

A. Watkins's Statements Regarding Mrs. Clinton's Involvement in the Travel Office Firings.

Pursuant to the investigative mandate given the Independent Counsel by the Attorney General and confirmed by the Special Division, this Office first identified those statements by David Watkins related to the Travel Office firings that may have been false and may have involved violations of federal criminal law, including provisions relating to false statements (18 U.S.C. § 1001), perjury (18 U.S.C. § 1621), and obstruction of justice (18 U.S.C. § 1503). Those statements included Mr. Watkins's statements to the General Accounting Office, the FBI, Congress, and this Office.

1. Watkins First Told the FBI About His Contact With Mrs. Clinton Concerning the Travel Office in August and September 1993.

On August 10, 1993, the FBI interviewed David Watkins as part of the Department of Justice Public Integrity Section's investigation into the handling of the Travel Office's finances. Watkins informed the FBI that in April 1993 Thomason told him that the Travel Office employees were "on the take" and that they should be fired.⁴³ Watkins also informed the FBI of a May 12 conversation with Thomason in which Thomason informed him that he had discussed the Travel Office matter with Mrs. Clinton and that she stated that the matter should be handled quickly and the Travel Office employees should be fired.⁴⁴ Watkins felt that during a May 12 meeting he attended with Thomason, Catherine A. Cornelius, Foster, and Associate White House Counsel William H. Kennedy, considerable pressure was being placed on them to take action.⁴⁵

⁴³ Watkins FBI Int. 8/10/93 at 3. Watkins subsequently confirmed that Thomason made this statement. See Watkins Int. 11/22/96 at 11.

⁴⁴ Watkins FBI Int. 8/10/93 at 3. Watkins also subsequently confirmed the accuracy of this statement. See Watkins Int. 11/22/96 at 15.

⁴⁵ Watkins FBI Int. 8/10/93 at 4.

Watkins also stated that on May 17, McLarty informed him that the Travel Office matter was "in the forefront of HILLARY CLINTON's mind and action needed to be taken."⁴⁶

Watkins also told the FBI of a May 14 telephone conversation with Mrs. Clinton, described in the FBI report of interview as follows:

She stated action need[ed] to be taken immediately to be certain those not friendly to the Administration were removed and replaced with trustworthy individuals. Watkins and Hillary Clinton discussed the impending twenty-five percent reduction in staff by October 1993 and the idea of replacing the individuals with an outsource agency to reduce costs.⁴⁷

On September 30, 1993, the FBI interviewed Watkins in connection with an investigation by the Office of Professional Responsibility at the Department of Justice of the propriety of the FBI's involvement in the White House's Travel Office investigation.⁴⁸ Watkins again told the FBI about his contact with Mrs. Clinton regarding the Travel Office:

Later on that day[May 12]⁴⁹, Mr. Thomas[]on came back to Mr. Watkins'[s] office. Mr. Thomas[]on stated that he bumped into Mrs. Hillary Clinton (the First Lady). Mr. Thomas[]on told Mr. Watkins that he discussed the [Travel Office] problem with the First Lady and she indicated that this is a matter that the White House should stay "ahead of."

. . . .

Mr. Watkins got in touch with the First Lady by telephone. She had an interest in tracking this matter and wanted to keep abreast of information on the review. . . . The First Lady did tell Mr. Watkins that she had spoken to Harry Thomas[]on concerning the matter. Mr. Watkins does recall the First Lady stating that we had made a mistake "not getting our people in place sooner."⁵⁰

⁴⁶ Id. at 5 (capitalization in original).

⁴⁷ Id. at 5.

⁴⁸ Watkins FBI Int. 9/30/93 at 1; DOJ/OPR Memorandum Report from Counsel Michael E. Shaheen, Jr. to acting Deputy Attorney General Jo Ann Harris (Mar. 18, 1994).

⁴⁹ Watkins FBI Int. 9/30/93 at 1-2.

⁵⁰ Watkins FBI Int. 9/30/93 at 2-4. The FBI interview report did not reflect that Watkins

2. The GAO Interviewed Watkins in December 1993.

On December 9, 1993, GAO investigators interviewed Watkins.⁵¹ Lead Investigator Bob Homan consulted notes taken by all investigators to prepare a final typed report of the interview.⁵² Homan's typed report indicated that Watkins provided the following information about Mrs. Clinton's involvement:

The First Lady, through Mr. Foster, "expressed an awareness" of the Travel Office situation. Mr. Thomason had brought it to her attention. Mr. Foster asked Mr. Watkins to give her an update on the situation on May 14. Mr. Watkins told her on May 14 that Peat Marwick had found sloppy management of the Travel Office. She said that Mr. Thomason had talked to her and said that he could recommend people to do the Travel Office work. She mentioned the 25 percent staff reduction goal and said it would be good to have "our people" working in the office. She said that the administration had been criticized at that time for being slow in filling positions, had delayed too long, and said that they needed "our" people in operations. Mr. Watkins did not consider the First Lady to be exerting pressure on him. However, there was a "tremendous pitch" from Eller and Mr. Thomason to "take action. . . ."⁵³

The First Lady's comments about having our people in the Travel Office didn't apply to World Wide. Mr. Thomason's comment that he could recommend someone to do the Travel Office work pertained to the charter business and Penny Sample, specifically. Mr. Watkins didn't believe that Mr. Thomason was advocating to use TRM for the press charter business. Mr. Watkins "never

mentioned that pressure was coming from McLarty or Foster to take action on the Travel Office matter. Watkins assumed that the FBI did not specifically ask him about this issue. See Watkins Int. 11/22/96 at 45.

⁵¹ GAO Investigator Bob Homan GJ 6/27/96 at 4. The interview was not under oath, which is in accordance with normal GAO practice. Kingsbury GJ 6/27/96 at 39.

⁵² Homan GJ 6/27/96 at 4-5; Kingsbury GJ 6/27/96 at 39; Watkins GAO Int. 12/9/93, OIC Bates No. AJ-DC-00002049 (transcribed by GAO investigator Bob Homan 12/10/93).

⁵³ Watkins GAO Int. 12/9/93, OIC Bates No. AJ-DC-00002049 at 2066 (transcribed by GAO investigator Bob Homan 12/10/93) (emphasis supplied). Watkins stated that if he had been asked if he believed pressure was coming from Mrs. Clinton he would have answered "yes." See Watkins Int. 11/22/96 at 45. However, when asked if Mrs. Clinton exerted pressure on him, he said he "tried" to answer the question literally and truthfully by responding, "no." Id.

considered that as a motivating factor" in Mr. Thomason's involvement in the Travel Office.⁵⁴

3. Regulatory Independent Counsel Fiske's Office Interviewed Watkins in June 1994.

In a June 22, 1994 interview by the FBI and staff of the regulatory Independent Counsel, Watkins stated that "neither FOSTER nor KENNEDY were involved in the decision to fire the employees. It was WATKINS's decision to fire them."⁵⁵ In a later interview with this Office, Watkins repeated that he made the decision to fire the Travel Office employees.⁵⁶

4. Watkins Appeared Before a Federal Grand Jury on February 28, 1995.⁵⁷

In grand jury testimony on February 28, 1995, Watkins was asked whether Mrs. Clinton's comments caused him to understand whether "there was a direction, directly or implicit, from Mrs. Clinton that certain employees in the White House Travel Office should be fired?"⁵⁸

Watkins answered, "I don't think that Mrs. Clinton knew the employees, you know, at all. I

⁵⁴ Watkins GAO Int. 12/9/93, OIC Bates No. AJ-DC-00002049 at 2067 (transcribed by GAO investigator Bob Homan 12/10/93). "TRM" is a reference to TRM, Inc., a company owned by Harry Thomason, Dan Richland & Darnell Martens. See, infra.

⁵⁵ Watkins FBI Int. 6/22/94 at 2 (capitalization in original). Watkins confirmed the accuracy of this statement. See Watkins Int. 11/22/96 at 45.

⁵⁶ See Watkins Int. 11/22/96 at 25.

⁵⁷ Although the subpoena for Watkins's appearance called for him to produce relevant documents, Grand Jury 95-2 Subpoena No. D92 (Jan. 9, 1995)(demanding Watkins's appearance and production of "any and all documents and/or communications referring or relating to Vincent W. Foster, Jr. [including] but . . . not limited to indicies, memoranda or other documents . . ."), he did not produce the Watkins Memorandum and was not asked about it.

⁵⁸ Watkins GJ 2/28/95 at 54.

doubt if she knew any of them. I think -- I took that, you know, if warranted or if justified, that we should -- she felt strongly that we should have our own people in there."⁵⁹

Watkins also testified in relevant part as follows:

Q: Do you recall that Mr. Thomason then told you or relayed to you that Mrs. Clinton had said to Mr. Thomason in that conversation that the matter should be handled quickly, and the individuals in the Travel Office should be fired?

A: I don't recall those exact words, but I recall the gist that Mr. Thomason told me that he had talked to Mrs. Clinton and that she was very interested. It was on her antennae.⁶⁰

Q: Let me ask you, does anything ring a bell in terms of Mr. Thomason having told you that Mrs. Clinton had said to him that the people in the Travel Office should be fired?

A: Yes, I think so.

....

Q: At any time that week or thereafter, did Mrs. Clinton ever tell you that officials in the White House Travel Office should be fired?

A:

And then during that conversation, she expressed to me, she said, "Well, you know, we need to have our people in there." She said, "I have talked to many people that have been in the White House before, and there are just too many people, if you don't have your own people in -- there are too many leftovers that can create and cause us problems." And said, "This is something that we should have our people in there."⁶¹

....

⁵⁹ Id.

⁶⁰ Id. 51. During his OIC interview, however, Watkins stated that he specifically remembered that conversation. Watkins Int. 11/22/96 at 15.

⁶¹ Watkins GJ 2/28/95 at 51-53. See also Watkins Int. 6/13/00 at 3 (describing Mrs. Clinton's discussion -- as communicated to Watkins -- with former First Lady Rosalyn Carter about "getting their own people on board") .

Q: Did Mr. McLarty tell you at that time that he had also discussed this matter with Hillary Clinton, and that she also believed that action needed to be taken?

A: He intimated that. I would say that what he said as I recall -- my recollection is that he said something like, "Well, I had dinner with the President and Mrs. Clinton last night, and it was certainly on her antennae or on her wave length or something."⁶²

....

Q: [D]id you tell Mr. Foster that in various conversations that you had, it was conveyed to you that Mrs. Clinton wanted these people terminated?

A: I can't specifically say if I did, but I very well might have. I might have had that conversation with him on Monday that I understood that we were -- that probably because of the Peat Marwick audit and the gross mismanagement that they had discovered that we had grounds to terminate the White House Travel Office, and that I understood that that's what Mrs. Clinton wanted, yes.

....

Q: Did you feel at that point [when Foster decided to bring in the FBI to investigate] that there was some pressure to go ahead and do something pretty quickly?

A: I felt there was certainly an energy to do something and find out some answers as to what we could do or what we were going to do pretty quickly. I would term it in my expression there was a sense of urgency.⁶³

Watkins recalled telling McLarty, Patsy Thomasson, and Vince Foster that he "fell on [his] sword on that occasion for a lot of people" concerning Mrs. Clinton and her involvement because "it was something that was -- the sense of urgency was perpetrated a lot by Mrs. Clinton."⁶⁴

⁶² Watkins GJ 2/28/95 at 56.

⁶³ Id. at 58, 90-91.

⁶⁴ Id. at 97-98.

5. The Senate Banking Committee Staff Deposed Watkins in July 1995.

On July 11, 1995, the Senate Committee on Banking, Housing, and Urban Affairs deposed Watkins, who testified in relevant part:

Q: Who would have made the decision to dismiss the Travel Office staff?

A: I made the decision with the concurrence of the Chief of Staff.

Q: Who else would have been involved, who else at the White House would have been involved in looking into the Travel Office matter prior to the dismissal of the staff?

A: Again, all of this is in the GAO report and on the record, the people involved and their involvement. As my assistant, Ms. [Patsy] Thomasson was involved through the various points. . . .⁶⁵

6. The OIC Interviewed Watkins in January 1996.

On January 15, 1996, after the discovery of a memorandum prepared by David Watkins -- later to be known simply as the Watkins Memorandum -- about the Travel Office firings, the OIC again interviewed Watkins.⁶⁶ The report of interview of Watkins's statements during this interview reads as follows:

HARRY THOMAS[JON had bumped into HILLARY CLINTON and told her about the mismanagement and financial improprieties at the Travel Office, and subsequently THOMAS[JON told WATKINS that HILLARY CLINTON was very interested in the matter and wanted quick action. THOMAS[JON went on to say if there was any wrongdoing, HILLARY CLINTON thought they ought to fire the people in the Travel Office. WATKINS does not specifically recall if HARRY THOMAS[JON was told by HILLARY CLINTON to tell WATKINS to fire them, nor does he recall if there was a specific condition of wrongdoing on the part of the Travel Office staff, before they should be fired.

. . . .

⁶⁵ Deposition Before Senate Comm. on Banking, Housing and Urban Affairs, 104th Cong., 21-22 (1995)(testimony of David Watkins).

⁶⁶ Watkins FBI Int. 1/15/96 at 1.

During those two days, FOSTER and WATKINS had two or maybe three conversations wherein FOSTER told WATKINS [that] HILLARY CLINTON was concerned and desired action, and the action she desired was the firing of the Travel Office staff.

.....

MCLARTY stated the Travel Office was "definitely on Hillary's radar screen." At that point, WATKINS told MCLARTY the report indicated reasons for firing the Travel Office staff, and WATKINS intended to do so.

.....

First Lady HILLARY CLINTON did not "direct" DAVID WATKINS to fire the Travel Office employees. However, HILLARY CLINTON did have a role in the events that led up to the firings in that her interest in the matter put pressure on WATKINS to act. WATKINS knew he had to act quickly and the most desirous outcome in the eyes of his superiors was to fire the Travel Office staff. WATKINS did consider HILLARY CLINTON one of his superiors. HILLARY CLINTON responded to the information she was given about the mismanagement of the Travel Office. However, WATKINS made the decision to fire them and MACK MCLARTY backed him up on it. HILLARY CLINTON was a "factor" in the decision to fire the Travel Office staff.⁶⁷

7. Watkins Testified Before the House Committee on Government Reform and Oversight in January 1996.

On January 17, 1996, Watkins testified about Mrs. Clinton's involvement in the Travel Office firings before the House Committee on Government Reform and Oversight. When asked whether he understood that it was the First Lady's intent that the Travel office employees be fired, he responded: "Yes, it is, Congressman."⁶⁸ He also testified that the First Lady did not "direct, order, or command" him to fire the employees.⁶⁹ He admitted that he felt the "pressure of

⁶⁷ Id. 6, 8, 10 (capitalization in original).

⁶⁸ White House Travel Office--Day Two: Hearing Before The House Comm. on Govt. Reform and Oversight, 104th Cong., 2d Sess. 58-59 (1996)(testimony of David Watkins).

⁶⁹ Id. at 75.

the desires and wishes of others."⁷⁰ Although he described that pressure as "intense," and expressed his recognition that there would be "hell to pay" for the failure to act as "those above you desire," he insisted that he "did make the decision."⁷¹ He also said that with respect to the pressure that he felt, he was "not positive that the First Lady knew the pitched pressure that was coming] The pressure I felt, I heard was coming from the First Lady, was conveyed to me primarily through Harry Thomason and Vince Foster."⁷²

B. Mrs. Clinton's Statements Regarding Her Involvement in the Travel Office Firings.

This Office also identified those statements by Mrs. Clinton related to the Travel Office firings that may have been false and may have involved violations of federal criminal law, including provisions relating to false statements (18 U.S.C. § 1001), perjury (18 U.S.C. § 1621), and obstruction of justice (18 U.S.C. § 1503). Those statements included Mrs. Clinton's statements to the General Accounting Office, Congress, and this Office.

1. Mrs. Clinton Testified in a Sworn Deposition Before This Office in June 1995.

In a sworn deposition conducted by this Office on July 22, 1995, Mrs. Clinton testified about the Travel Office firings. When asked who made the decision to fire the Travel Office employees, Mrs. Clinton testified, "Well, the best I know is David Watkins and Mack McLarty, I assume, based on what I have learned since and read in the newspapers."⁷³ When asked if she

⁷⁰ Id. at 109.

⁷¹ Id. at 121-22.

⁷² Id. at 171.

⁷³ Watkins had testified that Thomason had told him that Mrs. Clinton wanted the Travel Office employees fired, but when asked whether Mrs. Clinton was "in a position to direct . . . that people . . . should be fired," Watkins said, "Well, Mrs. Clinton did not work for -- obviously, did not work in the administration, but she had influence." Watkins GJ 2/28/95 at 51-52. David