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INVESTIGATION OF THE WHITE HOUSE
TRAVEL OFFICE FIRINGS AND RELATED
MATTERS

FIFTEENTH REPORT

BY THE

COMMITTEE ON GOVERNMENT
REFORM AND OVERSIGHT

together with

MINORITY AND ADDITIONAL VIEWS



SEPTEMBER 26, 1996.—Committed to the Committee of the Whole House
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MEMORANDUM FOR

FROM: DAVID WATKINS

SUBJECT: Response to Internal White House Travel Office Management Review

In an effort to respond to the Internal Travel Office Review, I have prepared this memorandum, which details my responses to the various conclusions of that Report. This is a soul cleaning, carefully detailing the surrounding circumstances and the pressure that demanded that action be taken immediately. It is my first attempt to be sure the record is straight, something I have not done in previous conversations with investigators -- where I have been as protective and vague as possible. I know you will carefully consider the issues and concerns expressed herein.

As a preliminary matter, the procedure followed in finalizing the report was needlessly unfair. Even in the context of General Accounting Office audits and reviews, the reviewed agency is afforded the opportunity to respond to the report and criticisms prior to release and publication. This is an important step which allows inaccuracies or erroneous conclusions to be addressed and corrected prior to publication, and more importantly, allows the criticized party to respond to the contents of the report. Unfortunately, in this case, neither I nor others directly involved were afforded any opportunity to rebut the contents and conclusions of the internal Review.

In this case, I was notified of the forthcoming report around 10 a.m. on July 2. But I received a copy of the report shortly after noon the same day, and at that exact time from that briefing the report was publicly released. I was never afforded the opportunity to respond, and until this memorandum, I have never responded to the report or its contents.

With the recent release of GAO audits and the resultant press coverage and criticism of my office, setting the record straight on the Travel Office occurrences is important.

BACKGROUND

As you recall, an issue developed between the Secret Service and the First Family in February and March requiring resolution and action on your's and my part. The First Family was anxious to have that situation immediately resolved, and the First Lady in particular was extremely upset with the delayed action in that case.

Likewise, in this case, the First Lady took interest in having the Travel Office situation resolved quickly, following Harry Thomason's bringing it to her attention. Thomason advised the First Lady on his suspicion that the Travel Office was improperly funneling

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business to a single charter company, and told her that the functions of that office could be easily replaced and reallocated.

Once this made it onto the First Lady's agenda, Vince Foster became involved, and he and Harry Thomason regularly informed me of her attention to the Travel Office situation -- as well as her insistence that the situation be resolved immediately by replacing the Travel Office staff.

Foster regularly informed me that the First Lady was concerned and desired action -- the action desired was the firing of the Travel Office staff. On Friday, while I was in Memphis, Foster told me that it was important that I speak directly with the First Lady that day. I called her that evening and she conveyed to me in clear terms that her desire for swift and clear action to resolve the situation. She mentioned that Thomason had explained how the Travel Office could be run after removing the current staff -- that plan included bringing in World Wide Travel and Pansy Sample to handle the basic travel functions, the actual actions taken post dismissal ^D and in light of that she thought immediate action was in order.

On Monday morning, you came to my office and met with myself and Patsy Thomason. At that meeting you explained that this was on the First Lady's "radar screen." The message you conveyed to me was clear: immediate action must be taken. I explained to you that I had decided to terminate the Travel Office employees, and you expressed relief that we were finally going to take action (to resolve the situation in conformity with the First Lady's wishes). We both knew that there would be hell to pay if, after our failure in the Secret Service situation earlier, we failed to take swift and decisive action in conformity with the First Lady's wishes. You then approved the decision to terminate the Travel Office staff, and I indicated I would send you a memorandum outlining the decision and plan, which I did.

I have never stated all this so clearly before, but to form a complete and accurate picture it must all be kept in mind while reading the specific criticisms of the Podesta Management Review. I will now address those criticisms directly.

RESPONSE TO SECTION II "DISCUSSION OF PRINCIPAL ISSUES" OF TRAVEL OFFICE REVIEW

"Travel Office Management" (Page 14):

"The review conducted by KPMG Peat Marwick uncovered serious financial mismanagement." At ...

At the strong recommendation of myself and others in my office, KPMG Peat Marwick was brought in -- instead of having the FBI take over immediately -- to review the financial practices of the Travel Office. I concurred in Peat Marwick's analysis and conclusions: Management of the Travel Office was abysmal.

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"Treatment of the Travel Office Employees" (Page 15):

"While all White House Office employees serve at the pleasure of the President, the abrupt manner of dismissal of the Travel Office employees was unnecessary and insensitive." At ...

In the conversation with the Travel Office staff notifying them of their termination, I explained that a review of the Travel Office operations had always been planned to conform to the general review process implemented across the White House administrative offices and the Office of Administration. I further explained my decision to terminate them; I explained that from a management perspective, in this case it was best to release them all immediately from their jobs and provide them an additional two weeks in pay. I informed them of this and asked them to leave immediately. The tone was firm, with emphasis on the mismanagement recounted in the Post Marwick report. I explained that in light of that mismanagement, it was best to dismiss the entire office.

The allegation in the report that this was insensitive is wrong. These employees work at the pleasure of the President and all in the White House Office should understand that there is extremely low tolerance for the severely negligent and unaccountable procedures followed in that office. In light of the First Lady's insistence for immediate action and your concurrence, the abrupt manner of dismissal, from my perspective, was the only option.

*John Roper
forwarded to
file*

"Moreover, the Post Marwick report did not furnish sufficient cause for terminating the employees without financial authority. As a legal matter, the White House has the right to terminate an employee without cause. In this case, however, the White House claimed that the termination of all seven was for cause. Based on the information available, this assertion was inappropriate with respect to the employees who did not exercise financial authority. . . . Absent cause, a more humane approach was in order. For example, even if it were decided that the Travel Office would operate more efficiently with a reorganized, smaller staff, an effort could have been made to locate other federal employment for those who would be displaced." At 15.

As early as February, the intent of Management and Administration was to review and reorganize the Travel Office before October 1 into a leaner operation -- just as with every other office within the domain of Management and Administration, from the Photo Office to the Telephone Office to the Travel Office. That remained the plan until the intense pressures surrounding this incident arose in May. If given time to develop, the original plan to reorganize the Travel Office for a smooth transition in September would have allowed the Travel Office employees to seek other federal placement, along with other Executive Office of the President staff, in anticipation of the end of the fiscal year staff cuts; however, when pressure began to build for immediate action in the Travel Office, the long-term plans were short-circuited.

"The other major White House mistake in the treatment of the former Travel Office employees was in terminating their reputations. This resulted, as discussed above, from the inappropriate disclosure of an FBI investigation into potential wrongdoing in the Travel Office. (p. 15) . . . It was a mistake for the White House to publicly discuss FBI involvement, which led to the disclosure of the FBI investigation. . . . The White House' office for the press office stated that the

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White House had asked the FBI to investigate. Eller had also mentioned the FBI in an earlier draft of talking points. In making that reference, Watkins and Eller were insensitive to the effect such references can have on the reputation of an innocent person. This mistake was compounded when Foster's and Kennedy's instruction to eliminate the FBI reference was not carried out. Watkins did attempt to reach Myers, and Eller himself omitted the FBI reference in his own background press briefing the morning of May 19. However, neither seemed that Myers avoided the reference." At 18.

Revealing the ongoing FBI investigation was insensitive, but that fact comprised one sentence in a draft version of talking points drafted by one of my staff and distributed for comment on the morning of May 19 -- the day of the termination. The talking points were distributed to Foster, Kennedy, Myers, and Eller with the expectation that we would have until the 2 o'clock press briefing to get the kinks worked out of the talking points. As soon as the suggestion came to delete the reference to the FBI, it was done. I immediately went to see Myers to inform her of the change and sensitivity to the ongoing investigation, but she had gone to the Hill with the President. I struck that sentence from Eller's copy and asked him to inform Myers. As soon as Myers returned from the Hill, prior to noon -- more than an hour before the press briefing -- I proceeded to her office and told her not to mention the FBI investigation. She informed me that it was too late. She had already responded by phone to a reporter's inquiry by phone.

Thus, this was a mistake made on my part because I was not intuitive enough to take the talking points drafted by one of my staff and realize that the FBI investigation should not be mentioned -- despite the strong support this provided for White House actions.

"Catherine Cornelius also played a role in the dismissal of the Travel Office employees, and she too had a personal stake in the outcome. As the three women she wrote on the Travel Office about, she was eager to work in and, if possible, manage the Office. Her proposal to reorganize the travel office was appropriate and would be considered useful to any transition process. But her role in the decision-making process after she became, in effect, an 'accessor' of the Travel Office employees, by collecting documents and alleging possible wrongdoing, was inappropriate. . . . [E]very effort should be made to insulate the federal government's management decisions from even the appearance that personal interests have played a role in the outcomes of those decisions." At 20.

Catherine Cornelius had no part in the dismissals. I put no stock in most of what Cornelius told me except to the degree it was factual. Her arguments for dismissal and reorganization had absolutely no bearing on the final decision to terminate the employees. If her input had been respected, the need for Pest Marwick would have been negligible, but in light of her self-interest and her tendency to exaggerate, I decided to rely exclusively on a professional accounting firm. Catherine Cornelius, despite the Review's suggestion to the contrary, had absolutely no role in the decision-making process, and was in no danger of being placed in charge of the Travel Office. My intent all along was to put a trained financial manager over all the White House administrative operations, including the Travel Office.



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When I assigned Catherine to the Travel Office, I did ask her to provide a report to me on May 15 based on her previous experience and actual experience in the Travel Office. She was placed in the Travel Office because of her prior experience in that area and a need to move her out of my immediate office -- where she had become a liability to daily operations. Having had extensive experience with Catherine, I knew that her report would contain unworkable recommendations, but as I have in the past, I expected to distill those with which I disagreed from those I thought helpful. Unfortunately, due to her desire to revamp the Travel Office in her own image, Catherine may have ignored my intent to carefully review and scrutinize any recommendations made.

After Catherine became an "accuser" of the Travel Office staff, her input was merely on a factual level. I interviewed her to derive the factual basis of her allegations and for facts about the tasks performed by the Travel Office staff, but never asked for other, non-factual input other than the May 15 report I was expecting. All views she expressed were evaluated in light of her known bias. To put it simply, she had no impact on the decision-making process other than by providing factual information.

"The White House took several actions that demonstrated an insensitivity to the appearance of favoritism. [Using World Wide Travel on a no-bid basis -- even as an insider, non-gay process -- caused the appearance of favoritism toward a local friend from the campaign. World Wide's president, Beta Carney, is a long-time acquaintance of Watkins. Watkins' Little Rock advertising agency was a client of World Wide in the 1970s and World Wide was a client of Watkins' agency during that time period." At 20.

Part of the plan for immediate replacement of the Travel Office staff was use of World Wide Travel Service to book commercial flights for the Office. This aspect of the plan was discussed with all interested parties, and all concurred with knowledge that World Wide had been the campaign's travel agent. This made the most sense due to the fact that we could not have publicly solicited bids in light of confidentiality concerns and when we had ongoing business needs that had to be taken care of immediately following the terminations.

As for the my longtime acquaintance with Beta Carney and World Wide Travel, I must point to my experience in the business world. There, reliance on a firm from whom one has received exceptional service is the rule.

As well, since the time I was a client of World Wide's and since World Wide was a client of my advertising agency in the 1970s, I have personally and professionally used at least half a dozen other travel services. So, any suggestion that calling them in this case derived from that history is absurd, and the media suggestions of improper favoritism were likewise absurd.

We had recent experience with World Wide, and based on that experience I knew we could rely on them for confidentiality in handling and preparing to handle the Travel Office business, until the business could be subject to full and open competition.

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"None of this implies any improper conduct by World Wide, which is a well-established, successful travel agency, twenty-third largest in the country. World Wide executives maintained that they could secure White House business only through an open, competitive bidding process. But the impression of favoring a local supporter was impossible to dispel."

At this point in the sequence of events, with the current plan approved by the First Lady and the yourself including resort to World Wide Travel, it would have unnecessarily heightened confusion to recruit an unknown travel service. Again, a primary source of the problem was the abruptness caused by the calls for immediate action in the Travel Office and the at least daily inquiries. If my plan to slowly shift as the fiscal year came to a close had remained intact, a travel agent would have been procured in a more transparent fashion. However, since at the time of hiring World Wide it was known that they had a GSA contract, hiring World Wide was not as questionable or "non-competitive" as the Report or the press would have one believe.

"Bringing in Penny Sample, President of Air Advantage, to handle press chores on a no-bid, volunteer basis furthered the appearance that the White House was trying to help its friends. Sample was the Clinton-Gore campaign's charter broker and a close associate of Donnell Marston. This implies no improper conduct on Sample's part, but, again, created an appearance of favoritism." At 20.

Like World Wide Travel, Penny Sample was part of the short-term plan for running the Travel Office after the terminations. Since she was willing to volunteer her services without her or her company receiving any compensation -- because we realized, like they did, that they would be conflicted out of virtually all White House business -- we believed the conflicts and appearance of favoritism issue had been sufficiently addressed. Again, we did not believe it to be favoritism to have a former service provider for the campaign volunteer to assist the White House.

"White House Management" (Page 21):

"The White House made a number of management mistakes in handling the Travel Office."

"Lax Procedures"

"The responsibility for Thomason's influence on the Travel Office incident must be attributed to White House management. Thomason should have avoided continued involvement in a matter in which his business partner and his friends in the charter business stood to benefit and in which there was an appearance of financial conflict of interest. But lax procedures allowed his continued participation in the process. . . . There should be better management control with respect to the notion that any non-White House staff person is brought in to carry out. Permitting Thomason -- or any non-staff person who comes in on special assignment -- to work on problems outside the scope of his or her assignment is not a good practice." At 21.

Management and Administration had no part in bringing Thomason into the White House. In fact, the responsible office failed or intentionally neglected to inform Management and Administration of the nature of his work. Contact with this Office on the subject continued only of the First Lady's Office calling to insist on immediate access for Thomason.

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"Placing Cornelius in Travel Office."

"Given Cornelius' personal interest in running the Travel Office, Watkins should not have placed her in the Office to make recommendations on how the Office should be structured."

As stated above, Catherine was placed in the Travel Office because of her experience in travel and to allow her to make a meaningful and significant contribution to this Administration. The original assignment was made to see if she would work there permanently -- if she liked that work and if it likewise suited her. The report I asked her to draft and provide on May 15 was in no way the driving force for her assignment to the office, it was simply a way to help determine her long-term suitability. She was placed in that office because of her extensive experience since October 1991 in coordinating travel for then-candidate Bill Clinton. She was not placed in the Travel Office primarily to make recommendations on its future structure.

"Watkins compounded the problem when, in response to Thomson's complaint, he asked Cornelius to be alert to possible wrongdoing or corruption. Cornelius lacked the experience or preparation for this role. Nor was she given any guidance." At 21.

Catherine was not asked to investigate or document wrongdoing by the Travel Office staff. I understood that she lacked experience to perform such a task. Catherine was merely asked to observe what transpired in the Travel Office -- nothing further was requested or expected. Special training is not needed to keep one's eyes and ears open, to observe. I never asked her to collect documents or other information; she undertook this of her own volition.

"K. In April, Watkins thought the allegations reported by Thomson should be looked at more seriously, he should have done so in a more professional manner." At 21.

The suggestion that this could be more professionally handled is absurd. I noted the allegations, but thought they could wait for review -- and knew they would be examined -- during the course of the planned internal review of the Travel Office. For that reason, no action was taken other than to ask to Catherine to "keep her eyes and ears open."

"Poor Planning."

"There was no adequate plan in place to manage the Travel Office in the aftermath of the dismissal." At 21.

Harry Thomson indicated that he could put a more efficient structure in place in an hour's time to handle all the tasks of the Travel Office. While I believed that my original plan to carefully review the Travel Office would best serve the White House, when I spoke with the First Lady on Friday night, May 14, she cited Thomson's plan as support for the need for immediate action. That action involved utilizing World Wide Travel and Penny Sample in the short term. As well, in my memo to you on May 17 explaining my intent to terminate the Travel Office employees the next day, the intention to use World Wide Travel was outlined. You approved this action based on this memo prior to the actual terminations.

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"For example, no one in the decision-making chain spoke to the White House press and press advance staff members who worked closely with the Travel Office employees, knew the employees there, understood the services they provided and the degree to which they were relied upon by members of the travelling press and other constituents. None was contacted by Watkins." At 22.

In light of the need for absolute confidentiality, it would have been foolhardy to consult the press or press advance staff. From the staff review and Catherine Cornelius' experience (this is the primary area whose bar factual expertise was relied upon), we in fact did know the services that the Travel Office staff performed. Catherine Cornelius and Harry Thomas regularly and repeatedly reassured me that the press charter function could easily be assumed with the assistance of Penny Sample. Thus, plans to replace these aspects of the Travel Office functions were in place prior to the dispirits. Then, when the need for immediate replacement became evident, I committed to provide whatever manpower was needed to perform the services the Travel Office staff had performed.

Immediately following the dispirits, meetings were held with the press and press advance staff to make all necessary arrangements for upcoming trips. These discussions came after the fact, but were accompanied with a commitment from my office for all necessary resources to perform the job.

"The absence of a plan prompted the last-minute use of World Wide Travel and Penny Sample of Air Advantage, which lacked the charges of favoritism already discussed." At 22.

As explained above, the plan was to use World Wide Travel and Penny Sample; there was no absence of a plan. Because of the need for confidentiality and the need for quick action, reliance on those with whom we had experience seemed the only rational decision. Having performed superbly in the campaign and in light of our need for immediate travel agent support -- due to the pressure for immediate action from several quarters -- we decided the plan would include short-term reliance on World Wide Travel.

I would have much preferred to have my staff carefully review the Travel Office and make a detailed business plan for the new fiscal year. This proved impossible, though, when the pressure for action from the First Lady and you became irresistible. This demand for immediate action forced me to accept hastily formulated plans for hasty, inadvisable action.

"Overview."

"The management problems in the handling of the Travel Office extended beyond the White House Office of Management and Administration. The Chief of Staff and the White House Counsel's Office had the opportunity to contain the management of the incident, but did not take adequate advantage of this opportunity." At 22.

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"The process should have been handled in a more careful, deliberate fashion. Before any decision was made, the Travel Office employees should have been interviewed and other White House staff who understood the operations of the Travel Office should have been consulted. If disjuncts were deemed appropriate, a new structure should have been designed and readied for implementation before any action was taken. Throughout, the process should have treated the Travel Office employees with sensitivity and decency." At 22.

As stated above, I too would have much preferred to have my staff carefully review the Travel Office and formulate a detailed business plan for the new fiscal year. This proved impossible, though, when pressure for action became irresistible. It forced me to accept hastily formulated plans for hasty, inadvisable action.

CONCLUSION

I think all this makes clear that the Travel Office incident was driven by pressures for action originating outside my Office. If I thought I could have resisted those pressures, undertaken more considered action, and remained in the White House, I certainly would have done so. But after the Secret Service incident, it was made clear that I must more forcefully and immediately follow the direction of the First Family. I was convinced that failure to take immediate action in this case would have been directly contrary to the wishes of the First Lady, something that would not have been tolerated in light of the Secret Service incident earlier in the year.

For this reason, I was forced to undertake the Travel Office reorganization without a business plan firmly in hand -- something I had never before done in years as a management consultant, where such plans were my business.

All failings outlined in the Podesta Management Review were either mistaken and groundless criticism, or were based on actions dictated by the need for instant action. This reorganization required more careful review, but in this case that possibility was foreclosed. Delaying action was beyond my control.



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EXHIBIT 24

DECLARATION OF GARY W. ALDRICH

I, Gary W. Aldrich, wish to make the following statement:

1. I am a twenty-five (25) year veteran Special Agent of the Federal Bureau of Investigation (FBI). For the last five years of my FBI career (1990 – 1995) I was assigned to the White House where I performed background checks on White House personnel.

2. I have personal knowledge of the matters attested to herein.

3. On August 11, 1993, Craig Livingstone requested that I meet him in the White House Office of Personnel Security (OPS). Livingstone ordered the staff out of the office and took me into the office security vault, where he closed the door to insure absolute privacy. We discussed the tragic death of Deputy White House Counsel Vince Foster and the existing personnel security vulnerabilities, shortcomings and backlogs, among other topics. Livingstone complained that he lacked credibility and authority in trying to institute a serious, legitimate security program within the White House. I offered to speak with White House Counsel Bernard Nussbaum to help improve security. Livingstone looked incredulous at the mention of Nussbaum, and dismissed the notion of speaking with him. Livingstone then stated that we should talk to "Hillary." I was flabbergasted at his suggestion, and worried that I might be jeopardizing my FBI career by discussing such matters with Mrs. Clinton. Livingstone assured me that "Hillary" was the one to talk to about security matters. Livingstone said that he would be speaking with Hillary Clinton that evening aboard Air Force One. He stated that Mrs. Clinton would understand the risk I