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BYLINE: BILL TURQUE with MARK MILLER in Washington

HIGHLIGHT: Amid haircuts and staff firings, a bunker mentality sets in at the White House

BODY:

At the heart of Bill Clinton's appeal to voters last fall was a galvanizing populist sentiment: that Washington just didn't get it. But both inside and beyond the Beltway, the question is quickly becoming: does Bill Clinton get it? In California to build support for the largest tax increase in American history, he held Air Force One on a tarmac while a \$200-a-session hairstylist named Cristophe was summoned to give him a trim, closing part of Los Angeles International Airport for nearly an hour. A day later the White House abruptly sacked seven longtime employees of its travel office. The move was billed as a corruption-busting reform, but quickly began to smell more like cronyism-as-usual than putting people first.

Clinton's political enemies saw a new opportunity to raise doubts about his judgment and management style. But the visible disarray may be the manifestation of a deeper disorder. One close confidant of the president depicts the Clinton White House as a place beset by suspicion and intrigue. This source told NEWSWEEK that senior advisers and the Clintons themselves suspect they have inherited a Republican White House support staff bent on sabotaging them. They believe that many career White House Staff -- Secret Service, ushers, military liaison and members of the just-terminated travel office -- are leaking damaging rumors about Clinton. The Clinton confidant, asked by the president to look into the matter, says he plans to urge Clinton to dismiss others suspected of disloyalty. "If I were the Clintons," says another source, "I would want to have a life where I would feel comfortable talking and saying whatever I want and people don't feel that comfortable. People have to be on guard."

This is not the only sign that the Clintons distrust their own guardians. Recently, a former senior Bush aide confirmed that some members of the household staff have told tales of the Clintons to their former bosses. Last month NEWSWEEK reported that the First Couple suspected the Secret Service of retailing rumors of marital discord, and that the Treasury Department threatened to strip the service of its presidential-security duties if the rumors persisted. Secret Service Director John Magaw says he doesn't believe his agents are leaking information and denies that the service has been threatened with loss of its duties. He also says that the president has never complained about the matter. White House spokesman George Stephanopoulos told NEWSWEEK, "We will continue to work with the Secret Service to ensure that they fully serve the president and we believe they have. Any inappropriate action will not be tolerated."

Clinton created fresh problems for himself with last week's purge of the travel office. The seven-member unit is charged with the care and feeding of the traveling White House press corps. It arranges air charters, hotel bookings and technical facilities for reporters. Last February, Hollywood producer and FOB (Friend of Bill) Harry Thomason complained to Clinton and -- in greater detail -- to White House administrator David Watkins that a friend and partner in the air-charter business, Darnell Martens, was rebuffed when he expressed interest in bidding on White House charters. Thomason is part owner of TRM (Thomason, Richland and Martens), a firm that helped the Clinton campaign acquire aircraft for press travel. In a memo written by Martens and obtained by NEWSWEEK, Martens says travel-office director Billy Dale told him that bidding was not possible and "to not waste his time discussing the matter."

Watkins responded by dispatching Catherine Cornelius, 25, to a post in the travel office. A distant cousin of Clinton's who ran the campaign's travel operation last year, Cornelius was immediately tagged as an administration spy by veteran office employees. Dale gave her a desk in a sound-proof room once used to send and receive telegraphs. Their instincts were correct: NEWSWEEK sources say Cornelius photo-copied office financial records when other office employees were not around, eventually finding, according to one source, \$70,000 in checks written in \$2,000 to \$5,000 amounts to the petty-cash fund with no corroborating paperwork. She quietly prepared a review of the office operation, concluding in a written report that it was shoddily run and "overly pro-press." She proposed herself as codirector of a privatized travel office that used World Wide Travel -- the Little Rock, Ark., agency that she worked with during the campaign. It also happened that the agency once counted Watkins, a former Little Rock businessman, as a longtime client.

Earlier this month Thomason, on hiatus from production of his situation comedies and working from a desk in the Old Executive Office Building, asked again about the travel office. In a meeting with Thomason, Martens and Watkins, Cornelius reported what she considered to be financial irregularities in the office. They consulted the FBI and hired an accounting firm to conduct an independent audit. On the basis of the audit findings, Watkins fired Dale and his staff last Wednesday.

Press Secretary Dee Dee Myers characterized the firings as a bold stroke against pervasive waste and fraud in the federal bureaucracy. The audit findings were damaging -- shoddy paperwork, poor billing, \$18,200 in suspicious checks written to the petty-cash fund -- but hardly the stuff of smoking guns for an office that handled more than \$11 million in funds from news organizations over the last 16 months. And as the roles of Cornelius, Thomason and Watkins came to light, the episode seemed more like county-courthouse cronyism than good government. By Friday evening World Wide, which was to have at least temporary charge of White House travel, was out, replaced by American Express.

Thomason insists that he had no financial interest in a revamping of the travel office -- even though one section of Martens's three-page memo, called "The Proposal," says that Myers told Martens and Thomason there was "no reason" why TRM could not compete for White House press charter business. Thomason, who holds 25 percent of TRM's stock, says he and Martens were interested only in finding a way for other outfits to bid.

Clinton aides denounced the press for obsession with trivial pursuits. Clinton himself was mad at both the press and his ham-fisted staff, according to a senior aide. The embarrassments of last week are likely to subside. But Clinton seems to be facing a more fundamental issue -- his degree of comfort with those who work around him, and his ability to function as an outsider inside Washington's often treacherous institutional culture. Ultimately, he has only two choices: reach out and put into place more people he can trust, or make his peace with those who serve him.

GRAPHIC: Picture 1, HAIRGATE, During a trip to California to sell his higher-taxes economic program, the president had his hair trimmed by \$200-a-head celebrity coiffeur Cristophe on Air Force One, JAMES COLBURN -- PHOTOREPORTERS; Picture 2, WAITGATE, The haircut delayed the departure of the presidential jet, causing flight delays when two runways were shut down for almost an hour, WALLY McNAMEE FOR NEWSWEEK; Picture 3, TRAVELGATE, Dee Dee Myers took heat from reporters when the White House fired its travel staff, replacing it with a Clinton cousin and a Little Rock firm, LUKE FRAZZA -- AFP

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