

Lady."³⁶³ Steve Davison of World Wide Travel also remembered Thomason citing Mrs. Clinton's views on the Travel Office.³⁶⁴

D. The Events of April -- May 1993.

In late April 1993, Thomason returned to Washington. His return coincided with Cornelius's discovery of fiscal mishandling of the Travel Office cash accounts. As a result, beginning in mid-May, senior White House officials devoted substantial attention to the Travel Office. From May 12 through May 19, 1993, more than a dozen meetings occurred; the White House through Associate White House Counsel William Kennedy called in the Federal Bureau of Investigation ("FBI") to conduct a criminal investigation; and the accounting firm of Peat Marwick was hired to audit the Travel Office's books. In the end, on May 19, 1993, the seven White House Travel Office employees were summarily dismissed.

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.

On April 29, 1993, Thomason flew to Washington with Markie Post-Ross, a television actress and friend of Thomason's, to attend the White House Correspondents' Association Dinner.³⁶⁵ Ms. Post-Ross said that during their trip Thomason told her he was concerned that his

³⁶³ Cerda GJ 7/1/96 at 161, 168.

³⁶⁴ Todd Stern's White House Travel Office Management Review interview notes for Davison refer to Thomason's statements regarding the First Lady's views on the Travel Office under the heading, "Info SD heard from CC or from [World Wide's] Fan [Dozier] or Betta [Carney] based on CC's comments," the notes state in pertinent part, "Approx. 2-3 days before PM [Peat Marwick] brought in HT [Harry Thomason] JE [Jeff Eller] GS [George Stephanopoulos] HRC [Hillary Rodham Clinton] furious [and] ready to throw them out that day (2-3 days before PM)." Stern's notes of Davison Int. undated, OIC Bates No. 542-DC-00018432-33 (underscore in original). See Stern GJ 7/10/96 at 126, 134, 185 (identifying the initials in his notes).

³⁶⁵ Thomason GJ 7/17/96 at 66; see also GJ 95-2 Exh. 208 (Thomason's date book). Also at this point, Thomason was consulting with the White House on staging presidential

partner had been denied permission to bid on the Travel Office, though she had no idea why he told her this.³⁶⁶ Thomason testified that at the end of the dinner, George Condon, the Association president, remarked that the press could not continue following the President if the cost of their travel did not go down.³⁶⁷ Thomason said this prompted him to ask Watkins whether Watkins had followed up on Thomason's earlier complaint of potential criminal activity.³⁶⁸

On May 10, 1993, Thomason met with Watkins at the White House.³⁶⁹ Thomason provided Watkins with a copy of Martens's March 3, 1993 memorandum containing derogatory information about the Travel Office.³⁷⁰ Watkins told Thomason he wanted him to meet Catherine Cornelius, and likewise instructed her to meet with Thomason.³⁷¹

events, for which he was given a pass granting him access throughout the White House complex and an office in the East Wing. White House Travel Office Management Review at 6.

³⁶⁶ Post-Ross GJ 7/1/96 at 8-9. Thomason and Post-Ross had dinner with the Clinton family on April 30, but Post-Ross said that Thomason did not mention any Travel Office issues. Id. at 18-19, 22.

³⁶⁷ Thomason GJ 7/17/96 at 75; see also Myers GJ 7/23/96 at 133.

³⁶⁸ Thomason GJ 7/17/96 at 75-78.

³⁶⁹ Thomason GJ 7/17/96 at 77. Thomason was in Washington from May 10 through May 14, 1993. Id. at 73; see also GJ 95-2 Exh. 209 (Thomason's date book).

³⁷⁰ Thomason testified that, at Watkins's request, he asked Martens to fax the document to Thomason at the White House on May 10, 1993. Thomason GJ 7/17/96 at 75, 81-82, 144-45; Martens GJ 7/16/96 at 74-75. See also Watkins FBI Int. 8/10/93 at 3 (confirming that "THOMASON telephonically contacted MARTENS and requested that he facsimile a memo concerning the attempts of TRM to obtain White House business")(capitalization in original); see also Watkins GJ 2/28/95 at 50-51 (testifying that he received a fax at some point regarding a memo from Martens).

³⁷¹ Thomason GJ 7/17/96 at 76, 78; Cornelius GJ 07/25/96 at 78. With the exception of the date he recalls for this conversation, Watkins's description of the substance of this conversation with Thomason is consistent with Thomason's testimony that Watkins told Thomason to meet with Cornelius. Watkins's August 10, 1993 FBI interview report states that "[o]n May 12, THOMASON went to WATKINS'S office and asked him what had been

2. Wednesday, May 12, 1993.

On May 12, 1993, Thomason first met with Cornelius to discuss her suspicions about activity in the Travel Office. Thomason, Cornelius and Martens then briefed Watkins on Cornelius's suspicions and Martens's information. As a result of that meeting, Watkins (accompanied by Cornelius and Thomason) reported their suspicions to Vince Foster and William Kennedy in the White House Counsel's Office.

a. Thomason Met With Cornelius.

On May 12, 1993, at 9:26 a.m., Cornelius e-mailed a co-worker, "I have a meeting with Harry Thomason at 10 a.m. this morning to discuss the future of this office. It could be over very soon."³⁷² Thomason and Cornelius met for about ten minutes in his White House East Wing office.³⁷³ Cornelius shared what she had learned surreptitiously reviewing and copying records,³⁷⁴ including her self-admitted speculation that the travel employees' lifestyles were too

ascertained about the activities in the [Travel Office]. WATKINS told THOMASON that CORNELIUS was due to make a report about the activities in the [Travel Office] by May 15 and he should speak with her." Watkins FBI Int. 8/10/93 at 3 (capitalization in original); see also Watkins GJ 2/28/95 at 50 (testifying that when Thomason approached him about the Travel Office, Watkins told Thomason that "he was welcome [to] talk to her [Cornelius]"). The May 12 date recalled by Watkins apparently is incorrect based on Thomason's recollection of the conversation and on Cornelius's testimony that Watkins told her on May 10 to meet with Thomason. Cornelius was going to Chicago and proposed to Watkins that she and Thomason would meet when she returned on May 12. Cornelius GJ 7/25/96 at 81.

³⁷² Id. at 85 (reading GJ 95-2 Exh. 351); Lufrano GJ 7/17/96 at 13 (Cornelius e-mail to Lufrano 5/12/93, OIC Bates No. 542-DC-00034774). Cornelius complained that "people like to read [this e-mail] and say, it could be over very soon for the Travel Office employees. But that's not what I meant. I meant, it could be over very soon, the whole drama that's unfolding." Cornelius GJ 7/25/96 at 87-88.

³⁷³ Id. at 88, 91.

³⁷⁴ Id. at 89-91.

comfortable for government workers.³⁷⁵ Thomason said Cornelius told him that "[Travel Office employees] had deposited checks into their own personal account, at least one of them had."³⁷⁶

Cornelius also complained "that she had gone over to the Travel Office, they had put her in a sound proof office, you know, away from the rest of the people in the Travel Office. And their animosity grew" ³⁷⁷ Cornelius said Thomason told her about a mysterious Georgetown bank account being used by the Travel Office³⁷⁸ and that Travel Office employees were soliciting kickbacks.³⁷⁹

³⁷⁵ See Cornelius GJ 7/25/96 at 175-76; McSweeney GJ 7/9/96 at 11-14 (testifying that he owned a sixteen year old mare and its offspring); see also Dreylinger GJ 6/6/96 at 16-17 (testifying that Billy Dale owned a lake house on Lake Anna, Virginia, and that McSweeney had taken several trips to Europe with his wife, the owner of a successful travel agency). But see Dreylinger GJ 6/6/96 at 17 (testifying that he did not have reason to believe that any Travel Office employees were "living beyond their means").

³⁷⁶ Thomason House Depo. 5/17/96 at 165.

³⁷⁷ Thomason GJ 7/17/96 at 80.

³⁷⁸ Cornelius GJ 7/25/96 at 90.

³⁷⁹ Id. at 89-91. Thomason recalled this conversation differently. He testified that he did not recall the word "kickback" being used during this conversation and that he knew nothing about a Georgetown bank account. Thomason GJ 7/17/96 at 89, 91. Cerda said Cornelius told her that Harry Thomason mentioned rumors of Travel Office kickbacks from Miami Air during a meeting Cornelius had with Thomason. Cerda GJ 7/1/96 at 86. Jennifer O'Connor also testified that Thomason told her "he believed the staff of the Travel Office were soliciting kickbacks, and that he thought that it would be a great press story for the Clintons if they were able to . . . expose corruption in the Travel Office." O'Connor GJ 6/20/96 at 15. In August 1996, the White House produced handwritten notes recounting an interview of O'Connor where she claimed Thomason told her he had evidence that the Travel Office employees were "ripping us off." See OIC Bates No. 542-DC-00036980.

b. Cornelius, Thomason, and Martens Informed Watkins of Their Suspicions.

Later on May 12, Thomason, Martens,³⁸⁰ and Cornelius met with Watkins, and possibly Patsy Thomasson, in Watkins's office for about 45 minutes.³⁸¹ Martens repeated his earlier conversation with Billy Dale.³⁸² Cornelius reported the suspicious cash transactions that were not properly recorded.³⁸³ According to Cornelius, Thomason told the group he had informed Hillary Clinton there were problems in the Travel Office and that Mrs. Clinton was unhappy.³⁸⁴ Cornelius also said that, either at this meeting or one the following day, Thomason said that Mrs. Clinton was concerned about the problems in the Travel Office and wanted them resolved.³⁸⁵ Harry Thomason pulled a copy of

³⁸⁰ Martens testified that while in Washington on May 12 to meet with Jack Kelly at OMB, he asked Thomason's assistant Bobbie Ferguson to schedule lunch with Thomason "[b]ecause we hadn't seen each other for quite a while." Martens GJ 7/16/96 at 77-78. Martens said that when he showed up at Thomason's White House office before lunch, Thomason told him they were going to meet with David Watkins so that Martens could recount his conversation with Billy Dale. Id. at 78-79.

³⁸¹ The participants had varying recollections of who attended and what was said. Thomason claimed that he attended a meeting with Watkins, Cornelius, and Martens, but made no mention that Patsy Thomasson was present. Thomason GJ 7/17/96 at 96-97. Martens recalled that the meeting included himself, Thomason, Cornelius, and Watkins. Martens GJ 7/16/96 at 81. Cornelius said, "it's hard for me to believe that [Patsy Thomasson] wasn't" present. Cornelius GJ 7/25/96 at 99. The White House Travel Office Management Review states that Thomason, Cornelius, and Watkins were joined by Martens at the second morning meeting on May 12. GJ 95-2 Exh. 68 at 7. Thomasson thought that she attended. Thomasson GJ 7/24/96 at 21-24. Thomasson could not place a date for this meeting when she testified, but there is no evidence of another meeting to which she could have been referring. See also Watkins GJ 2/28/95 at 47-48 (providing context to confirm Thomasson's memory).

³⁸² Thomason GJ 7/17/96 at 89-90, 97; Martens GJ 7/16/96 at 81-82.

³⁸³ Cornelius GJ 7/25/96 at 99.

³⁸⁴ Id. at 96-97.

³⁸⁵ Cornelius GJ 7/25/96 at 95-97. Cornelius testified that Thomason told her at some

Martens's March 3, 1993 memorandum³⁸⁶ out of his sport coat, showed it to Watkins, and then put it back after the group discussed it.³⁸⁷ When the meeting concluded, Watkins told Cornelius to prepare a contingency plan to operate the Travel Office.³⁸⁸ Thomason asked Martens to see if Penny Sample could get a charter for a trip coming up on Sunday, May 16.³⁸⁹ Notes taken of Watkins's subsequent White House Travel Office Management

point that he had informed the First Lady about the Travel Office situation, and that she was unhappy. She recounted what Thomason said, "This is not something that she [Mrs. Clinton] wants going on in this White House, or criminal activity, or things like that. You got the impression that he was keeping her abreast because A, they have a personal relationship, B, Harry, although he was working for different people in the White House, didn't have like someone to report to or tell this to, and that's the person he was going to talk to about it." *Id.* at 96-97.

³⁸⁶ Martens GJ 7/16/96 at 80-82; Cornelius GJ 7/25/96 at 100. The report of Watkins's GAO interview refers to this meeting as follows:

On May 12, Mr. Watkins met with Mr. Thomason, Mr. Martens, and Ms. Cornelius regarding the Travel Office. This was the only time that Mr. Watkins met with Mr. Martens. Mr. Martens brought in his memo, which appears in the management review, and discussed it. Mr. Thomason had requested the meeting as a follow-up to the May 10 meeting.

Watkins GAO Int. 12/9/93 at 9; see also White House Travel Office Management Review at Exh. G (July 2, 1993)(Memorandum from Martens to Thomason 3/3/93, OIC Bates No. AL-DC-00007620 (with fax cover sheet and summary attachment)) and Sample GJ 6/13/96 at 40 (establishing the date of the memo as March 3, 1993). In an interview with the FBI on September 30, 1993 Watkins mistakenly stated that this meeting on May 12, 1993 included Jeff Eller. Watkins FBI Int. 9/30/93 at 1.

³⁸⁷ Martens GJ 7/16/96 at 82. Watkins and Cornelius both already had their own copies. Cornelius GJ 7/25/96 at 101.

³⁸⁸ Cornelius GJ 7/25/96 at 106.

³⁸⁹ Thomason GJ 7/17/96 at 99; Martens GJ 7/16/96 at 98. At approximately 12:20 p.m. on May 13, 1993, Martens, who had returned to his office in Cincinnati, faxed the following message to Thomason at the White House:

1. 30 day Billing Cycle No Problem
2. Aircraft are being reviewed for Sun., if needed.

Review interview indicated that Thomason and/or Cornelius also mentioned the employees' perceived high lifestyle and a non-government bank account being used for certain Travel Office funds.³⁹⁰

Watkins also told Cornelius to telephone Betta Carney, the owner of World Wide Travel, to see if World Wide could send travel agents to Washington to assist in running the Travel Office.³⁹¹ Cornelius e-mailed Cerda, "I need to start thinking about how you officially bring in

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3. Penny & I can be at White House to assist "C" as needed to begin operations.
 4. Call me with update when convenient.

GJ 95-2 Exh. 199. Martens explained that when Thomason asked him to find out if Sample could handle a trip scheduled for Sunday, May 16. Martens GJ 7/16/96 at 100. Thomason also asked whether a normal 30-day billing cycle was acceptable. *Id.* at 98. He further stated that "C" referred to Cornelius, whom he considered "our contact regarding the Travel Office," and that the "operations" he was referring to was the one flight on Sunday. *Id.* at 102. Martens also stated that, because he knew nothing about the possible trip when he sent the memo, Sample's review of aircraft consisted of surveying the market to determine what aircraft was available for the weekend. *Id.* at 105. The trip never took place. *Id.* at 105-07. By contrast, Sample who was involved in an unrelated legal proceeding that week, said that Martens did not reach her until the afternoon of May 14. Sample GJ 6/13/96 at 52-55.

Thomason claimed he did not know what "C" referred to, and denied that "operations" suggested the handling of more than one trip "because at the same time the White House had asked [him] to ask Mr. Martens for a list of people around the country that could come in and do this assignment." Thomason GJ 7/17/96 at 109-10. Thomason said he did not remember who asked for such a "list," but recalled that "there was a note somewhere that listed five names from around the country that they thought might be a candidate to do the job permanently." *Id.* at 109-10. The note was not obtained by the OIC.

³⁹⁰ The notes of Watkins's White House Travel Office Management Review interview referred to the May 12 meeting as follows, "HT CC came to see DW talking re lifestyle HT saying crooks . . . CC mentions Riggs Bank Acct." Notes of Watkins's White House Management Interview 6/3/93, OIC Bates No. 210-DC-00000600 (emphasis in original). Both of these concerns proved to be unfounded.

³⁹¹ Cornelius GJ 7/25/96 at 106.

someone to help."³⁹² Cornelius called Carney, who in turn told World Wide employee Fan Dozier to stand by to go to Washington.³⁹³ Carney testified she was concerned about working for the White House without any competitive bid, but Cornelius assured her the issue had been addressed.³⁹⁴

c. Watkins Informed Foster and the White House Counsel's Office of the Travel Office Suspicions.

On the afternoon of May 12, 1993, a two-part meeting convened in the White House Counsel's Office. At approximately 2:00 p.m., Cornelius, Thomason, and Watkins met with

³⁹² Cerda GJ 7/1/96 at 125 (GJ 95-2 Exh. 115)

³⁹³ Cornelius GJ 7/25/96 at 106-07; Carney GJ 6/13/96 at 35. The evidence suggests that Cornelius did not make this call until May 12, after this meeting with Watkins. Carney, however, testified that Cornelius called on Tuesday, May 11, 1993 and asked Carney to send an agent to Washington and to keep the call confidential, and indicated "that they had determined, or they were analyzing that there was some type of impropriety going on in the Travel Office." Carney GJ 6/13/96 at 33-34. Fan Dozier, a World Wide employee, said that Carney did not speak with her about the issue until May 12. Dozier GJ 6/13/96 at 12-14. Dozier flew to Washington to be on standby to assist Watkins and Cornelius. Later, at the White House's request, Carney sent two more agents, Angela Colclasure and Judith Kelley Gehrki, to Washington. Carney GJ 6/13/96 at 42; see also Kelley-Gehrki GJ 6/13/96 at 32-33; Davison GJ 6/13/96 at 42-43; Colclasure GJ 6/13/96 at 11. Fan Dozier testified that she flew to Washington on May 13 and sat in her hotel room waiting by the phone until the firings. Dozier GJ 6/13/96 at 12-15.

³⁹⁴ Carney GJ 6/13/96 at 36. World Wide's director of customer service, Steve Davison, testified that Carney told him on May 14 or May 15 that the White House counsel was "bringing us in under some sort of emergency procurement procedures." Davison GJ 6/13/96 at 42-43. Cornelius testified that at Watkins's request, she called Chris Vein in the White House Office of Administration. Vein told her that a contractor could be brought in on an emergency basis so long as there was written justification for it. Cornelius GJ 7/25/96 at 148-49.

Foster³⁹⁵ in Foster's office for about 20 minutes.³⁹⁶ After a break, the meeting reconvened at approximately 4:00 p.m.³⁹⁷

³⁹⁵ Foster's notes regarding this two-part meeting on May 12 read as follows (the first page of notes are dated May 30, 1993):

Wed 2:40 Call from DW [David Watkins] requesting mtg., explain conflict

2:45 Mtg w/ DW, HT [Harry Thomason] & CC [Catherine Cornelius] in my office

3:00 lv for haircut, set up mtg w/ CC for 4

3:55 pick up WK [William Kennedy] on way back from haircut, describe genl parameters

4:00 mtg w/ WK, DW, CC & HT in my office

6/1

Kennedy says someone -- DW -- told him that am that documents are being thrown away \$25 M ck, being aggressive to CC

\$160 M house pd off, one Ee is leaving @ 4pm on advance

6/1

(whether advise of Rts may be explanation

WK - still gathering info, how interface?]

OIC Bates No. 210-DC-00000007-00000008 (emphasis and bracketed notations, but not names, in original); see also Cornelius GJ 7/25/96 at 110-11 (confirming her presence at the meeting and, therefore, that "CC" in Foster's notes represents Catherine Cornelius).

During the search of Foster's office following his death, White House Counsel Bernard Nussbaum recovered a file regarding the Travel Office that, he claimed that he did not give to investigators because it related to an "ongoing matter." Nussbaum GJ 7/16/96 at 55. In mid- to late May 1994, after receiving a Fiske subpoena for Foster related materials, Nussbaum, who had since resigned, called Neil Eggleston and alerted him to the file's existence. Id. at 67-68; Eggleston GJ 7/18/96 at 115-16. Shortly thereafter, the file was turned over to DOJ's Public Integrity Division. Eggleston GJ 7/18/96 at 120-21. The above-quoted notes were in the file.

At the 2:00 p.m. meeting, by Watkins's account, Thomason repeated the information regarding "kickbacks."³⁹⁸ Cornelius also mentioned "inconsistencies in bank accounts."³⁹⁹ Thomason urged swift action in resolving the Travel Office problem.⁴⁰⁰ Cornelius said Thomason was "dramatic" and was "looking at this from like -- if I can think about, this is like, you know, a story, a production, what a great story. We've come in and found these guys that are on the take and we're going to, you know, send them home, send them packing."⁴⁰¹

Nussbaum says he did not produce the file to the GAO because it was "classic privileged work product material." Nussbaum GJ 7/16/96 at 59. The GAO, however, was never told this. Nancy Kingsbury, head of the GAO's Travel Office investigation, testified that the Foster materials fell within the parameters of her requests for documents, and that GAO was told by the White House "that there were no documents related to the White House Travel Office in Mr. Foster's office at the time of his suicide." Kingsbury GJ 6/27/96 at 37. Neil Eggleston said he personally reviewed the Foster Travel Office file and deemed it not responsive to either the GAO's request for documents or the grand jury subpoena for Foster-Travel Office documents received in conjunction with regulatory Independent Counsel Fiske's investigation. Eggleston GJ 7/18/96 at 118; Memorandum from W. Neil Eggleston, Assoc. Counsel to the Pres., to Lloyd Cutler, Special Counsel to the Pres. 7/10/94, OIC Bates No. 542-DC-00027254.

³⁹⁶ Watkins GJ 2/28/95 at 48; Cornelius GJ 7/25/96 at 101, 115-16.

³⁹⁷ Cornelius GJ 7/25/96 at 117.

³⁹⁸ See Watkins Int. 11/22/96 at 18. Cornelius thought Patsy Thomasson may have been at the 2 p.m. meeting. Cornelius GJ 7/25/96 at 110-11.

³⁹⁹ Watkins GJ 2/28/95 at 48.

⁴⁰⁰ Cornelius GJ 7/25/96 at 113-14. Thomason admitted he "advocated investigation quickly . . ." Thomason GJ 7/17/96 at 104. Thomason denied commenting that it would be a good press story of rooting out corruption if the employees were fired; he testified rather that he said it would be a "[b]ad story if the press gets to it before you do." Id. at 102-03. Two months earlier, during a House deposition, however, Thomason testified: "I wanted to find a good story, and good story -- if there is a scandal in the department, then you should get to it before the press does. A good story that somebody, the head of the Travel Office, is going to be fired." Thomason House Depo. 5/17/96 at 171.

⁴⁰¹ Cornelius GJ 7/25/96 at 113.

Cornelius testified that Foster advocated a more conservative approach, and was more interested in figuring out a method to determine whether the allegations involving the Travel Office were correct.⁴⁰² Cornelius stated she was shocked that Watkins "was shirking responsibility" for the Travel Office saying, "I'm not in charge of it, Janet Green is in charge of it We'll have to talk to her. This is her fault. She should have known these sort of things."⁴⁰³ Foster instructed Cornelius to go home and get the Travel Office records she had removed.⁴⁰⁴ Cornelius did not recall any mention of the First Lady during this meeting, though she did "remember Harry bringing Mrs. Clinton's name up a lot but it was more in passing, not like at formal sit down discussions."⁴⁰⁵

After this initial meeting, Cornelius and Cerda drove to their apartment and picked up the documents which Cerda described as a 12" x 15" redwell folder containing about a 1" stack of documents.⁴⁰⁶ Cornelius told Cerda that the folder contained copies of canceled checks.⁴⁰⁷

Cornelius returned to Foster's office where the meeting reconvened at approximately 4:00 p.m. with the same participants, plus Associate White House Counsel William Kennedy.⁴⁰⁸

⁴⁰² Id. at 114, 117.

⁴⁰³ Id. at 114.

⁴⁰⁴ See Cornelius GJ 7/25/96/ at 115; Cerda GJ 7/1/96 at 120.

⁴⁰⁵ Cornelius GJ 7/25/96 at 116.

⁴⁰⁶ Cerda GJ 7/1/96 at 121-22.

⁴⁰⁷ Id. at 123.

⁴⁰⁸ Cornelius GJ 7/25/96 at 115-17. Kennedy testified that sometime in the middle of May 1993, Foster stopped by Kennedy's office and asked his assistance regarding allegations of wrongdoing in an executive office of the President. Kennedy GJ 7/30/96 at 15-16. Kennedy "asked him if maybe it was the Travel Office," because Craig Livingstone, then acting Director of White House Personnel Security, had already told Kennedy in early February about rumors

Cornelius described "large checks made out to cash with no backup," and told them, "as soon as she had gotten there, people had become extremely secretive" and "there were conversations about extravagant lifestyles, houses on lakes, racehorses -- this sort of thing -- which she thought did not comport with the salaries that were being paid in that office."⁴⁰⁹ Kennedy was "certain that we saw checks made out to cash" at this meeting.⁴¹⁰

Kennedy said that Cornelius also told them she was suspicious that the Travel Office people were "either taking leave and not filing for it, or [were] just never taking a leave."⁴¹¹ He thought that Cornelius may have used the word "kickbacks" when describing the Travel Office conduct.⁴¹² Kennedy said that although he and Foster thought that Cornelius believed her information, they "approached all of this with a great deal of skepticism."⁴¹³ At the meeting Thomason again repeated the story of the Martens-Dale phone call, saying that Martens had been told "there was no way he or anybody else was going to get this business."⁴¹⁴ Thomason passed around the memorandum that Martens had drafted describing the conversation, and gave Kennedy and Foster their own copies to keep.⁴¹⁵

that the Travel Office "was not being run on the up and up." Id. at 10-16. Kennedy said Foster was surprised that he knew about it. Id. at 16. They then went to the meeting in Foster's office. Id.

⁴⁰⁹ Id. at 20.

⁴¹⁰ Id. at 22.

⁴¹¹ Id. at 52.

⁴¹² Id. at 50.

⁴¹³ Id. at 28.

⁴¹⁴ Id. at 22-24.

⁴¹⁵ Id. at 23-24. Notes of Kennedy's White House Travel Office Management Review

According to Kennedy, Foster's initial thought was to conduct an audit, but Watkins informed Foster that the White House had no audit capability.⁴¹⁶ Watkins said, "there was a general discussion on, well if this is happening, what do you do? How do you investigate something like this? I know we didn't have any audit people in the White House that we knew. How do you go about -- and that was sort of the way the conversation went: 'Well, if this is correct, what do we do about it?' And I remember some of [the] things tossed about. They said, 'Well, maybe the IRS or the Justice Department or the CIA or FBI.' And as I recall, Bill Kennedy said, 'Well, you know, I work with the FBI on these security matters. I can give them a call and see who they suggest.'"⁴¹⁷ Cornelius testified that it was clear by the meeting's end that Thomason was going to update the First Lady on the situation.⁴¹⁸

d. William Kennedy Brought in the FBI.

At the end of the 4:00 p.m. Wednesday, May 12, 1993 meeting, Foster told Kennedy to figure out how to investigate the allegations regarding the Travel Office.⁴¹⁹ "[D]umbfounded by a lack of audit capability in the White House,"⁴²⁰ at approximately 5:30 p.m. on May 12, Kennedy called James Bourke, an FBI agent whom he worked with on a daily basis on the

interview on June 8, 1993 reflected that Kennedy recounted that Thomason had reported that somebody in the Travel office approached UltraAir about a "kickback." Holton's notes of interview 6/8/93, OIC Bates No. 542-DC-0014724 at 14725.

⁴¹⁶ Kennedy GJ 7/30/96 at 27-28.

⁴¹⁷ Watkins GJ 2/28/95 at 59-60.

⁴¹⁸ Cornelius GJ 7/25/96 at 120-21.

⁴¹⁹ Kennedy GJ 7/30/96 at 27; Cornelius GJ 7/25/96 at 118. Thomason did not recall how the meeting ended, but testified that he "think[s] that they were going to further the investigation." Thomason GJ 7/17/96 at 105.

⁴²⁰ Kennedy GJ 7/30/96 at 32.

confirmation of Clinton appointees.⁴²¹ Kennedy told Bourke "he had an embezzlement and/or skimming of funds problem at the White House,"⁴²² and that he wanted advice on where to get audit assistance and how to handle the situation generally.⁴²³ Kennedy denied calling the FBI with the idea of inducing a criminal investigation.⁴²⁴ Bourke told Kennedy he would try to put him in touch with the proper people. Because Cornelius had told him that the Travel Office employees' treatment of her was getting worse, Kennedy asked Bourke to get back to him quickly.⁴²⁵

3. Thursday, May 13, 1993.

On Thursday, May 13, 1993, a significant amount of Travel Office related activity took place: 1) Deputy Assistant to the President, Director of Media Affairs Jeff Eller met with Thomason, Cornelius, Watkins, and, later, Press Secretary Dee Dee Myers, to urge quick action on the Travel Office; 2) the FBI met with the White House Counsel's office and conducted an initial interview of Cornelius, concluding that predication existed for beginning a criminal

⁴²¹ Bourke was, at that time, assigned to the special inquiry or "SPIN" unit which conducted background investigations for other federal entities. Bourke GJ 6/4/96 at 2-3.

⁴²² Id. at 6.

⁴²³ Kennedy GJ 7/30/96 at 32. Kennedy testified that he told Bourke there was a problem in one of the executive offices of the President, but that he was unsure what the problem was. Id. at 33-34. Bourke testified that Kennedy said the matter involved embezzlement and/or skimming of funds, but did not mention the Travel Office. Bourke GJ 6/4/96 at 6-7.

⁴²⁴ Kennedy GJ 7/30/96 at 36. Bourke testified that he thought Kennedy was calling for guidance because he had no idea how to proceed and Bourke was his counterpart at the FBI. See, e.g., Bourke GJ 6/4/96 at 6, 17, 33. FBI agent Patrick J. Foran agreed Kennedy "continuously" described himself as "looking for help, looking for advice." Foran GJ 6/4/96 at 41-42.

⁴²⁵ Kennedy GJ 7/30/96 at 38. Bourke said that Kennedy never mentioned the Travel Office specifically in any of their phone conversations. Bourke GJ 6/4/96 at 21.

investigation; 3) Mrs. Clinton discussed her concerns about the Travel Office with Chief of Staff McLarty and Vincent Foster; 4) Watkins, Foster, Thomason, and McLarty discussed Mrs. Clinton's concerns; and 5) by the end of the day, Watkins with Foster's agreement had determined to conduct an audit of the Travel Office and had contacted Peat Marwick to retain their services.⁴²⁶

a. Jeff Eller and Harry Thomason Advocated Firing the Travel Office Staff Due to Public Relations Concerns.

The morning of Thursday, May 13, Thomason and Cornelius once again met in Thomason's East Wing Office, joined by Jeff Eller.⁴²⁷ According to Cornelius, Thomason, with his media background, and Eller, a White House press officer, agreed swift action was necessary to stay "ahead of the story."⁴²⁸ Eller and Cornelius told Thomason they were afraid that the Travel Office employees were hostile to her.⁴²⁹ Thomason, Cornelius, and Eller then joined Watkins for a meeting in Watkins's office.⁴³⁰

⁴²⁶ Myers GJ 7/23/96 at 24; Eller GJ 7/17/96 at 24; Cornelius GJ 7/25/96 at 124; Podesta GJ 7/18/96 at 52; Apple GJ 6/13/96 at 7-8; Kennedy GJ 7/30/96 at 58, 61; McLarty GJ 7/31/96 at 24, 56-57; Foster's notes undated, OIC Bates No. 542-DC-00000984 ("Attempt to reconstruct conversations with HRC"); Foster's notes undated, OIC Bates No. 542-DC-00001016-17; Thomason GJ 7/24/96 at 31; McLarty House Depo. 7/12/96 at 24.

⁴²⁷ Cornelius GJ 7/25/96 at 123-24; Eller GJ 7/17/96 at 24-25. Cornelius asked Eller to attend the meeting because "Jeff was someone that I trusted completely." Cornelius GJ 7/25/96 at 124.

⁴²⁸ Id. at 124-25; Eller GJ 7/17/96 at 26.

⁴²⁹ Thomason House Depo. 5/17/96 at 192-93; Thomason GJ 7/17/96 at 114.

⁴³⁰ Cornelius GJ 7/25/96 at 125-26, 180; Eller GJ 7/17/96 at 37. Watkins's notes of this meeting read as follows:

May 13 - a.m. Watkins had a meeting with Thomason, Cornelius + Eller. Eller + Thomason talked about what a great story the firing of WH Travel Office was + that we had to stay ahead of the story we couldn't get behind

Eller urged the immediate firing of the Travel Office employees because he thought it would make a good press story of rooting out corruption among Bush administration holdover employees.⁴³¹ Harry Thomason also said that part of what was in his mind was "I wanted to find a good story, and good story -- if there is a scandal in the department, then you should get to it before the press does. A good story that somebody, the head of the Travel Office, is going to be fired."⁴³² Thomason said he also viewed it as a "good story" for the White House "because they had been hit many times by the press at that point, you know, rather than let the press hit them again; well, here we have discovered a scandal right in the White House, you know."⁴³³ Patsy

on this one.

GJ 95-2 Exh. 164 (emphasis in original). Later, at approximately 1:00 p.m. on May 13, 1993, Watkins again met with Patsy Thomasson and Cornelius to discuss what course of action to take, and so that Watkins and Thomasson could probe Cornelius regarding the information she had learned. Thomasson GJ 7/24/96 at 27-29.

⁴³¹ Id. at 193-95. Watkins confirmed "that early on, the people in the White House press office thought that this was going to be a positive media event." Watkins GJ 2/28/95 at 63. Kennedy testified that Foster told him at some point that he disagreed with Eller. Kennedy GJ 7/30/96 at 70 ("I think at some point, Vince mentioned that Eller . . . had taken a stance that he thought it would be a good story and that we should fire people immediately -- 'we' in this case being the White House"). He did not recall Jeff Eller urging that something be done quickly to resolve the situation. Thomason GJ 7/17/96 at 114. Eller recalls very little about the meetings he attended, but testified that he consistently advised "that if we are going to fire the White House Travel Office people that we do it quickly and get it over with, to try to minimize the potential bad press that could come out of it." Eller GJ 7/17/96 at 26, 38-40. Eller also thought the Travel Office was "costing them [the press] too much." Thomasson GJ 7/24/96 at 194. Cornelius said, "Jeff believed, like Harry did, that you had to get ahead of the story. And he believed the story was already ahead of us." Cornelius GJ 7/25/96 at 183.

⁴³² Thomason House Depo. 5/17/96 at 171; see also Thomason GJ 7/17/96 at 103 ("I didn't say 'good story if you do it,' I said, 'bad story if the press gets to it before you do.' I said, 'then you should root it out and make it a more positive story'").

⁴³³ Thomason House Depo. 5/17/96 at 135-36.

Thomasson said she, Watkins, and Foster were against firing at that point.⁴³⁴ During the meeting in Watkins's office, contingency plans were discussed. It was agreed that Cornelius would handle the Travel Office's commercial travel and Thomason would get someone to handle the charter business.⁴³⁵ Special Assistant to the Deputy Chief of Staff Dwight Holton's notes of Eller's White House Travel Office Management Review interview show that Eller told Holton and Podesta "that it was after the meeting with David that tempers got hot."⁴³⁶

Sometime Thursday morning, Eller and Thomason also went to see Myers and told her there were serious problems in the Travel Office and they were looking into it.⁴³⁷ Foster later told Podesta that Eller and Thomason were "pressing to move quickly" at this point.⁴³⁸ Foster's notes confirm that Eller briefed then White House Communications Director George Stephanopoulos, and Dee Dee Myers, on Thursday, although Foster places it in the afternoon.⁴³⁹ Foster's notes further indicate that Foster told Watkins of his earlier discussions with Harry

⁴³⁴ Thomasson GJ 7/24/96 at 36.

⁴³⁵ Cornelius GJ 7/25/96 at 126.

⁴³⁶ Holton GJ 7/2/96 at 4, 42 (providing his title and reading GJ 95-2 Exh. 155, Holton's notes); GJ 95-2 Exh. 162 (Sterns 6/3 notes in which he writes, "Eller's in VF's Face"). Eller said he could not recall having any arguments, but said, "it is possible." Eller GJ 7/17/96 at 52.

⁴³⁷ Myers GJ 7/23/96 at 24.

⁴³⁸ Podesta GJ 7/18/96 at 52.

⁴³⁹ Foster's notes undated, OIC Bates No. 210-DC-00000015. Stephanopoulos testified that he had a two minute conversation "a few days before it broke publicly" with Eller in which Eller "said there were problems in the travel office, and they were looking at taking action." Stephanopoulos GJ 7/2/96 at 4-5. Stephanopoulos said that this brief conversation with Eller was "really all" the information Stephanopoulos had about the Travel Office "before it broke" publicly when the firings were announced. *Id.* at 4. Stephanopoulos also testified that he did not remember "ever having a one-on-one conversation" with Vince Foster about the Travel Office, but remembers being in a meeting with Foster where the subject was discussed. Stephanopoulos GJ 9/8/95 at 5-6.

Thomason⁴⁴⁰ and Eller, that he informed Watkins that "we must get out of [the] middle," and that he suggested that Watkins call Eller.⁴⁴¹

Also on Thursday, someone prepared press talking points indicating that the Travel Office employees would be fired that day.⁴⁴² Eller did not recall if he prepared these talking points.⁴⁴³ However, the circumstantial evidence that he did so is strong because of his position in the White House press office and his involvement in the matter.⁴⁴⁴

⁴⁴⁰ Harry Thomason flew to Los Angeles the evening of May 14, to return on Monday, May 17. Thomason GJ 7/17/96 at 118.

⁴⁴¹ Foster's notes undated, OIC Bates No. 210-DC-00000015.

⁴⁴² Talking points on changes in White House Travel Office 5/13/93, OIC Bates No. 542-DC-00007611. The talking points read, in relevant part: "In response to requests concerning the cost of press travel, the White House has undertaken a review of the White House Travel Office. As a result of that review, the current employees of the White House Travel Office have been dismissed effective today." Talking points on changes in White House Travel Office 5/13/93, OIC Bates No. 542-DC-00007611.

⁴⁴³ Eller GJ 7/17/96 at 58-59.

⁴⁴⁴ Eller told Dwight Holton during Eller's White House Travel Office Management Review interview that he purposefully threw away all Travel Office documents on May 13 because "he removed himself from the issue." Holton 7/2/96 at 41-44. However, when Holton asked Eller to see if he still had any documents, Eller "said he didn't think he had any e-mail on the subject. He said he might have a draft of talking points on his hard drive and he would check and see." *Id.* at 43-44. Thus, if Eller removed himself from the issue on May 13, but told Holton that he might have a draft of talking points on his hard drive, then those talking points must have existed on or before May 13. No one else has indicated that they worked on any talking points on or before May 13. Eller's statement to Holton that he "removed himself" from the Travel Office issue on May 13 is inconsistent with his self-initiated meeting with Chief of Staff McLarty on May 14. *See, infra*, Subsection (D)(4)(b).

Eller examined the talking points and testified that, based on the document's style, he could have written them, and that he could have prepared and edited them on May 13. Eller GJ 7/17/96 at 58-59, 62 (Talking points on changes in White House Travel Office 5/13/93, OIC Bates No. 542-DC-00007611). Patsy Thomasson said David Watkins had discussed with her a set of "premature" talking points that Eller had drafted before the audit was done, which she recognized in the grand jury based on content and Eller's particular aggressive advocacy of firing. Thomasson GJ 7/24/96 at 89-90, 212-13 (discussing GJ 95-2 Exhs. 339 & 345) (there is

b. After the FBI Understood From Kennedy that the “Highest Levels” within the White House were Involved, The FBI Began an Investigation.

On the morning of Thursday, May 13, Bourke called Kennedy back and told him that the FBI needed a few more facts about whether government funds were involved, and Kennedy told him they were not.⁴⁴⁵ Kennedy reiterated the situation's urgency to Bourke.⁴⁴⁶ Bourke assured Kennedy that he was getting in touch with someone so Kennedy could "pick their brain."⁴⁴⁷ Kennedy said he was getting pressure from "up above," and he "needed a call back in the next 15 minutes, or he would go . . . to another agency, and he mentioned the IRS."⁴⁴⁸ Bourke went to Richard Wade, then Unit Chief of the Government Fraud Unit at headquarters,⁴⁴⁹ who referred Bourke to another unit chief at FBI headquarters named Howard B. Apple.⁴⁵⁰ Bourke then

no testimony from Patsy Thomasson or David Watkins showing that Watkins had shown her Eller's talking points).

⁴⁴⁵ Bourke GJ 6/4/96 at 10.

⁴⁴⁶ Kennedy GJ 7/30/96 at 40.

⁴⁴⁷ Bourke GJ 6/4/96 at 30-31.

⁴⁴⁸ Id. at 10-11. Bourke thought setting a 15 minutes deadline for a return call and referring to people "up above" reflected Kennedy's "thought in his own mind . . . that just because it's the White House, or he's an associate counsel at the White House . . . I'm supposed to jump, if they say jump. And it -- I mean, I've dealt with the White House for eight years. It don't happen that way, you know." Id. at 24-25. Bourke thought this was just Kennedy's "demeanor," that "maybe Mr. Kennedy thought that he was bigger than I thought he was, as far as position or ego." Bourke GJ 4/29/97 at 18-19.

⁴⁴⁹ Wade GJ 6/4/96 at 2-3.

⁴⁵⁰ Bourke GJ 6/4/96 at 8.

quickly conferred with Apple, and called Kennedy back to say Apple and Patrick J. Foran, also from FBI headquarters, would be calling Kennedy.⁴⁵¹

Apple called Kennedy who, according to Apple, "appeared nervous, and . . . mentioned even on the phone that he was being directed at the highest levels," which Apple understood as a reference to the President.⁴⁵² Kennedy admitted that he told the agents the matter was urgent and involved "high levels at the White House."⁴⁵³ However, he testified he was positive that he did not tell the FBI that he was acting at the direction of the White House's "highest" levels, because such a statement would not have been true.⁴⁵⁴

Apple said this "highest levels of the White House" comment caused him to "pass it up my own ladder" to FBI Deputy Assistant Director Daniel O. Coulson, who in turn passed the information to FBI Associate Deputy Director Douglas Gow, all before anyone from the FBI ever visited the White House.⁴⁵⁵ Kennedy asked Apple to come over right away as he did not want to discuss the matter over the phone.⁴⁵⁶ Although Apple and Foran felt that special agents

⁴⁵¹ Id. at 11-12; Kennedy GJ 7/30/96 at 43.

⁴⁵² Apple GJ 6/13/96 at 5.

⁴⁵³ Kennedy GJ 7/30/96 at 45.

⁴⁵⁴ Id. at 44-45, 56-57.

⁴⁵⁵ Apple GJ 4/29/97 at 14-17; Foran GJ 4/29/97 at 9-12. Coulson wrote a one page memo dated 5/13/93 to Asst. Dir. Crim. Div. Larry Potts, stating that Kennedy had phoned Bourke, who had placed Kennedy in touch with Apple, and that Kennedy had "'advised that he was being instructed by the highest level at the White House to contact the FBI regarding a theft matter that might possibly involve kickback.'" Foran GJ 4/29/97 at 12 (GJ 95-2 Exh. 477).

⁴⁵⁶ Apple GJ 6/13/96 at 4-5. Apple testified that he had the impression that Kennedy did not understand how the FBI worked. Id. at 5. Agent Foran also testified that Kennedy told Apple on the telephone that a request was coming from the highest levels in the White House. Foran GJ 6/4/96 at 9-10.

from a field office were the appropriate people to respond to Kennedy's request, Kennedy insisted that someone from FBI headquarters handle the matter.⁴⁵⁷

i. Kennedy Met With the FBI on the Morning of May 13.

Later during the morning of Thursday, May 13, Apple and Foran met with Kennedy at the White House. Kennedy began to describe the problem.⁴⁵⁸ Kennedy again said, "that he was being directed at the highest level of the White House, and this matter required immediate action."⁴⁵⁹ Apple testified that he and Foran probed Kennedy repeatedly to see if there had been a violation of federal law.⁴⁶⁰ Kennedy told them that if the FBI could not help him, then he would have to call the IRS.⁴⁶¹ Kennedy repeated there was suspicion of "bribes" and

⁴⁵⁷ Apple GJ 6/13/96 at 4; Foran GJ 6/4/96 at 9-13.

⁴⁵⁸ Apple testified that Kennedy "explained the mission of the Travel Office, how they made reservations, on trips, but he heard that there were rumors that some of the employees their lifestyles were not in line with . . . their salary [H]e said he heard rumors about . . . checks written to cash, and a lack of competitive bidding for travel services [H]e said he had no proof of theft" Apple GJ 6/13/96 at 8-9. Apple was concerned whether there was any violation of federal law. *Id.* at 9-10. Foran testified that Kennedy told them about Catherine Cornelius, "that she was appointed, and upon arrival in the office, she had subsequently reported back that she felt she was being shunned . . . and it was her opinion that she wasn't being accepted because some wrongdoing was going on within the office that they didn't want her to know about, see, observe, or participate in." Foran GJ 6/4/96 at 19.

⁴⁵⁹ Apple GJ 6/13/96 at 8. Kennedy did not indicate who he meant by "highest level." Apple GJ 4/29/97 at 22; Foran GJ 6/4/96 at 9. Foran explained, "His statements were that . . . he and the White House were quite concerned that some action had to be taken with regard to this before it was leaked or became public knowledge, and the administration might have to suffer the blame of something that may have gone on prior to their taking office." *Id.* at 23. Kennedy denied having used the phrase "highest levels" because it would not have been true. Kennedy GJ 7/30/96 at 44-45, 56-57. Kennedy admitted that he used the phrase "high levels" in his conversation with Agent Apple and Agent Foran. Kennedy GJ 7/30/96 at 45-46.

⁴⁶⁰ Apple GJ 6/13/96 at 9-10.

⁴⁶¹ Apple GJ 4/29/97 at 27.

"kickbacks," and also used the words "embezzlement" and "stealing" in discussing his concerns with the agents.⁴⁶²

Kennedy stated that he discussed with the agents the various alternative ways of proceeding, including doing nothing, suspending the employees and conducting an audit, or doing something in between. Apple and Foran both testified that Kennedy posed three slightly different choices -- one of which was firing the employees⁴⁶³ -- and asked what the agents thought he should do. Apple "felt that that was very improper, and . . . felt he was trying to use the FBI" to back-up his administrative decisions.⁴⁶⁴ He and Foran therefore told Kennedy that it was not a decision for the FBI to make.⁴⁶⁵ Foran also explained that the FBI's role was to determine if there was predication to open an investigation, and that there did not appear to be sufficiently strong information to initiate an investigation.⁴⁶⁶ The agents told Kennedy they would identify the proper white collar investigators to handle the issue and left.⁴⁶⁷ Kennedy testified that he told them to make sure they were obtaining the necessary internal approvals to continue talking with him.⁴⁶⁸ Apple and Foran discussed the meeting with Wade, who

⁴⁶² Foran GJ 6/4/96 at 21, 25-27.

⁴⁶³ Apple stated that Kennedy saw his other choices as firing half the employees and having the other half do an audit, or just conducting an independent audit. Apple GJ 6/13/96 at 15; see also Foran GJ 6/4/96 at 30-31.

⁴⁶⁴ Apple GJ 6/13/96 at 15.

⁴⁶⁵ Id.; Foran GJ 6/4/96 at 31.

⁴⁶⁶ Foran GJ 6/4/96 at 31, 33.

⁴⁶⁷ See Apple GJ 6/13/96 at 11-12.

⁴⁶⁸ Kennedy GJ 7/30/96 at 48-49.

determined that if the allegations of theft involved government funds, then his fraud unit may have jurisdiction.⁴⁶⁹

ii. During the Afternoon of May 13, Kennedy and Foster Met With the FBI Who Interviewed Cornelius.

Later, in the afternoon of May 13, 1993, FBI Special Agents Richard Wade and Tom Carl met with Kennedy in his office at the White House.⁴⁷⁰ Kennedy indicated he was "miffed" at having to discuss the matter again with another set of agents, but nevertheless he began outlining the situation.⁴⁷¹ Ten to fifteen minutes into the meeting, Foster appeared in Kennedy's office and participated.⁴⁷²

Wade and Carl testified that in this meeting Kennedy indicated that the matter had interest at the White House's "highest levels."⁴⁷³ Carl and Wade agree that Kennedy never

⁴⁶⁹ Foran GJ 6/4/96 at 42-43; Wade GJ 6/4/96 at 4-5.

⁴⁷⁰ Carl GJ 6/4/96 at 7-8; Wade GJ 4/29/97 at 10-13; Kennedy GJ 7/30/96 at 54-57.

⁴⁷¹ Carl GJ 6/4/96 at 8.

⁴⁷² Kennedy GJ 7/30/96 at 55-56. Wade testified that Foster contributed to the conversation "[v]ery minimally." Wade GJ 6/4/96 at 13. Foster's notes on this meeting read as follows:

230-300 Join WK mtg w/ 2 agents [Rick Wade and Tom Carl] in process re how to investigate; discuss concern re not screwing up any subsequent invn; document integrity; FBI mention possibility of undercover . . .

I expressed view that office staff likely already suspect; they request to interview CC; call DW to request she come to WK office; introduce; WK goes to hill [6/1 5 min late] & I return to office while they interview

OIC Bates No. 542-DC-00000914.

⁴⁷³ Carl GJ 6/4/96 at 8; Wade GJ 6/4/96 at 14. Wade later said he recalled Kennedy saying either "high levels" or "highest levels." Wade GJ 4/29/97 at 24-25. Carl said he assumes Kennedy's comment referred to the President, but Kennedy did not "say anything other than

indicated who he might have meant, whether the phrase Kennedy used was "high level" or "highest levels."⁴⁷⁴ Kennedy, again, said that he might have said he was being directed at a "high level," but firmly denied using the phrase "highest levels" in his conversation with Wade and Carl.⁴⁷⁵

According to Kennedy, at some point in the conversation, the agents asked if they could interview Cornelius.⁴⁷⁶ Carl testified, on the other hand, that Kennedy made the suggestion to interview Cornelius.⁴⁷⁷ According to Carl, during the meeting Kennedy was reading information from a memorandum; when Carl informed Kennedy that more specific facts were needed before the agents could make an informed judgment about whether the FBI had jurisdiction over the matter and how to proceed, Kennedy offered to have the agents speak with the employee who prepared the memorandum, Catherine Cornelius.⁴⁷⁸ Wade also stated that Kennedy suggested the agents speak with Cornelius.⁴⁷⁹

In any event, Kennedy called Cornelius, who came to his office, and he then left for an appointment on Capitol Hill.⁴⁸⁰ Cornelius told Carl that she had received a call from Martens,

'highest levels.'" Carl GJ 6/4/96 at 9.

⁴⁷⁴ Carl GJ 4/29/97 at 18-19; Wade GJ 6/4/96 at 14.

⁴⁷⁵ Kennedy GJ 7/30/96 at 56-57. See generally Kennedy's notes of meeting 5/13/93, OIC Bates No. 542-DC-00001475.

⁴⁷⁶ Kennedy GJ 7/30/96 at 54-56.

⁴⁷⁷ Carl GJ 6/4/96 at 12-13.

⁴⁷⁸ Id. at 12-13.

⁴⁷⁹ Wade GJ 6/4/96 at 16.

⁴⁸⁰ Kennedy GJ 7/30/96 at 58.

who told her that Dale had said that Travel Office "business wasn't available; that he [Martens] could not either offer cheap enough or expert enough service for him to get that," and that Martens had told her of another businessman who Dale had solicited a bribe from to get Travel Office business.⁴⁸¹ Cornelius testified that during the interview she also showed the agents the checks made out to cash and other records she had taken from the Travel Office.⁴⁸² Carl and Wade found Cornelius credible, in part because she had some documentation.⁴⁸³

iii. Foster Decided to Proceed With an Audit Before the FBI Criminal Investigation, for Which the FBI Found "Predication."

Near the end of her interview with Wade and Carl, Cornelius received a page instructing her to go to Watkins's office; Foster accompanied her when she left.⁴⁸⁴ Cornelius testified that, in addition to Watkins, she and Foster found Patsy Thomasson and Peter Segal, also of Watkins's

⁴⁸¹ Carl GJ 6/4/96 at 21.

⁴⁸² Cornelius GJ 7/25/96 at 128-131; Carl GJ 6/4/96 at 20.

⁴⁸³ Carl GJ 6/4/96 at 30; Wade 6/4/696 at 52. Wade testified that even though Cornelius's self-interested motivations would have been relevant to them, he did not believe it "would have changed the outcome" of their determination to open an investigation, because "when we initiate an investigation we are far from proving the facts alleged. All we are doing is we have certain information that, if it's proved to be true, is a violation." Wade GJ 6/4/96 at 52. Wade furthermore said that none of the personal agendas of Cornelius, Thomason, Martens or TRM would have changed his decision to open an investigation as a result of the things Cornelius had already told and showed them. Id. at 42-44, 50-52.

⁴⁸⁴ Cornelius GJ 7/25/96 at 132. Cornelius testified that Kennedy and Foster were there at the end of the meeting. Id. Kennedy stated, however, that he left before the FBI interview began and returned to find everyone gone. Kennedy GJ 7/30/96 at 58-60.

staff, in Watkins's office.⁴⁸⁵ Foster stated that he planned to speak with the FBI at 6:00 p.m. and would report back to the group.⁴⁸⁶

When Kennedy returned to the White House between 6:00 p.m. and 7:00 p.m., he learned that Wade and Carl had left a message for Foster.⁴⁸⁷ In addition, Foster told him that Watkins had reported that the White House now had audit capability.⁴⁸⁸ Kennedy and Foster returned the call from Carl.⁴⁸⁹

Carl and Wade told Kennedy and Foster that they had interviewed Cornelius and thought there was predication to conduct an investigation.⁴⁹⁰ Wade testified that they drew this conclusion because Cornelius had provided more facts and documentation for her claims and because she had made allegations of kickbacks or bribery.⁴⁹¹ Carl also testified that they told Kennedy that they felt there was predication for a criminal investigation based on Cornelius's statements which, according to Carl's earlier testimony, included the allegation that Dale had

⁴⁸⁵ Cornelius GJ 7/25/96 at 132-33.

⁴⁸⁶ Id. at 133.

⁴⁸⁷ Kennedy GJ 7/30/96 at 60.

⁴⁸⁸ Id. at 63.

⁴⁸⁹ Id. at 60.

⁴⁹⁰ Id. at 61.

⁴⁹¹ Wade GJ 6/4/96 at 30-31. Wade contacted Jerome Campana, a supervisor at the FBI's Washington field office, who relayed the information gleaned from Wade to David Bowie, another field office supervisor. Bowie GJ 6/6/96 at 3. Bowie had a number of follow-up conversations with both Wade and Carl regarding the allegations against the Travel Office employees. Id. at 8. Bowie testified that in his opinion the information relayed by FBI Headquarters (basically recounting the Cornelius interview) provided sufficient predication to initiate an investigation. Id. at 14.

solicited bribes.⁴⁹² Referring to his notes, Kennedy testified that Foster was concerned with what he called a "'gangbuster problem'," that is, he "did not want the FBI to go in there with guns blazing . . . [as a]t this point in time, we believed the evidence to still be sketchy and weak."⁴⁹³ Accordingly, by Kennedy's account, though the agents wanted to commence an investigation, Foster and Kennedy decided instead to bring in a team of outside auditors and agreed to contact the FBI if the auditors found evidence of wrongdoing or, in any event, to share the audit's results.⁴⁹⁴ Carl testified that Foster and Kennedy were surprised that the agents found sufficient predication for an investigation and that, at that point, Carl suggested to Foster that an audit be conducted.⁴⁹⁵ Foster later advised Wade that the FBI could not participate in the audit.⁴⁹⁶

The FBI's view was that "it might actually be to our benefit to let them conduct the audit because the individuals in the Travel Office would feel more free to talk to the auditors and would probably make statements to the auditors that they would not make to FBI agents."⁴⁹⁷ Carl had recommended that the FBI agents should participate to preserve chain of custody in case of criminal prosecution, but Foster overruled him because he had wanted "to interview these people

⁴⁹² Carl GJ 6/4/96 at 21, 39.

⁴⁹³ Kennedy GJ 7/30/96 at 62-63; see also Kennedy's notes of phone call 5/13/93, OIC Bates No. 542-DC-00001476.

⁴⁹⁴ Kennedy GJ 7/30/96 at 67-68.

⁴⁹⁵ Carl GJ 6/4/96 at 25-28.

⁴⁹⁶ Id. at 28-29.

⁴⁹⁷ Wade GJ 6/4/96 at 36.

without them being alerted to the fact that we were conducting, you know, a full-blown criminal investigation."⁴⁹⁸

At the end of the day, Wade and Carl discussed their belief that there was predication for an investigation with FBI Deputy Assistant Director of the Criminal Division Fred Verinder, who agreed with them based on "indicators of a kickback of checks for cash and questionable, I guess, living standards."⁴⁹⁹ Verinder notified the Department of Justice because he deemed the case "sensitive," and was advised by the Criminal Division and Public Integrity Sections at DOJ "that there was predication."⁵⁰⁰

c. McLarty and Foster Discussed the Travel Office With the First Lady and Discussed the First Lady's Concerns With Other Senior Staff.

Also on May 13, both Mack McLarty and Vince Foster separately spoke with Mrs. Clinton concerning the Travel Office. After briefing Mrs. Clinton, McLarty, Foster, Watkins, and Patsy Thomasson discussed Mrs. Clinton's concerns and decided to hire Peat Marwick to conduct an audit of the Travel Office.

i. Chief of Staff McLarty Briefed Mrs. Clinton.

McLarty testified that he met with Mrs. Clinton, at her request, in his office on the afternoon of May 13, 1993,⁵⁰¹ which he described as follows:

⁴⁹⁸ Carl GJ 6/4/96 at 29. Foster had expressed concern about the FBI going in with "guns blazing." Wade GJ 6/4/96 at 36-37. Kennedy said that he and Foster were pleased they had "carried the day" on this issue. Kennedy GJ 7/30/96 at 67.

⁴⁹⁹ Verinder GJ 6/4/96 at 3-4; Apple GJ 4/29/97 at 23.

⁵⁰⁰ Verinder GJ 6/4/96 at 5-6.

⁵⁰¹ McLarty GJ 7/31/96 at 24. McLarty said that either Mrs. Clinton or someone on her staff called to request the meeting. *Id.* This testimony contradicted McLarty's March 21, 1994 statement to the GAO in which he said that the First Lady had "stopped by [his] office to say that she had heard about inefficiencies in the Travel Office and asked him to look into it." McLarty

Mrs. Clinton came in and she did raise concerns about the Travel Office. She asked, "Are you aware that there are potentially very serious problems in the Travel Office?" These are my words, not hers, but I think it captures the essence of what she said.

And I responded to her that I was aware. And she said, "Oh, well, good. Then if you're aware of it, that you're -- I know you're looking into it," or I perhaps said, "We're already looking into that."

And that was about the extent of the exchange.⁵⁰²

McLarty described his conversation with Mrs. Clinton as "a factual, businesslike exchange."⁵⁰³ McLarty explained that "Mrs. Clinton was concerned about this matter, felt there was a distinct possibility of mismanagement and possible misconduct, wanted this matter to be taken seriously" ⁵⁰⁴

GAO Int. 3/21/94, OIC Bates No. AJ-DC-00000888 at 893 (transcribed by GAO Investigator Bob Homan 3/23/94). When asked why McLarty had not informed the GAO that the meeting with Mrs. Clinton had been previously scheduled at Mrs. Clinton's request, McLarty responded to this apparent inconsistency as follows:

I responded completely to the GAO. I mean, I -- it was previously scheduled, only in the sense . . . that she had called -- her office had called that morning. It was not like it had been on my schedule for a week.

McLarty GJ 7/31/96 at 26.

⁵⁰² McLarty GJ 7/31/96 at 27. McLarty said he could not recall whether the exact conversation involved her asking, "are you aware of the concerns," with him responding, "Yes, I am, and we're looking into it," or whether she said, "There are serious concerns in the Travel Office," and he responded, "Yes, I'm aware of it." Id. at 179. McLarty acknowledged, however, that as of May 13, he had not done anything about the Travel Office situation. Id. at 29. Consequently, he amended his testimony and stated that he informed Mrs. Clinton that he was "going to look into [the Travel Office] matter." Id. at 31 (emphasis supplied).

⁵⁰³ Id. at 40.

⁵⁰⁴ Id. at 50.

McLarty also testified that he "did feel an obligation to keep her [Mrs. Clinton] apprised of [Travel Office] matters and did so."⁵⁰⁵ He said that "the fact that the First Lady, one of the principals, had raised this issue, that adds an element of priority to any matter, and it did to this one."⁵⁰⁶ When asked whether her interest was an element in the decision making process, McLarty responded, "It was an element -- anytime a principal raises an issue, it is an element."⁵⁰⁷ McLarty explained that the reaction to Mrs. Clinton's comments at the May 13 meeting between himself, Foster, and Watkins -- described more fully below -- was "that yet it's one more thing we have to deal with. We have no choice but to deal with it now. So let's get about dealing with it."⁵⁰⁸ McLarty also testified that he believed Mrs. Clinton would have accepted doing nothing about the Travel Office employees had the White House's financial review of the office, conducted by Peat Marwick on May 14 --17,⁵⁰⁹ not found mismanagement.⁵¹⁰

⁵⁰⁵ Id. at 63.

⁵⁰⁶ Id. at 140.

⁵⁰⁷ Id.

⁵⁰⁸ Id. at 158-59.

⁵⁰⁹ See, infra, Subsection (D)(4)(a).

⁵¹⁰ McLarty GJ 7/31/96 at 182-183. In his House testimony, given nineteen days before his grand jury testimony, McLarty testified "[S]he . . . raised the issue with me that she had heard there might be serious problems, deep concerns, in the Travel Office, both about management and conduct. I responded that I was aware of those possibilities, and with that she said, well, good, you are aware of it. I think this is a serious matter, we should look into it. I told her that I agreed with her, and we were doing so, or I planned to do so." McLarty House Depo. 7/12/96 at 33.

David Gergen, a former White House official in Republican Administrations, was brought in by McLarty and the President on May 27 in part to respond to the public outcry over the Travel Office firings.⁵¹¹ He related McLarty's account of his discussion with the First Lady:

What he told me was that she was very upset about the operations of the Travel Office. That she had been ginned up on that issue . . . [a]nd that there were at least two occasions when she made it clear to him that she wanted action taken. That she wanted it cleared up and him to act on it.

I have a memory of him telling me that, at one time, she came into his office in a fairly agitated state and made it very clear that she was hearing things about the Travel Office that simply had to be addressed . . . I do not recall him telling me that she asked or demanded that people be fired.⁵¹²

Gergen emphasized, though, that "[m]y recollection was that she wanted action and that she had been -- she was one of -- she was a catalyst in the White House taking a look at the situation. I did not understand from that he [sic] interpreted that as an implicit -- certainly not an explicit, but even implicit order that they be fired."⁵¹³

⁵¹¹ Gergen GJ 7/1/96 at 4-6.

⁵¹² Gergen GJ 7/1/96 at 11-12. Gergen also testified that McLarty told him that Mrs. Clinton was "pressing for action." Id. When asked about Gergen's testimony, McLarty stated that he may have told Gergen about his conversation with Mrs. Clinton, and he "could have" described Mrs. Clinton as being agitated. McLarty GJ 7/31/96 at 48-50. McLarty also testified:

Mrs. Clinton was concerned about this matter, felt there was a distinct possibility of mismanagement and possible misconduct, wanted this matter to be taken seriously, and in that vein she was upset or concerned about it, I guess agitated. I don't remember using that phrase.

Id. at 50. After further questioning on this point, McLarty said that he would not use "agitated" to describe Mrs. Clinton at the May 13 meeting, but that "very concerned" would be an "accurate and a correct description." Id. at 52.

⁵¹³ Gergen GJ 7/1/96 at 16.

ii. Vince Foster Met Twice With Mrs. Clinton.

Vince Foster's⁵¹⁴ notes reflect that subsequent to the Travel Office firings, he tried to reconstruct his contacts with Mrs. Clinton about the Travel Office matter.⁵¹⁵ Foster's notes contain the following description of his meeting with Mrs. Clinton (and his subsequent meeting with McLarty and Watkins):

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 tvl office came up? Eg, do you know anything re any problems in tvl office or I've heard something about problems in tvl office told her had some (soft?) 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 mentioned auditor plan Q - personal vs telephone? Q - When? Where? Who called whom?⁵¹⁶

In discussion w/ MM, PT & DW on Thurs afternoon . . . could have discussed gen'l observation that HRC generally appeared less tha[n] satisfied with timeliness of decision making, i.e. cloture[.] Never discussed w/ anyone anytime prospect HT would directly or indirectly benefit, never a possibility in my mind given his disclaime[r] Wed afternoon.⁵¹⁷

⁵¹⁴ The White House Travel Office Management Review reported that on May 13 during a meeting with Foster on an unrelated matter, "the First Lady told Foster that she had heard about problems in the Travel Office. Foster replied that Kennedy was looking into it." GJ 95-2 Exh. 68 at 9. Foster's calendar reflects that he had two meetings with Mrs. Clinton on May 13, at 2:00 PM and 8:00 PM. OIC Bates No. 338-DC-00000059.

⁵¹⁵ Foster's notes undated, OIC Bates No. 542-DC-00000984 ("Attempt to reconstruct conversations with HRC").

⁵¹⁶ Foster's notes undated, OIC Bates No. 542-DC-00001016-17 (emphasis in original).

⁵¹⁷ Foster's notes undated, OIC Bates No. 542-DC-00001018.

defend mgmt decision hereby defend HRC role whatever it was in fact or might have been misperceived to be . . . Offense strategy Hill GAO Avoid forcing DOJ⁵¹⁸

. . . .

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. MMc is vague in memory when he talked to her but (DW or MMc?) 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 tvl office and wanted to know what was being done about it. - I related I had given to Kennedy as our 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 probably told her that would start Friday. 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 decision and events in which she has no participation.

Subsequently talked to BWN, asked if he had taken a position in interviews whether he was aware of FBI contact before terminations. He said he had not been asked (Podesta told me same). I reminded him of Fri . . . discussion re use of outside auditors and holding off FBI. He said he had some recollection and if I remembered he was sure it was true. That he didn't believe he had been told in advance of contact (I agreed) 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."⁵¹⁹

Foster also related these contacts to John Podesta when Foster was interviewed for the White House Travel Office Management Review, which note taker Todd Stern transcribed as follows:

Thursday afternoon, two meetings HRC says to Vince Foster, what's the deal . . . with the Travel Office thing. Vince Foster says, there's problems.

⁵¹⁸ Foster's notes undated, OIC Bates No. 542-DC-00001060.

⁵¹⁹ Foster's notes 6/30/93, OIC Bates No. 542-DC-00001066-67.

Kennedy is figuring it out. Then afternoon meeting, David Watkins and Vince Foster . . . see Mack McLarty regarding Peat Marwick. Mack has seen HRC, according to David Watkins . . . Mack approves Peat Marwick . . . Vince Foster tells HRC . . . Thursday night . . . about Peat . . . Marwick.

Vince Foster not update her Friday. Eller is in Vince Foster's face. Friday, Vince Foster says to . . . DW . . . If you want him fired, you talk to Eller . . . David Watkins talks to Eller long distance. Vince Foster disengaging, other than tracking FBI. May have updated . . . First Lady.⁵²⁰

iii. McLarty, Watkins, Thomasson, and Foster Discussed Mrs. Clinton's Concerns.

Late Thursday afternoon, Foster,⁵²¹ Watkins, McLarty, and Patsy Thomasson attended a meeting in McLarty's office.⁵²² Watkins, Foster, and Thomasson advised McLarty of their

⁵²⁰ See GJ 95-2 Exh. 162. Stern questioned his own handwriting on the word "Thursday," said he was unsure about the "W" in DW, and said it "maybe" read First Lady at the end, but he was unsure. Stern GJ 7/10/96 at 236-37.

⁵²¹ Foster's notes of the meeting state:

Watkins advises re availability of outside auditors and perf rev

[DW, VF] discussion w/ Mack - friends, slow down, have cause before decide . . .

[team] agents available, interview Ees (admin lv?)

"gangbusters" - not there yet - low key interviews - custody of documents

-

-- hearsay

CC credible?

FBI higher profile

if clean, looks bad not business as usual

outside auditors "cover" for getting info chosen to ordinary course of business

decision to employ Peat Marwick to conduct an audit.⁵²³ McLarty approved this plan.⁵²⁴

McLarty recalled that Mrs. Clinton's concern was discussed openly at this particular meeting.⁵²⁵

McLarty testified that in subsequent meetings about the Travel Office, it was clear to him that Foster and Watkins were aware "that the First Lady was concerned" about the Travel Office

cover for financial audit . . .

if get evidence, can adjust [RV] or bring in satisfactory explanation could exist

credible, bright, not puff, might be plausible explanation

? puzzled re even & amt

absence of routine documentation

Q - fed crime

OIC Bates No. 542-DC-00000914-15. Later, Foster's notes reflect a "discussion w/ HT re strength of kickback allegation -- source prob not want to go public . . ." OIC Bates No. 542-DC-00000916. Thomason denied making this statement to Foster. Thomason GJ 7/17/96 at 107.

⁵²² McLarty GJ 7/31/96 at 56-57; Thomasson GJ 7/24/96 at 31.

⁵²³ Thomasson GJ 7/24/96 at 31; McLarty GJ 7/31/96 at 56-57. Peat Marwick was selected by "Jennifer O'Connor, who worked for David [Watkins] and [Patsy Thomasson] [as] our representative on the National Performance Review, . . . had met Larry Herman, and she suggested Peat Marwick because Larry Herman had a working knowledge of how we were doing the National Performance Review." Thomasson GJ 7/24/96 at 34.

⁵²⁴ McLarty House Depo. 7/12/96 at 31.

⁵²⁵ McLarty GJ 7/31/96 at 58-60. Foster's notes relating to this meeting reflected that:

In discussion w/ MM, PT & DW on Thurs afternoon . . . could have discussed gen'l observation that HRC generally appeared less tha[n] satisfied with timeliness of decision- making, ie cloture . . .

OIC Bates No. 210-DC-00000113.

matter.⁵²⁶ McLarty also testified that he "probably was aware" that Foster was communicating with Mrs. Clinton during the week of May 13.⁵²⁷ David Watkins's notes, dated May 31, 1993, recounting the meeting also discussed Mrs. Clinton's interest:

Watkins/Foster/Thomasson met with McLarty 4:00 p.m. [and] Advised him of situation. McLarty said he was well aware - had spoken with 1st Lady an 1 hr. before⁵²⁸

Patsy Thomasson recalled that Foster referred to his "clients" during that meeting, a phrase Thomasson knew Foster routinely used to refer to the President and First Lady.⁵²⁹ He said the Travel Office "was something that we needed to take action on, the clients wanted us to follow-up."⁵³⁰

⁵²⁶ McLarty GJ 7/31/96 at 58. McLarty testified:

I think there was a sense that we would need to address this in a very timely and serious way and deal with it, not only because Mrs. Clinton was concerned about it, but that was one of the reasons.

McLarty GJ 7/31/96 at 157.

⁵²⁷ Id. at 63.

⁵²⁸ GJ 95-2 Exh. 164 (emphasis in original). Watkins agreed that Mrs. Clinton's concerns were openly discussed at this meeting. Watkins Int. 11/22/96 at 21.

⁵²⁹ Thomasson GJ 7/24/96 at 32.

⁵³⁰ Id. at 31-32. Watkins's notes reflected the following:

May 12 & 13 Periodic reports from Vince Foster that First Lady had inquired about Travel Office & why wasn't action being taken - report was that they should be fired immediately & out of here by the end of the day.

GJ 95-2 Exh. 164. Patsy Thomasson testified that Watkins never mentioned to her the comments Foster had made prior to the meeting regarding Mrs. Clinton. Thomasson GJ 7/24/96 at 82 - 83.

Months later, when Watkins was preparing the Watkins Memorandum,⁵³¹ Matt Moore claims that Watkins told Moore that, according to Harry Thomason, on Thursday, May 13, after a Health Care Task Force meeting, Mrs. Clinton "was on the warpath" because "our people weren't there to serve the Pres[ident]," twice emphasizing the phrase "our people."⁵³²

David Gergen said that when he arrived at the White House:

[T]here was a high degree of suspicion about a lot of the permanent employees of the White House.

And so that there were rarely given -- there was a sense that they -- and I saw this back in the Nixon administration when the Nixon administration first came in after eight years of Democrat Presidents. There was a very high degree of suspicion about the permanent employees. I wasn't working there at the time, but I came in two years later and heard a great deal about this. How there was a suspicion that the ushers and the telephone operators and everybody else may have been Democratic holdovers. This was seen as a Democrat town, quote.

And when the Clintons came in after 12 years of Republican Presidents, I thought there was a high degree -- in fact, I thought an inordinate amount of suspicion about the employees who were there then, because I've known a lot of these

⁵³¹ Moore GJ 6/27/96 at 4-6.

⁵³² *Id.* at 39-40, 42; Mrs. Clinton's phraseology regarding putting "our people" in the Travel Office was also attributed to her by Watkins the following day. *See, supra*, Section IV(A). Moore GJ 6/27/96 at 39, 43 (testifying that Watkins told Moore that Mrs. Clinton's views regarding the Travel Office were "passed to him from Harry Thomas[on]").

Stern said that during their interview of Mrs. Clinton for the White House Travel Office Management Review, she made no mention of having made such a statement to Watkins. Stern GJ 7/10/96 at 145. Stern said the First Lady did acknowledge speaking with Watkins about the Travel Office, but Stern said "all that I recollect is that he gave her an update on the progress of the Peat Marwick review. . . . she told us that she talked briefly to Watkins and that he gave her an update on the Peat Marwick review." *Id.* at 145-46.

The only other possible source for this attribution to Mrs. Clinton is Harry Thomason, but Thomason denied attributing any statement to Mrs. Clinton like "why these people aren't gone" or "she is ready to fire them all that day" or they should be gone "by the end of the day." Thomason GJ 7/17/96 at 133-34, 142. In his House testimony, Thomason explained he would not have said she said such things because he "didn't believe that she had the authority to fire them." Thomason House Depo. 5/17/96 at 172.

people, the operators and so forth. And so I had the sense that people were jumpy, because there was a -- people were -- there was a general state of agitation about the permanent employees or the holdover employees.

And there was -- and so the people tended to act before they necessarily had had calm hearings or discussions. And it was in that -- I was viewing this travel business in that context, in which I knew the Clintons were very concerned about it, because they had been told all of these lurid tales. You know, are these people holdovers? Are they passing information to the Republicans? That sort of thing.⁵³³

d. Watkins Retained Auditors and His Staff Prepared For the Travel Office Review.

On the evening of Thursday, May 13 at around 6:30 p.m., Watkins called Larry Herman of Peat Marwick to retain him.⁵³⁴ After the conversation with Herman ended, another meeting started involving Watkins, Patsy Thomasson, Foster, and Watkins's Deputy Jennifer O'Connor.⁵³⁵ Watkins "explained to Mr. Foster that there was going to be a review of the Travel Office . . . in order to see if there were -- i[f] there was anything amiss in their financial accounting and systems. And Mr. Foster thought that it was a good plan I think he indicated he wanted to check with some other set of individuals to see if this met everybody's sort of idea of what was a good plan."⁵³⁶ Foster did not indicate who he meant, other than to say "upstairs."⁵³⁷ Watkins also

⁵³³ Gergen GJ 7/1/96 at 27-28.

⁵³⁴ Herman GJ 6/20/96 at 5, 11.

⁵³⁵ O'Connor GJ 6/20/96 at 3-4, 22-23.

⁵³⁶ Id. at 23-24.

⁵³⁷ O'Connor GJ 6/20/96 at 24. O'Connor reports Foster as saying "that the people upstairs -- whoever they were -- wanted to move quickly." Id. at 30-31. O'Connor interpreted the comment to refer to people like Nussbaum, the First Lady, McLarty, who were literally located upstairs from Watkins, as opposed to referring to "chain of command" above Watkins. Id. at 26. O'Connor said, "it was clear that Mr. Watkins knew who [Foster] was talking about, and I assumed he was using this code -- whatever it was for -- so that I wouldn't know who he was talking about." Id. at 31.

said "that he thought it was a bad idea to fire the Travel Office staff and to replace the older employees with Catherine Cornelius . . . that he would look like a fool if he replaced the older employees with Ms. Cornelius."⁵³⁸

Sometime after 7:00 p.m., Patsy Thomasson held a meeting in her office with O'Connor, Paul Toback, Peter Segal, Matt Moore -- all members of Watkins's staff -- and possibly other members of Watkins's staff.⁵³⁹ At the meeting, Thomasson explained that everyone needed to be in early the next morning to help with a review of the Travel Office and indicated that there was some sort of problem in that office.⁵⁴⁰ Cornelius testified that Thomasson told her about the audit by phone.⁵⁴¹

That night, Segal, Moore, and O'Connor joined Cerda and Cornelius at their home to socialize and discuss the next day's events.⁵⁴² O'Connor testified that Cornelius was very nervous and afraid of the hostile Travel Office employees because of the audit.⁵⁴³ She also testified that

⁵³⁸ O'Connor GJ 6/20/96 at 28. O'Connor said that Watkins seemed to feel pressure to fire the Travel Office employees. O'Connor GJ 6/20/96 at 32. She based this conclusion on Watkins's indication that "he clearly didn't think that he had enough evidence to fire the folks in the Travel Office" Id. at 33. She later stated that Watkins "wanted to slow down the process," that he perceived was in motion, of having to fire the people in the Travel Office. Id. at 48.

⁵³⁹ O'Connor GJ 6/20/96 at 34. Watkins left town around 6:00 p.m., Thursday, the afternoon of May 13, 1993. Thomasson GJ 7/24/96 at 50.

⁵⁴⁰ O'Connor GJ 6/20/96 at 35.

⁵⁴¹ Cornelius GJ 7/25/96 at 134.

⁵⁴² O'Connor GJ 6/20/96 at 36; Cerda GJ 7/1/96 at 129.

⁵⁴³ O'Connor GJ 6/20/96 at 36. Cornelius explained, "I thought they were suspicious of me and I was suspicious of them. I mean, it was a tense situation. I was afraid to go in there. It's like a hostile environment. Nobody wants to go every morning at 9:30 and sit in a hostile room all day and feel like you're being watched." Cornelius GJ 7/25/96 at 88.

Cornelius said she knew there was pressure on Watkins to fire the employees, and that she, O'Connor, believed that as of the evening of May 13, Watkins was being pressured to fire the Travel Office staff by "the people upstairs."⁵⁴⁴ O'Connor, however, said, "it's all very fuzzy," and that Watkins never expressly told her "he was being pressured."⁵⁴⁵ O'Connor further recalled that Cornelius said Thomason had spoken with the First Lady about it, and the First Lady was very concerned.⁵⁴⁶

e. Summary of Allegations Made Relating to the Conduct of the Travel Office.

Given the large number and varied types of allegations of wrongdoing by the Travel Office, and the varied manner in which those allegations were conveyed to the FBI, we conclude this section of the Report with a summary section detailing the various allegations and the evidence supporting them at the time that the FBI and Peat Marwick began their formal investigations.

The allegations of wrongdoing by Travel Office employees that was communicated to the FBI before Peat Marwick began its review included the following: that it was "doing business with only one company and not being willing to let other people bid"⁵⁴⁷; "that Billy Dale and others in the White House Travel Office were living beyond their means" "Billy Dale had a

⁵⁴⁴ O'Connor GJ 6/20/96 at 32.

⁵⁴⁵ Id. at 34-35, 37, 56.

⁵⁴⁶ Id. at 37-38.

⁵⁴⁷ Thomasson GJ 7/24/96 at 16-17 (Thomasson said she heard this from Cornelius, Harry Thomason, and David Watkins); see also Thomasson GJ 7/11/95 at 13-15 (citing Harry Thomason as the source); Post-Ross (a friend of Harry Thomason) GJ 7/1/96 at 8-9 (citing Harry Thomason as the source). Cornelius communicated this allegation to the FBI. Carl GJ 6/4/96 at 21.

vacation home" and "that somebody there had owned and raced horses;"⁵⁴⁸ that "kickbacks [were] being taken by employees of the Travel Office;"⁵⁴⁹ "that there were checks made to cash and things like that -- sort of suggesting financial irregularities;"⁵⁵⁰ that "the staff of the Travel

⁵⁴⁸ Thomasson GJ 7/24/96 at 17; Wade GJ 6/4/96 at 12 (this was repeated to the FBI by Kennedy); Watkins GJ 2/28/95 at 46 (Cornelius told Watkins "that one of them owns race horses" within the first two weeks after Watkins had moved her to the Travel Office); Cornelius GJ 7/25/96 at 175-76 (Cornelius said that when Watkins asked her why she thought the Travel Office employees were living beyond their means, she told him "that Billy Dale has a lake home, that Gary Wright has a lake home, outside of his normal residence with his family, that John McSweeney has a horse. I think he had two horses and it was a colt. And John McSweeney had shown me the picture of the colt that he was trying to race in New Jersey, and that Barney had a boat"); Voles GJ 6/20/96 at 15-16 (Eller told the White House press staff sometime the week of May 10 "that the men who operated the Travel Office had -- were not being square with all the money; that there may -- that maybe they had racehorses, or a home in Switzerland, or -- you know, kind of said that they had, you know, expensive things that a government employee, a federal employee wouldn't really necessarily be able to afford on their salary").

⁵⁴⁹ O'Connor GJ 6/20/96 at 12 (O'Connor said Watkins told her this at lunch early in the week of May 13); Martens 7/16/96 at 89 (Martens said he told Thomason sometime in March or April that "Miami Air had indicated to Air Advantage that one of the reasons that they were not able to participate with the White House or provide flights to the White House is that they were unwilling to make arrangements regarding the payments"); Holton GJ 7/2/96 at 24 (Holton said that Cornelius told them during her White House Travel Office Management Review that by the time Harry Thomason mentioned the kickback allegation to her, "she understood it to be an allegation of a five percent kickback"); Post-Ross GJ 7/1/96 at 11-12; Watkins GJ 2/28/95 at 37-38 (Harry Thomason told him in late March or early April that there "were kickbacks going on in the White House Travel Office" and "some of the guys in the Travel Office were getting paid off by charter companies"); Cornelius GJ 7/25/96 at 101-02 (Cornelius said that Thomason mentioned that there had been a solicitation of a kickback from Miami Air at the 2 p.m. meeting on May 12 in Foster's office).

⁵⁵⁰ O'Connor GJ 6/20/96 at 12 (O'Connor cites Cornelius as the source for this allegation); Cornelius GJ 7/25/96 at 69-73 ("there were a lot of checks to cash, like \$5,000 or \$3,000 to cash" but "in the trip file, there's no corresponding receipts at all"); Wade GJ 6/4/96 at 12, 18-20 (this was repeated to the FBI by Kennedy); Carl GJ 6/4/96 at 20 (this was also repeated to the FBI by Cornelius, who showed them copies of some checks); Watkins GJ 2/28/95 at 47-48 (Watkins said Cornelius told him about "the petty cash and other things that she just -- she just was not sure about the check writing, the way they ran the operation, and so forth" around Wednesday, May 12); Cerda GJ 7/1/96 at 87 (Cornelius "told me that she had been looking at some of the documents in the Travel Office, and that she had found various checks that had been made out to cash"); *Id.* at 90 (Cornelius told Cerda that "she found checks made out to Billy Dale or Gary Wright, to their own accounts, to either of themselves as opposed to

Office were soliciting kickbacks;"⁵⁵¹ that the press was "bringing in duty free carpets . . . without paying customs; that they were being served champagne and caviar;"⁵⁵² that there was suspicion of "embezzlement and/or skimming of funds;"⁵⁵³ or more generally that the employees in the Travel Office were "crooks;"⁵⁵⁴ that "people in the Travel Office would go on a trip . . . to another country and c[o]me back to the Travel Office and . . . get reimbursed for it . . . without

cash"); Lufrano GJ 7/17/96 at 7-9, 13 (Cornelius told Lufrano sometime by May 12 "about checks that were written up to cash"); Kennedy GJ 7/30/96 at 28 (Cornelius told Kennedy "that the checks [were] being written to cash in large amounts").

⁵⁵¹ O'Connor GJ 6/20/96 at 14-15 (O'Connor said that Harry Thomason passed this tip on to her while walking to a meeting on either Tuesday, May 11 or Wednesday, May 12); Holton GJ 7/2/96 at 18 (notes of Martens's White House Travel Office Management Review interview recorded Martens saying "Billy Dale made it clear to pres. and VP of marketing at Miami Air that some sort of remuneration would be required to keep his business"); Wade GJ 6/4/96 at 27 (Cornelius told the FBI that "the individual in the Travel Office said, 'If you want that contract, you'll have to kick back five percent'"); Lindsey GJ 4/1/96 at 14 (sometime in February, March, or April 1993, he was told by Harry Thomason that "they were demanding kickbacks"); Cerda GJ 7/1/96 at 86 (Cornelius told Cerda that at her meeting with Harry Thomason in early May, Thomason said that "Billy Dale's operation had solicited kick-backs from another charter company that had wanted to do business with the White House" and that the name of the other company was "Miami Air"); Sample GJ 6/13/96 at 30-32 (Sample stated that either "Ross Fischer or Bob Conser" of "Miami Air" "was of the opinion that there were some kickbacks, and they didn't really care to do business with the White House" and "allude[d] to the fact that there was probably some solicitation there," which Sample then passed on to Martens, which she said was "very irresponsible" of her); Thomason GJ 7/17/96 at 90 (Thomason refused to take responsibility for the word kickback, saying "the word kickback was sort of a product of all the buzz just going on in all these meetings. There were all these things thrown out"); Id. at 91-92 (Thomason claimed to have learned of the kickback/Miami Air allegation from a reporter).

⁵⁵² Post-Ross GJ 7/1/96 at 12, 25-26 (Thomason was her source).

⁵⁵³ Bourke GJ 6/4/96 at 14 (this allegation was passed on to the FBI by Kennedy).

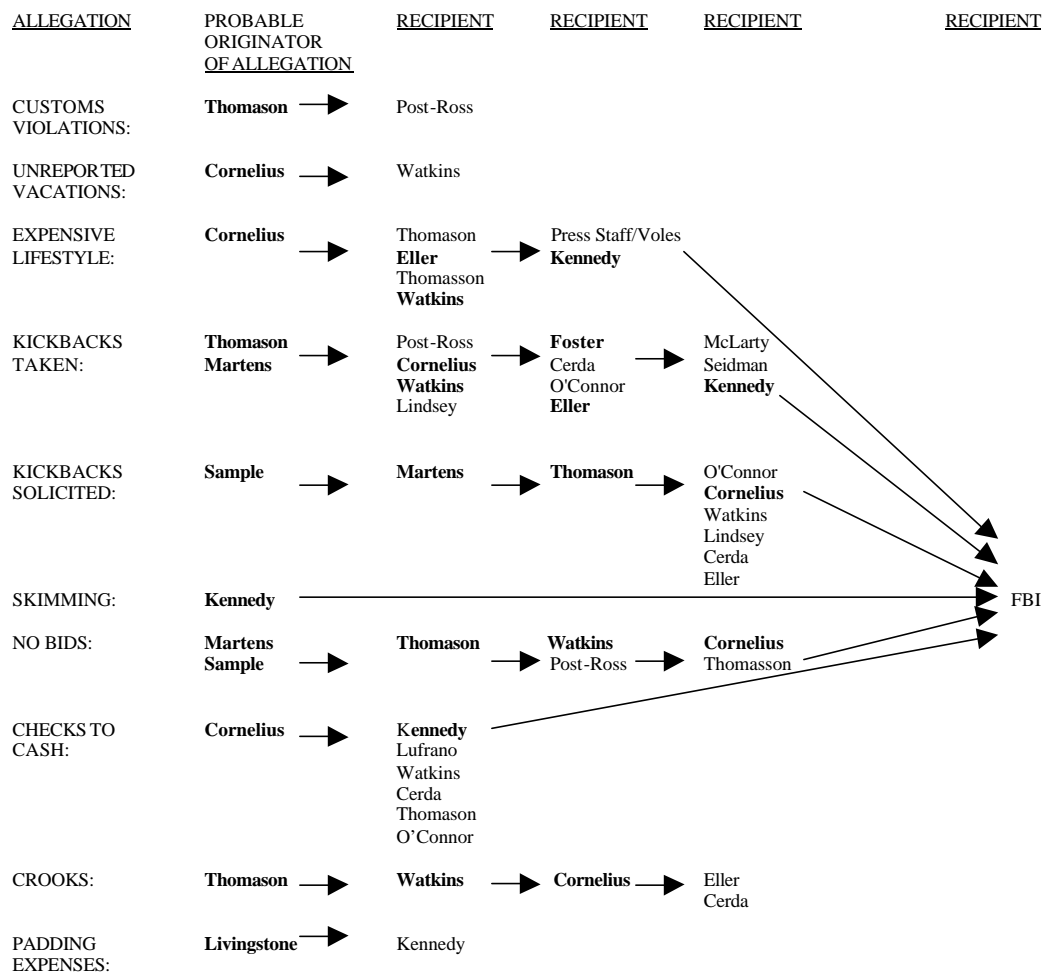
⁵⁵⁴ Cerda GJ 7/1/96 at 84-85 (sometime between April 15 and May 7 Cornelius told her that Watkins had taken Cornelius into his office and "said to her, a source -- he didn't tell her who the source was -- has told us that people in that office were crooks and that there may be some wrongdoing"); Cornelius GJ 7/25/96 at 107-08, 173-74 (Cornelius said Watkins told her they were "crooks" who had "been on the take for years," which caused Cornelius to think, "gosh, if they think these guys are crooks, they must be crooks," which she then shared with Jeff Eller).

receipts;"⁵⁵⁵ and "that they played golf like on Wednesday [] or they would take days out of the office."⁵⁵⁶

⁵⁵⁵ Livingstone GJ 7/1/96 at 37-38 (Craig Livingstone, the only one that mentions this genre of allegations, passed this rumor on to Kennedy, and said that he does "not recall specifically where I got it from"); Kennedy GJ 7/30/96 at 10-11 (confirming that Livingstone passed on rumors that the "Travel Office was not being run on the up and up," though Kennedy could not remember what Livingstone specifically alleged).

⁵⁵⁶ Cornelius GJ 7/25/96 at 64-65 (Cornelius said she did not view this as necessarily "illegal," but rather as "inefficient" though she still passed it on to Watkins when he asked her if she had seen anything since moving to the Travel Office).

The following chart identifies the various allegations and summarizes how they were communicated among White House staff.⁵⁵⁷



Billy Dale was aware of the existence and the general nature of these accusations. On May 13, Director of Press Advance Anne Edwards said Billy Dale told her "he really needed to talk to me, and he didn't usually say that. And he pulled me aside and told me that he was worried about his job, that there had been a person complaining[,] that he had a memo he made -- he told -- he said a memo that -- that there were complaints about his work."⁵⁵⁸ Edwards

⁵⁵⁷ The individuals identified with bold-faced type communicated allegations to others.

⁵⁵⁸ Edwards GJ 6/6/96 at 3, 15-16. The March 3, 1993 memo from Martens to Thomason turned up in the press's hands contemporaneously with the firings, Martens GJ

promised Dale she would "stick my nose in and find out what is going on," but the firings occurred before she could return from an overseas trip.⁵⁵⁹

4. Friday, May 14, 1993.

On May 14, KPMG Peat Marwick began its Travel Office audit. That audit quickly produced evidence of Dale's mishandling of Travel Office petty cash. Also on May 14, Jeff Eller demanded and secured a meeting with Chief of Staff "Mack" McLarty, in which he argued for immediate resolution of the Travel Office inquiry. And, on May 14, David Watkins had his only conversation with Mrs. Clinton regarding the Travel Office.⁵⁶⁰

a. Peat Marwick Began its Travel Office Review.

Peat Marwick began its Travel Office investigation the morning of May 14. This investigation revealed a major lack of organization, numerous inconsistent financial practices, and serious financial mismanagement in the Travel Office. Among the missing and crucial sources of information were ledgers, cash logs, and the like. Though the impetus to examine the Travel Office may have arisen from self-interest and baseless speculation, evidence of financial irregularities was real.

At approximately 7:00 a.m. on May 14, several White House staffers, including Jennifer O'Connor, Patsy Thomasson, Kennedy, and Foster, met with the Peat Marwick auditors to work

7/16/96 at 115, and this is the only memo by a "he" criticizing Dale's office known to exist in the record compiled in this and other investigations (Memorandum from Martens to Thomason 3/3/93, OIC Bates No. AL-DC-00007620 (with fax cover sheet and summary attachment)).

⁵⁵⁹ Edwards GJ 6/6/96 at 15-16.

⁵⁶⁰ Also sometime on May 14, World Wide Travel agent Fan Dozier arrived in Washington, D.C., and Cornelius told her, as she had been told to say by Watkins, "that she should just wait until we needed her, if we needed her." Cornelius GJ 7/25/96 at 137.

out a plan for the audit.⁵⁶¹ Larry Herman of Peat Marwick testified that these White House officials and staff "had indicated that they had some questions about cash or internal controls or petty cash or that area of concern."⁵⁶² Kennedy testified that, in conversations he was not part of, it was decided that the Travel Office employees would not be told the audit's real purpose but, rather, that the auditors' work was part of the National Performance Review.⁵⁶³ At the meeting, a mechanism was set up so the auditors could report on their progress.⁵⁶⁴

The Peat Marwick audit commenced early on May 14, 1993 and continued through May 16, 1993. Thomasson advised the Travel Office staff that Larry Herman of Peat Marwick would conduct the review.⁵⁶⁵ Herman said the Travel Office staff "was reluctantly cooperating."⁵⁶⁶ Billy Dale testified that prior to Friday morning on May 14, 1993, the Travel Office had "never [had] any audits from the time that [he] was director except maybe one in 1986 and somebody

⁵⁶¹ O'Connor GJ 6/20/96 at 42-43; Herman GJ 6/20/96 at 13; Kennedy GJ 7/30/96 at 73-76; Thomasson GJ 7/24/96 at 38-40. Matt Moore testified that Peter Segal, Paul Toback, himself, and possibly others (including O'Connor and Foucart) were also present. Moore GJ 6/20/96 at 28. Moore testified he did not recall hearing of any possible wrongdoing in the Travel Office prior to the May 14 meeting. *Id.* at 29.

⁵⁶² Herman GJ 6/20/96 at 63-64.

⁵⁶³ Kennedy GJ 7/30/96 at 73-74; Herman GJ 6/20/96 at 19-20. The Administration initially claimed publicly that the review of the Travel Office was part of the National Performance Review. Statement of Dee Dee Myers, White House Press Briefing (5/19/93); Statement of Dee Dee Myers, White House Press Briefing (5/20/93); Statement of George Stephanopoulos, White House Press Briefing (5/21/93). The White House was later forced to withdraw that claim. Statement of George Stephanopoulos, White House Press Briefing (5/26/93).

⁵⁶⁴ Kennedy GJ 7/30/96 at 74.

⁵⁶⁵ O'Connor GJ 6/20/96 at 43. O'Connor testified that she was present during the audit to ensure no files or other evidence were taken from the office. *Id.* at 44. She also conducted interviews of the Travel Office staff to see how the office was run. *Id.* at 87.

⁵⁶⁶ Herman GJ 6/20/96 at 78.

came in and asked some questions."⁵⁶⁷ Dale said he was told that Peat Marwick was there to "see if there was any way that duties and responsibilities could be streamlined."⁵⁶⁸

Peat Marwick reported its findings to Thomasson for the first time at approximately 10:00 a.m., and then every 2 to 2 ½ hours thereafter for the rest of the day.⁵⁶⁹ Not long into the review, Herman advised that "the bookkeeping practices were so bad that he couldn't actually do an audit, because to do an audit, you need to compare two sets of books, and they only had one set of books, so he couldn't compare them to anything else."⁵⁷⁰ Herman described it as "an ungodly mess in terms of records [T]he recordkeeping was basically piling up for, I would estimate over 10 years, in a closet in the room."⁵⁷¹

⁵⁶⁷ Dale GJ 7/9/96 at 30. At his trial, Dale provided greater detail about the review that occurred in 1986. He testified that a "Mr. Richard White . . . came in, and at this date I am not certain what records he looked at. He looked at some of them, made a determination that there was nothing wrong, and wrote his report to the best of my knowledge." Trial Testimony of Billy R. Dale at 237, United States v. Dale, No. CR 94-469 (D.D.C. Nov. 9, 1995).

⁵⁶⁸ Dale GJ 7/9/96 at 59-60. Dale said that because he did not understand the "review" to be an actual audit, Dale had not thought it necessary to tell Peat Marwick about two separate cash ledgers or a second petty cash fund. Id. at 60-61.

⁵⁶⁹ Thomasson GJ 7/24/96 at 47-48.

⁵⁷⁰ O'Connor GJ 6/20/96 at 50. Herman explained it was not an audit, which "look[s] at an a [sic] income statement and a balance [sheet] that a client or a business provides," as opposed to the Travel Office review, which was a "focus on the financial management system and the petty cash procedures, because that was where some weaknesses and potentially some missing money was identified." Herman GJ 6/20/96 at 55-56. Even though it was not an audit using formal accounting standards, Herman said he followed "something technically known as 'agreed-upon procedures,' which means that it's not an audit, but we've followed some procedures which are standard procedures in the profession." Id. at 56-57.

⁵⁷¹ Id. at 25-26.

Dale later testified that he was aware that something more than a "streamlining" review was underway.⁵⁷² Dan Russell, a Peat Marwick employee assisting with the review, asked Dale for his petty cash log, and Dale gave Russell the general petty cash log without mentioning that there were certain items not recorded in that log.⁵⁷³ Dale also gave Russell the check register recording amounts for checks cashed in amounts below the amount written on the actual check.⁵⁷⁴ Although Dale realized that the petty cash and check register records were being scrutinized, he made no mention of the ledger, known only to him, that he kept for the second surplus fund.⁵⁷⁵ Russell eventually discovered four checks totaling approximately \$14,000 that had been cashed, but which had not been recorded in the general petty cash ledger given to him earlier by Dale.⁵⁷⁶

Russell then went back to Dale and asked Dale if he "had any additional petty cash logs," and Dale said that "is when we started looking for them and I discovered that they were gone."⁵⁷⁷ According to Dale, portions of the general civil ledger were missing.⁵⁷⁸ At this point, Dale again

⁵⁷² Trial Testimony of Billy R. Dale at 234, United States v. Dale, No. CR 94-469 (D.D.C. Nov. 9, 1995) (when Russell asked about the four unaccounted for checks "it became apparent to me that this was not just a typical review of the office").

⁵⁷³ Id. at 230-31.

⁵⁷⁴ Id. at 160-65.

⁵⁷⁵ Dale GJ 7/9/96 at 61.

⁵⁷⁶ Trial Testimony of Billy R. Dale at 231, United States v. Dale, No. CR 94-469 (D.D.C. Nov. 9, 1995). Although the transcript at page 231 says that five checks were at issue, apparently this was a misstatement by the prosecutor, as subsequent questioning by the United States refers to only four checks being at issue. Id. at 232, 234.

⁵⁷⁷ Id. at 61.

⁵⁷⁸ Dale maintained that the ledgers must have been taken by Cornelius or someone working for her. Dale GJ 7/9/96 at 51-55. Dale claimed that in February, 1993, the general petty cash ledger's loose-leaf binder was becoming overfilled, so he removed all but the preceding year's pages, and placed the other ten year's worth into a large manila envelope. Dale GJ 7/9/96

made no mention to Peat Marwick about the second, secret petty cash fund or its ledger because, he said, Peat Marwick "never asked me about it."⁵⁷⁹

Around three or four o'clock, Peat Marwick found a check in the amount of \$5,000, which was inconsistent with the entry in the general petty cash ledger Dale had given Russell earlier in which only \$2,000 was recorded as the total amount received for the check.⁵⁸⁰ Dale said that initially he told Russell "that the money was not in the petty cash fund."⁵⁸¹ Sometime later that day or the next,⁵⁸² Dale told Russell that he "had \$2,800 in that drawer, [he] showed them the \$2,800 from the second petty cash."⁵⁸³ Herman said that Russell reported that Dale "did not have any additional information on where the records from the journal was missing, or did not recall fully what the money was used for."⁵⁸⁴ Peat Marwick reported this information to Patsy Thomasson.⁵⁸⁵

at 50.

⁵⁷⁹ Dale GJ 7/9/96 at 62.

⁵⁸⁰ Id. at 232-33; Dale GJ 7/9/96 at 60-62.

⁵⁸¹ Trial Testimony of Billy R. Dale at 232, United States v. Dale, No. CR 94-469 (D.D.C. Nov. 9, 1995).

⁵⁸² Id. at 233.

⁵⁸³ Dale GJ 7/9/96 at 60-61.

⁵⁸⁴ Herman GJ 6/20/96 at 29-30. There were no records found that could support what the funds of the unreconciled petty cash checks were used for.

⁵⁸⁵ Id. at 27 (testifying that "we informed her that we were having trouble reconciling all of the petty cash transaction[s] that we were beginning to look at"). Herman said that he reported the findings regarding the cash transactions at various time throughout May 14 to Thomasson, O'Connor, and Foucart. Herman GJ 6/20/96 at 35-36.

b. Eller Demanded a Meeting With McLarty.

Also on May 14, Eller, went to Chief of Staff McLarty's office without an appointment and insisted on a meeting.⁵⁸⁶ Ricki Seidman, a White House Deputy Communications Director, also attended and arranged for Foster to join them.⁵⁸⁷ McLarty testified that Eller was forceful in recommending that the Travel Office employees be fired immediately.⁵⁸⁸ McLarty also testified that Eller was extremely frustrated that the audit was delaying Eller's preferred action.⁵⁸⁹ Seidman confirmed McLarty's recollection.⁵⁹⁰ Foster's notes reflect the following: "Ricki calls me to Mack's office. Eller presses for immediate action . . . Eller states need to do by 5PM."⁵⁹¹ McLarty said he told Eller they "were not going to proceed with any decisions on this day" and that "Mr. Foster strongly agreed with that and expressed a similar view."⁵⁹²

c. Mrs. Clinton and David Watkins Had Their Single Substantiated Pre-Firing Conversation Which Occurred by Telephone.

At approximately 4:14 p.m. on Friday, May 14,⁵⁹³ David Watkins and Mrs. Clinton had their only direct conversation with one another regarding the Travel Office situation.⁵⁹⁴ Because

⁵⁸⁶ McLarty House Depo. 7/12/96 at 34; McLarty GJ 7/31/96 at 65; Eller GJ 7/17/96 at 54 (Eller claims no recollection of this meeting).

⁵⁸⁷ Seidman GJ 7/18/96 at 21-24; McLarty GJ 7/31/96 at 65; GJ 95-2 Exh. 241 (Foster's notes).

⁵⁸⁸ McLarty GJ 7/31/96 at 68-69.

⁵⁸⁹ Id. at 65-73.

⁵⁹⁰ See Seidman GJ 7/18/96 at 20-30.

⁵⁹¹ GJ 95-2 Exh. 241; see also Seidman GJ 7/18/96 at 20; Eller GJ 7/17/96 at 54.

⁵⁹² McLarty House Depo. 7/12/96 at 35; see also McLarty GJ 7/31/96 at 69-70.

⁵⁹³ See, infra, Subsection (D)(6)(b) for discussion of telephone billing records placing this as the likely time for this conversation.

of this conversation's potential significance, we describe in some detail the evidence developed relating to this phone call.

On the afternoon of May 14, Patsy Thomasson met with Foster to update him on the audit's progress. During this meeting, Foster talked with Watkins by telephone and suggested that Watkins call Mrs. Clinton to update her, which he did.⁵⁹⁵ Patsy Thomasson said that Foster told Watkins "that the clients were concerned" and that Watkins should "report in."⁵⁹⁶ Watkins, who was out of town to attend his daughter's college graduation,⁵⁹⁷ said that he had been on the phone updating Vince Foster about the Peat Marwick review when Foster told Watkins, "'Well, I would like for you to talk to Hillary directly and tell her what's happening.'"⁵⁹⁸ Foster tried to transfer Watkins directly to Mrs. Clinton, but Watkins was cut off and had to call back.⁵⁹⁹ When Watkins was initially put off because Mrs. Clinton was purportedly getting ready to attend a social event, Watkins persisted: "Well, I think I need to talk to her. She really wants to talk to me or something, so just a few minutes . . . I'll only take a minute."⁶⁰⁰

⁵⁹⁴ Watkins FBI Int. 8/10/93 at 4.

⁵⁹⁵ Thomasson GJ 7/24/96 at 57. Patsy Thomasson testified that she heard Foster tell Watkins to call Mrs. Clinton, and Watkins's notes confirm that he did make this call. *Id.* at 50-52; GJ 95-2 Exh. 164. Watkins's golf partner for that weekend said Watkins "was on the phone constantly" on Friday May 14 with Foster, McLarty, Thomasson, and Mrs. Clinton, both placing and receiving calls. Cloud 6/4/99 at 15, 29. Telephone records corroborated this assertion, though not other aspects of Mr. Cloud's description of Watkins's phone activity. *See, infra*, Subsection (D)(6)(b) and accompanying notes.

⁵⁹⁶ Thomasson GJ 7/24/96 at 51, 184.

⁵⁹⁷ *Id.* at 53-54.

⁵⁹⁸ Watkins GJ 2/28/95 at 53.

⁵⁹⁹ *Id.* at 53.

⁶⁰⁰ *Id.* at 53.

i. Watkins's Description of His Phone Conversation With Mrs. Clinton.

Watkins has repeated the substance of this conversation many times. Each of Watkins's descriptions follows:

a) Watkins's Description of His Conversation With Samuel L. Bowman.

Watkins described his conversation with the First Lady to his friend and business partner Samuel L. Bowman.⁶⁰¹ Bowman was married to Vince Foster's sister, Sharon, from 1964 through 1998 and had rented David Watkins's home in Arkansas.⁶⁰² He had also been Watkins's roommate in college.⁶⁰³ Bowman remembered having a conversation with Watkins at their office in Little Rock, Arkansas, sometime in 1996, during which Watkins recalled his May 1993 conversation with the First Lady.⁶⁰⁴ Bowman testified that Watkins told him about that conversation with Mrs. Clinton, saying:

[Watkins was] in Little Rock and golfing, and halfway through the golf match he went to the telephone to call the White House to apparently check on Vince, what was going on and update himself. And he gets on the phone with Mrs. Clinton, as he's describing this to me, she brings him up-to-date on whatever was going on, and then he -- the only thing he described about the conversation to me, and with specificity, was as she was hanging up, she said, "David, you just might have to fire them." And as he described this to me, he had sort of an exasperated look on his face.⁶⁰⁵

⁶⁰¹ Bowman GJ 6/2/99 at 15-16

⁶⁰² Id. at 6-7.

⁶⁰³ Id. at 3-4.

⁶⁰⁴ Id. at 15-16, 18.

⁶⁰⁵ Id. at 6-8, 15-16.

b) Watkins's Handwritten Notes of May 31, 1993.

May 14 . . . Watkins talks to Foster - who says he's getting more pressure from First Lady to act - Would Watkins call First Lady & Eller. Watkins calls First Lady - Describes situation with Audit Team. F Lady says she thinks these people should be out. Harry says 'We can do the job with his assistance - Watkins says he will get report from Peat Marwick & take action next week.'⁶⁰⁶

c) Watkins's Handwritten Notes of June 2, 1993.

Hillary telephone conversation with D. Watkins on Friday May 14 "Harry says his people can run things better; same money, etc. And besides we need those people out -- We need our people in -- We need the slots."⁶⁰⁷

d) FBI Interview of Watkins on August 10, 1993.

WATKINS called HILLARY CLINTON and advised her of the findings of the review. 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.⁶⁰⁸

⁶⁰⁶ GJ 95-2 Exh. 164 (Watkins's notes dated May 31, 1993) (emphasis in original). Watkins recalled this conversation and stated that the substance of it was accurately described in his note. Watkins Int. 11/22/96 at 23. These notes were turned over by Watkins to Todd Stern along with other documents during the process leading up to the White House Travel Office Management Review. Stern confirmed that the handwriting in the note was Watkins's. Stern GJ 7/10/96 at 194-95; Podesta GJ 7/18/96 at 35.

⁶⁰⁷ Watkins's notes 6/2/93, OIC Bates No. 542-DC-00001499.

⁶⁰⁸ Watkins FBI Int. 8/10/93 at 4-5 (capitalization in original). White House Associate Counsel Cliff Sloan transcribed a description of this interview provided by Watkins's lawyer, "Vince Foster had told David Watkins to report to the First Lady regarding the status of the matter 'Tried to reach her for ½ hour' 'His impression she thought prompt necessary action in light of findings' 'She didn't mandate anything' 'She talked re 25% cut, other consid[erations] 'He said he'd take into account in reviewing P[eat] M[arwick] audit' 'HRC -- better people could be found if these people could not be . . . trusted.'" Sloan GJ 8/1/96 at 44-46.

e) **Statements Related to or Contained in the Watkins Memorandum.**

Watkins's assistant, Matt Moore, testified that when Watkins, Patsy Thomasson, and Moore sat down on September 8, 1993 for Watkins to dictate an outline of what became the Watkins Memorandum to Moore, Watkins "indicated he had one conversation with the First Lady."⁶⁰⁹

Early and later drafts of the Watkins Memorandum reflected Watkins's conversation with Mrs. Clinton. An early draft reported:

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 Penny Sample to handle the basic travel functions, the actual actions taken post dismissal -- , and in light of that she thought immediate action was in order.⁶¹⁰

A later draft said that in his May 14 telephone conversation with her, "she conveyed to me in clear terms her desire for swift and clear action to resolve the situation;" and that "she thought that immediate action was appropriate."⁶¹¹

⁶⁰⁹ Moore GJ 6/27/96 at 102. Moore said he made his September 8 notes of his conversation with Watkins contemporaneously as Watkins was speaking to him. Id. at 97.

⁶¹⁰ GJ 95-2 Exh. 69-E at 2.

⁶¹¹ GJ 95-2 Exh. 69-N at 2. The underscored language above appears on the draft memorandum in Moore's handwriting. See Moore GJ 6/27/96 at 73.

f) Watkins's GAO Interview on December 9, 1993.

The report of Watkins's GAO interview reflected Watkins's discussion with Mrs. Clinton as follows:

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.⁶¹²

g) Watkins's Grand Jury Testimony on February 28, 1995.

Watkins testified before the grand jury about the conversation with Mrs. Clinton as follows:

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."⁶¹³

h) FBI Interview of Watkins on January 15, 1996.

The report of Watkins's interview about the conversation with Mrs. Clinton reflects the following:

WATKINS went over the reports regarding the Peat Marwick review with HILLARY CLINTON. Throughout the conversation, HILLARY CLINTON remained calm and she commented she had been told by others that in transitions,

⁶¹² Watkins GAO Int. 12/9/93 at 17.

⁶¹³ Watkins GJ 2/28/95 at 53. Watkins testified that he understood the quote he attributes to Mrs. Clinton concerning "our own people" to refer to bringing in the Little Rock travel agency World Wide Travel, who Watkins considered to fall within the scope of "our people because they had been involved in the campaign." Watkins GJ 2/28/95 at 54, 91.

"We need to get them out and our people in." HILLARY CLINTON went on to say, "Besides, with the twenty-five percent reduction, we need the slots; if necessary, fire them."⁶¹⁴ WATKINS did not take this as direction by HILLARY CLINTON to fire the Travel Office staff, but as a direction to move quickly.⁶¹⁵

i) Watkins's Testimony Before the House Committee on January 17, 1996.

Finally, Watkins testified before the House Committee as follows:

I feel that in my conversation, my one and only conversation with the First Lady, it was very cordial, businesslike, very much a review of what it was after the first day of the Peat Marwick investigation or review, and I reported to her very -- just findings of Peat Marwick. She understood them, indicated to me that Harry had said we could save money, we needed our people in, and those people out, we needed the slots. . . . [O]n that conversation . . . is I did not feel any pressure from the First Lady.

In that conversation she did not direct me to fire them. There was a -- Congressman, we have been many, many times, there was a decision to reduce the White House staff, the entire White House by 25 percent. Part of that reduction would have come from the White House Travel Office. That's what Mrs. Clinton referred to when she said we need the slots, and what we were talking about is that we need to make it -- to -- to remove some people and make it a more efficient operation, we need the slots.⁶¹⁶

⁶¹⁴ The language, "if necessary, fire them," appears only in this report of the interview. The FBI agent's handwritten notes do not indicate that Watkins was quoting Mrs. Clinton, although the agent used quotation marks in the final version of his report. See Notes of Interview of Watkins, 1/15/96, FBI File No. 29D-LR-35063-1A at 4.

⁶¹⁵ Watkins FBI Int. 1/15/96 at 7 (capitalization in original).

⁶¹⁶ White House Travel Office--Day Two: Hearing Before The House Comm. on Govt. Reform and Oversight, 104th Cong., 2d Sess. 86 (1996)(testimony of David Watkins). A phrase similar to the one Watkins's used -- "we need those people out" -- was attributed to the First Lady many years later by Linda Tripp, who "advised that while she was working near [Vince Foster's Secretary] DEB GORHAM's desk, TRIPP had to answer the phone at GORHAM's desk whenever GORHAM was not there. TRIPP recalled once answering GORHAM's phone and seeing a document about the White House Travel Office. TRIPP advised [that] the memo had VINCE FOSTER's and BILL KENNEDY's name[s] typed on it and, at the top, HILLARY CLINTON's handwriting. TRIPP advised the handwritten note said 'We need these people out and our people in' and was signed 'HRC.'" Tripp FBI Int. 1/18/98 at 7 (capitalization in original). When Deborah Gorham was asked about the matter, she denied ever having seen such a document and said that the procedures she and Foster followed for handling memoranda were such that such a document would not have been left "in open view." Gorham Int. 6/12/00 at 2.

ii. Mrs. Clinton's Description of Her Phone Conversation With David Watkins.

a) Written Answers to GAO on April 6, 1994.

In connection with the GAO's Travel Office investigation, the GAO submitted five enumerated written questions for Mrs. Clinton to answer in March 1994, the fourth of which asked: "Is Mr. Watkins's characterization of his discussion with you, as recorded by us, accurate? If not, how would you describe the discussion?"⁶¹⁷ The unsworn response given by Associate White House Counsel Neil Eggleston on Mrs. Clinton's behalf was as follows:

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.⁶¹⁸

b) OIC Deposition on July 22, 1995.

Mrs. Clinton's next description of the May 14, 1993 Watkins conversation occurred on July 22, 1995. Mrs. Clinton gave sworn testimony before the OIC at the White House in connection with the investigation of Vincent Foster's death, which included the following testimony regarding the Travel Office:

Q: Did you have any discussion with Mr. Foster, or a discussion at which Mr. Foster was present, about the White House Travel Office prior to the firing of the employees on May 19, 1993, that you remember?

A: I recall two brief conversations with Vince, but I don't know when they occurred. So, I don't know whether they were before or after your

⁶¹⁷ Eggleston GJ 7/18/96 at 82; GJ 95-2 Exh. 254.

⁶¹⁸ Mrs. Clinton's written responses to GAO's written questions 4/6/94, OIC Bates No. AJ-DC-00001520 at 1521; GAO's written questions, GJ 95-2 Exh. 254.

reference to the firings on May 19th. So, I can't place them in time. But I did have two brief conversations with him.

....

Q: Focusing on the first discussion first, would you tell us what was said in that discussion?

....

A: Well, all I can recall is that I said to him, or he said to me, it's not specific in my memory, something was happening about the Travel Office. And I, you know, I said, what's going on, or something to that effect. And he said, you know, we just have some tough decisions to make and we're moving on them, something to that effect. I can't say that's what he said. I can only give you a general feeling for my vague memory of what he said. The second conversation was when he [Foster] said that David Watkins was on the phone and handed me the phone.⁶¹⁹ And David Watkins said he was at his daughter's graduation and that things were being taken care of in the Travel Office. And that was the extent of my conversations that I recall.

Q: Do you remember asking Mr. Foster on the first occasion, or Mr. Watkins on the second occasion, any questions about what was going on?

A: I just don't remember.

....

Q: Did you ever say to Mr. Foster that we need to get our people in there, with respect to the Travel Office?

A: I don't recall saying that, no.

Q: This is something that I just want to follow-up by asking you, when you say you don't recall, does that mean that you are pretty sure that it didn't happen, or does it just mean that you don't recall whether it happened or not?

A: I don't recall whether it happened or not. I have no recollection of that.⁶²⁰

⁶¹⁹ Lisa Caputo said that during January 1996 meetings with her staff, Mrs. Clinton said that Vince Foster was present when she had her conversation with Watkins. See Caputo GJ 8/1/96 at 42.

⁶²⁰ H. Clinton Depo. 7/22/95 at 9-12.

c) Sworn Statement to Congress on March 21, 1996.

Mrs. Clinton's final discussion of her view of this conversation occurred on March 21, 1996, when she provided written answers to Congress to questions that had been posed to her by the House Committee on Government Reform and Oversight.⁶²¹ Unlike the written responses to the GAO, these written responses were given under oath and signed by Mrs. Clinton.⁶²² Mrs. Clinton first incorporated the answers that had been previously given to the GAO into her response to Congress.⁶²³ Mrs. Clinton responded in relevant part to the congressional questions as follows:

[Question No.] 7.

Identify and set forth the information sought in the preliminary statement for all communications that you had at any time with Harry Thomason or any individual acting on his behalf regarding any White House Travel Office matters, the personnel employed in the White House Travel Office, or any proposed or actual activities of Mr. Thomason at the White House, including but not limited to, all aviation matters involving Mr. Thomason, Darnell Martens, and/or TRM Incorporated, or other transportation related issues, and any reviews, civil or criminal investigations. . . .

Response to No[.] 7 . . .

During the evening of Friday, May 14, 1993, I remember a brief telephone conversation with David Watkins, Assistant to the President for Management and Administration, who was out of the city. Mr. Foster was present, and he indicated that Mr. Watkins wished to speak to me about the Travel Office matter. Mr. Watkins stated that Mr. Foster had told him that I was interested in knowing what was going on with regard to the Travel Office. He told me that he was having a review conducted, and that, although he was out of town, his office was taking appropriate action. He may have mentioned that KPMG Peat Marwick was

⁶²¹ GJ 95-2 Exh. 8.

⁶²² Ricketts GJ 6/6/96 at 9.

⁶²³ GJ 95-2 Exh. 8 at 1-4.

conducting some kind of audit or review. I recall that I thanked him for the report and let him know that I was glad he had taken the situation in hand.

I don't believe I had any conversation with Mr. Watkins about the Travel Office before or after this one telephone call. While I do not recall the specific details of our conversation, I did not direct that any particular action should be taken, nor did I make particular comments about what should be done (e.g., that I thought the Travel Office people "should be out"). I may have expressed the view that appropriate action should be taken if the circumstances warranted it. I do not recall telling Mr. Watkins I was going to an event with the President. I do not know how Mr. Watkins may have construed my remarks.

I don't recall ever speaking to Mr. Watkins about Mr. Thomason's actual or proposed White House activities. I do not believe I ever spoke to Mr. Watkins about aviation matters involving Mr. Thomason, Mr. Martens, and/or TRM Incorporated, or transportation issues, reviews, or investigations related to these two men or TRM Incorporated.⁶²⁴

d. Watkins Told the OIC That He "Felt Better" After His Phone Conversation With Mrs. Clinton.

Watkins stated that he "fe[lt] much better" after his conversation with Mrs. Clinton because she was calm and reasonable during the call.⁶²⁵ However, Watkins also stated that he believed "there would be hell to pay" if a decision was not made immediately.⁶²⁶ Watkins called Harry Thomason late in the evening of May 14 to advise him of his conversation with Mrs. Clinton and the Peat Marwick review's progress.⁶²⁷

⁶²⁴ Id. at 5, 11-13.

⁶²⁵ See Watkins Int. 11/22/96 at 25.

⁶²⁶ Watkins Int. 11/22/96 at 39.

⁶²⁷ Id. at 25.

5. Saturday, May 15, 1993: Peat Marwick Reports its Findings of Suspicious Financial Records and Transactions to the White House and the FBI.

Around 1:00 p.m. on Saturday, on May 15, 1993,⁶²⁸ Herman had a meeting with either Kennedy or Foster for about a half an hour during which time Herman "reported again about the findings of petty cash, the financial filing problem."⁶²⁹ The auditors found substantial problems with record keeping and general mismanagement, and were unable to reconcile certain cash expenditures. The Peat Marwick team determined that although they had enough information to prepare a report, they could not conduct a thorough audit because the records were in such disarray that performing a complete review of the documents would take several weeks.⁶³⁰ The auditors also reported the Travel Office records were in "shambles," there was no financial "control consciousness," there were \$18,000 in checks with no proper accounting, and the audit would continue.⁶³¹

⁶²⁸ Also on Saturday afternoon, McLarty said he called Foster to get an update on the Travel Office, because he was scheduled to see the First Lady at a social engagement in New York that evening, and McLarty "wanted to be prepared to give her a factual response." McLarty GJ 7/31/96 at 77. McLarty said, though, that the subject "just simply never did come up" with the First Lady when he saw her. Id. at 79.

⁶²⁹ Herman GJ 6/20/96 at 41-42.

⁶³⁰ Herman GJ 6/20/96 at 66-68; see also O'Connor GJ 6/20/96 at 50; Carl GJ 6/4/96 at 33-39. Dan Russell, a member of the Peat Marwick team, told Congress that in his opinion a formal audit would have been possible notwithstanding the state of the records, but it would have been a "major, major undertaking, given the condition." Russell House Depo. 3/27/96 at 59, 74.

⁶³¹ Kennedy GJ 7/30/96 at 86-88, 90-91; see also Kennedy's notes 5/12/93, OIC Bates No. 542-DC-00001489; O'Connor GJ 6/20/96 at 52-53.

Kennedy said, "I think this is reason enough to alert the FBI."⁶³² Herman said he was asked "to come back to the approximately 5 o'clock meeting to report the same thing, and . . . to meet two FBI agents."⁶³³

David M. Bowie was the Washington, D.C. field office supervisor that FBI Headquarters had assigned to investigate Kennedy's allegations.⁶³⁴ When Bowie, accompanied by Tom Carl, attended a Saturday, May 15 meeting at the White House, he had already been advised by agents Richard Wade and Carl that there was a White House employee or employees who may be involved in some type of theft or misappropriation of funds in their constructive custody and control.⁶³⁵ Bowie also knew that the Department of Justice Public Integrity Section had already become involved in the matter, and that the White House had employed a private accounting firm to review the Travel Office.⁶³⁶ Bowie believed that the private accounting firm's review could only help, and not hurt, the investigation he was going to perform.⁶³⁷ By the time he showed up for this meeting, Bowie said that he had already determined that an investigation needed to be conducted:

⁶³² Cornelius GJ 7/25/96 at 139.

⁶³³ Herman GJ 6/20/96 at 43. This was the first time that FBI involvement had been mentioned to Herman. Id. at 43.

⁶³⁴ Bowie testified that he was first alerted to his impending involvement in the matter by fellow D.C. field office supervisor Jerome Campana on either May 13 or May 14, as a result of a conversation Campana had had with FBI Headquarters unit chief Richard Wade. Bowie GJ 6/6/96 at 3.

⁶³⁵ Bowie GJ 6/6/96 at 7-8. Bowie himself had not had any direct contact with the White House prior to the Saturday meeting. Id. at 9.

⁶³⁶ Id. at 6, 10.

⁶³⁷ Id. at 11.

Allegations had been made by Catherine Cornelius, a White House employee, that there were no reporting or control systems in the Travel Office, and that there was evidence of expenditures for which there was no known support or documentation. In my opinion, these allegations were enough to initiate an FBI investigation.⁶³⁸

Bowie testified that this was standard procedure: "I can tell you, without a doubt, if the same situation occurred within 15 minutes from right now, I will tell you if a government employee is involved there [with allegations of government fraud] we will conduct an investigation, and it will be a full field investigation."⁶³⁹

At the meeting on May 15,⁶⁴⁰ Kennedy told Bowie and Carl that Cornelius had shown some documents allegedly corroborating her accusation to people at FBI Headquarters.⁶⁴¹ What

⁶³⁸ Id. at 13 (Bowie adopting the quoted language during his grand jury testimony from a statement he made on August 12, 1993 to the Department of Justice Office of Professional Responsibility); see also Id. at 25-26 ("Q: You are saying that prior to your meeting on the 15th that you believed that there were allegations sufficient enough to initiate an FBI investigation . . . to open up a full criminal investigation of this matter A: I will stand by that."). Bowie stated that an official paper file on the matter was not opened by him for the FBI until May 18, though he viewed that step as merely clerical or bureaucratic, and "immaterial" to his view that he had decided to open an investigation prior to preparing that documentation. Id. at 45.

⁶³⁹ Id. at 15. Bowie said although it might have been meaningful to know that Cornelius wanted to run the Travel Office, that would not have affected his decision to open an investigation, because "the credibility of the information" rather than "the credibility of this witness" was his interest, and the "investigation will tell me whether or not that is true or false." Id. at 20-21; id. at 28-29 ("the issue of Ms. Cornelius's credibility, to me, in that -- at this very moment in time is immaterial. If what she says is true then an investigation will reveal that, and if it is not true then Ms. Cornelius will certainly know that"). Bowie said another reason he did not need to be concerned about Cornelius's credibility was that the allegation had been communicated to him by people at FBI Headquarters whom Bowie knew and trusted. Id. at 23 ("I know Richard Wade, I know the people that we are dealing with over there. I am not under the impression that they would deliver over to me spurious or false information"). Bowie said that he had been told that when FBI Headquarters contacted DOJ/Public Integrity, they had "already . . . made a preliminary determination that there was sufficient . . . grounds here if the allegations are true." Id. at 26-27.

⁶⁴⁰ Present at this meeting were Kennedy, Patsy Thomasson, Bowie, and FBI Headquarters Agent Tom Carl, who were joined at some point by the auditors. Bowie GJ 6/6/96 at 38-39; O'Connor GJ 6/20/96 at 52; Thomasson GJ 7/24/96 at 63-64; Herman GJ 6/20/96 at 42-

most impressed on Bowie the need for an investigation, however, was Peat Marwick's briefing. The Peat Marwick representatives told him that "they had found . . . poor record keeping," but "the thing that . . . concerned [Bowie] more than anything else" was that "they had found instances where Mr. Dale had wr[itten] checks to cash and there [was] no supporting documentation to say what happened to the cash, two or three thousand dollars here, there. And they relayed to [Bowie] an incident where they had actually talked to Mr. Dale about what had happened to a certain -- a two or three thousand dollar check, I don't recall what it was."⁶⁴² He had no answers as far as what had happened to the balance of this. He really couldn't explain to them what he had done with the money that he had actually gotten from the check that was issued to cash."⁶⁴³

46; Kennedy GJ 7/30/96 at 86-89.

⁶⁴¹ Bowie GJ 6/6/96 at 37. Even though Bowie himself was not shown Cornelius's documents referred to by Kennedy, Bowie said the documents would not have played any part in his determination to conduct an investigation, except that he might have used the documents to explore the specifics of the allegations against the Travel Office. *Id.* at 37.

⁶⁴² *Id.* at 40. Dale has testified that he was questioned by Russell about only one check -- the \$5,000 check to cash recorded in the ledger for only \$2,000. Bowie's statement apparently reflects his recollection of having been briefed on this \$3,000 discrepancy, which he mistakenly characterized as a briefing on a \$3,000 check. *See Id.* at 39-40.

⁶⁴³ Bowie GJ 6/6/96 at 39-40; *see also* Carl GJ 6/4/96 at 34-35, 37. Dale's inability to provide a satisfactory explanation when asked about this discrepancy by Peat Marwick was clearly an important factor to the FBI. Peat Marwick's report contrasts with Dale's testimony before the House in which he stated that he was not given an opportunity to respond to this issue when it was discovered. *See White House Travel Office--Day Three: Hearing Before The House Comm. on Govt. Reform and Oversight*, 104th Cong., 2d Sess. 14 (1996)("It is also important for people to understand that the most serious issue raised by Peat Marwick . . . was my failure to report five checks totaling \$14,000, in the office's petty cash-flow. No one from the administration ever asked for an explanation")(testimony of Billy R. Dale). Both Dan Russell and Larry Herman asked Dale for an explanation, and their dissatisfaction with that explanation was reported to Bowie and the FBI. *See Russell House Depo. 3/27/96 at 25-26, 61-68; Herman GJ 6/20/96 at 32, 42-46; Bowie GJ 6/6/96 at 38-39.*

6. Sunday, May 16, 1993.

During the day on May 16, 1993, the locks to the Travel Office were changed at the direction of Watkins or someone in his office.⁶⁴⁴ Fan Dozier, one of World Wide's agents called to Washington to remain on standby during this period,⁶⁴⁵ stated that on May 16 she telephoned Thomason in California because she was concerned that she was wasting her time in Washington waiting for something to happen with the Travel Office. Dozier said that Thomason expressed surprise she was not yet working in the Travel Office and that he would have to telephone Mrs. Clinton who would be very upset.⁶⁴⁶ Todd Stern's interview notes of Dozier indicate that a conversation occurred between Thomason and Dozier "probably [on] Sun. 5.16" during which "HT said he'd call HRC + she be very upset to hear they['re] still there."⁶⁴⁷

In addition, on May 16, McLarty had his second telephone contact with Mrs. Clinton. The OIC also investigated an allegation that Watkins, too, had a second phone conversation with Mrs. Clinton on this day. The OIC investigation did not, however, substantiate this allegation of a second Watkins-Mrs. Clinton telephone call.

a. McLarty Had a Conversation With Mrs. Clinton.

McLarty said he had a second conversation with Mrs. Clinton the evening of Sunday, May 16.⁶⁴⁸ McLarty said he had been invited to a dinner party in the White House residence, and prior to the other guests' arrival he had a brief conversation with Mrs. Clinton:⁶⁴⁹

⁶⁴⁴ Kennedy GJ 7/30/96 at 89-90.

⁶⁴⁵ Cornelius GJ 7/25/96 at 137.

⁶⁴⁶ Dozier FBI Int. 12/3/96 at 1.

⁶⁴⁷ OIC Bates No. 542-DC-00014771.

⁶⁴⁸ McLarty GJ 7/31/96 at 80. Chief of Staff McLarty said the two brief conversations

I think I simply told her that the review had proceeded in an orderly and timely way. I believe by that time -- and this is why I think Mr. Foster and I talked Sunday -- that the review did suggest or confirm that there was mismanagement and possible misconduct Her reaction, as I recall it, was -- she did not seem to be surprised that that was, you know, the report, and her reaction was, "Well, this is a serious matter. Let's be sure we make a decision on this. Let's stay after it."⁶⁵⁰

McLarty testified that at the time of his conversation with Mrs. Clinton, he had not developed his options for dealing with the Travel Office and that he did not discuss options with Mrs. Clinton.⁶⁵¹ McLarty agreed that one option certainly was to fire the Travel Office employees.⁶⁵² It was clear to McLarty that Mrs. Clinton wanted him to make a decision about the

he had with Mrs. Clinton about the Travel Office on May 13 and May 16 were the only two he had with her on the subject before the firings. McLarty House Depo. 7/12/96 at 53-54. A notation indicating the possibility of a third conversation between the two appeared in the notes of press office member Lorraine Voles, reading, "S[usan] Thomases went to Mack. Hillary wants these people fired. Mack wouldn't do it. DW did not want to do it," with DW referring to Watkins. Voles GJ 6/20/96 at 29-30. Voles explained these were notes of a phone call she had with a Wall Street Journal reporter, Michael Frisbee. Id. at 29-30. Voles said she questioned McLarty as to whether Frisbee's information was true, and McLarty told her it was not. Id. at 30. Voles said that either McLarty or George Stephanopoulos called Frisbee back to deny the allegation. Id. at 32.

⁶⁴⁹ This discussion was not mentioned in the White House Travel Office Management Review. McLarty GJ 7/31/96 at 97; see also GJ 95-2 Exh. 68. It was also absent from McLarty's GAO report of interview. McLarty GJ 7/31/96 at 102-03. See, Appendix A.

⁶⁵⁰ McLarty GJ 7/31/96 at 80-82. McLarty was also asked whether it was fair to characterize Mrs. Clinton as having said something to the effect of, "We will need to move forward with a decision." McLarty responded that that was not "quite a fair characterization." Id. at 83. McLarty was then confronted with his July 12, 1996 deposition before the House Committee in which he testified that Mrs. Clinton had told him on May 16 that "we will need to move forward with a decision." Id. at 83-84. McLarty responded by stating, "I have tried to be responsive, and I think I felt that you were pressing me, rightly or wrongly, for precise language, which I just simply cannot give you. Id. at 85. McLarty then went on to testify that his recollection was that Mrs. Clinton said, "Let's stay after this. This is a serious matter." McLarty GJ 7/31/96 at 85.

⁶⁵¹ Id. at 87.

⁶⁵² Id.

Travel Office matter.⁶⁵³ McLarty agreed that Mrs. Clinton had "input," but disputed that Mrs. Clinton had a "role" in the decision making process which lead to the Travel Office firings:

- Q: Now, would it be a fair characterization that based on now the two conversations you had with Mrs. Clinton, she has had input into your decision making process?
- A: Well, "input" is your word. Input, in the sense that this is a serious matter, should be taken seriously, and that we should move forward with a decision. I think input in that sense. That's your word.
- Q: But what other description of the word "input" would there be?
- A: Well, input in terms of the decision making, I think, relates to what specifically -- what are your specific alternatives.
- Q: Well, when you were considering alternatives, was part of what was on your mind your discussions with the First Lady about the magnitude of the seriousness of this matter?
- A: I think anytime a principal in any organization in the White House raises an issue, it takes on a priority. But that -- that was one element, but not the only element.
- Q: Well, you characterize Mrs. Clinton as a principal in the White House. What does that mean? She wasn't elected to anything.
- A: No, generally our characterization is the President, The Vice President, the First Lady, Mrs. Gore. It's a senior person in an organization.
- Q: And so you considered the First Lady to be a senior person in an organization.
- A: I did.
- Q: I mean, Mrs. Clinton, in the organization of the White House, was more than just the wife of the President.
- A: Well, again, just the way that it's commonly referred to and viewed in this administration, and I believe other administrations. I don't know whether the word "principal" has been used, but that is the terminology for the President, the Vice President, Mrs. Clinton, and Mrs. Gore.

⁶⁵³ Id. at 91.

- Q: Well, if Mrs. Clinton tells you to do something as chief of staff, do you do it? Presuming it's legal. . . .
- A: No, I wouldn't necessarily immediately do it. If she raised a matter with me, or if the Vice President did, I certainly would -- and, certainly, if the President did or Mrs. Gore did -- I would take it seriously, and I would take some action on it, or I would follow-up , or I would look into it.
- Q: You would consider the input from Mrs. Clinton in your decision making.
- A: Well, I would consider the matter raised, yes. If you want to use "input," again, I --
- Q: Well, I'm asking you if you want to use another word, that would be fine, if you can come up with another word to describe what happened.
- A: Well, again, the First Lady had raised this as a serious issue . . . and when I reported to her about the Peat Marwick findings, or what they seemed to be concluding, her response was, "This is a serious matter. Let's stay after it."
- Q: "And we need to proceed to a decision."
- A: And that's how I took it. I mean, I took it just the way she said it, and I -- again, if you want to -- I don't think I quarrel with "input" into this, but input into -- that we should -- we should now make a decision on this matter. What are the next steps to be taken?
- Q: Well, let's talk about -- let's use the word "role." Did she have a role in the process, based on the fact that she had talked to you about this twice and expressed her serious concern about these problems?
- A: I've already testified that her concern about this was an element in the process or -- yes, I think that's fair.
- Q: So did she have a role in the process? Is that a fair characterization?
- A: Well, I think, again, a "role" implies an active participatory role in the discussion and decision of whether or not to use Peat Marwick. To the best of my knowledge, she had no role in that. How that audit or review was going to be done, to the best of my knowledge, she had no role in that. A discussion or a role in how these matters were going to be handled, to

the best of my knowledge, she had no role in that. So I'm just reluctant to accept that characterization. I'm not trying to be argumentative.⁶⁵⁴

McLarty's May 16 conversation with Mrs. Clinton was first disclosed in a chronology of the Travel Office matter prepared at the White House on or about May 25, 1993 that was produced to the OIC and the House Committee on April 16, 1996, in response to subpoenas.⁶⁵⁵ On McLarty's copy of the chronology he wrote, "May 16th HRC pressure."⁶⁵⁶ McLarty discussed the significance of this handwritten note,⁶⁵⁷ as follows:

I can't say with certainty, but I think it reflects either what someone said in the meeting, [on May 25]⁶⁵⁸ as I have made other notations, or it may have triggered my memory about the May 16th conversation that we had discussed previously, that I felt a pressure from the First Lady to make a decision, and I felt a pressure, a responsibility on myself to deal with this issue.⁶⁵⁹

McLarty later testified in regard to the notation:

I believe that I felt Mrs. Clinton -- that there was a pressure from a principal -- just like there is in your organization or any organization, when a senior person or a principal raises an issue, wants it resolved, that there is a pressure to act.⁶⁶⁰

⁶⁵⁴ Id. at 88-91.

⁶⁵⁵ GJ 95-2 Exh. 145.

⁶⁵⁶ McLarty GJ 7/31/96 at 147 (reading GJ 95-2 Exh. 145).

⁶⁵⁷ GJ 95-2 Exh. 145.

⁶⁵⁸ McLarty GJ 7/31/96 at 143. McLarty described the meeting as, "a chronology . . . or a beginning of a chronology that would provide at least the beginning of a management review." Id. at 147. According to McLarty, other participants in this meeting included Stephanopoulos, Gearan, Lindsey, Nussbaum, and Myers. Id. at 134.

⁶⁵⁹ Id. at 147.

⁶⁶⁰ Id. at 151.

b. Evidence of Another Possible Phone Conversation Between Mrs. Clinton and David Watkins Was Unsubstantiated.

Beginning in February 1999, the OIC investigated information that David Watkins and Mrs. Clinton had a second telephone conversation regarding the Travel Office matter on Sunday, May 16, 1993. After investigating the matter, this Office has concluded that the information was unsubstantiated, and that the weight of the evidence establishes that the sole telephone conversation between Mrs. Clinton and Watkins occurred on Friday, May 14, as both previously stated under oath.

While Watkins was away from Washington, D.C. to attend his daughter's graduation during the weekend of May 14 - 16, he played golf with a friend, William Charles Cloud, in Little Rock, Arkansas.⁶⁶¹ Cloud said that Watkins was on the "phone constantly" on Friday, placing and receiving calls on his cell phone from the course and from the golf course office.⁶⁶² Cloud said that on Sunday, May 16, he and David Watkins were playing golf at Pleasant Valley Country Club in Little Rock, Arkansas.⁶⁶³ Cloud said that while they were playing the 16th hole, Watkins either placed or received a cell phone call, and "was talking to Hillary Clinton and that's when they made the decision to terminate them."⁶⁶⁴ Cloud did not actually hear both parties on the phone, but when Watkins hung up, Cloud said to Watkins, "What did she say," and Watkins

⁶⁶¹ Cloud Depo. 6/4/99 at 15; Watkins GJ 2/28/95 at 52 (stating that part of the reason for his trip was to attend his daughter's graduation in Memphis).

⁶⁶² Cloud Depo. 6/4/99 at 15. This activity for Friday, May 14 was corroborated by telephone records. See infra.

⁶⁶³ Cloud Depo. 6/4/99 at 17-18.

⁶⁶⁴ Id. at 18.

replied, "Fire the sons of bitches."⁶⁶⁵ Cloud said they finished their round and had a drink, and "he told me that he was going to go back to Washington that day and do this on Monday, the 17th."⁶⁶⁶

Cloud's recollection of this phone call conflicts with Watkins's recollection. According to Cloud, on May 24, 1999, just prior to Cloud's grand jury testimony, he telephoned Watkins to tell Watkins what Cloud was going to say.⁶⁶⁷ Cloud recounts that he said, "Well, David, you know how I recall things and how they happened and then he said, 'Well, I remember that I had talked to Hillary Clinton in a fellow named [Tourmey's] office at Chenal Country Club [where Watkins and Cloud played golf on Friday May 14], and that's when she gave me the instructions to fire the people."⁶⁶⁸ Cloud said he responded, "'Well, David, that's just not so. It isn't the case If that's the way it happened, David, then I'm wrong because I never was in Jim [Tourmey's] office."⁶⁶⁹

Cloud's recollection is partially corroborated by the recollections of two of his friends, Thomas and Anna Patton. Four years later, Watkins, Cloud, and two of Cloud's friends, Thomas Patton and John Haley, played golf together on July 1, 1997, and Cloud asked Watkins to repeat the story for his friends.⁶⁷⁰ Patton said he and Watkins were sharing a golf cart, and Watkins described the phone conversation saying "that she just said fire them. She didn't say fire the

⁶⁶⁵ Id. at 19.

⁶⁶⁶ Id. at 20.

⁶⁶⁷ Id. at 6.

⁶⁶⁸ Id. at 9.

⁶⁶⁹ Id. at 24.

⁶⁷⁰ T. Patton Depo. 6/16/99 at 5, 7.

SOBs. She didn't use the bad language."⁶⁷¹ Patton then invited the foursome to his "house because I knew that my wife . . . was interested in those kinds of things since, you know, we both were interested in politics We went to our house and sat outside and -- with my wife. And she prepared some snacks. We had cocktails and visited for probably an hour, maybe even a little longer."⁶⁷²

Mr. Patton explained that "the purpose of me inviting Mr. Watkins to the house was I wanted my wife to hear all the kind of gossip or inside stuff, the real stuff, from David because he was quite interesting, and he had a lot of stories to tell I said, tell the, tell the phone conversation story with Mrs. Clinton. And he proceeded to do so, and ended it the same way, that the final conversation was to, to fire them."⁶⁷³ Cloud said, "David told it exactly the way it happened then at the bitter end I kind of jumped in and I said, 'Well, these are really good friends of mine, David, you know. What she really said was -- she said, 'Fire the sons of bitches,' and he said, 'No, no, no, Charlie. She didn't say that. Those were my words.'"⁶⁷⁴

Anna Patton recalled Cloud telling them that during the call "Watkins's cell phone [] battery went dead" and "they ended up on the phone with Charlie Cloud's cell phone, since Charlie was playing golf with Mr. Watkins that day" and "Hillary said to Mr. Watkins . . . fire their asses."⁶⁷⁵ Mrs. Patton said that Cloud said Watkins described Mrs. Clinton as "very upset,

⁶⁷¹ T. Patton Depo. 6/16/99 at 7; see also Cloud Depo. 6/4/99 at 23 (confirming same).

⁶⁷² T. Patton Depo. 6/16/99 at 8.

⁶⁷³ Id. at 9.

⁶⁷⁴ Cloud Depo. 6/4/99 at 23.

⁶⁷⁵ A. Patton Depo. 6/16/99 at 6; see also Id. at 5-6 ("I believe the actual call in which Hillary said to Mr. Watkins -- excuse my language -- fire their asses, that that particular phone call was on Charlie Cloud's cell phone"). This was not corroborated by phone records. When

angry, livid."⁶⁷⁶ Mr. Patton said that Cloud remembered Watkins saying, "She said fire the SOBs."⁶⁷⁷

In an effort to determine whether this Sunday, May 16 telephone conversation occurred as reported by Cloud, this Office subpoenaed and received records relating to cell phone calls for David Watkins's cell phone, Cloud's cell phone, White House phone records, and phone records for the two country clubs used by Watkins and Cloud to play golf the weekend of May 14 -16. These telephone records bore out Watkins, and didnot corroborate Cloud's account.⁶⁷⁸

Watkins left the White House for Little Rock in the late afternoon on Thursday, May 13.⁶⁷⁹ Watkins called the White House from the Excelsior Hotel in Little Rock where he was staying and spoke with Foster for 20.2 minutes at 10:41 p.m., during which Watkins said Foster

Cloud was initially interviewed by the FBI, he told the FBI that "WATKINS ran down the batteries in both of their cellular telephones." Cloud FBI Int. 2/12/99 at 1. When Cloud was then shown Cloud's cell phone bills that contained no calls to Washington, D.C., and no calls by either Watkins or Cloud on cell phones to Washington, D.C. on Sunday, May 16, "CLOUD said that in telling and retelling the story to friends about WATKINS running down the batteries in both phones, he may have embellished the story to include two phones when it was only one, and on two different days when it was only one day." Cloud FBI Int. 6/1/99 at 2 (capitalization in original).

⁶⁷⁶ A. Patton Depo. 6/16/99 at 6.

⁶⁷⁷ T. Patton Depo. 6/16/99 at 4.

⁶⁷⁸ Cloud was given a chance to review these records. After doing so he reiterated his testimony that he witnessed a phone conversation on Sunday, May 16 between David Watkins and Hillary Clinton on Watkins's cell phone at the Pleasant Valley Country. He denied witnessing a conversation between Watkins and Mrs. Clinton on Friday, May 14 using a regular phone at the Chenal Country Club. Cloud Depo. 6/4/99 at 24; Cloud Int. 6/4/99 at 2.

⁶⁷⁹ April 22, 1993 Memorandum from Cornelius to Fan Dozier of World Wide Travel Services requesting flights for David and Ileene Watkins for 5/13 and 5/16/93, OIC Bates No. 542-DC-00023560; Thomasson House Depo. 4/22/96 at 92.

advised that Mrs. Clinton wanted the Travel Office employees "out by the end of the day."⁶⁸⁰

Watkins spoke from the Excelsior with Harry Thomason, who was at the Jefferson Hotel in Washington, D.C., for 3.1 minutes at 11:05 p.m.⁶⁸¹

On Friday, May 14, as his staff prepared for the Peat Marwick review, records show that Watkins telephoned his office from the Excelsior at 7:17 a.m., and spoke for 6.2 minutes.⁶⁸²

Watkins phoned again at 7:28 a.m., and spoke for .8 minutes.⁶⁸³ Watkins and Cloud began their golf outing at the Chenal Country Club in Little Rock at approximately 8:00 a.m.,⁶⁸⁴ about the same time that Patsy Thomasson escorted Larry Herman and the Peat Marwick representatives to Billy Dale's office to begin their review.⁶⁸⁵ Watkins used his cell phone to call his office at 9:00

⁶⁸⁰ Watkins FBI Int. 1/15/96 at 6, 9; Sprint telephone records for long distance calls placed from Excelsior Hotel, Little Rock, Arkansas May 1993, OIC Bates No. 1685-DC-00000028; Guest ledgers and records for David and Ileene Watkins from the Excelsior Hotel 5/13-15/93, OIC Bates No. 1671-DC-00000034.

⁶⁸¹ Sprint telephone records for long distance calls placed from Excelsior Hotel, Little Rock, Arkansas May 1993, OIC Bates No. 1685-DC-00000028; July 23, 1999 letter from the Jefferson Hotel confirming Harry Thomason was a guest of the Hotel on the days of and including May 13 through May 15, 1993, OIC Bates No. 1708-DC-00000001; Guest ledgers and records for David and Ileene Watkins from the Excelsior Hotel 5/13-15/93, OIC Bates No. 1671-DC-00000034.

⁶⁸² Sprint telephone records for long distance calls placed from Excelsior Hotel, Little Rock, Arkansas May 1993, OIC Bates No. 1685-DC-00000028; Guest ledgers and records for David and Ileene Watkins from the Excelsior Hotel 5/13-15/93, OIC Bates No. 1671-DC-00000058.

⁶⁸³ Sprint telephone records for long distance calls placed from Excelsior Hotel, Little Rock, Arkansas May 1993, OIC Bates No. 1685-DC-00000028; Guest ledgers and records for David and Ileene Watkins from the Excelsior Hotel 5/13-15/93, OIC Bates Nos. 1671-DC-00000035, 058.

⁶⁸⁴ Cloud Int. 4/13/99 at 4.

⁶⁸⁵ Thomasson House Depo. 4/22/96 at 95.

a.m., and spoke for 6.0 minutes.⁶⁸⁶ At 9:51 a.m., Watkins called Foster's office on his cell phone and spoke for 6.0 minutes.⁶⁸⁷ Watkins next used his cell phone for a series of short calls to his office at 11:55 a.m. (6.0 minutes), 12:46 p.m. (2.0 minutes), 2:42 p.m. (4.0 minutes), 3:30 p.m. (9.0 minutes).⁶⁸⁸ At 3:41 p.m., Watkins used his cell phone to call the White House switchboard for 1.0 minute.⁶⁸⁹

The one telephone conversation between David Watkins and Mrs. Clinton that did occur took place in the next sequence of calls. At 3:48 p.m., Watkins moved from his cell phone to a Chenal Country Club phone and again called the White House switchboard, where he spoke for 18.5 minutes to Vince Foster.⁶⁹⁰ Almost as soon as this conversation ended, at 4:10 p.m. Watkins

⁶⁸⁶ Bell Atlantic customer account information and toll records for the cellular telephone assigned to Patsy Thomasson and used by David Watkins for the billing periods ending May, June, and July 1993, OIC Bates No. 1701-DC-00000009. Thomasson FBI Int. 10/15/99 at 5 (stating that the cellular telephone assigned to her was used exclusively by David Watkins during the entire month of May 1993).

⁶⁸⁷ Bell Atlantic customer account information and toll records for the cellular telephone assigned to Patsy Thomasson and used by David Watkins for the billing periods ending May, June, and July 1993, OIC Bates No. 1701-DC-00000009. Thomasson FBI Int. 10/15/99 at 5 (stating that the cellular telephone assigned to her was used exclusively by David Watkins during the entire month of May 1993).

⁶⁸⁸ Bell Atlantic customer account information and toll records for the cellular telephone assigned to Patsy Thomasson and used by David Watkins for the billing periods ending May, June, and July 1993, OIC Bates No. 1701-DC-00000009-010. Thomasson FBI Int. 10/15/99 at 5 (stating that the cellular telephone assigned to her was used exclusively by David Watkins during the entire month of May 1993).

⁶⁸⁹ Bell Atlantic customer account information and toll records for the cellular telephone assigned to Patsy Thomasson and used by David Watkins for the billing periods ending May, June, and July 1993, OIC Bates No. 1701-DC-00000010. Thomasson FBI Int. 10/15/99 at 5 (stating that the cellular telephone assigned to her was used exclusively by David Watkins, during the entire month of May 1993).

⁶⁹⁰ Watkins FBI Int. 6/22/94, OIC Bates No. AJ-DC-00002039 at 2040; G. Stewart Int. 5/6/99 at 1.

placed a call from the Chenal Country Club line to the White House switchboard that lasted 3.75 minutes.⁶⁹¹ As soon as that call ended at 4:14 p.m., Watkins called from the Club phone to the telephone number for Pamela Cicetti, Mrs. Clinton's secretary, and spoke for 6.25 minutes.⁶⁹² Ms. Cicetti evidently transferred Watkins to Mrs. Clinton, and they had the conversation that both agreed occurred. At 4:43 p.m., Watkins called from the Club to his office and spoke for 5.5 minutes.⁶⁹³ Immediately after that call, Watkins phoned Mark Gearan at 4:49 p.m., and spoke for 2.0 minutes.⁶⁹⁴ This is the final phone call by Watkins shown to have occurred by phone records.⁶⁹⁵ Phone records do not reflect any conversations between Watkins and the White

⁶⁹¹ Chenal Country Club telephone records, receipts, and other records for the period of May 1993 referring or relating to David and Ileene Watkins, OIC Bates No. 1672-DC-00000030. The records show that Watkins spoke with Foster from 3:48 p.m. to 4:09 p.m., and then telephoned the White House switchboard at 4:10 p.m. This is consistent with Watkins's testimony and statements during interviews with this Office that Foster initially tried to transfer Watkins to Mrs. Clinton, Watkins was cut off, and then had to call back through the switchboard, who initially did not want to connect him to the First Lady because she was getting ready for a social engagement. Watkins GJ 2/28/95 at 53.

⁶⁹² Chenal Country Club telephone records, receipts, and other records for the period of May 1993 referring or relating to David and Ileene Watkins, OIC Bates No. 1672-DC-00000030; see also Watkins GAO Int. 12/9/93, OIC Bates No. AJ-DC-00002049 at 2066 (transcribed by GAO investigator Bob Homan 12/10/93); Watkins FBI Int. 8/10/93 at 4-5; Watkins FBI Int. 9/30/93 at 3-4.

⁶⁹³ Chenal Country Club telephone records, receipts, and other records for the period of May 1993 referring or relating to David and Ileene Watkins, OIC Bates No. 1672-DC-00000030.

⁶⁹⁴ Id.

⁶⁹⁵ Telephone records from Chenal Club reflect a call to Mark Gearan at 4:49 p.m. as the last known recorded phone call. Chenal Country Club telephone records, receipts, and other records for the period of May 1993 referring or relating to David and Ileene Watkins, OIC Bates No. 1672-DC-00000030. Patsy Thomasson states that she telephoned Watkins sometime between 8:45 and 11 p.m. to "urge" Watkins to telephone Harry Thomason at the Jefferson Hotel in Washington. Although the Office found no records of this call, Watkins says that he telephoned Harry Thomason late that night. Watkins Int. 11/22/96 at 25.

House on Saturday, May 15, although Watkins said that he spoke to Patsy Thomasson four or five times throughout the day.⁶⁹⁶

At 8:00 a.m. on Sunday, May 16, Watkins and Cloud began their golf round at the Pleasant Valley Country Club in Little Rock.⁶⁹⁷ The only conversation corroborated by phone records to have occurred on this date shows Watkins calling Patsy Thomasson at the White House on his cell phone at 10:38 a.m., and speaking for 2.0 minutes.⁶⁹⁸

On June 13, 2000, Watkins was interviewed by the OIC regarding Cloud's allegation of the telephone call with Mrs. Clinton on May 16. The report of interview reflects that:

WATKINS speculated that he may have been talking to PATSY THOMASSON and may have told CLOUD, in profane terms, that he, WATKINS, had decided to fire [the Travel Office employees]. THOMASSON had called several times that day to advise WATKINS on the audit team findings that there were problems with the [Travel Office] financial procedures. This may have caused WATKINS to decide on the spot to fire the staff and to tell CLOUD that he was going to do so.⁶⁹⁹

After fully investigating the alleged Sunday, May 16 telephone conversation between Watkins and Mrs. Clinton, this Office has determined that other than Mr. Cloud's testimony, there is no evidence to corroborate that such a conversation actually occurred. The cell phone

⁶⁹⁶ Watkins FBI Int. 9/30/93 at 3-4.

⁶⁹⁷ Pleasant Valley Country Club telephone records, receipts, and other records for the period of May 1993 referring or relating to David and Ileene Watkins, OIC Bates No. 1680-DC-00000002; Cloud Int. 2/12/99 at 2; Cloud Int. 5/28/99 at 5; Cloud Int. 6/4/99 at 1-2; Cloud Int. 4/13/99 at 8; Cloud Depo. 6/4/99 at 17-19; M. Patton Int. 4/14/99 at 1-2; A. Patton Int. 4/14/99 at 1-2. OIC Bates No. 1672-DC-00000030.

⁶⁹⁸ Bell Atlantic customer account information and toll records for the cellular telephone assigned to Patsy Thomasson and used by David Watkins for the billing periods ending May, June, and July 1993, OIC Bates No. 1701-DC-00000010. Thomasson FBI Int. 10/15/99 at 5 (stating that the cellular telephone assigned to her was used exclusively by David Watkins during the entire month of May 1993).

⁶⁹⁹ Watkins Int. 6/13/00 at 5 (capitalization in original).

billing records do not reflect that David Watkins used his own cell phone so much during the weekend that Watkins needed to use Cloud's phone. Watkins and Cloud disagree not only on the language allegedly used by Mrs. Clinton in discussing the firings with Watkins, but also on where the actual discussion occurred: Cloud claimed that the discussion took place on May 16 from a cell phone while Watkins claimed that the discussion took place in Jim Tourmey's office on May 14 using a land line. Furthermore, while the Office has no question that Cloud intended to be fully truthful and cooperative in relating this information to this Office, Cloud also clearly has enjoyed retelling this story over the years in social settings.⁷⁰⁰ Therefore, absent any corroborating evidence, we conclude that the balance of proof does not support Cloud's assertion -- certainly not to the extent necessary to provide proof beyond a reasonable doubt.

7. Monday, May 17, 1993.

Early in the morning on Monday, May 17, 1993, David Watkins advised McLarty and Foster of his decision to fire the Travel Office employees. Later that day, Peat Marwick presented its first written report, confirming its oral findings of fiscal irregularity in the Travel Office. Late in the day, after speaking with two colleagues, Dale met with Watkins and advised Watkins of his intention to retire in June. Watkins told Dale that his request could wait.

⁷⁰⁰ Cloud Depo. 6/4/99 at 23; A. Patton Depo. 6/16/99 at 4-7; T. Patton Depo. 6/16/99 at 15.

a. Watkins Decided to Fire the Travel Office Employees.

Watkins reported the substance of his Friday, May 14 telephone conversation with Mrs. Clinton to Vince Foster and Chief of Staff McLarty the following Monday, May 17.⁷⁰¹ On Monday morning, McLarty, Patsy Thomasson, and Watkins met in Watkins's office.⁷⁰² Watkins testified that McLarty "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.'"⁷⁰³

Watkins informed McLarty that he had decided to fire all seven Travel Office employees.⁷⁰⁴ Watkins instructed his assistant Jennifer O'Connor to prepare a memorandum to McLarty for Watkins's signature recommending the employees be terminated.⁷⁰⁵ David Watkins hand delivered the memorandum to McLarty on Monday afternoon.⁷⁰⁶ Jennifer O'Connor of Watkins's staff,⁷⁰⁷ who actually drafted the memorandum for Watkins's signature, sent a copy to

⁷⁰¹ Watkins GJ 2/28/95 at 57. McLarty said that he was aware at this point that Foster also had been briefing Mrs. Clinton on the Peat Marwick review. McLarty GJ 7/31/96 at 63-64.

⁷⁰² Thomasson GJ 7/24/96 at 68.

⁷⁰³ Watkins GJ 2/28/95 at 56. McLarty did not recall if he recounted his May 16 conversation with Mrs. Clinton to Watkins when he and Watkins met on the morning of May 17. McLarty GJ 7/31/96 at 160.

⁷⁰⁴ McLarty GJ 7/31/96 at 117-19. McLarty said he was "relieved" upon learning Watkins had made this decision, because it "was a difficult matter that needed to be dealt with promptly." Id. at 61.

⁷⁰⁵ Watkins GJ 2/28/95 at 55-57; O'Connor GJ 6/20/96 at 54-57; GJ 95-2 Exh. 432.

⁷⁰⁶ McLarty GJ 7/31/96 at 127.

⁷⁰⁷ O'Connor GJ 6/20/96 at 54-57. O'Connor testified that she questioned whether all the employees should be fired if only two handled the relevant transactions. Regarding the response to her question, she stated, "I don't remember who said what, but the way the answer ended [up] being articulated was, because all of them had done basically all the different tasks in the office,

Mrs. Clinton.⁷⁰⁸ O'Connor testified that Watkins told her to copy the memorandum to Mrs. Clinton, something she and Watkins had never done before.⁷⁰⁹ Watkins said he copied Mrs. Clinton on the memorandum so she would know what he was doing because he felt like the course outlined in the memorandum was what she wanted done.⁷¹⁰

When asked by this Office who made the decision to fire the Travel Office employees, Mrs. Clinton testified as follows:

Q: Who ultimately made the decision, to the extent that you know, to fire the employees from the Travel Office?

they were all responsible for the mismanagement in the office." Id. at 3.

⁷⁰⁸ Mrs. Clinton said that she never read the memorandum. Mrs. Clinton's written responses to GAO's written questions 4/6/94, OIC Bates No. AJ-DC-00001520. Maggie Williams, Mrs. Clinton's Chief of Staff, testified that on the Saturday after the firings, Mrs. Clinton discovered the memorandum while going through her own in box, and Mrs. Clinton said "something to the effect of, 'We don't have to worry about this.'" M. Williams GJ 7/30/96 at 22. Williams said that she does not know whether Mrs. Clinton read the memorandum, but looked at it long enough to tell Williams she could throw it in the trash, which Williams did. See Williams GJ 7/30/96 at 17-24. Lisa Caputo, then Press Secretary to Mrs. Clinton, testified that she prepared talking points in anticipation of the White House Travel Office Management Review's release. See Talking points from Lisa Caputo to Mark Gearan 7/2/93, OIC Bates No. 542-DC-00030754 and Talking point on Travel Office Report undated, OIC Bates No. 542-DC-00030770. She stated that Maggie Williams provided all the information contained in the talking points, including reference to the memorandum being copied to Mrs. Clinton, "All I know about this memo is that David Watkins wrote the memo, cc'd Mrs. Clinton on it, Mrs. Clinton passed it on to Maggie Williams as an FYI." Caputo GJ 7/31/96 at 16-17.

⁷⁰⁹ O'Connor GJ 6/20/96 at 57. O'Connor's notes indicate in pertinent part, "tlkg pts -- Mack/HRC tlkg pts - Tues for firing." O'Connor's notes undated, OIC Bates No. 542-DC-00024431 (emphasis in original). O'Connor explained that the notes mean she was supposed to give talking points -- ultimately the memo -- to McLarty and the First Lady. O'Connor GJ 6/20/96 at 66. McLarty testified that he believed he had his office notify the First Lady's office that the firings were going to occur, but could not say so with a certainty. McLarty GJ 7/31/96 at 197.

⁷¹⁰ Watkins Int. 11/22/96 at 26.

A: 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.⁷¹¹

Q: Did you have any role in it?

A: No, I did not.

Q: Did you have any input with either Mr. McLarty or Mr. Watkins as to that decision?

A: I don't believe I did, no.⁷¹²

Watkins also met with Larry Herman on May 17 for about a half hour, and Herman told him "we had found a series of checks in which the same individual had written the check to himself, signed it himself, endorsed it himself, [and] deposited it in an account which did not appear to be a White House account."⁷¹³ Kennedy's notes and testimony state that Watkins,

⁷¹¹ Watkins 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. Watkins said he made the decision to notify the employees they were going to be fired on Monday, May 17, that he communicated that decision to McLarty when McLarty came into his office for an update that morning, and that McLarty "concurred and agreed" with Watkins's decision "to proceed." *Id.* at 5-56. McLarty's testimony was consistent with Watkins's. McLarty GJ 7/31/96 at 119, 138-39.

Patsy Thomasson, who consulted with Watkins about his decision the morning of May 17, agreed with Watkins's rendition. Thomasson 6/24/96 at 69-74, 203-204. Thomasson said in her 1995 testimony that Watkins arrived back from his weekend away on May 17, "convinced they need[ed] to go," and that he then "goes off and talks to other people" before "the action took place." *Id.* at 12-13, 17. Dee Dee Myers testified that Watkins made the firing decision "in consultation with a number of other people, including Mr. Nussbaum, Mr. Foster, people like that," and that "probably Mack McLarty" and the First Lady were "informed about it" and "concurred." Myers GJ 7/23/96 at 85-86.

⁷¹² H. Clinton Depo. 7/22/95 at 12. The questioning then moved on to subjects that did not elicit additional testimony from Mrs. Clinton on the Travel Office firings. *See id.* at 13-67.

⁷¹³ Herman GJ 6/20/96 at 46-47, 68.

O'Connor, Thomasson, Herman, Kennedy, and Jack Miller,⁷¹⁴ attended this meeting, and that it most likely occurred after the meeting with McLarty.⁷¹⁵

b. Peat Marwick Presented Kennedy With a Draft of its Written Report Regarding Irregularities in Handling Petty Cash.

On Sunday, May 16, 1993, KPMG Peat Marwick presented Kennedy with a "report summarizing the observations and findings resulting from our procedures relating to the White House Office of Travel and Telegraph's . . . management, systems, policies, and procedures," stressing that "[o]ur 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."⁷¹⁶

The Peat Marwick written report confirmed that Travel Office petty cash was handled in a highly irregular manner. The Report stated that the auditors found "discrepancies between the amount written to 'cash' . . . and the recording of these amounts."⁷¹⁷ These findings were consistent with Peat Marwick Auditor Dan Russell's Friday, May 14 discovery of the

⁷¹⁴ Mr. Miller was not a federal government employee. Jennifer O'Connor testified that she thought Mr. Miller was an attorney from New York working for Peat Marwick, who attended meetings with Larry Herman. O'Connor GJ 6/28/96 at 52; O'Connor House Depo. 3/29/96 at 104.

⁷¹⁵ Kennedy GJ 7/30/96 at 90, 94; Kennedy's notes 5/17/93, OIC Bates No. 542-DC-00001489.

⁷¹⁶ Letter Report from KPMG Peat Marwick to William H. Kennedy, III, Assoc. Counsel to the President 5/17/93, OIC Bates No. AJ-DC-00000152, reprinted at White House Travel Office -- Day Three: Hearing Before The House Comm. on Govt. Reform and Oversight, 104th Cong., 2d Sess. 57 (1996); Herman GJ 6/20/96 at 23.

⁷¹⁷ Letter Report from KPMG Peat Marwick to William H. Kennedy, III, Assoc. Counsel to the President 5/17/93, OIC Bates No. AJ-DC-00000152 at 156.

unaccounted for \$5,000 check that Dale had cashed, which Dale could not account for based on the petty cash ledger Dale had given to Russell.⁷¹⁸

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.

When the Peat Marwick review was finished for the evening on Friday at around 10:00 p.m., Dale offered to stay and lock up, but was informed by Patsy Thomasson that GSA was changing the locks and Thomasson would have the key.⁷¹⁹ Dale concluded that all this meant "our tenure in the Travel Office was limited."⁷²⁰ Billy Dale testified before the grand jury that on Monday, May 17, 1993, he met with Alex G. Nagy,⁷²¹ Director of White House Telephone Service, and Janet Green, then assistant to David Watkins, in Mr. Nagy's office.⁷²² Dale was upset by finding that the Travel Office locks had been changed over the weekend, and he wanted

⁷¹⁸ Letter Report from KPMG Peat Marwick to William H. Kennedy, III, Assoc. Counsel to the President 5/17/93, OIC Bates No. AJ-DC-00000152, reprinted at White House Travel Office -- Day Three: Hearing Before The House Comm. on Govt. Reform and Oversight, 104th Cong., 2d Sess. 57 (1996). KPMG Peat Marwick's report also noted "[o]ne disbursement to Pan Am Express on December 20, 1991 [that] did not have a related invoice. The Director of the press travel office [Billy Dale] 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." Letter from KPMG Peat Marwick to William H. Kennedy, III, Assoc. Counsel to the President (May 17, 1993), reprinted at White House Travel Office -- Day Three: Hearing Before The House Comm. on Govt. Reform and Oversight, 104th Cong., 2d Sess. 60 (1996).

⁷¹⁹ Dale GJ 7/9/96 at 122. When Dale came into the office the next morning (Saturday), he had to call Thomasson from the hall and sit until she came in and unlocked the office for him. Id. at 122.

⁷²⁰ Id. at 122.

⁷²¹ Mr. Nagy first came to work at the White House in 1973, and has known Billy Dale since that time. Nagy Int. 2/24/00 at 1. Thus, like Mr. Dale, Mr. Nagy was a career White House employee who had served six presidents from both parties.

⁷²² Dale GJ 7/9/96 at 118-21.

to meet with Green and Nagy to discuss his status.⁷²³ Because of the manner in which Peat Marwick had conducted its review, and in particular the pointed questions about the \$5,000 check to cash, Dale concluded that the seemingly innocuous "review" was really an investigation and that "the whole office was suspect."⁷²⁴

Dale went to Nagy's office and asked Nagy for his opinion of Janet Green, and when Nagy gave a favorable view of her, Dale asked Nagy if he could arrange for Green to come and meet with them in Nagy's office.⁷²⁵ Dale said that he thought of Green as "the only friend" he had among those who came in with the new administration, and Dale thought Nagy could inconspicuously arrange the meeting because Nagy, like Dale, reported to Green and Watkins.⁷²⁶ Nagy immediately telephoned Green, and asked her if she might come to his office; she did so within a few minutes.⁷²⁷

Dale said that his meeting with Green and Nagy lasted for about an hour.⁷²⁸ Nagy offered to leave so that Dale and Green could speak privately, but Dale asked Nagy to stay.⁷²⁹ Dale discussed everything that had been bothering him about the Peat Marwick review, his concerns relating to Cornelius, and the missing cash ledgers. After absorbing what Dale said, as Dale

⁷²³ Id. at 120.

⁷²⁴ Id. at 121.

⁷²⁵ Nagy Int. 2/24/00 at 1.

⁷²⁶ Dale GJ 7/9/96 at 120.

⁷²⁷ Nagy Int. 2/24/00 at 1.

⁷²⁸ Dale GJ 7/9/96 at 122-23. Nagy thought the meeting took place sometime before noon, and lasted for no more than 30 minutes. Nagy Int. 2/24/00 at 2.

⁷²⁹ Dale GJ 7/9/96 at 123, 126; Nagy Int. 2/24/00 at 2.

testified, Green "looked at [him] and she said, 'Billy, I'm going to tell you something, and if you ever repeat this or tell anybody, I'll deny it.'⁷³⁰ But there is one person and one person only responsible for what happened in your office over this weekend and he occupies the oval office. Now do I need to mention any names?'"⁷³¹ Dale did not ask her to name the name, or anything else about where Green got her information.⁷³²

On the evening of May 17, 1993, Dale met with Watkins⁷³³ at Dale's request. Dale told Watkins he wanted to retire effective June 3. Dale testified that Watkins told him there would be changes in the Travel Office, that Dale's request could wait 24 hours, and that he would like to meet with Dale and his staff the next morning.⁷³⁴

⁷³⁰ When Green testified before the grand jury, she was asked whether she ever had the conversation that Dale described, and she said, "No." Green GJ 7/11/96 at 7. She was then asked: "Did you ever have a conversation anywhere close to that with Mr. Dale at any time," to which she again said, "No." Id. at 7. She was even asked the broader question: "Had you ever discussed the Travel Office in any way with Mr. Dale," again resulting in a flat "No." Id. at 7. She also denied ever having had such a conversation with the other person Dale placed in the room, Mr. Nagy. Id. at 7-8.

Nagy recalled the meeting occurring as Dale described, with Green telling Dale something like "leave it alone" and "[t]his is coming from the highest possible level," which Nagy understood to refer to the President. Nagy Int. 2/24/00 at 2. A few minutes after his interview with this Office, Nagy telephoned the Office to add that he had also recalled that Green said to Dale, "What I'm going to tell you, if it ever gets out, I will deny it," which Green had then followed with her advice to "leave it alone" because it was "coming from the highest possible level." Id. at 3.

⁷³¹ Dale GJ 7/9/96 at 124-25.

⁷³² Id. at 125-26.

⁷³³ Id. at 126-27.

⁷³⁴ Id. at 127.

8. Tuesday, May 18, 1993.

On May 18, Watkins and his staff prepared for the imminent firing of the Travel Office employees. Meanwhile, presidential aide Bruce Lindsey advised President Clinton that the firing would happen shortly.⁷³⁵

a. Watkins and His Staff Prepared to Fire the Travel Office Employees.

On the afternoon of Tuesday, May 18, 1993, Watkins assembled numerous staff members and others in his office to discuss the firings. Watkins, through Cornelius, arranged for World Wide Travel to come into the White House to handle commercial travel bookings after the firings, which were scheduled for the following day.⁷³⁶ Chris Walton, a friend of Cornelius's who had worked for her on the campaign and was vacationing in Washington at the time, spent that afternoon with Cornelius.⁷³⁷ Walton testified that Cornelius told him about the Travel Office

⁷³⁵ Lindsey GJ 8/1/96 at 45-46. Also on May 18, David Bowie of the FBI's Washington Field Office officially opened an investigation of the Travel Office, that is, he filed the requisite paperwork. Bowie GJ 6/6/96 at 45-47. In his opinion, however, this ministerial act was relatively insignificant as Cornelius's allegations sufficed to justify a full field investigation as early as May 14. Id. at 47.

⁷³⁶ See Cornelius GJ 7/25/96 at 149-50. On May 19, 1993, after the firings, Steve Davison and Fan Dozier, both of World Wide Travel, met with David Watkins, Patsy Thomasson, Catherine Cornelius, her assistant Chris Walton, Brian Foucart, and two men from the Office of Management and Budget in Watkins's office. Davison GJ 6/13/96 at 45-46. Watkins announced that the employees had been fired and that Cornelius and Sample would run the office. Davison GJ 6/13/96 at 47; see also Dozier GJ 6/13/96 at 18 (same). Kelley-Gehrki was displeased about having to go to Washington, "I mean, I felt like I was wasting my staff, which Fan, Angela [Colclasure], all of these agents they were my staff, at my office, I was wasting their time and I was wasting my time unless we got something on paper that we were supposed to be there, and that we were going to get paid for it." Kelley-Gehrki GJ 6/13/96 at 36. Carney testified that she did not know World Wide was not going to be paid until World Wide agents arrived at the Travel Office on May 19, 1993. Carney GJ 6/13/93 at 43-44, 46.

⁷³⁷ Walton GJ 6/6/96 at 12-13.

situation, and asked Walton to "help her out as a support person."⁷³⁸ Walton worked with Cornelius in the Travel Office from Tuesday, May 18, through Friday, May 21.⁷³⁹ He attended Watkins's May 18 staff meeting, and recalled that Steve Davison, Fan Dozier, Cornelius, two people from OMB, and Patsy Thomasson were also present.⁷⁴⁰ During the meeting, Watkins reviewed the Peat Marwick report's findings, and instructed the staff to ensure that the President's upcoming trip to New Hampshire went smoothly.⁷⁴¹

b. The President Was Informed the Firings Would Occur the Following Day.

Bruce Lindsey testified that he had a vague memory that Jeff Eller came to him on May 18, while they were both on a trip with the President to California, and told Lindsey that something was happening in the Travel Office.⁷⁴² Later, Eller showed Lindsey the memorandum prepared by Watkins and copied to Mrs. Clinton, which Watkins had faxed to Eller on Air Force One.⁷⁴³ Eller showed the memorandum to Bruce Lindsey, who read it and then told the President during dinner that evening that "they're going to terminate the seven members . . . of the Travel

⁷³⁸ Id. at 14. Walton testified that Cornelius told him "that there were some problems in the White House Travel Office, that there was some mismanagement of funds, that the FBI was going to come in and take a look at it. And that they were going to release the seven members of the White House Travel Office the very next day." Walton GJ 6/6/96 at 14.

⁷³⁹ Walton GJ 6/6/96 at 15. Walton was not paid for his services, though Cornelius had told him he would be. Id. at 21, 42.

⁷⁴⁰ Id. at 27.

⁷⁴¹ Walton GJ 6/6/96 at 29.

⁷⁴² Lindsey GJ 8/1/96 at 44. Lindsey also testified that he had previously "heard from Harry Thomason that there, that he believed or had heard rumors that there were people in the Travel Office who were taking kickbacks from companies to get business." Id. at 11.

⁷⁴³ Id. at 44-45.

Office tomorrow."⁷⁴⁴ Lindsey said the President asked him, "For what or why?" and Lindsey responded, "they had found that the accounting system was bad, there was unaccounted for cash and whatever was reflected in this memo I sort of said to him."⁷⁴⁵

9. May 19-21, 1993: The Firings and the Immediate Aftermath.

On May 19, 1993, the Travel Office employees finally were dismissed. Because of a miscommunication between the Counsel's Office and the press staff, Dee Dee Myers publicly disclosed that the Travel Office employees were under investigation by the FBI. The press corps's negative reaction to the Travel Office firings led to a series of lengthy meetings among senior White House staff. One of the most significant early press stories was a dispute between Cornelius, Cerda, Watkins, and Thomasson, about whether Watkins had ever read the February 15 memorandum written by Cornelius and Cerda, and whether he was attempting to get Cornelius and Cerda to "cover" for him regarding the memorandum. Tension regarding this memorandum, and Cornelius's handling of the Travel Office became so great that several people suggested she resign.

a. The Travel Office Staff Were Fired.

At 9:00 a.m., Davison, Dozier, Walton, Foucart, Watkins, Thomasson, Cornelius and two OMB representatives met in Watkins's office to review how to run the Travel Office after the employees were fired.⁷⁴⁶ At approximately 10:00 a.m. on May 19, 1993, Watkins and Brian Foucart met with Dale and the Travel Office staff in a conference room in the Old Executive

⁷⁴⁴ *Id.* at 44-45. Eller testified that he vaguely remembers something coming through the fax from Watkins on the trip to California, but claims not to recall what it was. Eller GJ 7/17/96 at 71.

⁷⁴⁵ Lindsey GJ 8/1/96 at 46.

⁷⁴⁶ Davison GJ 6/13/96 at 45-48.

Office Building.⁷⁴⁷ Watkins told the Travel Office employees that they were being terminated as part of the President's commitment to cut the White House staff by twenty-five percent, and that their duties would be outsourced.⁷⁴⁸ Dale testified that, based on the Peat Marwick audit, he and his staff had already expected that their tenure was limited.⁷⁴⁹ Chris Vein, in the neighboring White House Administrative Office, said the Travel Office employees "opened the door, stuck their head in and said, 'We have been fired. We have 10 minutes.'"⁷⁵⁰ When Dale returned to the Travel Office, he found World Wide already in place. Dale spent the next three hours describing how the computer and billing systems operated. Dale left the White House at approximately 5:00 p.m.⁷⁵¹

b. FBI Involvement Was Publicly Announced Despite an Unsuccessful Attempt by Kennedy and Foster to Prevent Public Disclosure.

Kennedy testified that he first learned of the impending firings on May 19, 1993 from either Watkins or Thomasson, and thought it was a bad idea because the auditors had not yet

⁷⁴⁷ Watkins GAO Int. 12/9/93 at 15-16 (transcribed by GAO Investigator Bob Homan 12/10/99); Watkins GJ 2/28/95 at 55; Foucart House Depo. 5/3/96 at 39-44. The report of Watkins's interview for the White House Management Review reflected that although "Watkins knew that only two of the 7 employees had financial control of the office," he apparently understood that "the employees mostly worked interchangeably." Watkins GAO Int. 12/9/93 at 15 (transcribed by GAO Investigator Bob Homan 12/10/93). Patsy Thomasson also testified that with respect to problems with petty cash, "We knew that they all took petty cash checks, and that there was no record of all those petty cash checks." Thomasson GJ 7/24/96 at 71.

⁷⁴⁸ Dale GJ 7/9/96 at 128-29. O'Connor prepared talking points for the firings which were never used. O'Connor GJ 6/20/96 at 88; see also O'Connor's draft talking points undated, OIC Bates No. 542-DC-00007881.

⁷⁴⁹ Dale GJ 7/9/96 at 129.

⁷⁵⁰ Vein GJ 6/25/96 at 14.

⁷⁵¹ Dale GJ 7/9/96 at 130-31.

finished their work and the FBI was coming on board.⁷⁵² He called to inform the FBI, who had the same reaction and asked if the decision was a firm one.⁷⁵³ Kennedy then spoke to Watkins, who told Kennedy that the decision to fire them had been made; Kennedy testified that he had no idea who made the decision.⁷⁵⁴

Watkins also handed Kennedy talking points someone had drafted.⁷⁵⁵ As Kennedy proceeded to Foster's office, he noticed that the talking points mentioned the FBI investigation "which [he] thought was a very bad idea."⁷⁵⁶ When he stepped off the elevator, he explained, "Vince came barreling out of his office [with] the talking points in his hand," and raised with Kennedy the issue of the FBI reference.⁷⁵⁷ Foster and Kennedy located Watkins and told him "the word should go out to everybody not to talk about [the FBI investigation]," and Watkins said he would take care of it.⁷⁵⁸

Eller conducted a pre-briefing regarding the Travel Office matters with select members of the press on the morning of May 19, 1993.⁷⁵⁹ Dee Dee Myers and the President returned from

⁷⁵² Kennedy GJ 7/30/96 at 91-92.

⁷⁵³ Id. at 93.

⁷⁵⁴ Id. at 91-94. Special Agent Wade testified that sometime prior to May 19, Kennedy told him that the Travel Office employees were going to be terminated, but did not say when. Wade had the impression that it would happen soon. Wade GJ 6/4/96 at 37.

⁷⁵⁵ Kennedy GJ 7/30/96 at 94.

⁷⁵⁶ Id. at 94.

⁷⁵⁷ Id. at 94-95.

⁷⁵⁸ Id. at 95.

⁷⁵⁹ Myers GJ 7/23/96 at 45-48.

Capitol Hill around noon.⁷⁶⁰ Myers had already received the talking points that mentioned the FBI investigation.⁷⁶¹ Shortly thereafter, Myers received a call from the Associated Press's Terry Hunt, and Myers confirmed the Travel Office employees had been dismissed.⁷⁶² Hunt asked if the FBI was reviewing the situation, which Myers confirmed because the FBI's involvement was in the talking points and had been told to her by Watkins.⁷⁶³ Myers then received a call from Watkins who told her not to mention the FBI to the press; Myers indicated it was too late.⁷⁶⁴ Myers called Hunt back to learn that the information had already been run on the wire services as urgent headlines.⁷⁶⁵

At 2:22 p.m. that day, Myers held a press briefing in the White House where she announced the Travel Office employees had been fired and answered questions about the FBI investigation she had already confirmed to the Associated Press.⁷⁶⁶ Myers testified that the White House had "an enormous problem on our hands. That I had disclosed that the FBI was

⁷⁶⁰ Id. at 49.

⁷⁶¹ Id. at 48-49; see also Talking points on Changes in White House Travel Office 5/13/93, OIC Bates No. 542-DC-00007488.

⁷⁶² Myers GJ 7/23/96 at 49.

⁷⁶³ Id. at 49-50.

⁷⁶⁴ Id. at 50.

⁷⁶⁵ Id. at 52. Martens testified that when he heard about the firings on the radio he called Harry Thomason, who asked him if Sample would volunteer to come to Washington and work with Cornelius for a couple of weeks. Martens and Sample arrived on May 21. Martens GJ 7/16/96 at 114-15. Martens contended that the only reason he returned to Washington on this date was to introduce Sample to Cornelius and Watkins. Id. at 110, 114. Chris Walton, whom Cornelius enlisted to help out in the Travel Office during the week following the firings, testified that he heard discussions that week to the effect that Martens would be chartering the aircraft for the President's upcoming New Hampshire trip. Walton GJ 6/6/96 at 54-55.

⁷⁶⁶ Myers GJ 7/23/96 at 53-56.

investigating Two, we had summarily dismissed several people who had close working relationships with a very angry White House press corps."⁷⁶⁷ Kennedy first learned "the horse was out of the barn" (referring to the disclosure of FBI involvement) when Myers called Kennedy for information because the press was inundating her with questions.⁷⁶⁸ Myers's principal aide, David Leavy, said, "I think it is safe to say that most people had no idea what kind of reaction it would have in the media. I certainly could never have anticipated the overwhelming reaction that the media had to it."⁷⁶⁹

c. The Press Corps Reacted Negatively, Which Generated Substantial Discussion Amongst the White House Staff.

The press's reaction to the firings was openly hostile, and, according to Myers, dominated the White House Press Office for "three days, at least."⁷⁷⁰ Press reports quickly identified Cornelius as the President's relative and began to explore the relationship between World Wide and the Clinton campaign.⁷⁷¹ The press also began exploring Sample's relationship with Martens and Thomason and the Clinton campaign. Specifically, Martens testified that his confidential memorandum to Thomason regarding "White House Press Charters" was leaked to the press, and that he told the Washington Post and ABC News that it contained "all anecdotal information."⁷⁷²

⁷⁶⁷ Id. at 57.

⁷⁶⁸ Kennedy GJ 7/30/96 at 100-01.

⁷⁶⁹ Leavy GJ 8/1/96 at 7.

⁷⁷⁰ See Myers GJ 7/23/96 at 56-57, 83.

⁷⁷¹ See Davison GJ 7/13/96 at 56 ("The press had gone wild. They were -- there was a tremendous amount of false information about us, our ownership, our association with Cornelius and Watkins. There was -- in other words, we were taking, in our image, a beating in the press"). See Myers GJ 7/23/96 at 96.

⁷⁷² Martens GJ 7/16/96 at 115; Gearan GJ 7/11/96 at 24; Martens GJ 7/16/96 at 56;

Cornelius's February 15, 1993 memorandum was also leaked to the press.⁷⁷³ Cerda believed that Billy Dale was responsible for this, based on an earlier conversation where "he was threatening to release a confidential White House document to the press if we didn't -- I don't know -- if we messed with him."⁷⁷⁴

On May 19, 1993, a continuous meeting began in George Stephanopoulos's office, which involved numerous people over the course of three days.⁷⁷⁵ Myers explained the meeting's purpose was to evaluate the "enormous problem" caused by disclosure of the FBI's involvement, the summary dismissal of people with personal relationships with the White House press corps,

Memorandum from Martens to Thomason 3/3/93, OIC Bates No. AL-DC-00007620 (with fax cover sheet, summary attachment, and accompanying notes; see also, supra, Subsection (C)(2). On May 21, 1993, Myers met with Martens and Thomason, who had just arrived from Florida, to discuss Martens's January 29, 1993 memo to Thomason, as the press had a copy of the memo and was accusing Thomason of trying to get White House business for a company he owned in part. Myers GJ 7/23/96 at 64. Thomason told Myers that he had a minor financial interest in TRM, that he thought the Travel Office should be run as "efficiently as possible, and that he had a company that he thought might be helpful in that regard." Id. at 72.

⁷⁷³ Kennedy testified that neither he nor Foster knew about the February 15 memo until after the firings and that, if they had, "it certainly would have made us a helluva lot more cautious" Kennedy GJ 7/30/96 at 85.

⁷⁷⁴ Cerda GJ 7/1/96 at 134; see also Cerda GJ 7/1/96 at 133 ("[a]fter the firings, Brian [Foucart] had to go with Billy Dale to [transfer] the bank records. And Brian [Foucart] had a conversation with Billy Dale where Billy Dale said, [']I have a copy of the February 15th memorandum. And if you guys want to play hardball, I'm going to play hardball right back. So don't mess with us, or something like that[']"). One of the fired employees, John Dreylinger, said that fellow Travel Office employee Maughan told him he had discovered a copy of the memo, made a copy of it, and given it to Dale. Dreylinger GJ 6/6/96 at 10-11. Dreylinger said he actually was given a copy of the memo by Travel Office employee Barnaby Brasseux the evening they were fired. Id. at 10-11.

⁷⁷⁵ Myers said that after the first press briefing they began a running meeting, mostly in George Stephanopoulos's office, that started "[t]he afternoon of the 19th" and went "at least through the afternoon of the 21st." Myers GJ 7/23/96 at 56.

and the limited evidence to support their dismissal.⁷⁷⁶ Another problem discussed at the meeting was the President's trip to New Hampshire planned for Saturday, May 22, 1993. As Myers observed, "[w]e had a trip and no Travel Office."⁷⁷⁷

The necessity of a public response resulted in coordination between the White House press office and the FBI. On May 21, 1993, Stephanopoulos, White House Counsel Bernard Nussbaum, Foster, Patsy Thomasson, Myers's assistant David Leavy, and FBI Agent John Collingwood⁷⁷⁸ met in Stephanopoulos's office.⁷⁷⁹ Kennedy arrived after the meeting had begun.⁷⁸⁰ The purpose of the meeting was to brief Stephanopoulos on the FBI investigation and the information the press had received, and to determine how to respond.⁷⁸¹ More specifically, Stephanopoulos sought to ensure that the FBI and the White House were giving consistent

⁷⁷⁶ Id. at 56-57.

⁷⁷⁷ Myers GJ 7/23/96 at 61. The first trip handled by the newly reorganized Travel Office was a disaster. Id. at 169. Cornelius was overwhelmed and "felt really hung out to dry," because Watkins would not deal with her or help. Cornelius GJ 7/25/96 at 151-52. By Friday, May 21, World Wide left and was replaced by American Express. Carney GJ 7/13/96/ at 48-49. Sample said that she booked two charters for the White House and worked through May 31, when Watkins terminated her services. Sample GJ 6/13/96 at 67-68, 72.

⁷⁷⁸ Agent Collingwood was head of the FBI's Office of Public and Congressional Affairs. His duties included oversight of the press office. Collingwood GJ 6/6/96 at 2-3. He testified that, based on the White House's public announcement that the FBI was conducting an investigation of the Travel Office, his office decided to prepare a press response confirming the FBI's investigation. Id. at 5. The document was not intended to be a press release, but simply talking points to aid people in responding to press inquiries. Id. at 6-7.

⁷⁷⁹ Stephanopoulos GJ 7/2/96 at 8.

⁷⁸⁰ Kennedy GJ 7/30/96 at 102-03. Stephanopoulos testified that Watkins was "probably" there as well, though Stephanopoulos was not sure of that. Stephanopoulos GJ 7/2/96 at 36.

⁷⁸¹ Kennedy GJ 7/30/96 at 102-04.

information to the press.⁷⁸² Collingwood advised Stephanopoulos that the FBI was conducting a criminal investigation.⁷⁸³ As a result of the discussion, Collingwood amended the press response his office had prepared to indicate that the FBI had sufficient information to determine that additional criminal investigation was warranted; the prior version of the press response had also not expressly confirmed the criminal investigation's existence.⁷⁸⁴ Stephanopoulos handed out the amended version to the press at a briefing.⁷⁸⁵ The FBI later voiced objections that the White House had distributed the document.⁷⁸⁶

d. Watkins Publicly Denied That He Read the February 15, 1993 Cornelius-Cerda Memorandum Proposing Their Takeover of the Travel Office.

Cornelius testified that on May 21, 1993, she called Patsy Thomasson back in response to Thomasson's page.⁷⁸⁷ According to Cornelius, Thomasson told her that if anyone asks whether

⁷⁸² Stephanopoulos GJ 7/2/96 at 11-12. Stephanopoulos said that he never heard that either Foster or Watkins, if Watkins was there, mention they had spoken with the First Lady about the Travel Office in advance of the firings. Stephanopoulos GJ 7/2/96 at 36-37.

⁷⁸³ Collingwood GJ 6/6/96 at 18.

⁷⁸⁴ Stephanopoulos GJ 7/2/96 at 15-16; Collingwood GJ 6/6/96 at 19-20.

⁷⁸⁵ Stephanopoulos GJ 7/2/96 at 16. See Exh. I of the White House Travel Office Management Review, GJ 95-2 Exh. 68, for copies of FBI press releases dated May 19, May 20, and May 21 respectively. The May 21, 1993 version was provided to the press by Stephanopoulos and his staff.

⁷⁸⁶ Stephanopoulos GJ 7/2/96 at 17. Collingwood explained, "they took essentially what is a press release or a press response . . . and released it to the public without asking us first is it all right. I don't -- I am not aware of any other agency ever taking one of our press responses or press releases and releasing it to the press." Collingwood GJ 6/6/96 at 26. Collingwood later discussed the situation with Dee Dee Myers. Id. at 27-28.

⁷⁸⁷ Cornelius GJ 7/25/96 at 156. The call was prompted by press interest in the Cornelius/Cerda memo. On May 20, 1993 Wolf Blitzer of CNN and Gene Gibbons of Reuters came to see Myers and showed her a copy of the memo. Myers asked the reporters not to write a story that night and to give her the opportunity to collect information; she and Stephanopoulos

Watkins ever read the February 15, 1993 memorandum, she was to say he had not.⁷⁸⁸ Thomasson denied ever making such a statement.⁷⁸⁹ The same day, Cerda received a page from Patsy Thomasson, but was unable to reach Thomasson when she returned the call.⁷⁹⁰

The next morning, Cornelius saw Stephanopoulos state on television that Watkins never read the Cornelius-Cerda memorandum.⁷⁹¹ Cerda testified that, the next day she and Watkins were waiting to enter Dee Dee Myers's office when Watkins said to her, "you never saw me read the memorandum."⁷⁹² Cerda understood from the comment that Watkins wanted her to say something that was untrue.⁷⁹³ Cerda also testified that after this conversation, Watkins walked into Myers's office to answer questions and Cerda heard him "[say] something to Dee Dee about, Clarissa can back up my story" about whether he had solicited and read the memorandum.⁷⁹⁴

then went to see Watkins who told her he had never read the memo. Myers GJ 7/23/96 at 75-76. The next morning, Blitzer and Gibbons came to the White House and Myers and Stephanopoulos explained what they had learned. Myers GJ 7/23/96 at 80.

⁷⁸⁸ Cerda GJ 7/1/96 at 135.

⁷⁸⁹ Thomasson GJ 7/24/96 at 119-21.

⁷⁹⁰ Cerda GJ 7/1/96 at 134-35.

⁷⁹¹ Cornelius GJ 7/25/96 at 157-58. Cornelius was extremely upset and called Eller, who told her that Watkins said he did not read the memorandum and Stephanopoulos believed him. Cornelius testified that Eller told Stephanopoulos to be careful, and Stephanopoulos told Eller to stay out of it. She further stated that she and Cerda later told Dee Dee Myers that they thought Watkins did read the memo. Id. at 157-158. Eller "did not recall specifically" whether or not Cornelius told him that Thomasson and Watkins were trying to get her to say that David Watkins did not read the February 15 memo prior to May 19. Eller GJ 7/17/96 at 110.

⁷⁹² Cerda GJ 7/1/96 at 137-38.

⁷⁹³ Id. at 137.

⁷⁹⁴ Id. at 137.

Immediately after his conversation with Myers, Watkins, according to Cerda stated: "[T]his is something you did on your own, right? And you can back up my story."⁷⁹⁵

Watkins later admitted that he had glanced at the organizational chart attached to the memorandum, though he was not specific about when this occurred.⁷⁹⁶ He also admitted that he told Thomasson to call Cornelius and to ask her if he (Watkins) had ever told Cornelius that he had read the memorandum.⁷⁹⁷ Watkins insisted that he never instructed Thomasson to attempt to get Cornelius or Cerda to say something that was untrue.⁷⁹⁸ Watkins also recalled telling Cornelius and Cerda, "I never said to you all that I read [the] memo."⁷⁹⁹

e. Cornelius Was Urged to Resign.

Cornelius also testified that beginning in June 1993, Watkins tried to get her to resign.⁸⁰⁰ Brian Foucart called Cornelius's home on June 1, 1993 and asked her to resign in light of the harsh press criticism of the White House.⁸⁰¹ Cornelius refused.⁸⁰² According to Cerda, Cornelius wanted to speak with the President about the pressure to resign and the actions of Watkins and

⁷⁹⁵ Id. at 137-38.

⁷⁹⁶ Watkins Int. 11/22/96 at 12.

⁷⁹⁷ Id. at 28.

⁷⁹⁸ Id. at 28-30.

⁷⁹⁹ Watkins Int. 11/22/96 at 29. The GAO was aware of this dispute and the respective parties's position on whether or not Watkins had read the memo. Nancy Kingsbury deemed the disagreement "not relevant" to the GAO's investigation. Kingsbury GJ 6/27/96 at 34-36.

⁸⁰⁰ Cornelius GJ 7/25/96 at 200-01.

⁸⁰¹ Cornelius GJ 7/25/96 at 201-03; Cerda GJ 7/1/96 at 139-40.

⁸⁰² Cerda GJ 7/1/96 at 140. The next day Foucart again urged Cornelius to resign. Cornelius GJ 7/25/96 at 203.

Thomasson.⁸⁰³ Watkins stated that he initiated the contact with Cornelius regarding resignation because the press was hammering Cornelius and she was not performing adequately in her position in the Travel Office.⁸⁰⁴

The same day, Cerda called Thomasson in response to an urgent page, and Thomasson told Cerda she needed to speak with her immediately.⁸⁰⁵ They met in a "strange alcove."⁸⁰⁶ According to Cerda, Thomasson stated that she was very worried about Cornelius, that Watkins was going to fire her any second because she was "screwing up," and that the best solution was for Cornelius to resign to save Watkins's job.⁸⁰⁷ Thomasson told Cerda to convince Cornelius to submit a resignation memorandum.⁸⁰⁸ Cerda did not pass along the information to Cornelius, but "consulted counsel," -- Associate White House Counsel Cliff Sloan.⁸⁰⁹ Cerda testified that she told Thomasson she had spoken with counsel, and Thomasson said that if she had known that Cerda would repeat the conversation to counsel she would not have had it with her; Thomasson

⁸⁰³ Cerda GJ 7/1/96 at 147; see also Cornelius GJ 7/25/96 at 200.

⁸⁰⁴ Watkins Int. 11/22/96 at 30.

⁸⁰⁵ Cerda GJ 7/1/96 at 144-45; Thomasson GJ 7/24/96 at 122-25.

⁸⁰⁶ Cerda GJ 7/1/96 at 145-46.

⁸⁰⁷ Id. at 145.

⁸⁰⁸ Id. at 145, 174-75.

⁸⁰⁹ Id. at 145, 174-75. Thomasson admitted speaking with Cerda, but claimed it was out of concern for Cornelius's health, and that Watkins wanted Cornelius to know that there was a job available at the Democratic National Committee's Travel Office for her so that she could get away from the pressure of the White House. Thomasson GJ 7/24/96 at 123. Thomasson admitted telling Cerda "it looked like Catherine might have to resign," but denied saying Cornelius had to resign to save Watkins's job. Id. at 124.

then "slammed the phone down and hung up" ⁸¹⁰ Thomasson said, "I don't recall saying that," but says she told Cerda, "I would rather she had talked to me." ⁸¹¹

Associate White House Counsel Cliff Sloan testified that Cerda came into his office in late May or early June and told him that Thomasson paged her, she met with Thomasson, and Thomasson told her that Cornelius should resign from the White House. ⁸¹² Sloan stated that Cerda "seemed somewhat upset." ⁸¹³ Sloan also testified that he told Cerda not to do anything about it, as he would speak to Nussbaum. ⁸¹⁴ According to Sloan, Nussbaum said Thomasson's actions were inappropriate, that Cornelius should not be asked to resign, and that the White House Travel Office Management Review should be allowed to take its course. ⁸¹⁵ At Nussbaum's instruction, Sloan related Cerda's information to Podesta and Gearan who agreed with Nussbaum's assessment. ⁸¹⁶ Sloan also repeated the information to Foster. ⁸¹⁷ Sloan then told Cerda that Nussbaum indicated she should not do anything about Thomasson's statements. ⁸¹⁸

⁸¹⁰ Cerda GJ 7/1/96 at 145-46.

⁸¹¹ Thomasson GJ 7/24/96 at 126-27.

⁸¹² Sloan GJ 8/1/96 at 93.

⁸¹³ Id. at 93.

⁸¹⁴ Id. at 94.

⁸¹⁵ Id. at 94.

⁸¹⁶ Sloan GJ 8/1/96 at 95. Nussbaum testified that, subsequent to the firings, he heard that Thomasson wanted Cornelius to resign. Nussbaum GJ 12/2/96 at 80. He stated that he vaguely recalled a discussion with Podesta during which he told Podesta that Foucart and Thomasson should not be pressuring Cornelius to resign. Id. at 80-81.

⁸¹⁷ Sloan GJ 8/1/96 at 94.

⁸¹⁸ Id. at 95.

On the afternoon of July 3, Cornelius called Nancy Hernreich, Deputy Assistant to the President for Appointments and Scheduling, to ask to meet with the President regarding Thomasson's and Watkins's actions.⁸¹⁹ The President called Cornelius back, and later, she went to see him for fifteen minutes in the Oval Office.⁸²⁰ Cornelius said the President told her he was "sorry [she] had been hurt" and "that he would make sure in the end it was okay for me."⁸²¹

E. The White House Responded to Public Controversy Over the Firings By Conducting an Internal Review.

From May 25-26, 1993, McLarty convened a series of meetings in his office which were attended at various times by Foster, Watkins, Lindsey, Kennedy, Nussbaum, Stephanopoulos, Myers, Mark Gearan, and others.⁸²² The purpose of the meetings was to create a chronology of the Travel Office firings⁸²³ and update everyone involved.⁸²⁴ The meeting also considered whether or not the White House should conduct an internal review of the firings.⁸²⁵

⁸¹⁹ Cornelius GJ 7/25/96 at 195-96, 199.

⁸²⁰ Id. at 197.

⁸²¹ Cornelius GJ 7/25/96 at 197-98. Cornelius said she did not know of any actual intervention on her behalf by the President. Id.

⁸²² See generally Kennedy's notes of meeting 5/25/93, OIC Bates No. 542-DC-00018416; Gearan GJ 7/11/96 at 15-17. Although Mark Gearan recalled that such a meeting took place, he remembered little about the details of the meeting. Id.

⁸²³ See Gearan GJ 7/11/96 at 16. On one draft of this chronology, McLarty wrote the following, "May 16 - HRC Pressure." GJ 95-2 Exh. 145 (emphasis in original). McLarty testified that although he could not specifically recall why he made this notation, he was certain that it either related to the pressure he felt as a result of his May 16 meeting with Mrs. Clinton, or that someone else at the meeting had mentioned pressure from Mrs. Clinton. See McLarty GJ 7/31/96 at 147.

⁸²⁴ Kennedy GJ 7/30/96 at 106.

⁸²⁵ Stephanopoulos GJ 9/8/95 at 5-6.