whole panel would have been available to them.

I would like to yield 1 minute to my colleague.

Mr. WAXMAN. Thank you for yielding.

Sitting here all day I am questioning myself what is new here. We have had the GAO report, we have had others do reports. It seems to me we have some uncontroverted facts and I would like to hear the witnesses tell me if I am wrong about it.

We had a Travel Office that the Clinton administration inherited, that according to the Peat Marwick study had a lot of irregularities, lack of accountability, lack of documentation, lack of good systems. The Clinton administration took that report and decided to try to put some of their own people in the place of those who were at the Travel Office.

They didn't handle it very gracefully. They didn't do an appropriate job, but they didn't do anything criminal. And they didn't do anything, it seems to me, that deserves a full day of hearings by the House of Representatives and this committee. Maybe that's a judgment to you all you may not want to respond to.

But have we not had a GAO report on this subject, Ms. Kingsbury?

Ms. KINGSBURY. Yes, sir.

Mr. WAXMAN. When did that come out?

Ms. KINGSBURY. May 2, 1994.

Mr. WAXMAN. So nothing new has happened that I can tell at this hearing that we didn't know about in May 1994. What other do we have? We had one from the Office of Professional Responsibility; is that right, Mr. Shaheen?

Mr. SHAHEEN. Right.

Mr. WAXMAN. When did that report come out?

Mr. SHAHEEN. Early 1994. It hasn't come out.

Mr. WAXMAN. It hasn't come out.

Mr. SHAHEEN. It was finished and sent to the Deputy Attorney General.

Mr. WAXMAN. Have you heard anything today that you didn't know about?

Mr. SHAHEEN. Not anything today.

Mr. WAXMAN. Have you anything that hasn't been in the press?

Mr. SHAHEEN. Not that hasn't been in the press.

Mr. WAXMAN. Have any of you heard anything you didn't know about or didn't read about in the press?

The only reason for this hearing is obvious, is politics. The Republicans have control of the House, they want to beat up the Clinton White House. It just seems to me that all of the things, privatizing the office and making sure these abuses don't take place again, that is appropriate, but it doesn't require a full day of hearings where people are being questioned as if this is Watergate.

This is not Watergate; is it? Does anybody maintain this is a matter of anything to do with other than inappropriate, certainly not criminal acts?

Any of you maintain there is a criminality on the part of the Clinton administration?

Mr. SHAHEEN. I guess I would await the Independent Counsel's report.

Mr. WAXMAN. Who is the Independent Counsel?

Mr. SHAHEEN. Ken Starr.

Mr. WAXMAN. That has to do with whole water—what is it, Whitewater and a whole bunch of other things.

Mr. SHAHEEN. It also has to do with Mr. Foster.

Mr. WAXMAN. You know of no criminality yourself in your investigation, do you?

Mr. SHAHEEN. No.

Mr. WAXMAN. I thank the gentleman for yielding.

Mr. GREEN. Thank you, Mr. Chairman.

And again for those who are viewing from C–SPAN, let's reiterate that the GAO in their report that we have from 1994, suggested 29 reforms in the Travel Office, 26 of them have been done on a review a few months later and hopefully the White House is working on those other three, although I join in Mr. Kanjorski in saying we probably ought to privatize that office over there.

I would like to yield the balance of my time to Mr. Kanjorski.

Mr. WAXMAN. Before you do, could I just ask unanimous consent? I would like unanimous consent that Members may submit additional written questions to the chairman for written responses to be included in the record.

Mr. CLINGER. Without objection.

Mr. WAXMAN. Thank you.

Mr. KANJORSKI. I would like to direct my question to the GAO again. Why wasn't—when we were holding our hearings in 1992, the Congress wasn't informed about the whistleblowers' charges in the White House and provided with the additional information. That would have been a natural follow-up for us.

We were looking for just that sort of thing and we never received that cooperation. As a matter of fact, we had to dig it out of—it was interesting. We dug it out of the Ronald Reagan Library.

Ms. KINGSBURY. That's where we got it from during this job. I honestly don't know, and I can look into why we might have overlooked that at the time.

Mr. KANJORSKI. You agree that those—those are criminal allegations that are made in that 1988 letter and then were followed up, and that Mr. Dale agreed that that activity of gift-giving and special trips were actually occurring and had been occurring for a very long period of time; is that correct?

Ms. KINGSBURY. As I said earlier, I have the two documents. I have the letter we got and the report that we did get from the archives of the Reagan White House, and he certainly seems to be admitting to things that my attorneys advise me would be serious violations of the standards of conduct.

Mr. KANJORSKI. We have two people here from the Office of Responsibility and the FBI. Are we following up this gift-giving to Federal employees and this almost cabal down there at the Travel Office that occurred and continued until January 1993 when the new White House took over?

Mr. SHAHEEN. I would——

Mr. KANJORSKI. May we have the answer to the those questions, Mr. Chairman?

Mr. CLINGER. You may respond.

Mr. SHAHEEN. That would involve a referral, if there has been one, to the Criminal Division of the Department, and we are separate from them.

Mr. KANJORSKI. When you run across a criminality, you don't make a referral?

Mr. SHAHEEN. We certainly do when we come across it.

Mr. CLINGER. The gentleman's time has expired.

I am going to recognize Mr. Mica. But I would just note, and Mr. Waxman raised the point that why are we spending a day of hearings at this point, and I think that makes the point. The point is we would have loved to have had these hearings in the last 2 years but were prevented from doing so at the time.

I recognize the gentleman from Florida, Mr. Mica, for 5 minutes.

Mr. MICA. Thank you, Mr. Chairman.

Mr. Podesta, this is the White House travel management review that you helped prepare; is that correct?

Mr. PODESTA. That's correct.

Mr. MICA. Mr. Smith, you were working on a report. Did the White House request a copy of your report prior to this July 2, 1993?

Mr. SMITH. Not to me directly.

Mr. MICA. But to the agency?

Mr. SMITH. We received a request. As I recall, there was some conversation between the Department and the FBI regarding making my report available to the White House.

Mr. MICA. So someone was trying to get a copy of your—the FBI report from the White House before this was published?

Mr. SMITH. That's correct.

Mr. MICA. It is correct.

And Mr. Podesta, you worked on the Clinton campaign; is that correct?

Mr. PODESTA. I was a volunteer in the campaign.

Mr. MICA. Did you know Ms. Cornelius, the President's—did you meet her during the campaign?

Mr. PODESTA. I think I met her perhaps briefly in the transition to pick up a ticket.

Mr. MICA. Is she a first cousin or second cousin to the President?

Mr. PODESTA. I believe the GAO established she is a third cousin.

Mr. MICA. Were you aware of World Travel, where they were from?

Mr. PODESTA. Prior to doing the review?

Mr. MICA. Yes, prior to doing the review?

Mr. PODESTA. I don't think so.

Mr. MICA. You weren't.

Mr. PODESTA. I don't think so. Although I might have—I traveled—during the transition, I traveled once to Little Rock and it may be that I got a ticket from World Wide.

Mr. MICA. And where are they from?

Mr. PODESTA. I wasn't aware of where they were from.

Mr. MICA. Were you aware of who the principals of World Wide Travel are?

Mr. PODESTA. Prior to these events, prior to doing the review?

Mr. MICA. Yes.

Mr. PODESTA. No.

Mr. MICA. You weren't.

You are aware, though, that you said today that the President's cousin, David Watkins, met in Little Rock in December. You found that out, discovered that they talked about World Wide Travel from Little Rock to possibly get into the travel business, take this over. I guess the ballot boxes weren't even cold yet. This was in December 1992, is that correct?

Mr. PODESTA. Well, I won't accept the characterization, but it was in December 1992.

Mr. MICA. It is my understanding, too, that Mr. Stephanopoulos announced the award May 21st to American Express, is that correct, of the White House travel business?

Mr. PODESTA. I believe that is correct, yes.

Mr. MICA. And the competition was to be held May 23rd?

Mr. PODESTA. I think it was held on the 22nd and the 23rd.

Mr. MICA. But he announced it on the 21st.

Mr. PODESTA. I think that was a mistake.

Mr. MICA. That was a sort of an interesting sequence of events.

Mr. PODESTA. I can help shed some light on that, Mr. Mica, if you'd like. I guess you wouldn't.

Mr. MICA. The White House, it sounds like, was lying—in the interim, World Travel took over these responsibilities. We had World Travel folks in place. So they were already there, when was it, the 13th, 14th, 15th, 16th, 17th.

Mr. PODESTA. I think one person came to DC on the 13th or 14th and then the others arrived on the 19th.

Mr. MICA. Now, did you ask after you prepared this to get some type of a—this report, did you try to get from FBI some type of a letter saying that this was a valid report, a good report?

Mr. PODESTA. From the FBI?

Mr. MICA. Yes.

Mr. PODESTA. No.

Mr. MICA. You didn't at any time make that inquiry or request——

Mr. PODESTA. A request——

Mr. MICA [continuing]. After this was published from the White House?

Mr. PODESTA. No. I believe that the—that the report was sent to the Department of Justice and Mr. McLarty asked the Attorney General to review it to determine whether it was consistent with the report. But I didn't do that, Mr. Mica.

Mr. MICA. Ms. Kingsbury, you referred to this report 44 times, the White House report, prepared——

Ms. KINGSBURY. I'll take your word for it. I haven't counted.

Mr. MICA. And Mr. Podesta, Darnell Martens, we also looked through this, we see that Mr. Martens is also trying to land some business with the White House, a consulting contract.

Mr. PODESTA. Not with the White House, Mr. Mica.

Mr. MICA. You are aware of that. Were you aware Mr. Thomason, his buddy, the President's buddy, owned one-third of Mr. Marten's corporation when he was trying to get this business?

Mr. PODESTA. Of course. It is stated in our report.

Mr. MICA. So it sounds like what we were trying to do——

Mr. PODESTA. It was an account with GSA, it was not a contract.

Mr. MICA. Was to get some business for some of his campaign friends and this whole thing blew up.

Mr. Podesta, did you review whether Mr. Watkins' efforts to procure employment contracts for relatives, friends he had prior to and dealings with and campaign supporters of the President violated the prohibition of the use of public funds for private gain or the prohibition of use of nonpublic information set forth in the Code of Federal Regulations for the Office of Government Ethics, Standards and Ethical Conduct for Employees of the executive branch, Part 2635?

Mr. PODESTA. We were doing a management review, Mr. Mica, so we were not trying to draw legal conclusions. As you know, the matter of, the Travel Office matter itself had been referred to the Justice Department. We were trying to find out what went wrong. We were trying to implement policies to make sure that it didn't happen again, but we were not trying to draw legal conclusions.

Mr. MICA. Did Mr.—Mr. Podesta, did you inquire whether or not Mr. David Watkins, Assistant to the President—or Ms. Patsy Thomasson, Special Assistant to the President, violated the prohibition of giving preferential treatment to a private organization or individuals set forth in the Code of Federal Regulations in Part 2635?

Mr. PODESTA. I think my last answer was responsive to that. It wasn't our mandate to draw legal conclusions. That was the job for the Department of Justice or the Office of Government Ethics.

Mr. MICA. Ms. Kingsbury, did you review this?

Ms. KINGSBURY. Did I review what, sir?

Mr. MICA. The matter I just spoke about.

Ms. KINGSBURY. Not that specific issue, no sir.

Mr. MICA. Mr. Podesta, in what has been labeled the Vince Foster suicide note, Mr. Foster wrote, and I quote, "I didn't knowingly violate any law or standard of conduct," close quote. This is the Vince Foster note from the OPR report attachments.

Mr. Podesta, did you know of Mr. Foster's concern about violating laws or standards of conduct in regard to the Travel Office?

Mr. CLINGER. The witness may answer the question.

Mr. PODESTA. I did not. I think that's reflective of his state of mind at the time, frankly.

Mr. CLINGER. The gentleman's time has expired.

And the Chair now recognizes the gentlelady from New York, Mrs. Maloney for 5 minutes.

Mrs. MALONEY. Thank you, Mr. Chairman.

I would like to request that my opening statement be part of the record.

Mr. CLINGER. Without objection, all opening statements will be made a part of the record.

Mrs. MALONEY. Thank you very much.

Mr. Chairman, there has been no less than five detailed reports on various aspects of this incident. I'd like to ask Inspector Smith if he read all five reports?

Mr. SMITH. No.

Mrs. MALONEY. Did you read any of them?

Mr. SMITH. Just mine.

Mrs. MALONEY. Which one?

Mr. SMITH. The one that I did.

Mrs. MALONEY. In your report or in any reports or in the testimony you heard today, are you aware of any illegal or unethical conduct by any White House employee or anyone related to the White House Travel Office?

Mr. SMITH. As I stated, my investigation was only involved internally with the FBI. It did not involve interviewing anyone from the White House.

Mrs. MALONEY. But are you aware, are you aware of any illegal or unethical activity by any White House employee?

Mr. SMITH. Based upon my report, no.

Mrs. MALONEY. I'd like to ask Mr. Podesta, did you read all five reports?

Mr. PODESTA. I didn't review the IRS report. I don't know whether there is an IRS report. If there is, I have not reviewed it. But I have seen a redacted copy of the OPR report. I have reviewed GAO and I have seen the FBI report.

Mrs. MALONEY. In all the reports that you reviewed and the one that you wrote or was involved in, are you aware of any illegal or unethical activity by any White House employee or——

Mr. PODESTA. Well, I am aware that one person has been indicted, but beyond that, no.

Mrs. MALONEY. Pardon me?

Mr. PODESTA. I am aware that one person has been indicted but beyond that the answer is no.

Mrs. MALONEY. But that was a prior, activities in a prior administration.

Mr. PODESTA. Yes.

Mrs. MALONEY. But in the present administration?

Mr. PODESTA. Well, he served into our administration.

Mrs. MALONEY. Are you aware—well, he was a holdover. He was a holdover from a prior——

Mr. PODESTA. That's correct.

Mrs. MALONEY. Are you aware in the present White House staff now working there, was there anything illegal or unethical conduct that you are aware of?

Mr. PODESTA. Not that I am aware of.

Mrs. MALONEY. Ms. Kingsbury, are you aware in the report that you have read, in your own report are you aware of any illegal or unethical activity with any White House employee?

Ms. KINGSBURY. Based on reading these reports certainly not. Based on any other sources of information, I do not have any such facts. And I may be the only person at the table that's actually read them all.

Mrs. MALONEY. You read all of them. OK.

Mr. Shaheen, how many reports did you read of the five reports?

Mr. SHAHEEN. I have read the White House, the Smith, I reviewed the GAO. It was carefully reviewed in the office. I read my own carefully. I have not read the IRS report.

Mrs. MALONEY. Are you aware of any illegal or unethical activity by any member of the current White House staff?

Mr. SHAHEEN. I am not aware of any illegal activity. I don't know how one characterizes the failure to respond to a demand by the Department of Justice, from the Attorney General, promised by the President on the part of White House Counsel, to provide documents that were relevant to an official review of the functions. I don't know. I don't know whether that violates the ethics or not.

Mrs. MALONEY. But you are not aware of any illegal activity?

Mr. SHAHEEN. I am not aware of any illegal activity.

Mrs. MALONEY. Did any of the reports report on unethical activities?

Mr. SHAHEEN. I am sorry?

Mrs. MALONEY. Was there a specific finding in any of the reports as to unethical activity?

Mr. SHAHEEN. No. No.

Mrs. MALONEY. No. So in the reports that you read, there was no finding for illegal or unethical activity?

Inspector Bell, how many reports did you read of the five reports?

Mr. BELL. Of these five, I've read two, the GAO and of course our report. There also is a sixth report by the IG, Treasury Department. I have read that report also. I am not aware of any illegal or ethical misconduct in the reports that I read.

Mrs. MALONEY. My colleague mentioned earlier that, Ms. Kingsbury, you noted the White House management report 44 times and in fact your report echoed many of the findings in the management report, and I was particularly pleased that they didn't just make a scapegoat out of the little guys but actually criticized senior management, and in fact is it fair to say that it has been cited for its candor and for being refreshingly self-critical?

Ms. KINGSBURY. There were some citations at the time it was issued to that effect. I think it is fair to say while we cite the management report, we are also, in some respects, critical of the management report in that it made statements to the effect that the problems, the financial management problems of the White House Travel Office had been fixed and when we issued our report, it was our judgment that that was an overstatement of what had been accomplished at that point in time.

So I can't say that we—we used the management report without an appropriate sense of examination and judgment. In many cases of the use of the citation of the report, we had to rely on it because certain parties, notably including Harry Thomason and Darnell Martens, were not available for us to talk to, and consequently in order to tell the story in some kind of coherent way, I won't say totally complete because we acknowledge it wasn't, we would use factual information from the management report citing its source as our standards require us to do in order to tell a coherent story.

Mrs. MALONEY. Mr. Podesta, your management review did not simply criticize but came forward with specific corrective measures that you would like to be implemented. Would you go through what measures you implemented, what corrective steps did you take after this examination?

Mr. PODESTA. First, we instituted a policy with regard to what would happen, who should contact who when criminal activity was under review at the White House and set up a policy that rather than having a direct contact with the FBI that go through the White House Counsel to high-level people at the Justice Department. That was the first time such a policy was implemented.

We reformed the policies on how the White House Press Office dealt with the FBI Press Office, made clear that they could not author any statements and that they could only release statements that were press releases of the FBI that had been previously released by the FBI. We instituted a competitive bidding procedures, as I mentioned. We brought in American Express to handle the outside work for ticketing of White House employees.

We reiterated the guidance that there was—there should never be from the White House a request for an audit of an individual taxpayer, even though that did not occur in this case, as I think the IRS has confirmed, and we have confirmed, and Treasury has confirmed, and Justice has confirmed, but we did, we underscored that point and I think we took some other corrective actions that were laid out in the report.

Mr. CLINGER. The lady's time has expired, and the Chair now recognizes the gentleman from Florida, Mr. Scarborough, for 5 minutes.

Mr. SCARBOROUGH. Thank you, Mr. Chairman, and I thank you for holding these important hearings, and I also thank our witnesses for sitting through some arduous questioning. This has to be about as exciting for all of you as the reports that you have told us you read.

Mr. Podesta, I would like to follow up with some questioning that the chairman addressed your direction earlier this morning and just get a clarification. He had asked you several times earlier this morning whether Mr. Thomason refused to cooperate with your investigation by refusing to be interviewed the second time by yourself or by your staff.

I didn't hear any direct response other than to hear you say that an official at the White House had informed you that Mr. Thomason didn't think too much of your investigation and therefore wasn't willing to sit for the second—second interview.

My question—I have two questions: First of all, did Mr. Thomason refuse to cooperate in the investigation by you to be interviewed the second time by you or your staff?

Mr. PODESTA. Mr. Thomason did cooperate when we first were assigned to the matter and he did give us an interview at that time. Unfortunately, I guess from my perspective, at that time I didn't know very much about it. It was the first time that I—it was the first interview that we conducted and I had just been on the assignment for a short period of time.

I tried to answer the chairman's questions specifically. I think by the end there were some questions that we wanted to go back to Mr. Thomason on, but which, when I went back and looked at what those questions were, were immaterial, if you will, because they involve matters of allegations he had raised to Ms. Cornelius and Mr. Watkins and others that we concluded we would not include in the report under any circumstance.

I did say that I didn't think that he was happy with the direction of the report. That was my sense at the time. But I don't think it's fair to Mr. Thomason to say that he refused to cooperate, because I don't think I asked him for a second interview.

Mr. SCARBOROUGH. You don't believe you asked him for a second interview?

Mr. PODESTA. I don't believe I asked him for a second interview. He had retained counsel by then, and I believe that there was at least some Justice Department review of his activities at that time. But I don't—I don't recall and I don't think that I asked him for a second interview.

Mr. SCARBOROUGH. OK.

You do have some notes that indicate that you did want a second interview just to follow up on that?

Mr. PODESTA. I tried to explain to you that after I went back and reviewed those notes, they really concerned matters, for the most part, that related to the allegations that he had made.

Mr. SCARBOROUGH. OK.

Mr. PODESTA. And we had concluded that we would not include those in the management review, to not do any further damage to the reputation of the employees who were not—who did not have financial control of the office.

Mr. SCARBOROUGH. So you never asked Mr. Thomason, your testimony today is you never asked Mr. Thomason——

Mr. PODESTA. I don't believe I asked him.

Mr. SCARBOROUGH. Or any representative of Mr. Thomason for a second interview?

Mr. PODESTA. Not that I recall.

Mr. SCARBOROUGH. Not that you recall.

Mr. PODESTA. I don't believe I talked to Mr. Bennett who was representing him at that time, and I am sure I didn't call Mr. Thomason directly.

Mr. SCARBOROUGH. OK.

Can you tell me what White House official let you know that Mr. Thomason had become displeased with your investigation? What officials did you speak with at the time that told you that Harry Thomason didn't like the manner in which your investigation was proceeding and therefore may not be interested in sitting down for a second interview?

Mr. PODESTA. I don't know that anyone specifically told me that.

Mr. SCARBOROUGH. Do you recall anybody telling you that?

Mr. PODESTA. I can't recall a specific conversation to that effect, and that's why I stated it the way I did, which was it was my general impression.

Mr. SCARBOROUGH. Would you have had any notes that would have suggested——

Mr. PODESTA. No.

Mr. SCARBOROUGH. Obviously, he is a central player and if you had some follow-up questions for him or if you learned he was displeased, obviously, this would be something that you would want to write down and to follow up on. But you don't recall whether he refused. So your testimony today is, one, you don't recall whether he ultimately refused that second——

Mr. PODESTA. My testimony is I don't believe——

Mr. SCARBOROUGH. If I could just follow up. And the second thing is you don't recall in the White House who told you that Mr. Thomason was not pleased with your investigation.

Mr. PODESTA. I think you are mischaracterizing my testimony.

Mr. SCARBOROUGH. Then let's take it one at a time then.

Mr. PODESTA. I said that, A, I don't believe that I called him. I'm certain of that, to ask him for a second interview.

Mr. SCARBOROUGH. You are certain of that?

Mr. PODESTA. I am certain I did not call him.

Mr. SCARBOROUGH. We went from you don't believe, to you are certain.

Mr. PODESTA. I am certain that I did not call him.

Mr. SCARBOROUGH. Or a representative of his.

Mr. PODESTA. And ask for his——

Mr. SCARBOROUGH. Or a representative of his.

Mr. PODESTA. I said that I do not believe that I talked to Mr. Bennett.

Mr. SCARBOROUGH. We are back to believe. And you understand why I'm trying to nail this down?

Mr. PODESTA. Yeah, I understand your question.

Mrs. COLLINS. A regular order, Mr. Chairman. He has a right to answer the question.

Mr. SCARBOROUGH. Mr. Chairman, if you could tell the Ranking Member that I certainly understand regular order here. Those who live in glass houses shouldn't throw stones.

So you understand why I believe it's important that we look into your investigation of perhaps one of the most central figures here and why you didn't follow up with investigation. And we go back from I am certain to I believe, I am certain to I believe. Do you understand the two questions that I pose to you? And I am not being difficult. I just want to get some clarification here.

Mr. PODESTA. I am trying to tell you what I remember.

Mr. SCARBOROUGH. OK.

Mr. PODESTA. I remember that I did not call him and ask for a second interview. I do not believe that I talked to Mr. Bennett. Mr. Bennett has a different recollection of that, maybe that would refresh my recollection, but I don't think it would because I don't believe that I asked him for a second interview. That's the best—that's the best state of my knowledge at this point.

Mr. SCARBOROUGH. OK.

And second, you don't recall who told you at the White House.

Mr. PODESTA. Second, I don't recall specific conversations about that.

Mr. SCARBOROUGH. OK.

Let me ask one more question regarding a July 2, 1993 press conference that Mack McLarty held, and he said that he met with each of the four reprimanded staffers individually about the reprimands and that they had emotional reactions to them.

Did you know Mr. McLarty met with the four reprimanded employees on July 2, 1993?

Mr. PODESTA. I'm sorry, I missed the question.

Mr. SCARBOROUGH. OK.

Mr. McLarty held a press conference?

Mr. PODESTA. Right.

Mr. SCARBOROUGH. And said that they had met with the four reprimanded staffers individually about the reprimands and that they had had an emotional reaction to them, and what I am asking you because this certainly contradicts documentation that subsequently came out, did you know Mr. McLarty had met with the four reprimanded employees before his press conference on July 2, 1993?

Mr. PODESTA. I was aware that he had met with them.

Mr. SCARBOROUGH. OK.

Mr. CLINGER. The gentleman's time has expired.

The Chair now recognizes the gentleman from Pennsylvania, Mr. Kanjorski, for 5 minutes.

Mr. KANJORSKI. Thank you very much, Mr. Chairman.

Mr. Bell, I was curious, the Internal Revenue Service, how did you get into this to make a report of some sort; what happened?

Mr. BELL. Based on the allegations of improper actions and activities that would influence the IRS in the conducting of our activities relative to these matters.

Mr. KANJORSKI. Did somebody make that allegation directly or——

Mr. BELL. No. There were allegations in public reports, press reports. There were congressional inquiries.

Mr. KANJORSKI. So as a result of what you read in the newspaper or heard from the press, you convened an Internal Revenue review or examination?

Mr. BELL. Well, at the time of the public reports in the media regarding the misuse of IRS, allegations of misuse of IRS, that's something that Inspection, in our responsibility in terms of the integrity of the Internal Revenue Service, would get involved in. In addition, there were inquiries from Congress relative to the improper use of IRS in this matter.

Mr. KANJORSKI. And I understand that because as the chairman of an investigating committee in the 103d Congress on this very issue—I'm sorry, the 102d Congress on this very issue, we often received information from the press, and that is part of my question probably to the whole panel.

As I recall, some of the information was provided for us during the Reagan administration. There were several officials of high position on the President's staff that were entering into the importation of automobiles. I think 24 or 20 Mercedes-Benz were flown back on Presidential planes, brought into this country and then sold in this country by these officials or given out as gifts. And I recall press statements and information that we received and linkages from the White House itself in annoyance, that guests of the President and other individuals who would travel abroad with the President would bring back untaxed, un-Custom-paid gifts and huge amounts of fur coats and other things. And I am curious whether these five agencies here, when you read that material and you see that material, are we—are we to assume here in Congress that somebody's assuming there may be something wrong here and looking into it or doing some sort of an investigation?

I'm very curious, after everything that transpired from 1989, 1990, 1991, 1992 on travel, Office of the President and executive travel, that it wasn't until the firing occurred, it wasn't until the problem was cured that a new President decided he wasn't going to have this rat's nest, that we suddenly see the FBI involved, the GAO involved, the Office of Professional Responsibility involved and the Internal Revenue involved. Where were all your agencies and all you folks when the press has been telling us fur coats, jewelry, Mercedes-Benz cars, on a regular basis over 12 years were being brought illegally in the country and abuses were made? Did the IRS examine that?

Mr. BELL. I can't speak to what the IRS examined in those instances. But what I can speak to is where allegations are made that undermine the public confidence in the Internal Revenue Service, it is our responsibility in the Inspection Service to conduct inquiries, and if there is a predicate action, to go on with an investigation.

Mr. KANJORSKI. Is there a potential of raising the question if top officials in the White House are bringing Mercedes-Benz cars back from foreign trips to Europe and are selling them in the United States, could that suggest to you that there may be failure to pay taxes or some violation of tax law?

Mr. BELL. As it relates, again, my responsibility is internal security, and internal investigations within the IRS. If it was something of allegations against the Internal Revenue Service employees, yes. In the instance that you are alluding to, it is more in terms of a tax compliance issue and that's something that I am not directly responsible for.

Mr. KANJORSKI. You are responsible for your employees that didn't look into these things, aren't you? I mean, I'm going to direct it to Mr. Shaheen there.

Didn't this sort of excite you in the Justice Department?

Mr. SHAHEEN. Did it sort of excite me, was that the question?

Mr. KANJORSKI. Yeah. Of somebody not doing their job?

Mr. SHAHEEN. Sure.

Mr. KANJORSKI. Would you examine into these illegal import allegations?

Mr. SHAHEEN. If we receive allegations that someone is not enforcing the criminal law and they are a Department employee, we look into it.

Mr. KANJORSKI. Did you read in the newspaper during the Reagan-Bush administration that high White House officials were flying Mercedes-Benz cars in, bringing fur coats and jewelry in the United States and not paying taxation on it?

Mr. SHAHEEN. I did not.

Mr. KANJORSKI. You really didn't.

Mr. SHAHEEN. I really didn't.

Mr. KANJORSKI. That is very interesting.

How about the FBI, did you ever have any indication of what the wild shenanigans of the Travel Office of the President during the Reagan and Bush administration was? It was replete in newspapers, replete. I would show you one place where they spent $2,000 to take a limousine across the street to go to lunch. You guys never saw this? Or Mr. Sununu, $54,000 for a dental visit in New York City. You never saw any of this in the newspaper?

Mr. SMITH. I suppose to paraphrase a great American, I only know what I read in the newspaper, but I don't recall reading allegations of that nature, no.

Mr. KANJORSKI. Really.

Mr. SHAHEEN. I did read about Mr. Sununu and his expenses.

Mr. KANJORSKI. You guys ever read congressional investigations? Could be very informative to the administrative agencies of the United States. Perhaps just look what we find out about, and one of the reasons I am raising a question here is I think this is a good hearing topic. I think it's important to have accountability and find out what people in high office are doing. I don't object with that.

The problem that I object to is why are we narrowing the scope so much and not looking at the real rat's nest that has existed for 10, 12 years and would have continued to exist in the White House if this President and this administration didn't read the newspapers, didn't listen to congressional investigations, decided they're not going to have all that, and cleared this up. That's the only point I am trying to make.

I yield back the balance of my time.

Mr. CLINGER. I thank the gentleman, yields back the balance of his time.

And I would now recognize the gentleman from Virginia, Mr. Davis, for 5 minutes.

Mr. DAVIS. Thank you very much.

I suspect the reason so many Members haven't heard about the items my friend from Pennsylvania talks about is they probably didn't exist in the form that he has—he has said they would.

Let me ask a few questions, and frankly, I am very tired of the Federal employee bashing that is going on here, intimating that things happened in the past, and these were career employees. They have been absolved of any wrongdoing sitting here. They were fired surreptitiously, as one of the employees' daughters saw this on the television set, I think they are owed an apology by the administration that hasn't been forthcoming. To hear some of the comments from the other side of the aisle, I think it's a real injustice on very hard-working civil servants. But let me ask a few questions for the record.

First of all, I understand there are Executive orders in Vince Foster's Travel Office file that have not been provided to this committee.

Mr. Podesta is that accurate?

Mr. PODESTA. I don't know answer to that. I have to seek guidance from my counsel.

Did you say Executive orders?

Mr. DAVIS. Yes, Executive orders.

Mr. PODESTA. Well, the White House Counsel's Office seems to have abandoned their former colleague. I don't know if anybody's here. I don't know the answer to that. I'm not a current employee of the White House.

Mr. DAVIS. You reviewed the file in 1994, is that correct?

Mr. PODESTA. Yes.

Mr. DAVIS. And did you find any Executive orders at that point in the file?

Mr. PODESTA. Not that I recall.

Executive orders?

Mr. DAVIS. Right.

Or draft Executive orders?

Mr. PODESTA. I don't think so. But——

Mr. DAVIS. OK. All right. That's fine.

Mr. PODESTA. Mr. Davis, could I consult with counsel?

Mr. DAVIS. Sure.

I yield to the gentleman from Pennsylvania while the gentleman is consulting—excuse me, to my friend from Florida.

Mr. PODESTA. Mr. Davis, I have just been informed by counsel that there were draft Executive orders in Mr. Foster's briefcase, is my understanding, now secondhand, that—but not in—but not in the Travel Office file.

Mr. DAVIS. OK.

Mr. PODESTA. And I take it that is as much as I know about.

Mr. DAVIS. Were any of these items related to the Travel Office?

Mr. PODESTA. No.

Mr. DAVIS. Were any related to ICAP?

Mr. PODESTA. No.

Mr. DAVIS. Any related to the White House project?

Mr. PODESTA. I don't think so.

Mr. DAVIS. Do you know what they were related to?

Mr. PODESTA. No, I don't, since I have never seen them.

Perhaps you want to submit these questions for the record.

Mr. DAVIS. I think we may want to do that. I had had a couple of questions.

I would yield to the gentleman from Florida.

Mr. MICA. I appreciate you yielding just for a minute.

Mr. Shaheen, I want to get back to one thing. We have heard comments about everyone being so forthcoming and how there has been great cooperation in this investigation. But as I recall earlier this morning, did you say that—and you had—I mean, you are part of the Office of Professional Responsibility of the Department of Justice which has a really important oversight responsibility.

Did I hear you say this morning that you had never seen this level of noncooperation?

Mr. SHAHEEN. I don't think I put it with those words, but you captured the sense of my testimony—.

Mr. MICA. Thank you.

Mr. SHAHEEN. In that regard.

Mr. DAVIS. I would reclaim my time.

I want to move through some questions, if I could, very quickly, Mr. Podesta.

Your interview notes of Lindsey read, Darnell came in and met with GSA that morning. Don't know how he got meeting, maybe Harry, I don't know, I didn't do didn't do it. Lindsey said new GSA administrator soon, lay it out with them. How would Harry Thomason arrange a meeting with Mr. Martens, any idea?

Mr. PODESTA. Mr. Davis, you went over that so fast I don't think I have that document in front of me. I really couldn't tell what you said. I couldn't understand what you said.

Mr. DAVIS. All right.

You had some interview notes of Mr. Lindsey that read—and that's not what's in front of you. I have some others in front of you I am going to ask about. But that "Darnell came in and met with GSA that morning," and then you had a comment, "don't know how he got meeting. Maybe Harry, I don't know, I didn't do it. Lindsey said new GSA administrator soon, lay it out with them."

Do you know how Mr. Thomason could have arranged a meeting for Mr. Martens, if he in fact did that?

Mr. PODESTA. First of all, I want to be clear about one thing because it comes back to the chairman's opening statement. Those are not my notes.

Mr. DAVIS. OK.

Mr. PODESTA. But they are notes, they are work papers of the meeting.

Mr. DAVIS. They were under your direction, is that right?

Mr. PODESTA. Since I—I am sensitive about that given the chairman's opening statement.

Mr. DAVIS. Do you know whose notes they might have been?

Mr. PODESTA. If I could see them, maybe I could tell you.

Mr. DAVIS. Looks like a doctor from the writing on it. I think you had some notes in front of you, I think it's the same person.

Mr. PODESTA. I think these are different.

Mr. DAVIS. Let me go with another line, if I could.

Let me refer you to Document 0044 and 0045.

Mr. PODESTA. Yeah.

Mr. DAVIS. Notes on 0044, which I produce and give to you, notes of proposed questions by one of four White House staff involved in management review read, "Meeting with DM," whom I assume is Darnell Martens, "re: Federal fleet. Do anything for DM, call anyone, anything to help?" And then under 0045, a document which reads, "Bruce Lindsey PTS, DM ICAP project meet 4–7, 4–12 memo, 4–26 memo, DM project to have financial and operational audit of Federal nonmilitary fleet, use TRM as consultant to WH," which I assume is White House. "What did BL do?"

Were you aware of Bruce Lindsey assisting Harry Thomason and Darnell Marten in seeking these contracts?

Mr. PODESTA. I was aware of Bruce Lindsey's role which I would not describe as assistance on this project.

Mr. DAVIS. All right, let me ask Ms. Kingsbury and Mr. Shaheen, Mr. Smith, any of you heard of any of Mr. Lindsey's role, were you aware that?

Ms. KINGSBURY. No.

Mr. SMITH. No, sir.

Mr. DAVIS. Pretty critical to the area. None of your reports could have possibly covered that because you didn't know anything about that.

Mr. SMITH. No.

Mr. DAVIS. Is that a correct inquiry?

Ms. Kingsbury the GAO report——

Mr. CLINGER. The gentleman's time has expired.

And the gentleman—the Chair now recognizes the gentleman from Ohio, Mr. LaTourette, for 5 minutes.

Mr. LATOURETTE. Thank you, Mr. Chairman.

And Inspector Smith, I really wanted to get back and finish that conversation, which seemed like it happened hours ago, and it did happen hours ago. But so much has happened in-between that I think I need to address it for just a second, Mr. Podesta, are you a professor of criminal law now, per chance, in your private life?

Mr. PODESTA. No.

Mr. LATOURETTE. Well, there has been a couple of references during the course of some questioning by the other side about a letter sent by the chairman that dealt with *Brady* v. *Maryland*. And *Brady* v. *Maryland* I am familiar with by being a former prosecutor because I was always accused by defense lawyers of violating the Brady rule.

And basically the Brady rule is that if the Government has exculpatory material within its file and it doesn't hand it over to the defense, what happens in the case of a conviction where the Government has sufficient proof to prove its case beyond a reasonable doubt before a judge or jury, that conviction can be overturned. It is one of those technicalities that drives people in the public at large wild but it protects the constitutional guarantees of all Americans.

And as I understood it, I didn't understand Mr. Waxman's point the first time because he sort of went right through it. But the second time he seemed to be accusing the chairman of somehow being a defendant-coddling liberal for wanting the defense to have this information.

I would say that the status of the record today is that in certain situations, since only you, Mr. Podesta, have had the opportunity to review the Vince Foster travel file of the five witnesses in front of us, and Mr. Shaheen's observation that sometimes getting documents out of the White House despite the rhetoric from the other side was akin to sending a dentist into a barnyard and asking him to extract teeth from a chicken, that the chairman should receive credit in this matter for making sure that should the case, whenever it comes up in the next couple of days, the Government be able to prove its case beyond a reasonable doubt to the satisfaction of a judge or jury—I believe Chairman Clinger has prevented the Government from stepping on itself collectively by making sure it didn't violate the Brady rule. And I would ask, Mr. Chairman, that unanimous consent that a copy of the Supreme Court decision of *Brady* v. *Maryland* be appended and made a part of this record so that those Members of this committee who seem to understand or believe they understand what that case stands for may have the opportunity to read it and then get a clear understanding of the picture.

[The information referred to follows:]

BRADY *v.* MARYLAND

SYLLABUS

CERTIORARI TO THE COURT OF APPEALS OF MARYLAND.

No. 490. Argued March 18–19, 1963.—Decided May 13, 1963.

In separate trials in a Maryland Court, where the jury is the judge of both the law and the facts but the court passes on the admissibility of the evidence, petitioner and a companion were convicted of first-degree murder and sentenced to death. At his trial, petitioner admitted participating in the crime but claimed that his companion did the actual killing. In his summation to the jury, petitioner's counsel conceded that petitioner was guilty of murder in the first degree and asked only that the jury return that verdict "without capital punishment." Prior to the trial, petitioner's counsel had requested the prosecution to allow him to examine the companion's extrajudicial statements. Several of these were shown to him; but one in which the companion admitted the actual killing was withheld by the prosecution and did not come to petitioner's notice until after he had been tried, convicted and sentenced and after his conviction ha had been affirmed by the Maryland Court of Appeals. In a post-conviction proceeding, the Maryland Court of Appeals held that suppression of the evidence by the prosecutor denied petitioner due process of law, and it remanded the case for a new trial of the question of punishment, but not the question of guilt, since it was the opinion that nothing in the suppressed confession "could have reduced [petitioner's] offense below murder in the first degree." *Held:* Petitioner was not denied a federal constitutional right when his new trial was restricted to the question of punishment; and the judgement is affirmed. Pp. 84–91.

(a) Suppression by the prosecution of evidence favorable to an accused who has requested it violates due process where the evidence is material either to guilt or to punishment, irrespective of the good faith or bad faith of the prosecution. Pp. 86–88.

(b) When the Court of Appeals restricted petitioner's new trial to he question of punishment, it did not deny him due process or equal protection of the laws under the Fourteenth Amendment, since the suppressed evidence was admissible only on the issue of punishment. Pp. 88–91.

226 Md. 422, 174 A. 2d 167, affirmed.

OPINION OF THE COURT. 373. U.S. 83

E. Clinton Bamberger, Jr. argued the cause for petitioner. With him on the brief was *John Martin Jones, Jr.*

Thomas W. Jamison III, Special Assistant Attorney General of Maryland, argued the cause for respondent. With him on the brief were *Thomas B. Finan,* Attorney General, and *Robert C. Murphy*, Deputy Attorney General.

Opinion of the Court by Mr. JUSTICE DOUGLAS, announced by Mr. JUSTICE BRENNAN.

Petitioner and a companion, Boblit, were found guilty of murder in the first degree and were sentenced to death, their convictions being affirmed by the Court of Appeals of Maryland. 220 Md. 454, 154 A. 2d 434. Their trials were separate, petitioner being tried first. At his trial Brady took the stand and admitted his participation in the crime, but he claimed that Boblit did the actual killing. And, in his summation to the jury, Brady's counsel conceded that Brady was guilty of murder in the first degree, asking only that the jury return that verdict "without capital punishment." Prior to the trial petitioner's counsel had requested the prosecution to allow him to examine Boblit's extrajudicial statements. Several of those statements were shown to him; but one dated July 9, 1958, in which Boblit admitted the actual homicide, was withheld by the prosecution and did not come to petitioner's notice until after he had been tried, convicted, and sentenced, and after his conviction had been affirmed.

Petitioner moved the trial court for a new trial based on the newly discovered evidence that had been suppressed by the prosecution. Petitioner's appeal from a denial of that motion was dismissed by the Court of Appeals without prejudice to relief under the Maryland Post Conviction Procedure Act. 222 Md. 442, 160 A. 2d 912. The petition for post-conviction relief was dismissed by the trial court; and on appeal the Court of Appeals held that suppression of the evidence by the prosecution denied petitioner due process of law and remanded the case for a retrial of the question of guilt. 226 Md. 422, 174 A. 2d 167. The case is here on certiorari, 371 U.S. 812.[1]

The crime in question was murder committed in the perpetration of a robbery. Punishment for that crime in Maryland is life imprisonment or death, the jury being empowered to restrict the punishment to life by addition of the words "without capital punishment." 3 Md. Ann. Code, 1957, Art. 27, §413. In Maryland, by reason of the state constitution, the jury in a criminal case are "the Judges of Law, as well as of fact." Art. XV, §5. The question presented is whether petitioner was denied a federal right when the Court of Appeals restricted the new trial to the question of punishment.

We agree with the Court of Appeals the suppression of this confession was a violation of the Due Process Clause of the Fourteenth Amendment. The Court of Appeals relied in the main on two decisions from the Third Circuit Court of Appeals—*United States ex rel. Almeida* v. *Baldi*, 195 F. 2d 815, and *United States ex rel. Thompson* v. *Dye*, 221 F. 2d 763—which, we agree, state the correct constitutional rule.

The ruling is an extension of *Mooney* v. *Holohan*, 294 U.S. 103, 112, where the Court ruled on what nondisclosure by a prosecutor violates due process:

> "It is a requirement that cannot be deemed to be satisfied bt more notice and hearing if a State has contrived a conviction through the pretense of a trial which in truth is but used as a means of depriving a defendant of liberty through a deliberate deception of court and jury by the presentation of testimony known to be perjured. Such a contrivance by a State to procure the conviction and imprisonment of a defendant is as inconsistent with the rudimentary demands of justice as is the obtaining of a like result by intimidation."

In *Pyle* v. *Kansas*, 317 U.S. 213, 215–216, we phrased the rule in broader terms:

> "Petitioner's papers are inexpertly drawn, but they do set forth allegations that his imprisonment resulted from perjured testimony, knowingly used by the State authorities to obtain his conviction, and from the deliberate suppression by those same authorities of evidence favorable to him. These allegations sufficiently charge a deprivation of rights guaranteed by the Federal Constitution, and, if proven, would entitle petitioner to release from his present custody. *Mooney* v. *Holohan*, 294 U.S. 103."

The Third Circuit in the *Baldi* case construed that statement in *Pyle* v. *Kansas* to mean that the "suppression of evidence favorable" to the accused was itself sufficient to amount to a denial of due process. 195 F. 2d, at 820. In *Napue* v. *Illinois*, 360 U.S. 264, 269, we extended the test formulated in *Mooney* v. *Holohan* when we said: "The same result obtains when the State, although not soliciting false evidence, allows it to go uncorrected when it appears." And see *Alcorta* v. *Texas*, 355 U.S. 28; *Wilde* v. *Wyoming*, 362 U.S. 607. Cf. *Durley* v. *Mayo*, 351 U.S. 277, 285 (dissenting opinion).

We now hold that the suppression by the prosecution of evidence favorable to an accused upon request violates due process where the evidence is material either to guilt or to punishment, irrespective of the good faith or bad faith of the prosecution.

The principle of *Mooney* v. *Holohan* is not punishment of society for misdeeds of a prosecutor but avoidance of an unfair trial to the accused. Society wins not only when the guilty are convicted but when criminal trials are fair; our system of the administration of justice suffers when any accused is treated unfairly. An inscription on the walls of the Department of Justice states the proposition candidly for the federal domain: "The United States wins its point whenever justice is done its citizens in the courts."[2] A prosecution that withholds evidence on demand of an accused which, if made available, would tend to exculpate him or reduce the penalty helps shape a trial that bears heavily on the defendant. That casts the prosecutor in the role of an architect of a proceeding that does not comport with standards of justice, even though, as in the present case, his action is not "the result of guile," to use the words of the Court of Appeals. 226 Md., at 427, 174 A.2d, at 169.

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[1] Neither party suggests that the decision below is not a "final judgement" within the meaning of 28 U.S.C. §1257(3) and no attack on the reviewability of the lower court's judgment could be successfully maintained. For the general rule that "Final judgment in a criminal case means sentence. The sentence is the judgment" (*Berman* v. *United States*, 302 U.S. 211, 212) cannot be applied here. If in fact the Fourteenth Amendment entitles petitioner to a new trial on the issue of guilt as well as punishment the ruling below has seriously prejudiced him. It is the right to a trial on the issue of guilt "that presents a serious and unsettled question" (*Cohen* v. *Beneficial Loan Corp.*, 337 U.S. 541, 547) that "is fundamental to the further conduct of the case" (*United States* v. *General Motors Corp.*, 323 U.S. 373, 377). This question is "independent of, and unaffected by" (*Radio Station WOW* v. *Johnson*, 326 U.S. 120, 126) what may transpire in a trial at which petitioner can receive only a life imprisonment or death sentence. It cannot be mooted by such a proceeding. See *Largent* v. *Texas*. 318 U.S. 418, 421–422. Cf. *Local No. 438* v. *Curry*, 371 U.S. 542, 549.

The question remains whether petitioner was denied a constitutional right when the Court of Appeals restricted his new trial to the question of punishment. In justification of that ruling the Court of Appeals stated:

> "There is considerable doubt as to how much good Boblit's undisclosed confession would have done Brady if it had been before the jury. It clearly implicated Brady as being the one who wanted to strangle the victim, Brooks. Boblit, according to this statement, also favored killing him, but he wanted to do it by shooting. We cannot put ourselves in the place of the jury and assume what their views would have been as to whether it did or did not matter whether it was Brady's hands or Boblit's hands that twisted the shirt about the victim's neck. . . . [I]t would be 'too dogmatic' for us to say that the jury would not have attached any significance to this evidence *in considering the punishment of the defendant Brady.*
>
> "Not without some doubt, we conclude that the withholding of this particular confession of Boblit's was prejudicial to the defendant Brady. . . .
>
> "The appellant's sole claim of prejudice goes to the punishment imposed. *If Boblit's withheld confession had been before the jury, nothing in it could have reduced the appelant Brady's offense below murder in the first degree.* We therefore, see no occasion to retry that issue." 226 Md., at 420–430, 174 A. 2d, at 171. (Italics added.)

If this were a jurisdiction where the jury was not the judge of the law, a different question would be presented. But since it is, how can the Maryland Court of Appeals state that nothing in the suppressed confession could have reduced petitioner's offense "below murder in the first degree"? If, as a matter of Maryland law, juries in criminal cases could determine the admissibility of such evidence on the issue of innocence or guilt, the question would seem to be foreclosed.

But Maryland's constitutional provision making the jury in criminal cases "the Judges of law" does not mean precisely what it seems to say.[3] The present status of that provision was reviewed recently in *Giles* v. *State,* 229 Md. 370, 183 A. 2d 359, appeal dismissed, 372 U.S. 767, where the several exceptions, added by statute or carved out by judicial construction, are reviewed. One of those exceptions, material here, is that "Trial courts have always passed and still pass upon the admissibility of evidence the jury may consider on the issue of the innocence or guilt of the accused." 229 Md., at 383, 183 A. 2d, at 365. The cases cited make up a long line going back nearly a century. *Wheeler* v. *State,* 42 Md. 563, 570, stated that instructions to the jury were advisory only, "except in regard to questions as to what shall be considered evidence." And the court "having such right, it follows of course, that it also has the right to prevent counsel from arguing against such an instruction." *Bell* v. *State, 57 Md. 108, 120.* And see *Beard* v. *State,* 71 Md. 275, 280, 17 A. 1044, 1045; *Dick* v. *State,* 107 Md. 11, 21 68 A. 286, 290. Cf. *Vogel* v. *State,* 163 Md. 267, 162 A. 705.

We usually walk on treacherous ground when we explore state law,[4] for state courts, state agencies, and state legislature are its final expositors under our federal regime. But, as we read the Maryland decisions, it is the court, not the jury, that passes on the "admissibility of evidence" pertinent to "the issue of the innocence or guilt of the accused." *Giles* v. *State, supra.* In the present case a unanimous Court of Appeals has said that nothing in the in the suppressed confession "could have reduced the appellant Brady's offense below murder in the first degree." We read that statement as a ruling on the admissibility of the confession on the issue of innocence or guilt. A sporting theory of justice might assume that if the suppressed confession had been used at the first trial, the judge's ruling that it was not admissible on the issue of innocence or guilt. A sporting theory of justice might assume that if the suppressed confession had been used at the first trial, the judge's ruling that it was not admissible on the issue of innocence or guilt might have been flouted by the jury just as might have been done if the court had first admitted a confession and then stricken it from the record.[5] But we cannot raise that trial strategy to the dignity of a constitutional right and say that the deprial of this defendant of that sporting chance through the use of a bifurcated trial (cf. *Williams* v. *New York,* 337 U.S. 241) denies him due process or violates the Equal Protection Clause of the Fourteenth Amendment.

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[2] Judge Simon E. Sobeloff when Solicitor General put the idea as follows in an address before the Judicial Conference of the Fourth Circuit on June 29, 1954: "The Solicitor General is not a neutral, he is an advocate; but an advocate for a client whose business is not merely to prevail in the instant case. My client's chief business is not to achieve victory but to establish justice. We are constantly reminded of the new classic words penned by one of my illustrious predecessors, Frederick William Lehmann, that the Government wins its point when justice is done in its courts."

[3] See Dennis, Maryland's Antique Constitutional Thorn, 92 U. Of Pa. L. Rev. 34, 39, 43: Prescott, Juries as Judges of the Law: Should the Practice be Continued, 60 Md. St. Bar Assn. Rept. 246, 253–254.

[4] For one unhappy incident of recent vintage see *Oklahoma Packing Co.* v. *Oklahoma Gas & Electric Co.,* 309 U.S. 4, that replaced an earlier opinion in the same case, 309 U.S. 703.

Affirmed.

Separate opinion of Mr. JUSTICE WHITE.

1. The Maryland Court of Appeals declared, "The suppression or withholding by the State of material evidence exculpatory to an accused is a violation of due process" without citing the United States Constitution or the Maryland Constitution which also has a due process clause.[*] We therefore cannot be sure which Constitution was invoked by the court below and thus whether the State, the only party aggrieved by this portion of the judgment, could even bring the issue here if it desired to do so. See *New York City* v. *Central Savings Bank,* 306 U.S. 661; *Minnesota* v. *National Tea Co.,* 309 U.S. 551. But in any event, there is no cross-petition by the State, nor has it challenged the correctness of the ruling below that a new trial on punishment was called for by the requirements of due process. In my view, therefore, the Court should not reach the due process question which it decides. It certainly is not the case, as it may be suggested, that without it we would have only a state law question, for assuming the court below was correct in finding a violation of petitioner's rights in the suppression of evidence, the federal question he wants decided here still remains, namely, whether denying him a new trial on guilt as well as punishment deprives him of equal protection. There is thus a federal question to deal with in this court, cf. *Bell* v. *Hood,* 327 U.S. 678, wholly aside from the due process question involving the suppression of evidence. The majority opinion makes this unmistakably clear. Before dealing with the due process issue it says, "The question presented is whether petitioner was denied a federal right when the Court of Appeals restricted the new trial to the question of punishment." After discussing at some length and disposing of the suppression matter in federal constitutional terms it says the question still to be decided is the same as it was before: "The question remains whether petitioner was denied a constitutional right when the Court of Appeals restricted his new trial to the question of punishment."

The result, of course, is that the due process discussion by the Court is wholly advisory.

2. In any event the Court's due process advice goes substantially beyond the holding below. I would employ more confining language and would not cast in constitutional form a broad rule of criminal discovery. Instead, I would leavethis task, at least for now, the rule-making or legislative process after full consideration by legislators, bench, and bar.

3. I concur in the Court's disposition of petitioner's equal protection argument.

Mr. JUSTICE HARLAN, whom Mr. JUSTICE BLACK joins, dissenting.

I think this case presents only a single federal question: did the order of the Maryland Court of Appeals granting a new trial, limited to the issue of punishment, violate petitioner's Fourteenth Amendment right to equal protection?[1] In my opinion an affirmative answer would be required *if* the Boblit statement would have been admissible on the issue of guilt at petitioner's original trial. This indeed seems to be the clear implication of this Court's opinion.

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[5] "In the matter of confessions a hybrid situation exists. It is the duty of the Court to determine from the proof, usually taken out of the presence of the jury, if they were freely and voluntarily made, etc., and admissible. If admitted, the jury is entitled to hear and consider proof of the circumstances surrounding their obtention, the better to determine their weight and sufficiency. The fact that the Court admits them clothes them with no presumption for the jury's purpose that they are either true or were freely and voluntarily made. However, after a confession has been admitted and read to the jury the judge may change his mind and strike it out of the record. Does he strike it out of the jury's mind?" Dennis, Maryland's Antique Constitutional Thorn, 92 U. of Pa. L. Rev. 34, 39. See also *Bell* v. *State, supra,* at 120; *Vogel* v. *State,* 163 Md., at 272, 162 A., at 706–707.

[*] Md. Const., Art. 23; *Home Utilities Co., Inc.* v. *Revere Copper & Brass, Inc.,* 209 Md. 610, 122 A. 2d 109; *Raymond* v. *State,* 192 Md. 602, 65 A. 2d 285; *County Comm'rs of Anne Arundel County* v. *English,* 182 Md. 514, 35 A. 2d 135; *Oursler* v. *Tawes,* 178 Md. 471, 13 A. 2d 763.

The Court, however, holds that the Fourteenth Amendment was not infringed because it considers the Court of Appeals' opinion, and the other Maryland cases dealing with Maryland's constitutional provision making juries in criminal cases "the Judges of Law, as well as of fact," as establishing that the Boblit statement would not have been admissible at the original trial on the issue of petitioner's guilt.

But I cannot read the Court of Appeals' opinion with any such assurance. That opinion can as easily, and perhaps more easily, be read as indicating that the new trial limitation followed from the Court of Appeals' concept of its power, under § 645G of the Maryland Post Conviction Procedure Act, Md. Code, Art. 27 (1960 Cum. Supp.) and Rule 870 of the Maryland Rules of Procedure, to fashion appropriate relief meeting the peculiar circumstances of this case,[2] rather than from the view that the Boblit statement would have been relevant at the original trial only on the issue of punishment. 226 Md., at 430, 174 A. 2d, at 171. This interpretation is indeed fortified by the Court of Appeals' earlier general discussion as to the admissibility of third-party confessions, which falls short of saying anything that is dispositive of the crucial issue here. 226 Md., at 427–429, 174 A. 2d, at 170.[3]

Nor do I find anything in any of the other Maryland cases cited by the court (*ante*, p. 89) which bears on the admissibility *vel non* of the Boblit statement on the issue of guilt. None of these cases suggests anything more relevant here than that a jury may not "overrule" the trial court on questions relating to the admissibility of evidence. Indeed they are by no means clear as to what happens if the jury in fact undertakes to do so. In this very case, for example, the trial court charged that "in the final analysis the jury are the judges of both the *law* and the facts, and the verdict in this case is *entirely* the jury's responsibility." (Emphasis added.)

Moreover, uncertainty on this score is compounded by the State's acknowledgment at the oral argument here that the withheld Boblit statement *would* have been admissible at the trial on the issue of guilt.[4]

In this state of uncertainty as to the proper answer to the critical underlying issue of state law, and in view of the fact that the Court of Appeals did not in terms address itself to the equal protection question, I do not see how we can properly resolve this case at this juncture. I think the appropriate course is to vacate the judgment of the State Court of Appeals and remand the case to that court for further consideration in light of the governing constitutional principle stated at the outset of this opinion. Cf. *Minnesota* v. *National Tea Co.*, 309 U.S. 551.

Mr. LATOURETTE. That being said, I want to go back to you, Mr. Shaheen, because there has been some observation again from the other side that we have wasted a day here and, gosh, we read all the reports, nothing new came out, no crimes were committed, no ethical standards were violated. And in preparing for a hearing, I, anyway, look for a couple of things, and one of the things that struck me was your memo to, I believe, your supervisors or superiors that indicated you were stunned—and that has been covered, and I don't want to cover it again—by the fact that the Vince Foster file was somehow 2 years in coming, wasn't made available to you.

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[1] I Agree with my Brother WHITE that there is no necessity for deciding in this case the broad due process questions with which the Court deals at pp. 86–88 of its opinion.

[2] Section 645G provides in part: "If the court finds in favor of the petitioner, it shall enter an appropriate order with respect to the judgment or sentence in the former proceedings, and any supplementary orders as to rearraignment, retrial, custody, bail, discharge, correction of sentence, or other matters that may br necessary and proper." Rule 870 provides that the Court of Appeals "will either affirm or reverse the judgement form which the appeal was taken, or direct the manner in which it shall be modified, changed or amended."

[3] It is noteworthy that the Court of Appeals did not indicate that it was limiting in any way the authority of *Day* v. *State*, 196 Md. 384, 76 A. 2d 729. In that case two defendants were jointly tried and convicted of felony murder. Each admitted participating in the felony but accused the other of the homicide. On appeal of the defendants attacked the trial court's denial of a severance, and the State argued that neither defendant was harmed by the statements put in evidence at the joint trial because admission of the felony amounted to admission of guilt of felony murder. Nevertheless the Court of Appeals found an abuse or discretion and ordered separate new trials on all issues.

[4] In response to a question from the bench as to whether Boblit's abatement, had it been offered at petitioner's original trial, would have been admissible for all purposes, counsel for the State, after some colloquy, stated: "It would have been, *yes*."

But something else that I looked at in preparing for this hearing, and I'd like you to comment on it, whether I have been given bad dope or what the case is, but I was told that during preparation for this hearing, you advised that your office, and you in particular, were close to going to the Attorney General to request a full-blown investigation into possible obstruction of justice by the White House in this investigation; is that accurate, or was I misled?

Mr. SHAHEEN. We were going to go to the Attorney General and tell her of our concerns that the White House was being obstructionist, but then Mr. Fiske was appointed and we briefed him in detail, in great detail——

Mr. LATOURETTE. OK.

Mr. SHAHEEN [continuing]. On this matter, and passed it on to him.

Mr. LATOURETTE. So the appointment of a Special Prosecutor, at least in your mind or as far as your office was concerned, then obviated the need to ask DOJ to look into it.

Mr. SHAHEEN. He subsumed our investigative arena. The memo to Mr. Margolis, I might add, was a memo to a man who already had one encounter with Mr. Nussbaum in which he essentially testified that he got rolled by Mr. Nussbaum when he was going over to do the investigation of Mr. Foster's—do the inventory of Mr. Foster's office.

Mr. LATOURETTE. And I believe—and I don't remember whose report this was in, maybe yours, Mr. Podesta, when Mr. Nussbaum finally indicated where the Foster file was, it was in some file cabinet under "T" for travel.

Didn't somebody write that in a report someplace?

No?

I would suggest maybe it should have been filed under "O" for obstruction.

Mrs. THURMAN. Mr. Chairman, for the record, could they say no instead of just shaking their heads so that it's—so that we know that's in the record?

Mr. CLINGER. Yes.

Let the record show that the answer was no.

Mr. LATOURETTE. Inspector Smith, now in the time remaining, I would like to get back to you.

Where we left off was the fact that on the 13th of May there was a discussion between Ms. Cornelius, two special agents of the FBI, wherein her concerns about the Travel Office were revealed. I asked you, I believe when I ended, did she reveal during that conversation she was the President's third cousin? You said no?

Did she reveal that she had written a memo on February the 15th saying how she would like to take over the Travel Office? No?

As a result of that conversation, isn't it an accurate conversation that the FBI changed its position about we can't give advice to now they believe that there was predication for the FBI to be involved in an investigation of the Travel Office?

Mr. SMITH. At the time of the conversation with Ms. Cornelius—this, of course, had followed conversations with both Mr. Kennedy and Mr. Foster. The comments made by the FBI personnel were that there appeared to be sufficient predication for an investigation, however, that they would defer a final decision until after consultation with Department of Justice.

Mr. LATOURETTE. OK.

And we were talking a little bit about credibility, and certainly not only do you have to have some hint that a Federal crime is—under the FBI's jurisdiction is involved, but you have to have credible information. I would assume that based upon those discussions, you—the FBI was in a position to believe that it was getting closer to that, we have some credible information upon which to begin an investigation. Is that fair statement?

Mr. SMITH. That's correct. Because you had—there had been conversations with at least three White House employees in responsible positions.

Mr. LATOURETTE. OK.

And, Mr. Podesta, going back to you for just a second, because you have had the luxury of reviewing Mr. Foster's travel file, Mr. Foster made extensive notes about the issue of credibility in this matter and whether or not Ms. Cornelius was credible in fact, and I think that this actually helped the White House, and he reached the conclusion that she was credible based upon discussions he had among folks within the White House; would you agree with that characterization?

Mr. PODESTA. I think Ms. Cornelius is credible as to her knowledge and she—I have interviewed her. I don't know if anybody else here has. Maybe Ms. Kingsbury has. I think she is credible with regard to facts. I think I would question whether from the facts she is credible on the question of the conclusions she drew.

Mr. LATOURETTE. I am sorry, the last part?

Mr. PODESTA. Sometimes the conclusions she drew.

Mr. LATOURETTE. OK.

In his—and I hope I can squeeze this in, I am going to give it my best shot. In his notes he says with regard to allegations of high lifestyles and other things going on in the Travel Office that there may be plausible explanation, and Vince Foster writes "plausible explanation" all over his paper. Plausible explanation connotes to me that you go to the people and ask, "Hey, what is the deal?" No one on this panel interviewed anyone in the Travel Office, the seven employees, prior to the termination. Am I correct in that?

Mr. PODESTA. Prior to the termination—I did not interview them prior to the termination. And after their termination, I was asked by the Justice Department not to interview them.

Mr. LATOURETTE. Prior to, no one in the White House.

Mr. PODESTA. Prior to the termination, I believe no one in the White House interviewed them with respect to those questions.

Mr. LATOURETTE. Asked them if they had a plausible explanation?

Mr. PODESTA. And Mr. Foster was noting on that piece of paper that there could be a plausible explanation. So I think he was being rather cautious, and he should be commended for that.

Mr. LATOURETTE. Absolutely.

Mr. CLINGER. The gentleman's time has expired.

The Chair now recognizes the gentleman from Minnesota, Mr. Gutknecht, for 5 minutes.

Mr. GUTKNECHT. I thank you, Mr. Chairman.

I would like to have a document given to Mr. Podesta, and while that's given to him, I want to ask a couple of questions of Mr. Bell.

For the record, do we know who it is that is sitting at the immediate right to Mr. Bell?

Mr. BELL. It was in my opening statement, the Acting Assistant Chief Counsel for Disclosure Litigation, John Cummings.

Mr. GUTKNECHT. Thank you.

I want to go back to one of the comments you made, Mr. Bell, that this was purely an internal IRS audit. Can you explain to this committee why on May 21, 1993, three agents of the IRS arrived at UltrAir, the carrier used by the old Travel Office staff in Tennessee, with a summons in hand to perform an unannounced audit? Was that just a pure coincidence?

Mr. BELL. I would like to be able to answer that question. Unfortunately——

Mr. GUTKNECHT. Well, answer this question. Is that a fact?

Mr. BELL. I have the same problem under 6103 in answering that question.

Mr. GUTKNECHT. I would like to know an explanation as to why we can't know whether in fact they were audited.

Mr. BELL. Section 6103 of the Internal Revenue Code prohibits us from discussing issues involving particular taxpayers without a taxpayer's consent that allows us—in a public forum—to disclose information. That was in my opening statement relative to my inability to discuss in open session any tax matters related to the investigation of the White House matters.

Mr. GUTKNECHT. So you don't know whether there was an audit, or you just won't tell us?

Mr. BELL. I can't confirm or deny any specific questions relative to tax matters.

Mr. GUTKNECHT. Mr. Chairman, I do hope we can get to the bottom of this and get it on the record, because we have been told that there was no pressure to do external audits on individuals, and it seems to me to be an unbelievable coincidence that that happened.

I should also note as far as the information that we have currently available that the result of that audit was that Mr. Charles Caudle, the prior president of UltrAir, received a $5,000 refund from the IRS. Now, maybe that is not true, but we can get to the bottom of that.

I want to go to Mr. Podesta. I have had distributed to you a copy of some handwritten notes. Can you tell us whose handwritten notes those are and who wrote the notes?

Mr. PODESTA. Bear with me for a second. I believe they are Dwight Holton's.

Mr. GUTKNECHT. These are apparently from a meeting which involved someone by the named of Todd.

Who would Todd be?

Mr. PODESTA. Todd Stern, my deputy who assisted me in the preparation of this report.

Mr. GUTKNECHT. And he was operating on your behalf?

Mr. PODESTA. We did the investigation together.

Mr. GUTKNECHT. Were you familiar with these notes when you wrote the report?

Mr. PODESTA. I don't know that I went back and reviewed the notes. But I believe I sat in the interview.

Mr. GUTKNECHT. You were in on the interview.

Mr. PODESTA. Yes. JP is John Podesta.

Mr. GUTKNECHT. He doesn't have the best penmanship, but this is a very interesting—and if I could, Mr. Chairman, I do want to submit this for the record. It is page 0230.

As a matter of fact, I would request unanimous consent to have put into the record pages 0227 through 0230. But let me just——

Mr. CLINGER. Without objection.

[The information referred to follows:]

June 2   With Cle   WHTO

Preface · Mgt review

- Not an investigation

What is your job function?

JE - No direct involvement w/ travel.

- except when reporter will meet w/ ex

~~- Also a "duty officer"~~

~~when~~ JP when is media office

- Dealing with non-WH press corps
- Also ~~deals~~ ~~with~~ a "duty officer"
- usual dealing

JP Did you

JE Memo with Shawn Walsh re: Press operations

Going through general Accounts

1st or 2d

JP Travel Office come up?

JE Only when we passed it.

JP More transition later?

JE No more on travel

when not involved.

JE Heard bits and pieces from Catherine.

Told her if there were going to be changes involve ppl from press [illegible] office

JE · Didn't see memo until it broke.

· was late April - early May ~~to~~ when mentioned to Catherine

· Not involved when when Catherine went to Travel Office

JP - Did she tell you anything about

TODD - what did

JE I believed there were problems

she said inefficiencies

She took me up on suggestion of press office person be involved, expressed so.

Wed or Thurs.
~~Tuesday or Wed~~ before this went down, Harry or Catherine called and said they wanted to move forward.

- Harry Tells of Martens conversation ; common knowledge in charter biz
- Spent 10 mins. then walked over to mtg. w/
- Recommend doing it ASAP because travel office people were leaving on pre-advance to Tokyo
  - Catherine said she believed the guys ~ knew s/t was going to happen. If true
    I told them to send a very simple letter

- I had talked to Dee Dee, -- what I recommended that ~~B~~ we do wires. Post, Geo Condon. I said do very simple, don't mention FBI

'Geo said if s/t n wrong. get rid of.

- MDG You knew of FBI?

~~[illegible]~~ It

JE I had been told, I believe. That's when tempers got heated.

Friday, met with Mack, Ricki, Vince. I said if we're going to go. should

For how stories are working it against us.

~~[illegible] was there closure on~~

~~[illegible]~~

JE: David Faxed ~~notes~~ T.P. to me in Calif

NDG: was there closure at Friday mtg to do this?

JE: No...

So watkins Faxed me Martens Memo and talking pts. on Monday

Showed it to Dee Dee & David on Flight to L.A. Tuesday

JP Their reaction?

JE DD thought it would be big. Uncertain how it would break. Talked again about pre-briefing. Decided to meet with Gordon & Karen.

~~[illegible] try to [illegible]~~ (To

- Tues night, David calls, tells him they're going with it on
- Wed a.m., JE calls Karen/Gordon to brief
- Briefs on Wed am
- Then all hell broke loose.

- Wed afternoon, did another brief with Dirk, Gary Herman, Post woman
- From that point on, I was done.
- Danny started pushing. Geo & DD recommend I stay out of it.

JP Do you recall ~~[illegible]~~ TPs having FBI in them?

JE Yes.

Wed a.m. David brought me new version. [Doesn't remember if FBI in ~~[illegible]~~ S.D. version]

He came back ~~[illegible]~~ later and said scratch FBI part.

~~Jeff~~ ~~David~~ Spoke with DD about David taking out FBI TPs.

Todd Did you talk with Rizki about this?
~~B~~ JE Just happen to be there when I met with Nick

JP There was stuff about nice horses etc. Did you hear those rumors?
JE Yes
JP Any evidence?
JE No
Todd From where, inside or out?
JE inside
MDG You didn't know before they were fired?
JE Not before that week.
G So why now
~~Was there pressure to move quickly~~
General potential for wrong doing
Todd What was Harry's hurry?
JE Don't really know. He agreed with me that
TS Anybody else involved that you know of
JE No
~~TS~~ JP Did you keep any docs?
JE Threw them away.
~~Maybe~~
Todd Any ~~hard copy~~ e-mail
JE No…

Td Any conversation with Bruce … give him anything … like Martens memo ?
JE Maybe … he was on trip

Mr. GUTKNECHT. Let me just read some of the line of questioning here and the responses. "Did you talk to Ricky about this?"

Who would Ricky be?

Mr. PODESTA. Ricky Seidman.

Mr. GUTKNECHT. And then the answer is, "just happened to be there when I met with Nick."

Who would Nick be?

Mr. PODESTA. It's Mack. It would be Mack McLarty.

Mr. GUTKNECHT. That would be Mack McLarty?

Mr. PODESTA. Yeah. But it's not Nick, it's Mack.

Mr. GUTKNECHT. OK. Well, that's even more interesting.

And JP says there was stuff about horse races, race horses, et cetera. "Did you hear the rumor?" The answer is "yes." "Any evidence?" "No." "From where? Inside or out?" The answer is inside.

"You didn't know before they were fired?" And the answer is "not before that week."

"So why?" And then I think it says "memo." I am not sure what memo we are talking about here.

Mr. PODESTA. I can't——

Mr. GUTKNECHT. You go on down the page and this is interesting, too. "What was Harry's hurry?"

Who is Harry we are talking about?

Mr. PODESTA. Thomason.

Mr. GUTKNECHT. Harry.

Mr. PODESTA. Harry Thomason.

Mr. GUTKNECHT. Harry Thomason is the person we were talking about here. "Don't really know. He agreed with me that"—can you fill us in, "that" what?

Mr. PODESTA. Well, the note ends, but I believe Mr. Eller was one of the persons—people at—seeking swift action in this matter.

Mr. GUTKNECHT. Anybody else that you——

Mr. PODESTA. Which we criticized him for in our management report, and I think it probably relates to that.

Mr. GUTKNECHT. Then the question is anybody else included that you know of, and the answer was no.

But this is where it gets very interesting, Mr. Chairman. "Did you keep any docs?" And I assume that means documents.

Mr. PODESTA. I assume, I think that's correct.

Mr. GUTKNECHT. And the answer is "threw them away."

Now, the next question wasn't why did you throw them away, this could be subject to a criminal investigation. The next question was "any E-mail?" And the answer was no. And then "any conversations with Bruce?"

Who would Bruce be?

Mr. PODESTA. Lindsey.

Mr. GUTKNECHT. And then the next question is "give him anything, like Marten's memo?" "Maybe, he was on a trip."

This strikes me—and I'm not an attorney, and perhaps I should turn to one of the representatives of the FBI, but it seems to me that if there's documents destroyed and that you knew about it and it did not get reported to the FBI who was doing investigations, that seems to be rather unusual, doesn't it? And perhaps I should talk—Mr. Shaheen, does that bother you?

Mr. SHAHEEN. I'd have to know more of the context, Congressman. Maybe Mr. Smith is more familiar with it, but I have to know more of the context in which this took place.

Mr. GUTKNECHT. But you had made formal requests for documentation; isn't that correct?

Mr. SHAHEEN. That's correct.

Mr. GUTKNECHT. And right here we know now that the documents were destroyed. Did you know that before this meeting today?

Mr. SHAHEEN. No. No, sir.

Mr. GUTKNECHT. OK.

Thank you very much.

Mr. CLINGER. The gentleman's time has expired. And I now recognize the gentleman from Indiana, Mr. Souder, for 5 minutes.

Mr. SOUDER. I first want to make—and, I once again, apologize for my loud Notre Dame voice that's now disappeared, and I want to make a brief comment on Mr. Kanjorski's points. And I personally don't know and I don't think many of us here know whether or not the employees, may have been reinstated, have practiced mismanagement in the past.

I know the House banking system certainly was not practicing the correct procedures and I think many of the steps to clean that operation up are commendable and I think we ought to be looking at cleaning up all the government operations that are done sloppily. However, this investigation today, which he's also said was worthwhile, is more on how it's been handled. And, quite frankly, isn't going to do it.

I see constantly in these reports and in listening to things like it was unfortunate the appearance of things going wrong. Quite frankly, the American people aren't stupid. The bottom line is this; that after the election, a friend of the President, a friend of the President's wife, big friends, start proceedings that say that they're interested in trying to get contracts, which while they may not have been much money were certainly very prestigious. They go in effect on a witch-hunt and Ms. Cornelius started sneaking around the office.

It's been stated that she tried to copy numerous documents and was afraid about getting caught. That isn't the way you do investigations. The White House has the power to do an appropriate investigation if they suspect fraud. In this case, it was a person who had a vested interest and had done a memo that was interested in replacing it and, quite frankly, sometimes in witch hunts you may find things, and they may have found things, but the bottom line is the American people can figure out what initiated this investigation. It is an abuse of power, that we have the friend of the President's wandering around the White House, uncertain on what credentials and refusing to answer from different reports as to what kind of credentials they were.

The FBI has announced at a press conference that they're investigating. They say that that was a mistake, and then they proceed to investigate. The IRS says it didn't get any pressure, but we find out that the IRS has investigated the person who heads the company and it may have been coincidental and maybe they picked it up from the press, but this is a lot of coincidences. We find that the staff from 9 to 33 years of service gets fired and then reinstated. We find that the friend of Bill's gets the first contract without bidding, which is more than just appearances here. At this point this starts to become a pattern.

There's bad press so that's reversed. There's questions whether the American Express contract was also bidded. Then we find out a year later that there's been a Foster file, under the table, not on it, so it wasn't given. And I did have one other question for Mr. Shaheen on that. Were you aware that Mr. Podesta, who you knew he had a June 3rd interview with Mr. Foster, had a follow-up interview on June 30th?

Mr. SHAHEEN. Excuse me, Congressman.

Yes, we did know he did. And let me take this occasion to acknowledge the presence of the two attorneys who did this investigation, Ms. Judith Wish and Marlene Wahowiak of OPR.

Mr. SOUDER. And were you aware that one of the notes in that Foster notes said that they should thereby defend H.R.C., presumably Hillary Rodham Clinton, whatever her role is?

Mr. SHAHEEN. Yes.

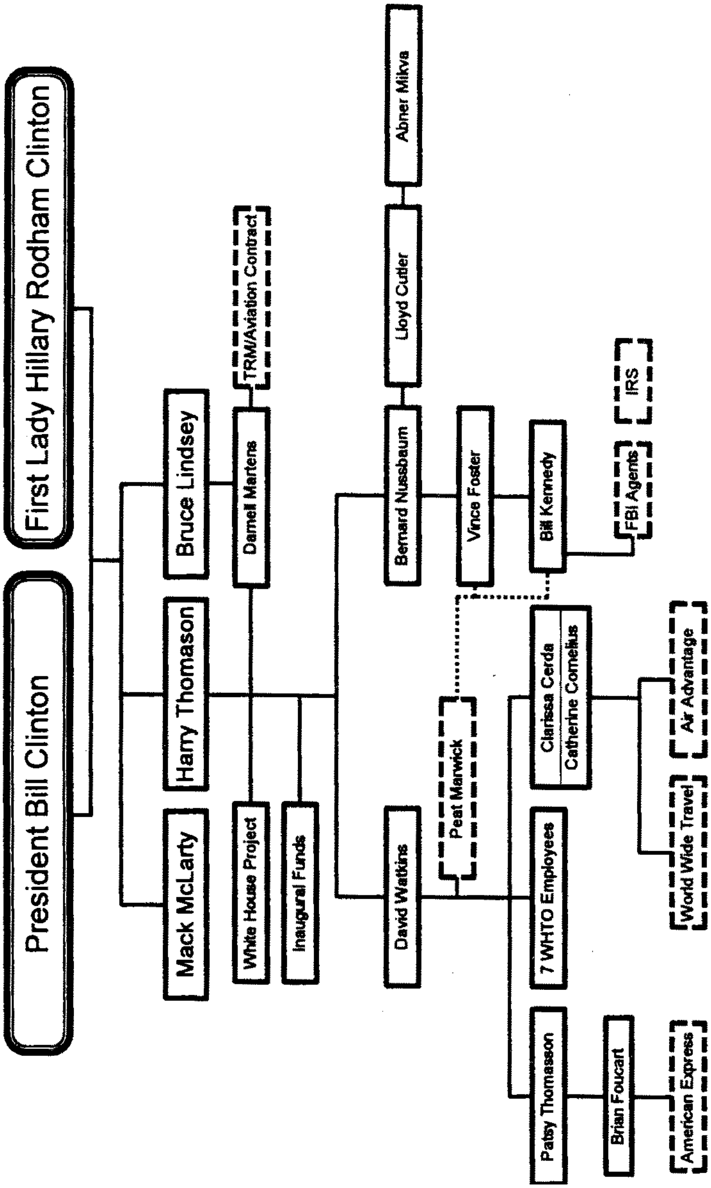
Mr. SOUDER. When you add all this together, and also the allegation that Jeff Eller has wiped out documents which may have been duplicated, but we're not sure whether they were in fact duplicated because we don't know what he wiped out, he tries to get the staff fired. He's reprimanded for being inappropriate because of his personal relationship with Ms. Cornelius, who's been in the office. Even your report which, quite frankly, detailed a number of these things, Mr. Podesta, and you have worked to clean up the office and I give you credit for that and I give you credit for acknowledging these, but you can see why the American people view this as a lot more than just the appearance.

Even when you put that much in appearances together, you start to wonder whether or not this was a definite abuse of power.

I want to make one other point. We've had this chart up here today, and I would like to see it inserted for the record, and one of the other reasons that this is a preliminary hearing, can you all see the one down here where it says did they interview key players for the reports?

[The chart referred to follows:]

White House Travel Office Influence



Mr. SOUDER. I want to make sure that, first off, that that's not inaccurate, if you notice any of the differences there. And there are reasons. For example, because of the Fiske investigation, and correct me if this is wrong, the White House was not able to interview the travel employees. The FBI was not able to interview a number of these people, and you, in fact, have notes all the way down because you did it internally.

The White House management review and also Mr. Shaheen's was not able because as you just said a little bit ago, it was turned over to Fiske at some point. The GAO couldn't get the information. So the bottom line is that all these reports that we've had thus far haven't talked to the Travel Office employees.

Most of you haven't talked to Thomason. Most of you haven't talked to Martens. Two of you haven't, FBI and OPR, haven't talked to the Chief of Staff. Two haven't talked to the Deputy Chief of Staff. One hasn't talked to the person in charge of administration. One hasn't talked to the deputy and two haven't talked to the First Lady; the third, only written questions. Does not that call into question whether we have all the facts? And, indeed we may have to wait until the court cases are over and Mr. Fiske's investigations are over, but part of what we're establishing here is the record may not be complete.

Would you allege that your reports are all complete, not having interviewed a lot of those people? That can be to Mr. Shaheen, to any of you at the table.

Mr. SHAHEEN. I, too, await the independent counsel's report, Congressman.

Mr. SOUDER. Ms. Kingsbury, do you—knowing all the information that you've heard since then, knowing you didn't get access to those, would you not wonder, not on the question of cleaning up the office, but in whether in fact you had enough information to draw conclusions on the process?

Ms. KINGSBURY. Our report clearly disclosed what our limitations were at the time, and that disclosure meets our standards. So we have no reason to second-guess the report.

Mr. SOUDER. What about you, Mr. Podesta?

Mr. PODESTA. We were asked not to interview the Travel Office employees, but I would say that virtually everything you just read, we disclosed on July 2nd, 1993, and there's not a fact in this report that has been challenged today.

Mr. CLINGER. The gentleman's time has expired.

The Chair now recognizes the gentleman from Pennsylvania, Mr. Fox, for 5 minutes.

Mr. FOX. Thank you, Mr. Chairman. Mr. Podesta, I'd like to return for a moment, if I may, to some differences between the Peat Marwick's draft and the final reports. In the draft, Peat Marwick states in pertinent part, the procedures we performed were limited in nature and extent to those which the Office of Counsel determined best fit its needs.

In other words, the very same Office of Counsel which called in the FBI in the first place, and then told it to await the results of the Peat Marwick report, was controlling the outcome of that report. This concerns me a great deal. And it obviously concerned the White House a great deal, because Peat Marwick's final report states, the procedures we performed were limited in nature and extent and were agreed to by the Office of Management and Administration.

Mr. Podesta, you can only conclude that Peat Marwick either did not know the difference between Office of White House Counsel and the Office of Management and Administration, or its final report was edited by the White House, and I strongly suspect the latter.

I would like to return to Objective 12, if I may, in the KPMG draft. If you recall, the White House fired the Travel Office employees because of gross mismanagement, complaints of press overbilling, and shoddy recordkeeping. That is what makes Objective 12 very interesting to me.

In Objective 12, Peat Marwick summarized five trips that were managed by the fired Travel Office staffers. Not only did Peat Marwick find sufficient records to determine that the Travel Office employees' estimates of the total cost of those five trips came within $9,000 of the trip's $407,000 total cost. In other words, the Travel Office employees scored 97.8 percent accuracy by the seat of their allegedly incompetent pants. Did you ever——

Mr. PODESTA. There's an explanation for that, Mr. Fox. If you want me to give it.

Mr. FOX. I would be glad to hear.

Mr. PODESTA. First of all, let me explain how, to the best of my recollection, how Peat Marwick was retained and brought in. Jennifer O'Connor, who worked for Mr. Watkins in the Office of Management Administration, brought Peat Marwick, I've forgotten his name, Larry Herman, brought Larry Herman's existence, if you will, for the attention of Mr. Watkins. Mr. Watkins, I believe, contacted Mr. Herman. Mr. Kennedy was involved at that time. They were looking for a way to audit the office. So Mr. Herman could have been confused, but I think Mr. Watkins was the person that actually did do——

Mr. FOX. Let me ask you this question.

Mr. PODESTA [continuing]. The contact.

Mr. FOX. I appreciate your explanation.

Mr. PODESTA. With regard to the second point you raised, 97.8 percent, when you have only one airline that you're dealing with, and you're dealing with it on a formula basis, it's easy to get the formula right. If there's no competitive bidding, it's easy to estimate what the ultimate cost is going to be.

Mr. FOX. But the question is, the one that is actually probative, did you ever inquire in the course of your White House management review why the very results that I am speaking of were removed from the final Peat Marwick report? Do you know why, yes or no?

Mr. PODESTA. I do not know the answer to that.

Mr. FOX. OK. My review suggests that time and time again the results of the Peat Marwick draft were altered to eliminate evidence that did not support the White House spin that the fired Travel Office employees were incompetent. One very large piece of evidence that was not available to us 2 years ago was the Vince Foster Travel Office file.

Did you ever, Mr. Podesta, become aware in the course of your management review of a meeting on Friday, May 21st, to review a Peat Marwick final report? Yes or no?

Mr. PODESTA. On May 21st?

Mr. FOX. Yes. Were you aware of that meeting to review the final Peat Marwick report? You may not have been.

Mr. PODESTA. Well, I may have been. I just—I don't recall.

Mr. FOX. Let me just bring this to your attention. Vince Foster noted in an entry dated May 21st that Ricki Seidman requests me to join review of the audit. Ricki Seidman, William Kennedy, David Watkins, and Mr. Foster were to be at the old Executive Office Building to take the draft to Nussbaum and question whether to release it. And when finished while waiting printing, were to meet again in George Stephanopoulos' office. Were you aware of that meeting, yes or no?

Mr. PODESTA. I don't remember whether I was aware or not.

Mr. FOX. Finally, I ask this——

Mr. PODESTA. If there are notes—again, these matters occurred two and a half years ago, over the course of 6 weeks, and I just don't recall. If there's something that——

Mr. FOX. Did you notice whether it was in your management review, about the differences between the final and draft?

Mr. PODESTA. There's nothing in the management review about the differences between the final and the draft, but I think the final does speak for itself and lays out a number of——

Mr. FOX. With this meeting with Foster——

Mr. PODESTA. A number of problems with the Travel Office which Ms. Kingsbury in the GAO report——

Mr. FOX. I understand. Was this meeting with Foster on May 21st noted in your management draft, if you know?

Mr. PODESTA. I don't believe so.

Mr. FOX. OK. I would ask this question. How can you claim, as you did in your opening remarks, that the White House management review would stand the test of time, when it deliberately ignored meetings such as this one where the White House created out of whole cloth the substantiation that was required to justify the firings of the Travel Office staff?

Mr. PODESTA. I would justify that statement by the statement I just made, which is there's not a fact in this report that's been challenged today.

Mr. FOX. Mr. Chairman, I would ask that the KPMG Peat Marwick reports, the draft of May 17th and the final as well of the same date, be submitted for the record.

Mr. CLINGER. Without objection.

Mr. FOX. And as well, the Vince Foster notebook, pages 1 and 2.

Mr. CLINGER. Without objection, so ordered.

Mr. FOX. Thank you. I yield back the balance of my time.

[The information referred to follows:]

DRAFT—FOR DISCUSSION PURPOSES ONLY

May 17, 1993.

PRIVATE AND CONFIDENTIAL

SUBJECT TO ATTORNEY/CLIENT PRIVILEGE

Mr. WILLIAM H. KENNEDY III,
Associate Counsel to the President,
The White House,
Office of the Counsel, Room 136,
Old Executive Office Building,
Washington, DC.

DEAR MR. KENNEDY: KPMG Peat Marwick is please to provide you with this report summarizing our review of the White House Telegraph and Transportation Service (referred to in this document as the press travel office), which was conducted in accordance with our letter date May 17, 1993. In addition, we have provided you a seperate communication of our observations and suggestions for new policies and procedures for press travel office operations.

BACKGROUND

Our letter to you dated May 17, 1993 described the scope, objectives, and methodology used to conduct our study. The purpose of this review was to:

- Evaluate the effectiveness of present accounting policies, practices, and procedures. This specifically includes an assessment of automated and non-automated systems, accounting controls, cash management and financial reporting.
- Identify specific opportunities to improve the accounting system and related internal controls of the office.
- Provide technical support and advice to you and your staff in related areas of review, such as organization, staffing, contracting procedures and the like.

Our on-site work was conducted at the press travel office from May 14, 1993 to May 16, 1993.

LIMITATIONS TO THIS REVIEW

The following paragraphs describe the specific objectives, procedures and findings of our diagnostice review. The procedures we performed were limited in nature and extent to those which the Office of the Counsel determined best fit its needs. The test procedures that the KPMG Peat Marwick study team used depended upon the availability of data to review and the limited amount of time we had to conduct our work. As such, this report may not necessarily disclose all significant matters about the press travel office or reveal errors or irregularities, if any, in the underlying information. Furthermore, such procedures do not constitute an audit, examination, or review in accordance with Standards established by the American Institute of Certified Public Accountants and, therefore, we do not express an opinion or any other form of assurance on the information presented in our report. Furthermore, we do not make any representations regarding the sufficiency of the procedures we performed for your information needs.

SUMMARY OF FINDINGS

Exhibit 1 summarizes our major observations and conclusions. In particular, our study determined that there were several significant weaknesses in the existing internal control systems of the press travel office. These weaknesses are described in more detail in the sections that follow.

In addition to the weaknesses noted in Exhibit 1, we noted certain discrepancies with regard to petty cash transactions. Eight checks written to cash on the Riggs account were either not accounted for as an increase to the petty cash fund, incorrectly recorded in the petty cash fund, or missing from the petty cash fund documentation. The total amount of checks written to cash that were unsupported in the petty cash book is $18,200.

Summary of Major Accounting System Weaknesses

AREA OF WEAKNESS AND EXAMPLES OF WEAKNESSES

Lack of Accountability

There is no oversight entity or higher level review process of activities or transactions of the office.

There is a lack of financial control consciousness among the existing staff.

There is no financial reporting.

There are no reconciliations of financial information other than bank statement.

There is no system of checks and balances on transactions and decisions within the office.

Lack of Accounting Control and Systems

Accounting policies and procedures, if they exist at all, are informal or poorly communicated.

There are no systems or procedures documentation.

There is no existence of a general ledger.

There is a lack of personnel with accounting knowledge.

Lack of Documentation

Several invoices sampled have missing or inadequate documentation.

Documentation for bills submitted to the press is either inadequate or missing. No copies on file of bills to customers/press.

There is no evidence of periodic reconciliations for accounts and records.

Lack of Contractual Support

There is no formal contract with Ultrair, the primary domestic press charter service.

There is no evidence or documentation of competitive bids, verbal quotes, or purchase order system for press charter service.

Inadequate Billing Process

Billing practices are informal and inconsistent.

Pricing decisions to "customers" are based on personal judgments of supply and demand, not necessarily on actual costs incurred.

Differences between trip estimated costs, which are the basis for billings, and amounts billed, are not documented.

FINDINGS

This section of our report details the findings of our study. For each area of our review we identify the study objective, the procedures we used to conduct the review, and our primary findings.

Objective 1: To gain a preliminary understanding of the accounting system, specifically the cash receipts and cash disbursements cycles.

Procedures:

We interviewed the Director of the press travel office to gain an overall understanding of the financial management practices of the office.

Findings:

Our initial review of the major financial management practices and policies of the office indicated a number of potential significant internal control weaknesses, including the following:

General:

- No general ledger or other form of double entry bookkeeping.
- No financial statement preparation.
- No external review mechanism.

Cash Receipts:

- No double entry cash receipts journal.
- Improper segregation of duties with respect to access to accounting function and access to cash receipts.
- Incoming checks not restrictively endorsed on a timely basis.
- Incoming checks not deposited on a daily basis.
- Inadequate reconciliation of total cash receipts to deposits in the bank due to lack of daily cash receipts log.
- Inability to determine if cash received was properly or accurately applied to the related receivable (customer/press account balance).

Air Charter:

- No overall contract exists with the primary domestic charter company, Ultrair, Inc.
- No contracts issued for each individual trip.
- No detailed service information provided in charter billings to determine exactly what is being paid for and if the charges are reasonable.

Trip Billing System:

- Billing invoices not prenumbered or multi-part. Access to the stationary not controlled.
- Trip records can be deleted from the AREV Travel System (AREV) when open receivables still exist.
- The system provides no summary of daily cash applied to the receivables.
- Remittances provided by the customers/press are discarded after the receipts are recorded in the system.
- Search capabilities on the AREV system are limited and information can only be listed by trip.

Press Reimbursement of Trip Costs:

- No formal reconciliation procedure exists to adjust amounts billed to the press after comparison to actual costs.

Accounts Payable/Cash Disbursements:

- No double-entry cash disbursements journal.
- Inadequate or non-existent segregation of duties between individuals with accounting and check writing authorities.
- No disbursements log exists for air charter invoices.

Objective 2: To verify the accuracy of the activity in the petty cash fund by determining if all checks written to cash were recorded as increases to the petty cash fund, and all withdrawals from the petty cash fund were supported and properly billed.

Procedures:

(a) Selected all checks written to "cash" from a population of all canceled checks received from Riggs National Bank from January 1, 1992 to April 30, 1993.

(b) Traced the amount and date on the canceled check to the petty cash book.

(c) Located and summarized the detailed petty cash uses (i.e., expenses incurred) for each employee of the office. This procedure was done in order to determine if the detailed information agrees to the summary information.

(d) Traced a sample of 10 petty cash disbursements related to 10 trips as listed in the petty cash book to the charges on the respective trip worksheets.

Findings:

(a) In reviewing petty cash, we noted discrepancies between the amounts written to "cash" on the Riggs bank account and the recordation of this amount into the petty cash fund. Each of the eight checks was made out to "cash" and signed by Bill Dale, Director of the press travel office, and endorsed by Bill Dale. A detailed listing of discrepancies follows:

Check Date	Check No.	Amount to "Cash"	Increase to Petty Cash
January 11, 1993	4441	$2,500	None
October 9, 1992	4173	5,000	$2,000
June 17, 1992	3898	3,000	None
April 10, 1992	3780	2,500	None
February 18, 1992	3617	3,000	None
December 27, 1991	3567	2,000	None
December 18, 1991	3557	3,000	None
December 5, 1991	3533	2,000	None
		23,000	

(b) For three petty cash transactions dated December 27, 1991, December 18, 1991 and December 5, 1991, the page from the petty cash book was missing for this time period and the entry therefore is untraceable.

(c) On the second day of fieldwork, Bill Dale informed us that he located $2,800 of the $3,000 unaccounted for in the October 9, 1992 petty cash transaction. He informed us that he found it in an envelope located in a locked drawer in the office, separate from the rest of the petty cash.

(d) Total of checks written to cash and not recorded on petty cash log or subsequently located by the press travel office is $18,200.

(e) All other petty cash transaction disbursements listed in the back of the petty cash book (by individual) were properly reconciled to the summary disbursements in the front of the petty cash book.

(f) 10 selected petty cash disbursements (i.e. use of a petty cash draw by an individual) chosen, we traced the petty cash disbursement amount per the petty cash book to the respective summary trip worksheet located in the trip files. We confirmed that the amount of the petty cash disbursement was recorded on the summary trip sheet as an actual cost incurred on that particular trip.

Objective 3: To ensure that checks received in the press travel office are deposited into the Riggs accounts within a reasonable time and are properly posted to the accounts receivable system (i.e. properly applied to the outstanding bill).

Procedures:

(a) Selected a sample of 25 items from the "Checks Received Log" for the time period January 1, 1992 to May 14, 1993.

(b) Traced each check reviewed to the respective time period's deposit slip.

(c) Traced the deposit slip noted in (b) to the bank statement.

(d) Traced the check amount to the AREV travel system (billing and receivable system) noting amount, payee, date and check number.

Findings:

(a) All items selected were properly traced to the deposit slip amounts as well as to the bank statements.

(b) All checks in our sample were deposited into the bank within one week's time period.

(c) Due to limitations in the press travel office documentation, we were unable to verify, in all but two cases, that the cash receipts were properly posted to their respective account balances.

Objective 4: To determine that written checks are the only means of disbursing funds from the Riggs bank account, and that we can account for all checks.

Procedures:

(a) Reviewed bank statements from the period January 1, 1992 to April 30, 1993 looking for any non-check disbursements.

(b) Counted the number of canceled checks returned with each bank statement and compared them to the number of checks clearing the bank that month.

Findings:

(a) We found no non-check type (i.e. no wire transfers, etc.) disbursements from the Riggs account.

(b) In all cases, the number of canceled checks returned with the bank statement was the same as the number of checks disbursed that month per the bank statement.

Objective 5: To review the adequacy and accuracy of documentation supporting selected cash disbursements.

Procedures:

(a) Chose a sample of 76 canceled checks from the period January 1, 1992 to April 30, 1993, noting the date, check number, amount and payee. The sample included 17 checks made out to "cash" which were separately reviewed.

(b) Compared each check to its related vendor invoice.

(c) Reviewed each canceled check to determine propriety of endorsement.

Findings:

(a) Of the 76 check disbursements, nine disbursements (canceled checks) appear to have no supporting invoice. Each of the nine disbursements was for baggage handling charges at a hotel. Total amount of these nine disbursements is $4,690.07.

(b) Two disbursements represented refunds for overpayment by customers/press. There is no supporting documentation for these refunds. The two disbursements amounted to $374.75.

(c) One disbursement to Pan Am Express on December 20, 1991 did not have a related invoice. According to our interview, press travel office based this payment on a verbal price quote from the charter company. The dollar amount of this disbursement was $12,841.56.

(d) We noted differences in the check disbursement amount and the invoice amount for charges related to press charter service. This difference, in all cases, was indicated by the press travel office to be GTR's. GTR's are forwarded, along with the check amount, to the charter service. The total of the two (check and GTR) will equal the invoice amount. Both the check and GTR are legal tender.

Objective 6: To review the adequacy and accuracy of the documentation supporting a selected trip's costs (as indicated on the trip worksheet).

Procedures:

(a) Chose one trip from the total trip files from January 1, 1992 to the present in order to obtain the actual costs incurred for the entire trip.

(b) Traced and agreed each check that was disbursed in payment of the total trip charges to the related vendor invoices (i.e. original documentation requesting payment for services).

(c) Reviewed each canceled check for apparent propriety of endorsement.

Findings:

(a) All checks written in payment of charges related to this one trip (President Clinton's trip to Detroit, Michigan on February 10, 1993) were properly supported.

(b) All checks appear to be properly endorsed by authorized signers.

Objective 7: To determine the receipts and disbursements activity of the press travel fund by reviewing the bank statements from the period January 1, 1992 through April 30, 1993.

Procedures:

(a) Reviewed all bank statements since January 1, 1992.

(b) Collected the following information about the press travel fund cash account:
Beginning and ending bank balances of the press travel fund cash account.
Average daily balance.
Total receipts (for the month).
Total disbursements (for the month).
Current balance on hand as of April 30, 1993.

Findings:

We noted the following information (cents omitted):

Beginning balance at January 1, 1992	$636,813
Total receipts, January 1, 1992–April 30, 1993	10,446,951
Total disbursements, January 1, 1992–April 30, 1993	10,709,680
Ending balance at April 30, 1993	374,083
Range of average daily balance:	
High in January, 1993	1,080,247
Low in March, 1993	245,195

Objective 8: To determine the volume of disbursements that have been made for commercial or charter air service from the period January 1, 1992 through May 5, 1993 and to determine the recipient of the disbursements.

Procedures:

(a) Reviewed the check books from January 1, 1992 through May 6, 1993 and noted all checks disbursed in payment of either commercial or chartered air service, noting check number, date, payee, amount, and trip number(s).

(b) Summarized the detailed information gathered in (a) above by individual carrier/airline.

Findings:

In summary, the following airlines or charter services were disbursed funds from the press travel fund from January 1, 1992 through May 6, 1993 (cents omitted):

Domestic Travel:	
ULTRAIR, Inc	$428,733
Airline of the Americas	2,123,939
Pan Am World Airways	100,815
Miami Air International	343,024
	2,996,511
International Travel:	
TWA	1,479,247
American Trans Air	892,064
Evergreen Int'l Airlines	154,579
	2,525,890
Grand Total	5,522,401

Objective 9: To determine that all disbursements made to Ultrair or Airline of the Americas since September, 1992 are related to a specific trip and their charter service charges are included in the overall trip charges on the trip worksheet.

Procedures:

(a) Created, from the check book stubs, a listing of all disbursements made to Ultrair or Airline of the Americas since September, 1992, noting check number, date, payee, amount and trip number(s).

(b) Traced the check amount to the respective trip worksheet or trip worksheets, in the case of one check paying for more than one trip. We noted whether there were any discrepancies between the amount disbursed to the charter company and the amount indicated as the "actual" cost on the trip worksheet.

(c) Noted whether there were other types of trip charges (hotel, rental car, phone, etc.) on the same trip worksheet for the trip numbers being reviewed.

Findings:

(a) All checks disbursed to Ultrair or Airline of the Americas were included on trip worksheet(s).

(b) We noted that these trip worksheets did contain other trip costs (i.e. there were other charges in addition to the charter service such as phone charges, hotel, rental car, ground transportation, etc.).

(c) We noted that the check amount disbursed to Ultrair or Airline of the Americas was different that the amount noted as actual cost of "press charter. The difference is due to GTR's. The GTR's are remitted along with the net check to the charter company. Both the check and the GTR are negotiable documents and together total the invoice amount.

Objective 10: To review, in more detail, the receipts and disbursements activity of the press travel fund for the month of February, 1993 (it appears that the month of February had unusually large disbursement activity and unusually small receipts activity).

Procedures:

(a) Obtained the February 1993 Riggs bank statement and the canceled checks returned with the February bank statement.

(b) Listed each canceled check that made up the total disbursement amount for February, 1993 noting the check number, date, payee, amount and notation on the check, if any.

(c) Discussed with the Director of the press travel office, the reasonableness of the level of cash receipts in the month of February, 1993.

Findings:

(a) The total amount of cheeks returned with the February bank statement agreed to the total amount disbursed from the bank statement of $1,030,835 (cents omitted). Significant disbursements making up this total include the following (cents omitted):

Treasurer of the U.S. (for Air Force One charges—August, 1992–January, 1993)	$525,037
Airline of the Americas	79,456
AT&T (phone charges—Multiple trips)	327,891
Total significant disbursements	932,384

(b) According to our interview with the Director of the press travel office, low receipts in February, 1992 are due to decrease in press travel after the November election and the lack of travel early on by the new Administration which took over in January 20, 1993.

Objective 11: To approximate the net assets of the press travel fund at May 15, 1993.

Procedures:

(a) Obtained the cash balance of the press travel fund at Riggs at April 30, 1993.

(b) Subtracted from the April 30, 1993 cash balance the following amounts:

- Amount of checks written on the cash account from April 30, 1993 to May 15, 1993 that were identified in the press travel fund check book.
- Amount of unpaid vendor invoices at May 15, 1993 that were identified from the trip worksheets or actual hard copy invoices in the open invoice file.

(c) Added to the April 30, 1993 cash balance the following amounts:

- Amount of deposits made to the cash account from April 30, 1993 to May 15, 1993 that were identified from copies of deposit slips.
- Amount of checks received by the press travel office in payment of bills which had not yet been deposited that were identified in a locked drawer in the press travel office.
- Amount of outstanding accounts receivable at May 15, 1993 that were identified from the AREV system (billings system).
- Amount of unbilled expenses which had been paid by the press travel office but had not yet been billed to the customer/press that were identified by reviewing the paid invoices for these expenses and noting that the amount has not been set up as an accounts receivable.

Findings:

Based on the performance of the procedures noted above, the approximate net assets of the press travel fund at May 15, 1993 was estimated to be $79,000.

Objective 12: To determine the differences, if any, between the amounts billed to the press for trips and the actual costs of the same trip, and to determine if those differences, if any, are being used to offset the amounts billed to the customer/press on future trips.

Procedures:

(a) Chose five trips which occurred in the months of September and October.

(b) Compiled the following information regarding each trip:

Cities traveled during the trip.
Dates of trip.
Trip number.
Estimated cost per trip worksheet.
Actual cost per trip worksheet.
Amount billed to customer/press per trip worksheet.
Amount billed per trip billing spreadsheet.
Differences, if any, in dollar amounts noted above.

Findings (cents omitted):

(a) St. Louis, MO—Springfield, PA—Grand Rapids, MI Trip
October 11, 1992 to October 12, 1992
Trip Number 2P1011

Estimated cost per trip worksheet	$123,607
Actual cost per trip worksheet	125,056
Amount billed to customer/press per trip worksheet	123,607
Amount billed per trip billing spreadsheet	128,059
Differences:	
Amt billed per trip worksheet and billing spreadsheet	(4,452) *
Amt billed per billing spreadsheet to actual cost	$3,003 **

(b) Cincinnati, OH—Columbus, OH
October 9, 1992
Trip Number 2P1009

Estimated cost per trip worksheet	$51,612
Actual cost per trip worksheet	49,555
Amount billed to customer/press per trip worksheet	51,613
Amount billed per trip billing spreadsheet	51,490
Differences:	
Amt billed per trip worksheet and billing spreadsheet	123 *
Amt billed per billing spreadsheet to actual cost	$1,935 **

(c) Wisconsin—Newark, NJ

September 30, 1992
Trip Number 2P930

Estimated cost per trip worksheet	$61,241
Actual cost per trip worksheet	68,747
Amount billed to customer/press per trip worksheet	61,241
Amount billed per trip billing spreadsheet	66,067
Differences:	
Amt billed per trip worksheet and billing spreadsheet	(4,826) *
Amt billed per billing spreadsheet to actual cost	$2,680 **

(d) St. Louis, MO—Dallas, TX—Blountsville, TN—Knoxville, TN—Chattanooga, TN—Clarksville, TN—Knoxville, TN
September 28, 1992–September 29, 1992
Trip Number 2P0928

Estimated cost per trip worksheet	$166,768
Actual cost per trip worksheet	152,544
Amount billed to customer/press per trip worksheet	166,768
Amount billed per trip billing spreadsheet	151,590
Differences:	
Amt billed per trip worksheet and billing spreadsheet	(15,178) *
Amt billed per billing spreadsheet to actual cost	$(954) **

(e) Dover, DE
October 5, 1992
Trip Number 2P1005

Estimated cost per trip worksheet	$12,562
Actual cost per trip worksheet	10,907
Amount billed to customer/press per trip worksheet	12,562
Amount billed per trip billing spreadsheet	13,096
Differences:	
Amt billed per trip worksheet and billing spreadsheet	(534) *
Amt billed per billing spreadsheet to actual cost	$2,189 **

* Differences due to application of cost to GTR individuals (non-press individuals). Changes in amounts allocated to press and GTR's are generally at the discretion of the press travel office and usually not sufficiently documented.

** Differences due to over or under billing depending on the supply and demand of press space on trips as determined by the press travel office.

This report relates only to the items specified above and reflects events and circumstances as they existed at May 14, 1993 through May 16, 1993.

Very truly yours,

KPMG PEAT MARWICK MANAGEMENT CONSULTANTS,
WASHINGTON DC,
May 17, 1993.

MR. WILLIAM H. KENNEDY III,
Associate Counsel to the President,
The White House,
Office of the Counsel, Room 136,
Old Executive Office Building,
Washington, DC.

DEAR MR. KENNEDY: KPMG Peat Marwick is pleased to provide you with this report summarizing the observations and findings resulting from our procedures relating to the White House Office of Travel and Telegraph's (referred to in this report as the press travel office) management, systems, policies, and procedures.

The purpose of our work was to assist you in assessing present accounting policies, practices and procedures. Our on-site work, which consumed approximately 300 hours of professional time, was conducted at the press travel office from May 14, 1993 to May 16, 1993.

The following paragraphs describe the specific objectives, procedures and findings of our work. The procedures we performed were limited in nature and extent and were agreed to by the Office of Management and Administration. As you know, the procedures were revised throughout our on-site work to reflect the time-frame and the limited availability of data, information, and documented policies and procedures. As such, this report may not necessarily disclose all significant matters about the press travel office or reveal errors or irregularities, if any, in the underlying information. Our procedures do not constitute an audit, examination, or review in accordance with standards established by the American Institute of Certified Public

Accountants and, therefore, we do not express an opinion or any other form of assurance on the information presented in our report. Furthermore, we do not make any representations regarding the sufficiency of the procedures we performed for your information needs.

Page two summarizes our major observations and findings relating to the accounting system. In particular, we observed several significant weaknesses in the existing internal control systems of the press travel office. The specific procedures performed and our findings are described in more detail in the sections that follow.

In addition to the weaknesses summarized on page two, we noted certain other discrepancies. For example, with regard to petty cash transactions, eight checks written to cash on the Riggs National Bank account were either not accounted for as an increase to the petty cash fund, were incorrectly recorded in the petty cash fund, or were missing from the petty cash fund documentation. The total amount of such discrepancies was $18,200. This and other discrepancies are described in more detail in the pages that follow.

OBSERVATIONS AND FINDINGS

Summary of Significant Accounting System Weaknesses

Lack of Accountability

There is a lack of financial control consciousness.

There is no formal financial reporting process.

There are no reconciliations of financial information other than reconciliations of bank statements.

There is no documented system of checks and balances on transactions and accounting decisions within the office.

There is no apparent oversight or higher level review process of financial activities or transactions of the office.

Lack of Accounting Controls and Systems

Accounting policies and procedures are informal or poorly communicated.

There is no systems or procedures documentation.

There is no general ledger, or cash receipts/disbursements journals.

There appears to be a lack of accounting expertise.

Lack of Documentation

Several disbursements have missing or inadequate documentation.

Documentation for bills submitted to the press is either inadequate or missing. No copies of bills to customers/press are on file.

Lack of Contractual Support

There is no formal contract with the primary domestic press charter air carrier.

There is no evidence or documentation of competitive bids or purchase orders for press charter service.

Inadequate Billing Process

Billing practices are informal and inconsistent.

Differences between estimated trip costs, which are the primary basis for billings and actual costs incurred, are not documented.

This section of our report details the observations and findings of our study. For each area of our study we identify the study objective, the procedures we performed, and our findings.

Objective 1: To gain an understanding of the accounting system, specifically the cash receipts and cash disbursements cycles.

Procedures:

We interviewed the Director of the press travel office to gain an overall understanding of the financial management practices and policies of the office.

Findings:

Our inquiries related to the major financial management practices and policies of the office indicated a number of potential significant internal control weaknesses, including the following:

General:

- No general ledger or other form of double entry bookkeeping.
- No financial statement preparation.
- No external review mechanism.

Cash Receipts:

- No cash receipts journal.
- Improper segregation of duties with respect to access to accounting function and access to cash receipts.
- Incoming checks not restrictively endorsed on a timely basis.
- Incoming checks not deposited on a daily basis.
- Inadequate reconciliation of total cash receipts to deposits in the bank due to lack of daily cash receipts log.
- Inability to determine if cash received was properly or accurately applied to the related receivable (customer/press account balance).

Air Charter:

- No overall contract with the primary domestic charter company.
- No contracts issued for each individual trip.
- No documentation of competitive bids.
- No purchase orders for press charter service.
- No detailed service information provided in charter billings to document exactly what is being paid for and if the charges are reasonable.

Trip Billing System:

- Billing invoices not prenumbered or multi-part. Access to the stationary not controlled.
- Trip records can be deleted from the automated billing system when open receivables still exist.
- The system provides no summary of daily cash applied to the receivables.
- Remittances provided by the customers/press discarded after the receipts are recorded in the system.
- Search capabilities on the automated billing system limited and information can only be listed by trip.

Press Reimbursement of Trip Costs:

- No formal reconciliation procedure exists to adjust amounts billed to the press after comparison to actual costs.

Accounts Payable / Cash Disbursements:

- No cash disbursements journal.
- Inadequate or non-existent segregation of duties between individuals with accounting and check writing authorities.
- No payable log exists for air charter invoices.

Objective 2: To determine if checks written to cash were recorded as increases to the petty cash fund, and that selected withdrawals from the petty cash fund were supported and properly billed.

Procedures:

(a) Selected all checks written to "cash" (total of 17 checks) from the population of canceled checks on file received from Riggs National Bank from January 1, 1992 to April 30, 1993.

(b) Traced the amount and date on the canceled check to the petty cash book.

(c) Located and summarized the detailed petty cash uses (i.e., expenses incurred) for each employee of the office. This procedure was done in order to determine if the detailed information agreed to the summary information.

(d) Traced a non-statistical sample of 10 petty cash disbursements related to 10 trips as listed in the petty cash book to the charges on the respective trip worksheets.

Findings:

(a) On the first day of our fieldwork, we noted and inquired about eight discrepancies between the amounts written to "cash" on the Riggs National Bank account and the recording of these amounts into the petty cash fund. Each of the eight checks was made out to "cash" and signed by the Director of the press travel office, and endorsed by the same individual. A detailed listing of discrepancies follows:

Check Date	Check No.	Amount to "Cash"	Increase to Petty Cash
January 11, 1993	4441	$2,500	None
October 9, 1992	4173	5,000	$2,000
June 17, 1992	3898	3,000	None
April 10, 1992	3780	2,500	None
February 18, 1992	3617	3,000	None

Check Date	Check No.	Amount to "Cash"	Increase to Petty Cash
December 27, 1991	3567	2,000	None
December 18, 1991	3557	3,000	None
December 5, 1991	3533	2,000	None
		23,000	

(b) For three petty cash transactions dated December 27, 1991, December 18, 1991 and December 5, 1991, the page from the petty cash book was missing for this time period and the entry therefore is untraceable.

(c) On the second day of fieldwork, the Director of the press travel office informed us that he located $2,800 of the $3,000 unaccounted for in the October 9, 1992 petty cash transaction. He informed us that he found it in an envelope located in a locked drawer in the office, separate from the rest of the petty cash.

(d) Total of checks written to cash and not recorded on petty cash log or subsequently located by the press travel office is $18,200.

(e) For the 10 selected petty cash disbursements (i.e., use of a petty cash draw by an individual) chosen, we traced the petty cash disbursement amount per the petty cash book to the respective summary trip worksheet located in the trip files. We noted that the amount of the petty cash disbursement was recorded on the summary trip sheet as an actual cost incurred on that particular trip.

Objective 3: To assess whether checks recorded as received in the press travel office were deposited into the Riggs National Bank account within a reasonable time and were properly posted to the automated billing system (i.e., properly applied to the outstanding bill).

Procedures:

(a) Selected a non-statistical sample of 25 items from the "Checks Received Log" for the time period January 1, 1992 to May 14, 1993.

Traced each sample item to the respective time period's deposit slip.

Traced the deposit slip noted above to the bank statement.

Traced each sample item to the automated billing system.

Findings:

(a) All items selected agreed to the deposit slip amounts and to the bank statements.

(b) All checks in our non-statistical sample were deposited into the bank within one week's time period.

(c) Due to limitations in the press travel office documentation, we were unable to determine whether 23 of the cash receipts were properly posted to their respective account balances.

Objective 4: To determine that written checks are the only disbursements from the Riggs National Bank account.

Procedures:

(a) Reviewed bank statements for the period January 1, 1992 to April 30, 1993 looking for non-check disbursements.

(b) Counted the number of canceled checks returned with each bank statement and compared them to the number of checks clearing the bank that month.

Findings:

(a) We found no non-check type (e.g., no wire transfers, etc.) disbursements from the Riggs National Bank account.

(b) In all cases, the number of canceled checks returned with the bank statement was the same as the number of checks disbursed that month per the bank statement.

Objective 5: To assess the quality of documentation supporting selected cash disbursements.

Procedures:

(a) Chose a non-statistical sample of 76 canceled checks form the period January 1, 1992 to April 30, 1993, noting the date, check number, amount and payee. The non-statistical sample included 17 checks made out to "cash" which were reviewed as part of the procedures for Objective 2.

(b) Compared each check to available vendor invoices, with the exception of the checks written to cash.

(c) Reviewed each canceled check for apparent propriety of endorsement.

Findings:

(a) Of the non-petty cash check disbursements, 12 disbursements (canceled checks) appear to have no supporting invoice. Nine of the 12 disbursements were for baggage handling charges at hotels. The total amount of these nine disbursements was $4,690.07.

(b) Two disbursements represented refunds for overpayment by customers/press. There is no supporting documentation for these refunds. The two disbursements amounted to $374.75.

(c) One disbursement to Pan Am Express on December 20, 1991 did not have a related invoice. The Director of the press travel office informed us that the payment was based on an oral price quote from the charter company. The dollar amount of this disbursement was $12,841.56.

(d) We noted differences in the check disbursement amount and the invoice amount for charges related to press charter service. This difference, in all cases, was indicated by the press travel office to be Government Travel Requests (GTR's). GTR's were forwarded, along with the check amount, to the charter service. The total of the two (check and GTR) equaled the invoice amount. Both the check and GTR are negotiable instruments.

Objective 6: To assess the quality of the documentation supporting a selected trip's costs (as indicated on the trip worksheet).

Procedures:

(a) Chose one trip from the total trip files from January 1, 1992 to the present.

(b) Traced each check that was disbursed in payment of the total trip charges indicated on the trip worksheet to the related vendor invoices (i.e., original documentation requesting payment for services).

(c) Reviewed each canceled check for apparent propriety of endorsement.

Findings:

(a) All checks written in payment of charges related to this one trip (President Clinton's trip to Detroit, Michigan on February 10, 1993) appear to be properly supported.

(b) All checks appear to be properly endorsed.

Objective 7: To analyze the volume of cash activity flowing through the press travel fund bank account from the period January 1, 1992 through April 30, 1993.

Procedures:

(a) Obtained bank statements since January 1, 1992.

(b) Collected the following information about the press travel fund cash account.
Beginning and ending bank balances of the press travel fund cash account.
Average daily balance.
Total receipts (for the month).
Total disbursements (for the month).
Current balance on hand as of April 30, 1993.

Findings:

We noted the following information (cents omitted):

Beginning balance at January 1, 1992	$636,813
Total receipts, January 1, 1992–April 30, 1993	10,446,951
Total disbursements, January 1, 1992–April 30, 1993	-10,709,680
Ending balance at April 30, 1993	374,084
Range of average daily balance:	
High in January, 1993	1,080,247
Low in March, 1993	245,195

Objective 8: To gain an understanding of the volume of air charter service fees for the period January 1, 1992 through May 15, 1993 and to determine the recipient of the fees.

Procedures:

(a) Obtained the check books from January 1, 1992 through May 15, 1993 and noted checks disbursed in payment of either commercial or chartered air service.

(b) Summarized the detailed information gathered in (a) above by individual carrier/airline.

Findings:

In summary, the following airlines or charter services were disbursed funds from the press travel fund from January 1, 1992 through May 15, 1993 (cents omitted):

Domestic Travel:	
Ultrair, Inc	$428,733
Airline of the Americas	2,123,939
Pan Am World Airways	100,815
Miami Air International	343,024
	2,996,511
International Travel:	
TWA	1,479,247
American Trans Air	892,064
Evergreen Int'l Airlines	154,579
	2,525,890
Grand Total	5,522,401

Objective 9: To determine that all disbursements made to Ultrair, Inc. or Airline of the Americas since September 1992 were included in the overall trip charges on the trip worksheet for a specific trip.

Procedures:

(a) Assembled, from the check book stubs, a listing of all disbursements made to Ultrair, Inc. or Airline of the Americas since September 1992.

(b) Traced the check amount to the respective trip worksheet, or trip worksheets in the case of one check paying for more than one trip. We noted whether there were any discrepancies between the amount disbursed to the charter company and the amount indicated as the "actual" cost on the trip worksheet.

(c) Noted whether there were other types of trip charges (e.g., hotel, truck rental, telephone) on the same trip worksheet for the trip numbers being reviewed.

Findings:

(a) All checks disbursed to Ultrair, Inc. or Airline of the Americas were included on trip worksheet(s).

(b) We noted that these trip worksheets did contain other trip costs (i.e., there were other charges in addition to the charter service such as phone charges, hotel, truck rental, ground transportation, etc.).

(c) We noted that the check amount disbursed to Ultrair, Inc. or Airline of the Americas was different than the amount noted as actual cost of "press charter." The difference was due to GTR's. The GTR's were remitted along with the net check to the charter company. Both the check and the GTR are negotiable instruments and together totaled the invoice amount.

Objective 10: To analyze, in more detail, the receipts and disbursements activity of the press travel fund for the month of February 1993.

Procedures:

(a) Obtained the February 1993 Riggs National bank statement and the canceled checks on file.

(b) Listed each canceled check that made up the total disbursement amount for February 1993.

(c) Discussed the reasonableness of the level of cash receipts in the month of February 1993 with the Director of the press travel office.

Findings:

(a) The total amount of checks returned with the February bank statement ($1,030,835 (cents omitted)) agreed to the total amount disbursed per the bank statement. Significant disbursements making up this total include the following (cents omitted):

Treasurer of the U.S. (for Air Force One charges—August, 1992–January, 1993)	$525,037
Airline of the Americas	79,456
AT&T (phone charges—September 5, 1992–October 25, 1992 or 13 trips)	327,891
Total significant disbursements	923,384

(b) According to our interview with the Director of the press travel office, low receipts in February 1993 were due to a decrease in press travel after the November election and the lack of travel early on by the new Administration which took over on January 20, 1993.

Objective 11: To approximate the net assets of the press travel fund at May 15, 1993.

Procedures:

(a) Obtained the cash balance of the press travel fund at Riggs National Bank at April 30, 1993 from the April 30, 1993 bank statement reconciliation.

(b) Subtracted from the April 30, 1993 cash balance the following amounts:

- Amount of checks written on the cash account from May 1, 1993 to May 15, 1993 that were identified in the press travel fund check book.
- Amount of unpaid vendor invoices at May 15, 1993 that were identified from the trip worksheets or actual hard copy vendor invoices in the open invoice file.

(c) Added to the April 30, 1993 cash balance the following amounts:

- Amount of deposits made to the cash account from May 1, 1993 to May 15, 1993 that were identified from copies of deposit slips.
- Amount of checks received by the press travel office in payment of bills which had not yet been deposited that were located in a locked drawer in the press travel office.
- Amount of outstanding accounts receivable at May 15, 1993 that were identified from the automated billing system.
- Amount of unbilled expenses which had been paid by the press travel office but had not yet been billed to the customer/press. This amount was estimated by reviewing the paid invoices for these expenses and noting that the amount had not been set up as an accounts receivable.

Findings:

The approximate net assets of the press travel fund at May 15, 1993 were computed as follows:

Cash balance per April 30, 1993 bank statement reconciliation	$369,976
Less: Checks written from May 1 to May 15, 1993	(318,880)
Less: Estimated unpaid invoices (i.e., accounts payable) at May 15, 1993	(521,602)
Add: Estimated accounts receivable at May 15, 1993 (See NOTE below)	366,793
Add: Deposits to bank account from May 1 to May 15, 1993	76,489
Add: Checks on hand not yet deposited to bank but already applied to accounts receivable	92,025
Add: Unbilled expensed incurred by the press travel office but not yet billed to the press and not included in the estimated accounts receivable amount	834
Estimated net assets at May 15, 1993	65,635

NOTE: The data in the automated billing system indicated that a trip occurring in December 1992 was not billed. The trip file showed disbursements for the trip totaling approximately $113,000. We were unable to determine if the trip had been billed, and, if not, why it had not been billed. This amount is not included in the accounts receivable balance of $366,793 above.

Objective 12: To review the policies and procedures used to calculate amounts billed to the press for press travel, and to compare the actual cost of the trips to the amounts billed to the press.

Procedures:

(a) Interviewed individuals responsible for preparing bills to the press review the procedures used to prepare the bills.

(b) Gained a general understanding of the automated billing system used to generate invoices.

(c) Compared the amount billed to the press by the press travel office per reports generated by the automated billing system to the actual cost incurred for the trip per the trip worksheets for 28 consecutive trips between August 23, 1992 and October 12, 1992.

In performing this procedure, we selected the most recent trip for which substantially all costs incurred (per the trip worksheet) had been invoiced and paid, which was the trip departing October 11, 1992 and returning October 12, 1992. We then examined each preceding trip in consecutive order, completing through August 23, 1992 in the time provided.

(d) Compared the amount billed to the press per the trip spreadsheet generated by the automated billing system in the trip files for 5 trips to another report produced from the same automated billing.

Findings:

(a) No written policies or procedures documenting the billing process exist.

(b) We were informed that amounts billed to the press were based on estimates of trip costs, not on actual costs, because of the time delay in receiving invoices for certain trip expenses (such as long-distance telephone lines). No subsequent formal reconciliation of estimated to actual costs was made.

(c) The Director stated that differences between the amount billed and actual cost for trips were recovered or refunded through adjustment or billings on subsequent trips. No formal documentation of these adjustments was maintained.

(d) We were unable to determine actual amounts billed to the press because the original source documentation was unavailable, and other sources of the billed amounts were inconsistent. Per the Director, copies of the original invoices sent to the press were not maintained on file in the office. For three of five trips reviewed, the dollar amounts contained on a summary report generated from the automated billing system and used by the office as the record of amounts billed differed from corresponding amounts on another report generated from the same system.

This report relates only to the items specified above and reflects events and circumstances as they were documented or conveyed orally to us from May 14, 1993 through May 16, 1993.

Very truly yours,

KPMG PEAT MARWICK.

Mr. CLINGER. I thank the gentleman for yielding. I would just note, before I recognize Mr. Burton, it may be true, Mr. Podesta, that none of the facts have been challenged. However, it has also become clear that there are a number of facts that are related to this whole matter that were not included in your report. And I would now yield to the gentleman from——

Mr. FOX. Mr. Chairman, could I yield back the balance of time I had; could I yield that to Mr. Burton, or whatever time I had left.

Mr. CLINGER. About 30 seconds, is what you had left. But I will yield to the gentleman from Indiana, Mr. Burton, for 5 minutes.

Mr. BURTON. You know, the people of this country are really exorcised, upset with the IRS on a regular basis. And when you see something like this, it drives you right up a wall.

Now let me get this straight. UltrAir comes to the IRS and said, I am having an excise tax problem, and we would like to have your input to help us solve the problem, and it is in the paper, and the next day within 24 hours you are out there seizing their books and they have to go through 2 years of audits when there was no probable cause, nothing, other than they asked for some help with an excise tax problem?

I know you can't answer because of 6103. Well, I will tell you, Mr. Chairman, we ought to get releases from these people, have a closed executive session, and have you guys answer these questions. Because this is baloney.

The American people are tired of being beaten over the head by the IRS. They want to make sure there is fairness and equity. And I think most of the people that work at the IRS are pretty good people. But this kind of stuff gives you a black eye, and it looks very bad. I mean, you know, if you call the IRS and you try to get an answer, sometimes it takes you 2, 3, 4 weeks. And yet in less than 24 hours you are out there seizing these people's books because of an article that was in the paper. And it raises the question in some people's minds, did the White House call the IRS and say, hey, get out there and use this as a pretext to get control of these books so they couldn't be looked at, these records, so they couldn't be looked at? You know, that is a possibility. You know, people start thinking about that. Was there interference? Was there obstruction of justice? These questions pop into your mind, you know, when you see this sort of thing happen within 24 hours.

Let me talk about something else.

Mr. BELL. Mr. Burton, could I respond to that?

Mr. BURTON. I thought you couldn't respond because of 6103.

Mr. BELL. There's certain things that you inquire—made allegations there that I'd like to respond to. First of all, our investigation was an internal investigation, and it revealed no evidence at all of any White House contact with the IRS whatsoever. The GAO reviewed our investigation and they came to the same conclusion within their examination.

Mr. BURTON. Let me ask you this.

Mr. BELL. I would like to be able——

Mr. BURTON. Let me ask you a question. If somebody at the White House had called the IRS, who would admit it? If they called you and asked you to go out and pick up these books and you went out and did it and you know it was a violation of law, would you admit that?

Mr. BELL. Mr. Burton, we——

Mr. BURTON. Would you admit that?

Mr. BELL. Mr. Burton, we interviewed 36 employees of the Internal Revenue Service. There were no inconsistent responses at all to any of the questions that would lead you to a conclusion otherwise. The GAO——

Mr. BURTON. Let me ask you this. Don't you think it is curious that you were out there within 24 hours to seize these books after it was in the paper? Don't you think it is a little curious?

Mr. BELL. I'd like to be able to speak to that question, but because of 6103 I cannot. However, we have provided the report, consistent with the taxpayer's consent, to the chairman and the designated staff members for their review. That was the extent of the authorization that the taxpayer provided to us.

Mr. BURTON. Let me say, I think this is so important, Mr. Chairman, that what we ought to do is get these consent forms and have a closed door hearing and have everybody sworn so that we can get to the bottom of this. Because it is curious. It is very curious. Because I know that you don't move that fast. You see it in the paper and 24 hours, you are out there seizing these books. That just doesn't make sense to me.

Mr. Podesta, a while ago I asked you a couple questions, and you were very emphatic in saying that Vince Foster, when he referred to his clients, was not talking about Bill and Hillary Clinton. I think you said that a while ago, he was talking about something else. He was their attorney; was he not?

Mr. PODESTA. He was the deputy White House counsel.

Mr. BURTON. But he was Bill and Hillary Clinton's attorney on other matters, prior to becoming a White House counsel; wasn't he?

Mr. PODESTA. That's beyond the scope of my knowledge, Mr. Burton.

Mr. BURTON. Well, he was. And for you to make that categorical statement, especially when you are a campaign worker for the Clinton for President candidacy, I think it is totally out of line. Because I don't think you——

Mr. PODESTA. Mr. Burton——

Mr. BURTON. You said that when he——

Mr. PODESTA. I said he could have been referring to others. You have now said emphatically that I said that he wasn't referring to them. I didn't testify to that.

Mr. BURTON. You said, when I asked you that question, you said he was talking not about Hillary and Bill Clinton, but about his overall job as White House counsel.

Mr. PODESTA. The transcript will speak for itself, but I think what I said was that Mr. Foster was the deputy White House counsel and I think that he——

Mr. BURTON. Let me ask you this question, then.

Mr. PODESTA. He viewed the whole White House staff as his clients.

Mr. BURTON. Let me ask you this question; let me ask you this question. When they were referring—when they were referring to his clients time and again, quote, unquote, you are saying that was or was not Bill and Hillary Clinton?

Mr. PODESTA. I'm saying—first of all, I don't know what the reference is to time and time again.

Mr. BURTON. I will read it to you again, if you like.

Mrs. COLLINS OF ILLINOIS. Parliamentary inquiry, Mr. Chairman.

Mr. CLINGER. The gentlelady will state it.

Mrs. COLLINS OF ILLINOIS. My parliamentary inquiry is that when a question is asked of the witness, shouldn't that witness be given the opportunity to answer the question?

Mr. CLINGER. That is not really a parliamentary inquiry, but the gentleman will respond.

Mr. PODESTA. I said that in reference to his clients he may have been referring to the White House staff. He was the deputy White House counsel, he had official duties. I don't take that reference to mean Bill and Hillary Clinton.

Mr. BURTON. Well, we have here——

Mr. PODESTA. You're suggesting that that's the only possibility, and I'm suggesting that that's not the only possibility.

Mr. BURTON. I think you are obfuscating the issue. On May 13th, 1993, Mr. Watkins discussed the situation concerning the WHTTO with Vince Foster, deputy White House counsel. Later that same day, she and Messrs. Watkins and Foster briefed Chief of Staff Thomas McLarty. While waiting to see Mr. McLarty, Mr. Foster mentioned that his clients, meaning President and Mrs. Clinton, were concerned about WHTTO matter. Mr. McLarty agreed to hire the Peat Marwick firm. Mr. Watkins hired them that day by telephone and made Patsy Thomasson their point of contact.

Mr. PODESTA. Could you show me the document you're reading from?

Mr. BURTON. It is Patsy Thomasson's OPR interview. We will be glad to give you a copy of it.

Mr. CLINGER. The gentleman's time has expired. And all time has expired on this hearing.

I would, however, in closing, I want to submit for the record all of these three charts indicating whether—which of the various investigations interviewed which of the witnesses and which also addressed the issues and who had various documents. I think these three charts clearly indicate that there were major gaps between the investigations, that there was in fact not one single investigation, until this committee began to look into this matter, that covered all of the bases and really dealt with all of the issues, talked to all of the people, and have yet to see all of the documents but have seen more of the documents than anybody else has seen up to this point. So to suggest that this was a redundant or an unnecessary or excessive review of a matter where there really has been no closure, I think was disingenuous.

[The information referred to follows:]

Who Had What Documents?

	White House Management Review	OPR	FBI	GAO	IRS	GR&O Committee
Vince Foster Travel Office File	NO	NO	NO	NO	NO	PARTIAL
White House Management Review Documents	YES	NO	NO	NO	NO	PARTIAL
Harry Thomason Documents: PIC/WH Project/Travel Office	YES	NO	N/A	PARTIAL	?	?
Interagency Committee on Aviation Policy	YES	NO	N/A	NO	?	PARTIAL
Peat Marwick Drafts	YES	NO	NO	NO	NO	?
IRS Documents on UltrAir Raid	?	NO	?	?	?	REDACTED
FBI E-Mails and Interviews	NO	YES	?	NO	NO	YES
Competitive Bidding Information	YES	NO	N/A	?	N/A	PARTIAL

Did They Address The Issues?

	White House Management Review	OPR	FBI	GAO	IRS
Harry Thomason's Role	PARTIAL	NO	NO	PARTIAL	REDACTED
TRM/Interagency Committee on Aviation Policy	NO	NO	NO	NO	REDACTED
Competitive Bidding	NO	NO	NO	NO	REDACTED
FBI Actions	PARTIAL	PARTIAL	PARTIAL	PARTIAL	REDACTED
IRS Actions	NO	NO	NO	REDACTED	REDACTED
Standards Of Conduct	NO	NO	NO	NO	REDACTED
"Highest Levels" of White House	PARTIAL	PARTIAL	PARTIAL	PARTIAL	REDACTED

Did They Interview Key Players For Reports?

	White House Management Review	OPR	FBI	GAO	IRS
6 Travel Office Employees	NO	NO	NO	NO	REDACTED
Harry Thomason	LIMITED	NO	NO	NO	REDACTED
Darnell Martens	LIMITED	NO	NO	NO	REDACTED
Mack McLarty	YES	NO	NO	YES	REDACTED
Bruce Lindsey	YES	PARTIAL	NO	NO	REDACTED
David Watkins	YES	YES	NO	YES	REDACTED
Patsy Thomasson	YES	YES	NO	YES	REDACTED
First Lady Hillary Rodham Clinton	YES	NO	NO	Brief written responses to questions	REDACTED

Mr. CLINGER. So clearly I think we have seen today that nearly 2½ years after the Travel Office firings, our friends in the White House and here on the other side of the aisle in the House really don't get it. In the face of a simple fact-finding hearing, which this was intended to be, to evaluate the completeness and accuracy of five reports on the White House office, Travel Office firings, the minority has chosen today to conduct an all-out, really a baseless assault on committee investigative staffers, both current and retired, and also on Federal employees.

When the White House wanted to find a base for political friends seeking further business with the Federal Government they chose the White House Travel Office. But it would not suffice for the White House simply to fire Travel Office employees, whom all of us agree served at the pleasure of the President. Instead, they chose to fire them because a Hollywood producer and erstwhile Presidential image-maker, Harry Thomason, believed a story about the President cleaning house would benefit the Clintons. So the White House Travel Office employees were not merely fired, but really also had their reputations impugned.

And it is true that none of the reports discussed any unethical activity, and that was pointed out by some of the questioning from the other side of the aisle. In fact, Mr. Podesta said that he did nothing to check this out even though his notes contained numerous instances that, at the very least, ought to be reviewed. And they were not reviewed. But no one saw these interview notes except this committee. And but for this committee's investigation, no one would have.

And as I again stress, we would have loved to have held this hearing much earlier. This is the only first opportunity we have been able to have this. I think it is disgraceful that the White House Travel Office employees should join us today, only to have their reputations sullied once again.

The baseless attack on the integrity of this committee's investigative staff, current and retired, is no less disturbing or disgraceful. Would that it were surprising. Sadly, it is not.

So I can only conclude that the vigor with which the minority attacked the messenger in this committee's search for answers concerning the White House Travel Office matter reflects its own grave concern about the message that will become obvious over the course of this committee's White House Travel Office investigation.

In this administration, access apparently has its privileges. Behind the scenes, Presidential friends have sought to obtain lucrative Federal contracts without the benefit of competitive bidding, which is what this is all about. Harry Thomason conducted his operations out of the White House East Wing office. He had a phone, he had a pass giving him free access throughout the White House complex, including the First Family's quarters. None of this material has been—was covered in any of the investigations we talked about here today. He held meetings, evaluated White House activities, and took on additional projects of his own. So in every respect, Mr. Thomason's White House presence argues that he was a special Government employee, and that has been one of the items that we have tried to explore in this hearing. And he should have been, therefore, held accountable to applicable conflict of interest laws.

He was not held accountable, because for Harry Thomason, access indeed had its privileges.

The roles in the Travel Office matter of Harry Thomason, Darnell Martens and too many others, have been obscured for more than 2 years, but they have not yet been erased. And our search for answers will continue and the committee is adjourned.

Mr. BURTON. Mr. Chairman.

Mr. CLINGER. The committee is adjourned.

[Whereupon, at 5:04 p.m., the committee was adjourned.]

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