

PRIVILEGED AND CONFIDENTIAL

November 15, 1993

MEMORANDUM FOR COUNSEL

FROM:

DAVID WATKINS



SUBJECT:

Response to Internal White House Travel Office Management Review

In an effort to respond to the Internal Travel Office Review, I have prepared this memorandum, which details my responses to the various conclusions of that Report. For the first time, this memorandum explains and details the surrounding circumstances as I saw them and the compelling pressures that caused me to believe that action needed to be taken immediately. It is my first attempt in writing to memorialize my thoughts, feelings and opinions. Although I have spoken with several investigators, I am not confident, given the varying interests, assignments and agendas of the investigators, that my view of the relevant events has received full expression.

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

In this case, I was notified of the forthcoming reprimand around 10 a.m. on July 2. But I did not receive a copy of the report until shortly after noon the same day, and at 1:15 p.m. the report was publicly released. I was never afforded the opportunity to respond, and until this memorandum, I have never responded in writing to the report or its contents.

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



BACKGROUND

Earlier this year an issue developed between the Secret Service and the First Family in February requiring considerable discussion among Maggie Williams, Mark Gearan, Vince Foster, Mack McLarty, me, the First Lady, and the President. The First Lady and the President suggested personnel action on the Secret Service detail, including the possibility of dismissal of the Director of the Secret Service, and the First Lady also suggested action on the Executive Residence staff. The First Family was anxious to have that situation resolved immediately, and the First Lady in particular was upset and critical with what she perceived to be "foot-dragging" in addressing the issues. She even stated that some of us involved were too nice and were naive.

Looking back, it is clear that deliberation has proven to be the wisest course of action in the Secret Service situation.

At the time the Travel Office situation began to receive our attention, the environment at the White House was such that prompt, decisive action was viewed favorably. We had not had a victory or any press success since the February address to the Joint Session of Congress on the Economic Plan, and the perception was that a big success was needed. This was apparent to all at the White House, but especially to the First Lady whose Health Care Task Force was being delayed and extended beyond its May deadline. So when the Travel Office issue arose internally, and well before the fact gathering and analysis was complete, the situation was hyped as a quick, easy and marketable victory by Harry Thomason. It was not difficult for him to find a willing audience in the First Lady and others.

As in the Secret Service situation, the First Lady took interest in having the Travel Office situation resolved quickly, following Harry Thomason's bringing it to her attention. Thomason briefed the First Lady on his suspicion that the Travel Office was improperly funnelling business to a single charter company and he billed the story as having significant positive press potential. As well, he told her that the functions of that office could be easily replaced and reallocated, making the barriers to the positive story seem inconsequential.

Harry sold the First Lady on his plan and vision of this as a good story, and he got her excited about it. Her enthusiasm for the issue and story likewise got Harry more excited and more committed to the project. Then, Vince Foster became involved, and Vince conveyed his, Harry's and the First Lady's excitement to me via regular visits and discussions.

The First Lady, Harry Thomason, and Jeff Eller seemed convinced that this was a story we could lead; something vitally important considering our then-current drought of good press. Uncovering corruption inside the White House and lowering press costs seemed to many the makings of a positive story – a needed press "win." And since this was entirely within our control, the general attitude from those pushing for action was "just do it." The First Lady, in particular, was tired of delays on the Health Care and other fronts; she wanted us to just do it – we are in control.

During the days leading to the ultimate dismissal of the Travel Office staff, the pressure – perhaps unknown to the First Lady – became pitched. Vince and Harry Thomason each informed me of the First Lady's attention to and interest in the Travel Office situation.

Then, to intensify the pressure even more, on Friday while I was in Little Rock, Vince 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 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 and in light of that she thought immediate action was in order. Further, the First Lady mentioned that others had advised her that the Administration had made an error in other areas of the White House and government by not getting "our people" in sooner.

Despite the pressure to act on scant information, I urged a professional and deliberate approach including the use of KPMG Peat Marwick. Indeed, it was the Peat Marwick report that finally convinced me that the urged action was appropriate and necessary. KPMG audited the Travel Office and provided my Office a draft report on Sunday; unfortunately, however, KPMG could not perform a complete audit because sufficient records were not kept by the Travel Office staff. Thus, the audit could not document fraud or theft, but it was clear from their review that the lack of management activity justified the terminations.

The following Monday morning, McLarty came to my office and met with me and Patsy Thomasson. At that meeting he explained that the issue of the Travel Office was definitely on the First Lady's "radar screen." The reading I took from this was clear: immediate action should be taken. I explained to McLarty that I had decided to terminate the Travel Office employees, and he clearly was relieved. We both knew that there would be hell to pay if, after our perceived foot-dragging in the Secret Service situation earlier, we failed to take swift and decisive action in conformity with the First Lady's wishes. He then approved the decision to terminate the Travel Office staff, and I indicated I would send him a memorandum outlining the decision and plan, which I did.

It is important to keep these facts in mind when considering the following specific criticisms of the Internal Travel Office Management Review. I will now address those criticisms directly.

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

"Travel Office Management" (Page 14):

"The review conducted by KPMG Peat Marwick uncovered serious financial mismanagement." At 14.

At the strong recommendation of myself and others in my office, KPMG Peat Marwick was engaged to review the financial practices of the Travel Office on an expedited basis once Vince and others concluded the universe of then existing concerns justified some action. I concurred in Peat Marwick's analysis and conclusions: Management of the Travel Office was abysmal.

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

"While all White House Office employees serve at the pleasure of the President, the abrupt manner of dismissal of the Travel Office employees was unnecessary and insensitive." At 15.

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

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

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

Hindsight of this type borders on hubris. Neither the overall context of the general Management Review underway in the White House to reach our downsizing goals nor the specific Peat Marwick findings are adequately treated in connection with this conclusion. As early as February, the intent of Management and Administration was to review and reorganize the Travel Office before October 1 into a leaner operation -- just as with every other office within the domain of Management and Administration, from the Photo Office to the Telephone Office to the Travel Office. That remained the plan until the intense pressures surrounding this incident arose in May. If given time to develop, the original plan to reorganize the Travel Office for a smooth transition in September would have allowed the Travel Office employees to seek other federal placement, along with other Executive Office of the President staff, in anticipation of the end of the fiscal year staff cuts; however, when pressure began to build for immediate action in the Travel Office, and, in light of the Peat Marwick findings, the long-term plans had to be abandoned.

"The other major White House mistake in the treatment of the former Travel Office employees was in tarnishing their reputations. This resulted, as discussed above, from the inappropriate disclosure of an FBI investigation into potential wrongdoing in the Travel Office. (p. 15) . . . It was a mistake for the White House to publicly discuss FBI involvement, which led to the disclosure of the FBI investigation. . . . The talking points prepared by Watkins' office for the press office stated that the White House had asked the FBI to investigate. Eller had also mentioned the FBI in an earlier draft of talking points. In making that reference, Watkins and Eller were insensitive to the effect such reference can have on the reputation of an innocent person. ¶This mistake was compounded when Foster's and Kennedy's instruction to eliminate the FBI reference was not carried out. Watkins did attempt to reach Myers, and Eller himself omitted the FBI reference in his own background press briefings the morning of May 19. However, neither ensured that Myers avoided the reference." At 18.

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

"Catherine Cornelius also played a role in the dismissal of the Travel Office employees, and she too had a personal stake in the outcome. As the three memos she wrote on the Travel Office attest, she was eager to work in and, if possible, manage the Office. Her proposal to reorganize the travel office was appropriate and would be

considered usual to any transition process. But her role in the decision-making process after she became, in effect, an 'accuser' of the Travel Office employees, by collecting documents and alleging possible wrongdoing, was inappropriate. . . . [E]very effort should be made to insulate the federal government's management decisions from even the appearance that personal interests have played a role in the outcome of those decisions." At 20.

Catherine Cornelius had no part in the dismissals. I put no stock in most of what Cornelius told me except to the degree it was subject to corroboration. Her arguments for dismissal and reorganization had absolutely no bearing on the final decision to terminate the employees. If her input had been given great weight, the need for Peat Marwick would have been negligible; in light of her self-interest, her age and her tendency to exaggerate, however, I decided to rely exclusively on a professional accounting firm. Catherine Cornelius, despite the Review's suggestion to the contrary, had absolutely no role in the decision-making process, and I never intended to place her in charge of the Travel Office. My intent all along was to put a trained financial manager over all the White House administrative operations, including the Travel Office.

After learning of Catherine's disappointment as the result of my request of Matt Moore to provide a report on certain operational issues involving the Travel Office, I subsequently authorized her to provide a report to me on May 15 based on her previous experience in the campaign and actual experience in the Travel Office. She was placed in the Travel Office because of her prior experience in that area and a need to move her out of my immediate office -- where she had become a liability to daily operations. Having had extensive experience with Catherine, I knew that her report would have limited utility, but as I have in the past, I expected to distill those with which I disagreed from those I thought helpful. All views she expressed were evaluated in light of her known bias. To put it simply, she had no impact on my own decision-making process other than by providing factual information.

"The White House took several actions that demonstrated an insensitivity to the appearance of favoritism. ¶Hiring World Wide Travel on a no-bid basis -- even as an interim, stop-gap measure -- created the appearance of favoritism toward a local friend from the campaign. World Wide's president, Betta Carney, is a long-time acquaintance of Watkins. Watkins' Little Rock advertising agency was a client of World Wide in the 1970s and World Wide was a client of Watkins' agency during that time period." At 20.

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

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

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

We had recent experience with World Wide, and based on that experience I was comfortable with the fact they had been contacted and relieved to learn they could fill the void. I knew we could rely on them for confidentiality in handling and preparing to handle the Travel Office business, until the business could be subject to full and open competition.

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

At this point in the sequence of events, with the Travel Office reorganization plan -- known by the First Lady, McLarty and others -- including utilization of World Wide Travel, it would have unnecessarily heightened confusion (and arguably would have caused additional activity by Thomason) to seek to recruit an unknown travel service. Again, a primary source of the problem was the abruptness caused by the calls for immediate action in the Travel Office and the at least daily inquiries. If my plan to slowly shift as the fiscal year came to a close had remained intact, a travel agent would have been procured in a more deliberate fashion. However, since at the time of hiring World Wide it was known that they had a GSA contract and should have been understood that their engagement would be short-lived, hiring World Wide was neither as questionable nor as "non-competitive" as the Report and the press would have one believe.

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

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

"White House Management" (Page 21):

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

"Lax Procedures"

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

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

"Placing Cornelius in Travel Office."

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

As stated above, Catherine was placed in the Travel Office because of her experience in travel and to allow her to make a meaningful contribution to this Administration. The original assignment was made to see if she would work out there permanently — if she liked that work and if it likewise suited her. The report I asked her to provide on May 15 was in no way the driving force for her assignment to the office. She was placed in that office because it was a position at the White House to which she brought some experience in light of her extensive involvement since October 1991 in coordinating travel for then-candidate Bill Clinton.

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

Catherine was not asked to investigate or document wrongdoing by the Travel Office staff. I understood that she lacked experience to perform such a task. Catherine was merely asked to observe what transpired in the Travel Office — nothing further was requested or expected. No special training or guidance is needed to keep one's eyes and ears open, to observe. I never asked her to collect documents or other information; she undertook this of her own volition.

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

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

"Poor Planning."

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

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

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

In light of the need for absolute confidentiality, it would have been foolhardy to consult the press or press advance staffs. From the staff review and Catherine Cornelius' experience (this is the primary area where her factual expertise was relied upon), we in fact did know the services that the Travel Office staff performed. Catherine Cornelius and Harry Thomason regularly and repeatedly reassured me that the press charter function could easily be assumed with the assistance of Penny Sample. Thus, plans to replace these aspects of the Travel Office functions were in place prior to the dismissals. Then, when the need for immediate replacement became evident, I committed to provide whatever manpower was needed to perform the services the Travel Office staff had performed. To be sure that we had sufficient support in the Travel Office, I called Betta Carney on Tuesday — the day before the dismissals — to ensure that World Wide would provide whatever staffing was necessary to guarantee proper functioning and service, including on the charter booking side because it would have been impertinent to rely exclusively on Catherine Cornelius, since her prior travel experience did not include exposure to aircraft charters.

Immediately following the dismissals, meetings were held with the press and press advance staff to make all necessary arrangements for upcoming trips. These discussions came after the fact, but were accompanied with a commitment from my office for all necessary resources to perform the job. The trips worked efficiently and, of even greater significance from a management perspective, the Travel Office, since the dismissals, has enjoyed an approximately twenty percent reduction in costs.

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

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

I would have much preferred to have my staff carefully review the Travel Office and make a detailed business plan for the new fiscal year. This proved impossible, though, when the pressure for immediate action became inexorable. This demand for immediate action forced me to accept hastily formulated, but not necessarily imprudent, plans.

"Overview."

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

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

As stated above, I too would have much preferred to have my staff carefully review the Travel Office and formulate a detailed business plan for the new fiscal year. This proved impossible, though, when pressure for action became overwhelming, and could have been criticized severely in light of the then existing allegations and the Peat Marwick findings.

CONCLUSION

All failings outlined in the Internal Management Review were either mistaken and groundless criticism or were based on actions dictated by the perceived and arguably justified need for instant action. While this reorganization may have required more careful review, that luxury was foreclosed. Perhaps I should have dug in my heels and refused to take action, although I did feel that in light of the KPMG report that sufficient negative data was uncovered that would, in all likelihood, justify the management action. The operational procedures in the Travel Office were so bad and the grounds for dismissal so clear, that delay was hardly indicated and acquiescence in the call for action seemed proper.

The biggest mistake made, by me and all others, was misjudging the uproar the dismissals would cause among the press corps. If that had been fully foreseen, more careful deliberation and planning would have been the obvious course to everyone involved. Instead, Thomason's view of the huge public relations benefits predominated. Unfortunately, no one knew of the individual perks and personal treatment being bestowed upon the press corps (such as allowing cases of wine to be improperly brought into Andrews Air Force Base and handling oriental rugs that were imported duty free on the press plane), or the fury with which the press would respond to the dismissals.