

TABLE OF CONTENTS

Page

I.	INTRODUCTION	2
A.	The Jurisdictional Grant to the Independent Counsel .	6
B.	Investigative Steps Taken by the Office of the Independent Counsel.	10
C.	Lack of Cooperation by Witnesses.	11
II.	SCOPE OF REPORT	12
III.	FINDINGS	13
IV.	SUMMARY OF ALLEGED VIOLATIONS	18
A.	Watkins's Statements Regarding Mrs. Clinton's Involvement in the Travel Office Firings.	19
1.	Watkins First Told the FBI About His Contact With Mrs. Clinton Concerning the Travel Office in August and September 1993.	19
2.	The GAO Interviewed Watkins in December 1993.	21
3.	Regulatory Independent Counsel Fiske's Office Interviewed Watkins in June 1994.	22
4.	Watkins Appeared Before a Federal Grand Jury on February 28, 1995.	22
5.	The Senate Banking Committee Staff Deposed Watkins in July 1995.	25
6.	The OIC Interviewed Watkins in January 1996.	25
7.	Watkins Testified Before the House Committee on Government Reform and Oversight in January 1996.	26
2.	Mrs. Clinton's Statements Regarding Her Involvement in the Travel Office Firings.	27
1.	Mrs. Clinton Testified in a Sworn Deposition Before This Office in June 1995.	27
2.	Mrs. Clinton Provided Written Responses to the GAO Through the White House Counsel's Office in April 1994.	29
2.		

3. Mrs. Clinton Submitted a Sworn Statement to the House Committee on Government Reform and Oversight in March 1996. 31

C. David Watkins Prepared a Memorandum Between September and November 1993 Regarding the Causes of the Travel Office Firings. 34

1. Background and Contents of the Watkins Memorandum. 35

2. Watkins Prepared Contemporaneous Notes in Late May and Early June 1993 During the White House Travel Office Management Review, That Were Later Reflected in the Watkins Memorandum. 36

3. The Watkins Memorandum Evolved from Describing Pressure from Mrs. Clinton to Questioning Her Awareness of Her Involvement. 37

D. The Watkins Memorandum Was Not Disclosed to This Office or Congress Until January 1996. 38

V. FACTUAL SUMMARY 38

- A. There Was Evidence of Mismanagement of Travel Office Funds at the Time of the Firings. 39

1. For Nearly Thirty Years, Travel Office Director Billy R. Dale Had Provided Travel Services to the White House Press Corps. 40

2. Dale Maintained a Petty Cash Fund for Cash Needs During Press Trips. 43

- B. Business Entities and Campaign Staff that Provided Travel Services to the Clinton-Gore Campaign and the Press Covering the Campaign Wanted to Provide Travel Services to the Clinton Administration. 44

1. Several Entities Interested in Travel Office Business Provided Charter and Commercial Aviation Services to the Campaign and Press. 44

2. Catherine Cornelius and Clarissa Cerda Handled Travel Arrangements for the Campaign. 50

3. Cornelius, Cerda, Martens, and Thomason Showed an Early Interest in the Travel Office During the Transition. 51

- a. After the Election, World Wide Approached Watkins Regarding White House Travel Business. 52

- b. Cornelius and Cerda Suggested Changes in the Travel Office. 53

- c. Cornelius and Cerda Disliked Working for Watkins and Wished to Work in the Travel Office. 55

- d. Cornelius and Cerda Advocated Reorganizing the Travel Office. 56
- e. Cornelius and Cerda Sought the Position of Travel Office Co-Directors. 58
- 4. Martens Sought a White House Consulting Contract on the Use of Civilian Aircraft and Providing Other Services to the Travel Office. 61
 - a. Martens Was Interested in Consulting With Regard To Federal Civilian Aircraft. 62
 - b. Martens Was Interested in Consulting With Regard To the Travel Office. 65
- C. Martens Complained to Thomason About His Rejection by the Travel Office, Which Ultimately Was Communicated to the President, First Lady, and Other Senior White House Staff. 66
 - 1. Martens Approached Dale About Handling the White House Travel Business. 66
 - 2. Martens Drafted A Memorandum Concerning Dale, Airline of the Americas/UltrAir, and Allegations of Criminality and, Thereafter He Talks With Thomason. 69
 - 3. Watkins Moved Cornelius Into the Travel Office Where She Discovered Indications of Financial Irregularities. 73
 - 4. Harry Thomason Pressed His Travel Office Concerns With the President, the First Lady, and David Watkins. 77
 - a. Thomason Spoke to President Clinton and David Watkins About the Martens-Dale Phone Call and Suspicions of Criminality.78
 - b. Thomason Spoke About the Travel Office Issue With the First Lady. 80
 - 5. Thomason Represented the Substance of His Conversations With Mrs. Clinton to Senior White House Staff. 84
- D. The Events of April -- May 1993. 86
 - 1. In Late April or Early May, Thomason Returned to Washington and Once Again Raised the Issue of Illegality in the Travel Office With Watkins. 86
 - 2. Wednesday, May 12, 1993. 88
 - a. Thomason Met With Cornelius. 88
 - b. Cornelius, Thomason, and Martens Informed Watkins of Their Suspicions. 90
 - c. Watkins Informed Foster and the White House Counsel's Office of the Travel Office

Suspicions. 93

- d. William Kennedy Brought in the FBI. 98
- 3. Thursday, May 13, 1993. 99
 - a. Jeff Eller and Harry Thomason Advocated Firing the Travel Office Staff Due to Public Relations Concerns. 100
 - b. After the FBI Understood From Kennedy that the "Highest Levels" within the White House were Involved, The FBI Began an Investigation. 104
 - i. Kennedy Met With the FBI on the Morning of May 13. 106
 - ii. During the Afternoon of May 13, Kennedy and Foster Met With the FBI Who Interviewed Cornelius. 108
 - iii. Foster Decided to Proceed With an Audit Before the FBI Criminal Investigation, for Which the FBI Found "Predication." 110
 - c. McLarty and Foster Discussed the Travel Office With the First Lady and Discussed the First Lady's Concerns With Other Senior Staff. 113
 - i. Chief of Staff McLarty Briefed Mrs. Clinton. 113
 - ii. Vince Foster Met Twice With Mrs. Clinton. 117
 - iii. McLarty, Watkins, Thomasson, and Foster Discussed Mrs. Clinton's Concerns. 119
 - d. Watkins Retained Auditors and His Staff Prepared For the Travel Office Review. 123
 - e. Summary of Allegations Made Relating to the Conduct of the Travel Office. 125
- 4. Friday, May 14, 1993. 130
 - a. Peat Marwick Began its Travel Office Review. 130
 - b. Eller Demanded a Meeting With McLarty. 135
 - c. Mrs. Clinton and David Watkins Had Their Single Substantiated Pre-Firing Conversation Which Occurred by Telephone. 135
 - i. Watkins's Description of His Phone Conversation With Mrs. Clinton. 137
 - a) Watkins's Description of His Conversation With Samuel L. Bowman. 137

- b) Watkins's Handwritten Notes of May 31, 1993. 138
- c) Watkins's Handwritten Notes of June 2, 1993. 138
- d) FBI Interview of Watkins on August 8, 1993. 138
- e) Statements Related to or Contained in the Watkins Memorandum. 139
- f) Watkins's GAO Interview on December 9, 1993. 140
- g) Watkins's Grand Jury Testimony on February 28, 1995. 140
- h) FBI Interview of Watkins on January 15, 1996. 140
- i) Watkins's Testimony Before the House Committee on January 17, 1996. 141
- ii. Mrs. Clinton's Description of Her Phone Conversation With David Watkins. 142
 - a) Written Answers to GAO on April 6, 1994. 142
 - b) OIC Deposition on July 22, 1995. 142
 - c) Sworn Statement to Congress on March 21, 1996. 144
 - d. Watkins Told the OIC That He "Felt Better" After His Phone Conversation With Mrs. Clinton. 145
- 5. Saturday, May 15, 1993: Peat Marwick Reports its Findings of Suspicious Financial Records and Transactions to the White House and the FBI. 146
- 6. Sunday, May 16, 1993. 150
 - a. McLarty Had a Conversation With Mrs. Clinton. 150
 - b. Evidence of Another Possible Phone Conversation Between Mrs. Clinton and David Watkins Was Unsubstantiated. 155
- 7. Monday, May 17, 1993. 163
 - a. Watkins Decided to Fire the Travel Office Employees. 164
 - b. Peat Marwick Presented Kennedy With a Draft of its Written Report Regarding Irregularities in Handling Petty Cash. 167
 - c. Billy Dale Was Upset With the Sudden Focus on the Travel Office, Consulted With

- Watkins's Assistant Janet Green, and Then Told Watkins He Wanted to Retire. 168
8. Tuesday, May 18, 1993. 171
 - a. Watkins and His Staff Prepared to Fire the Travel Office Employees. 171
 - b. The President Was Informed the Firings Would Occur the Following Day. 172
 9. May 19-21, 1993: The Firings and the Immediate Aftermath. 173
 - a. The Travel Office Staff Were Fired. 173
 - b. FBI Involvement Was Publicly Announced Despite an Unsuccessful Attempt by Kennedy and Foster to Prevent Public Disclosure. 174
 - c. The Press Corps Reacted Negatively, Which Generated Substantial Discussion Amongst the White House Staff. 177
 - d. Watkins Publicly Denied That He Read the February 15, 1993 Cornelius-Cerda Memorandum; Proposing Their Takeover of the Travel Office. 180
 - e. Cornelius Was Urged to Resign. 182
 - E. The White House Responded to Public Controversy Over the Firings By Conducting an Internal Review. 185
 1. Todd Stern Immediately Perceived the Tension Created by Questions Concerning Mrs. Clinton's Role in the Firings. 189
 2. The Management Review Sought Information From Senior White House Staff. 191
 - a. Harry Thomason. 191
 - b. Vince Foster. 192
 - c. Bernard Nussbaum. 193
 - d. David Watkins. 194
 - e. Thomas F. "Mack" McLarty. 197
 - f. Mrs. Clinton. 199
 3. The Final Version of the White House Travel Office Management Review Substantially Reduced Mrs. Clinton's Involvement from the Involvement Reflected in Earlier Drafts. 201
 - a. The Management Review Described McLarty's Conversations With Mrs. Clinton. 201
 - i. The Description Of The May 13 Discussion. 201
 - ii. The May 16 Discussion. 203

- b. The Report Described Foster's Conversations With Mrs. Clinton. 205
- c. The Report Described Watkins's Conversations With Mrs. Clinton. 205
- 4. While Some White House Employees Were Reprimanded, Nussbaum and Foster Were Not. 207
- F. Numerous Other Investigations Into Various Aspects of the Travel Office Firings Followed. 209
 - 1. The FBI Internal Review and the Office of Professional Responsibility Inquiry. 209
 - 2. The Treasury Department and the IRS. 210
 - 3. The Prosecution and Acquittal of Billy Dale. 211
 - 4. GAO Review of the Travel Office Firings. 212
 - 5. Investigation By the House Committee on Government Reform and Oversight. 213

VI. ANALYSIS OF POTENTIAL STATUTORY VIOLATIONS 216

- A. The Evidence is Insufficient to Prove Beyond a Reasonable Doubt That David Watkins's Statements to the GAO, Congress, or This Office Were False. 220
- B. The Evidence is Insufficient to Prove Beyond a Reasonable Doubt That Mrs. Clinton Knowingly Made False Statements. 226
 - 1. Ordering the Firings. 227
 - 2. "Role" or "Input" in the Firings. 228
 - a. Testimony of Mrs. Clinton. 228
 - b. Analysis. 230
- C. The Evidence is Insufficient to Prove Beyond a Reasonable Doubt that David Watkins or others Obstructed Justice by Withholding the Watkins Memorandum. 239

VI. SUMMARY CONCLUSION 240

APPENDIX A

- I. Witnesses Were Uncooperative in this Office's Investigation. i
- II. The Department of Justice Did Not Receive Timely Production of Documents in Its Investigation. xii
- III. The White House Did Not Cooperate With the General Accounting Office. xiv

IV. The House Committee's Investigation. xvii

APPENDIX B

APPENDIX C

Attachment -- Watkins Memorandum, November 15, 1993 Final Version.

APPENDIX D

- I. The Watkins Memorandum Was Produced to the OIC in January 1996. i
- II. The White House Failed to Produce The Memorandum Until January 1996 Even Though it Was Responsive to Numerous Pending Requests For Production. iv