David Brock

The Travelgate Cover-Up

Hillary Clinton, Vincent Foster, David Watkins, William Kennedy, Harry Thomason, Patsy Thomasson, Betta Carney, Catherine Cornelius, Clarissa Cerda, Darnell Martens, Penny Sample, Larry Herman, George Stephanopoulos, Bernard Nussbaum, Mack McLarty, Jeff Eller, Joseph Gangloff, David Margolis, John Podesta, Philip Heymann, the IRS, the GAO, and FBI agent Tom Carl.

I.

By now, the plot lines are familiar: abuse of government power to benefit campaign contributors; violations of conflict-of-interest laws; a review conducted to deflect, not resolve, legitimate questions; improper contacts with independent law-enforcement agencies; efforts to deceive the press; a compromised Justice Department; and, at the center of the muck, with her "strong moral compass," Hillary Rodham Clinton.

No, this isn't a story about influence-peddling and sleazy deal-making fifteen years ago in Arkansas. It's a story about influence-peddling and sleazy deal-making one year ago in the Clinton White House.

Specifically, it is the full story of Travelgate. The plan to replace the White House travel office with a hand-picked travel agency, World Wide Travel of Little Rock, was hatched shortly after the 1992 election. But it was rooted in long-standing political and business relationships in Arkansas. The full extent of these connections has never been explored, despite an internal White House Review in July 1993 and last month's whitewash of the affair by Congress's General Accounting Office. A second look at the scandal reveals an array of hidden agendas and payback schemes implicating the president and—especially—the first lady more directly in Travelgate than has been previously established. It gives the lie to Bill Clinton's post-Whitewater defense that he has never been accused of abusing the office of the presidency. And it places in sharp relief the possible reasons behind deputy White House counsel Vincent Foster's suicide last July.

On May 19, 1993, David Watkins, assistant to the president for management and administration, met with the seven staffers of the White House office that arranges air travel for staff and charters planes for the White House press corps. Watkins—the key player in Travelgate, and, strangely, the only one to have been spared press scrutiny—told the startled group, many of whom had served for twenty years, that they were summarily fired. No mention was made of allegations of criminality or of an FBI investigation. Watkins made them surrender their White House passes and ordered them off the premises within an hour. As security stood by, the humiliated seven cleared out their belongings and were escorted from the building like accused criminals. It wasn't until they read the papers over the next few mornings that they realized they *were* accused criminals.

Though often identified as "career" employees, the Travelgate Seven, like most White House staff, served at the pleasure of the president. Such employees are permanent staff only by tradition, not by right, and the Clintons apparently think nothing of indulging their whims by replacing White House

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ushers, telephone operators, correspondence clerks, and chefs. Such low-level house-cleaning is unprecedented: the well-mannered Bushes, for instance, dutifully ate food they didn't like for two years before the Reagans' cook quit voluntarily.

But screwing over the "little people" is the Clintons' prerogative. One might even say *pastime*, for a curious aspect of the affair is why the White House didn't simply obtain the staffers' resignations without going to the trouble of smearing them as crooks. According to associates of the seven, if they had been allowed to quit with dignity—which would have meant little more than two weeks' notice and a perfunctory going-away party in the Indian Treaty Room—they would have left without a fuss.

But that was not to be. Instead, they would be ruined, Arkansas-style.

II.

World Wide Travel was originally owned by the Worthen Bank, which is in turn controlled by the all-powerful Stephens family. In 1979, Stephens Inc. was forced to sell the agency when the Federal Reserve Board ruled that banks had to divest themselves of their travel services, but Stephens arranged for it to be bought by its manager, Betta Carney. By 1993, World Wide was the twenty-fourth largest U.S. travel agency, with annual business of $158 million.

In the mid-1970s, Watkins, who ran the Worthen-owned Advertising Associates, Inc., became a major client of Carney's, and vice-versa. Meanwhile, both Watkins and Carney forged relationships with Mack McLarty, now White House chief of staff, who became chief executive officer of the Stephens-owned Arkla Gas Company in the early 1980s. McLarty was a World Wide client, as is Stephens Inc., and Wal-Mart, on whose board of directors Hillary Rodham Clinton sat. World Wide still banks with Worthen and until 1990 had its corporate offices in the Worthen Bank Building; and Hillary's Rose law firm has represented Worthen for years.

Watkins's ad agency produced many of the advertising spots for Clinton's gubernatorial campaigns. Watkins, his wife and family members, and the Watkins Company, a closely held consulting firm he owns, and Carney and her family and her travel agency, all have been financial supporters of Clinton's candidacies over the years, typically "bundling" their contributions to end-run campaign finance laws.

Carney made well over $1 million as the Clinton presidential campaign's travel agent, in a contract arranged on a non-competitive basis by Watkins, who by then was the deputy manager and chief financial officer of the campaign. Though the arrangement was not disclosed in either the White House Review or the GAO audit, according to a 1992 report in *Travel Weekly*, World Wide did the Clinton campaign a big favor: it agreed to bill the campaign based on the amount of money it was taking in, rather than on the money it was spending. A portion of the campaign's travel debts was thereby deferred until federal matching funds started pouring in.

The agency also adopted an unusual billing policy for journalists. When members of the press fly on a candidate's chartered aircraft, the campaign bills them a pro-rated fare plus 10 percent. World Wide required journalists to charge their tickets *in advance*, and made sure that those funds were wired back into the campaign's coffers within a few days. The campaign, which spent an estimated $100,000 a week chartering planes, also tried to force the Secret Service to pay immediately; the government, of course, never pays on time, and this was an early source of friction between the Secret Service and the Clinton people.

The arrangement enabled the campaign to instantly pump cash into advertising in crucial races in Michigan and Illinois; the money would otherwise have been only a ledger entry in accounts receivable for weeks. *Travel Weekly* quoted Watkins as saying that "were it not for World Wide Travel here, the Arkansas governor may never have been in contention for the highest office in the land."

As security stood by, the humiliated seven cleared out their belongings and were escorted from the building like accused criminals. It wasn't until they read the papers over the next few mornings that they realized they were *accused criminals.*

Clearly, someone owed World Wide. According to the *Washington Times*, by the time Clinton locked up the nomination, Carney was already secretly analyzing the White House travel office operation. Two weeks after the election, Steve Davison, director of customer service for World Wide, was quoted in a little-noticed *Arkansas Business* article as saying that "World Wide is studying the possibilities of opening an office in Washington, D.C. to handle travel plans for Clinton's staff when he becomes president," arrangements that had historically been handled by the White House travel office. Shortly after the campaign, Carney's agency was rewarded with the Democratic National Committee's travel business.

Contrary to the later White House spin that problems in the travel office cropped up in a routine audit in late spring 1993, the takeover of the travel office had been decided on the previous summer; the only question was how to effect it.

III.

Betta Carney and David Watkins enlisted 25-year-old Catherine Cornelius, a fellow Arkansan who served as the liaison between the Clinton campaign and World Wide and whose great-grandmother was a sister of Clinton's great-grandfather. Cousin Catherine was told to come up with a rationale for gutting the current travel office and assuming the same role in the White House that she had played in the campaign. Interestingly, Clinton aide Jeff Eller, who had a "close personal relationship" with Cornelius, according to the White

House Review, was already telling reporters in December 1992 that there were unspecified "problems" in the travel office and that he would not be surprised if some people got fired.

That month, Cornelius and representatives from World Wide met in Little Rock with Watkins (now a transition official) to discuss strategy for World Wide's takeover of the travel operation. Cornelius sent Watkins a detailed memo dated December 31, 1992, arguing that "privatizing" the White House travel office would let Clinton fulfill his campaign promise to reduce White House personnel and make it easier to get discounted airfares. Additional revenue would be generated through a rebate scheme in which 3.5 percent of the agency's 10-percent commission on tickets (which the airlines had kept under the old system) would be rebated to the White House Travel Account. Cornelius estimated that on a travel budget of nearly $6 million a year, this would yield a $210,000 rebate. Cornelius failed to point out that the remaining 6.5 percent (or $390,000 a year) would go right into World Wide's coffers. Cornelius proposed that the White House short-circuit regular procedures and select the private contractor itself.

In a January 26, 1993 memo to Watkins (now a top assistant to the president), Cornelius explicitly proposed that she and Clarissa Cerda, who had supervised the campaign's early-billing operation, could perform the functions of the White House travel office working with World Wide. Watkins quickly named both Cornelius and Cerda to his White House staff as assistants, with the apparent intention of moving them to the travel office at a propitious moment.[1] While the authorship of the memo creates the appearance that Cornelius was initiating the plan, Cornelius told GAO auditors that Watkins requested this memo and a subsequent one. Watkins denied this to the GAO.

On February 15, Cornelius and Cerda presented Watkins with a document called "The White House Travel Office: Briefing Book and Proposal." The document envisioned giving Clinton loyalists control of all White House travel functions, including keeping the manifest of Air Force One—Watkins at the helm, with the two "co-directors of travel," Cornelius and Cerda, working under him. One has to wonder if the Clintons' oft-stated concern for "privacy" was not a factor in placing trusted aides in jobs where only they would know who slipped on and off Air Force One.

Despite press accounts focusing on the conniving Cornelius, Watkins orchestrated events. Though he would later tell White House investigators that he never intended "to review or modify the current White House travel operation in the near term," all the documentation belies his denials. If he never intended to review the operation, why did Cornelius's January 26 memo contain explicit descriptions of her discussions with him on the matter? If he never intended to modify the operation, why was he meeting with World Wide in the first place? If, as he later maintained, he put the Cornelius-Cerda briefing book "in a file and I never read it," why did he begin implementing its plans shortly after he received it?

IV.

Meanwhile, apparently tipped off by Carney and Cornelius, another group of close associates began maneuvering for a piece of the White House business.

Penny Sample, whose Air Advantage company had brokered charter planes to the campaign for World Wide, was eager to perform the same service for the White House press corps. Sample's boyfriend, Darnell Martens, was president of a small Cincinnati-based aviation consulting firm that had done billing and consulting for Air Advantage. Martens had chartered "Air Elvis," the airplane that transported Clinton and his aides during the presidential race.

Martens's firm, Thomason, Richland & Martens (TRM), was co-owned by Martens; Hollywood producer Harry Thomason, a longtime Arkansas friend of the Clintons; and Dan Richland, the agent of Thomason's wife Linda Bloodworth-Thomason. (TRM now does business under the name Harry Thomason & Associates.)

The Clintons were even more beholden to the Thomasons than to Betta Carney. The garish couple hosted many Hollywood fundraisers for Clinton, and their production company donated $60,000 to the Democratic National Committee. In 1992, the Thomasons went to extraordinary lengths to make film editors, cameramen, make-up artists, and wardrobe people, as well as studio facilities and equipment from their TV shows, available for Clinton campaign videos, according to a recent report in the *Los Angeles Times*. Individuals like the Thomasons are free to volunteer their services to campaigns on a virtually unrestricted basis. But the *Times* suggested that the Thomasons' television shows may have picked up the tab for some of these services, a possible violation of federal election laws limiting corporate contributions. (In response to written questions from *The American Spectator*, Thomason's Washington super-lawyer, Robert Bennett, said: "There have been no violations of campaign laws.")

After the election, Thomason helped choreograph the Clinton inaugural and consulted on staging presidential events. Though he received no formal appoinment, he may have been a "special government employee," and thus subject to conflict-of-interest laws. He was given a White House pass and an East Wing office, and received telephone calls and messages and faxes at the White House, according to White House sources. In early February, he began to make discreet inquiries about the travel office. He asked Dee Dee Myers if the White House charter business was open for competitive bidding, and Myers said she thought it was. During a phone conversation with Darnell Martens, Thomason suggested that Martens call Myers to follow up. Myers, perhaps naively, referred Martens to Billy Dale, the long-time travel office director who would soon become one of the Travelgate Seven.

The Review described Martens as merely being "interested in helping Air Advantage," and he and Thomason have main-

[1] Both Clarissa Cerda and her brother Jose Cerda work in the White House. After the travel office fiasco, she was reassigned to the White House counsel's office where she is an assistant counsel to the president. In the spring of 1993, she was also one of those White House employees implicated in a double-dipping arrangement, whereby she was paid for a time by both the White House and the Clinton transition.

tained that they were not seeking business for themselves. The GAO, however, found that Thomason "made inquiries about obtaining Travel Office business on behalf of Mr. Martens, his business partner." The charter account is worth about $40,000 a day, and a commission would go to the brokers off the top. TRM and Air Advantage had a contractual relationship during the 1992 campaign.

Martens wrote a memorandum for his files about the Dale telephone call that indicates he was in fact seeking White House business for TRM.[2] Martens referred to an interest in "earning" White House business for TRM and conveyed his frustration that Dale "refuses to discuss business opportunities with legitimate charter operators." But Martens's company was a charter *broker*, not a charter operator, and the White House already had a charter broker—the travel office itself. It was clearly the brokerage Dale was referring to when, according to the memo, he was adamant that there was "no chance" the White House would change its current operations. (Later, as the White House flailed about trying to control the spin, Dee Dee Myers would say that TRM was not even in the business of brokering.)

Martens made a case for replacing the current charter airline, UltrAir—formerly Airline of the Americas (AOA), which had been founded by ex-Pan Am executives using Pan Am's old planes after Pan Am's bankruptcy in 1991. (This portion of the memo, titled "Research Information," hardly seems intended only for Martens's files. For one, it refers to Martens in the third person. For another, Harry Thomason later had it faxed to Watkins as factual evidence against Dale's operation.) Martens charged that UltrAir flew the press corps on "a virtually exclusive basis." (The actual figure was 66 percent of the White House charter business, and several charter operators told me the White House business was competitively bid.) But Martens's major indictment was political, playing to a now well-established anti-Republican paranoia in the Oval Office:

> Airline of the Americas is a Republican-operated charter airline. The company ran into controversy during the presidential campaign when it provided press transportation without chargebacks to the press in order to insure good press coverage of Bush campaign appearances. AOA wanted the flights to be considered a contribution but this was denied by the FEC/DOT subsequent to a complaint initiated by David Buxbaum of the Clinton/Gore '92 Committee. The uncompensated flights were discontinued to the satisfaction of the concerned government agencies. This activity by AOA does, however, indicate a decidedly anti-Clinton philosophy which seems, on the surface, to be inconsistent with the current administration. Further, this activity had to have been operated with the full knowledge and cooperation of the White House Travel Service Department since all flights dealt with following President Bush.

These charges, too, appear unfounded. In a sworn affidavit filed in connection with a libel suit against Harry Thomason, Charles Caudle, one of AOA's founding shareholders, maintained that it never flew any White House charter flights for less than normal quoted charter rates, nor did the airline ever provide free transportation for members of the press. There is no record of any complaint being filed against AOA with the FEC or the Department of Transportation regarding allegations of free trips for the press. During White House briefings on Travelgate, reporters appeared positively baffled by the charge that they were given free trips.[3]

Martens went back to Thomason and held at least two conversations—one on the telephone, and one in person in Los Angeles—complaining of Dale's reaction. In these conversations, Martens passed on "rumors" of corruption in the travel office. Shortly thereafter, Thomason brought the matter up with Clinton himself, telling the president in late March that he thought there was "trouble" in the White House travel office.

Within a few days of the Thomason-Clinton conversation, Thomason called Watkins and told him of the corruption rumors he'd heard. Watkins next

[2] The Martens memo was eventually released to the press by the White House after it was leaked by one of the travel office veterans, apparently by Dale, who had somehow got hold of both the Cornelius-Cerda memo and the Martens memo, after it was faxed to Watkins at the White House. All the memos referred to in this article were released as exhibits to the White House Review.

[3] Caudle resigned as AOA's chief executive officer before the travel office controversy. He is suing Thomason for $80 million for libel for disseminating false rumors of kickbacks about UltrAir that he alleges caused an FBI probe, and causing the publication of false and damaging material from the Martens memo, which surfaced in the press as Caudle was negotiating a deal to start another airline. Thomason has countered that Caudle has misrepresented his role in Travelgate. He said the memo in question was written by Martens, never mentioned Caudle, and was published months after Caudle had left AOA. The case will be heard in U.S. District Court in Washington.

dispatched Cornelius to work in the travel office for several weeks and report back to him by May 15 on her observations. That is, Cornelius was planted in the office to substantiate rumors that she not only had an interest in fanning but had helped originate in the first place. Once on the scene, she began eavesdropping on conversations. She put out the word that some travel office workers were living above their means, implying that funds were being embezzled or kicked back from the charter companies. According to sources familiar with the situation, her concerns focused on one employee who owned a cabin on some $10-an-acre property near Virginia's Lake Anna and a $6,000 pontoon boat—hardly high living. Cornelius also secretly photocopied travel office documents and squirreled them away until she got caught by colleagues one day when a check accidentally jammed the copier. The travel office people then locked up the files on her, making it impossible for Cornelius to return the papers.

On May 12, Watkins and Cornelius met with Thomason and Darnell Martens in the White House to discuss the situation. The Martens memo was faxed from his Cincinnati office. With no hard evidence of any wrongdoing by the current employees, Cornelius called Betta Carney and told her to prepare to send staffers to Washington to take over the travel operation, because the staff was about to be fired. One World Wide official flew in the next day. Cornelius disclosed to the GAO that Watkins ordered her to make the call. Though the White House Review did not disclose this, perhaps because it would contradict the line that TRM was not seeking White House business, on May 12 Martens applied for a White House pass, according to the GAO.

But Watkins, Cornelius, and Thomason did not have the ability to execute the purge and cover it up. A scandal involving a rather petty scheme to reward a network of cronies with a federal contract would now become a scandal about the use of the police powers of the government for political purposes.

V.

Hillary Clinton had seen to it that such a frightening abuse was possible by constructing an iron triangle at the outset of the administration: the White House; the counsel's office (headed by her mentor from the Watergate period, Bernard Nussbaum and staffed by former Rose associates Vince Foster and William Kennedy); and the Justice Department (run, de facto, by her former law partner Webb Hubbell).

Later on May 12, Watkins, Cornelius, and Harry Thomason met again, this time with deputy counsel Foster. Watkins and Cornelius passed on their allegations about the travel office, though they likely held back the fact that both Cornelius and Thomason had direct interests in disseminating the allegations. (In a subsequent conversation, according to the Review, then–White House Communications Director George Stephanopoulos asked Thomason whether he had any financial interest in any company bidding on White House work, and Thomason denied it. But the very *asking* of the question seems incriminating: Why would Stephanopoulos suspect that, of all the thousands of travel companies in the country, it was Thomason's that stood to profit?)

Associate counsel William Kennedy joined Foster in a second meeting with the trio. What came next was a reprise of Rose Law Firm days, where Foster had been the brains and Kennedy had gained a reputation as the firm's bully, its bad cop. Foster asked Kennedy to contact the FBI about initiating an investigation of the office. With this, Foster drew the FBI and the Justice Department into the plan to get rid of the travel office workers by ginning up a criminal probe. Late that day, Kennedy contacted FBI agent Jim Bourke for the first time. The next morning, May 13, Bourke called Kennedy, who demanded to know—"within 15 minutes"—what the FBI was going to do. Otherwise, Kennedy warned, he would call in the IRS.

That threat seemed to move things along. Two very senior agents in the criminal division, Howard Apple and Pat Foran, went to the White House to meet with Kennedy following what Apple described to the GAO as a "nebulous and cryptic" telephone call from Kennedy. Apple said he told Kennedy that if normal procedure were followed, the matter would be referred to the FBI's Washington Metropolitan Field Office or even the local police rather than involve FBI unit chiefs. But Kennedy was adamant. The atmosphere at the White House was tense. "Apple also recalls Kennedy indicating that the matter was being directed or followed at the highest levels of the White House," the Review said. "Kennedy does not recall making this statement, but does recall indicating that his superiors—Foster and Watkins—were looking over his shoulder." (Interestingly, the GAO quotes Apple as saying he was told by Kennedy "that the matter was '*directed* at the highest levels' of the White House." [Emphasis added.])

Kennedy told the agents of "rumors" about lavish lifestyles among travel office personnel. Apple was clearly unimpressed, telling Kennedy he needed more information before deciding whether to investigate, according to the GAO. Apple and Foran then consulted with their boss, Daniel Coulson, a deputy assistant director of the FBI.

Coulson sent a second team of senior agents, Richard Wade, the chief of the governmental fraud unit, and Tom Carl, a supervisor in that unit, to meet with Kennedy. "According to Wade and Carl, Kennedy indicated that the Travel Office was a matter of some urgency and that it was being followed at high or the highest levels at the White House," according to the Review.

The key meetings came next, when Wade, Carl, and Kennedy met first with Foster. The FBI agents told the White House lawyers that insufficient grounds existed for an investigation. Cornelius, who had returned to her home to retrieve the travel office documents, was then summoned, and she told the FBI of a small amount of checks made out to cash that were not accounted for and unsubstantiated stories about kickbacks. Pressure from the White House and Cornelius's junior-league sleuthing led to a decision to open a criminal investigation. The White House Review portrayed the decision to investigate as an independent judgment reached by the FBI: "Following this conversation [with Cornelius]," the Review reported, "[Wade and Carl] determined there were grounds for further investigation," On May 14, the day after this determination, Carl briefed three Justice Department lawyers: Joe Gangloff; Jerry McDowell; and Jack Keeny, a deputy assistant attorney general. "None raised an objection," the Review reported.

But four days before the Review was released, William Sessions, then the embattled director of the FBI, painted a different picture in a letter dated June 28, 1993, sent in response to inquiries from Senate Minority Leader Bob Dole. Dole placed the text of the letter in the *Congressional Record* on July 14, 1993. But by then, media interest in the story had waned, and its contents have never been written about.

To rebut the charge that the FBI had been manipulated for political ends, Sessions maintained that the Justice Department had made the final call:

> The final determination that there was sufficient predication to initiate a criminal investigation was made by Mr. Gangloff [then the acting chief of the department's public integrity section] after being briefed by SSA Carl.... Authorization [for subsequent White House-FBI contacts] was based on previously detailed discussion within the FBI and the *decision by DOJ* that sufficient predication existed to initiate a criminal investigation. [Emphasis added.]

Regardless of who actually made the decision, the FBI and the Justice Department don't usually act so quickly in determining that a criminal investigation should be initiated—in this case, either on the very day of, or one day after, the first face-to-face meeting with White House officials. It hardly seems possible that none of the lawyers involved realized that White House encouragement of a criminal investigation would set off alarm bells if it were ever disclosed.

The Clinton administration's own review, in fact, contains a long footnote regarding post-Watergate policy concerning White House contacts with the Department of Justice or the FBI on pending investigations. The general principle set forth by the Carter administration and reaffirmed by each subsequent administration is that White House contacts with law enforcement agencies on civil or criminal investigations should go through the counsel's office and the contact should be made only at the highest levels of the Justice Department (through either the attorney general or the deputy attorney general).

In reviewing the Kennedy call to the FBI, the White House Review noted that while contacts on *pending* criminal cases are barred, Kennedy was reporting a *potentially* criminal matter. There was no clear prohibition on discussing this subject matter, and so it was not technically "improper."

Yet this was a hair-splitting distinction, as even the White House seemed to recognize. On February 22, Bernard Nussbaum had issued a memo reiterating the Bush administration's guidelines that inquiries on pending criminal or civil investigations must go through the attorney general or the deputy. On May 25, however, in the midst of the Travelgate firestorm, Nussbaum amended the policy in a new memo, this time requiring that all future calls to the FBI or Justice from the White House regarding even potential criminal matters be routed only through top DOJ officials.

That appeared to be a tightening of the restrictions. But Nussbaum also made a sly change: Previously, only the top two officials could be contacted; now, the third-ranking official, Associate Attorney General Webster Hubbell, was included as well. In other words, the next time the White House wanted to exert influence on a potential or pending case, it wouldn't get into the fix it found itself in with Travelgate. Next time, Kennedy could just call Hubbell.

VI.

Apparently already realizing the terrible impropriety of having asked Kennedy to call on the FBI on May 12, the next day Vince Foster, consulting with Watkins and Patsy Thomasson (who works under Watkins as an assistant to the president and is no relation to Harry Thomason), came up with a strategy to conceal the activities of White House staff vis-à-vis the FBI, while at the same time hiding the involvement of Clinton friends in the travel office firings: a two-pronged cover-up.

A quick financial audit of the travel office would be undertaken as the ostensible basis for the decision by the FBI and the Justice Department to open an investigation—which would serve as the ostensible basis for installing Clinton cronies in the travel office. The press would be told that an audit had suddenly turned up credible allegations of wrongdoing; a criminal probe had then been ordered; and the decision had been made to fire the travel office employees. This exactly reversed the sequence of what had actually happened.

Unless the audit was intended only to conceal that the White House was the source demanding a criminal investigation, there was no legitimate need for an audit, since the matter had already been raised to the level of potential criminality. Sessions seemed to reveal as much in his letter to Dole, who had asked what the FBI agents recommended to Kennedy as a course of action on May 13: "No course of action was recommended to Mr. Kennedy. He was advised that the FBI was only authorized to conduct criminal investigations." From this reply it can be inferred that Kennedy and Foster had asked the FBI to do an audit, and that the FBI refused.

Normally, if credible allegations had been raised and a decision made to investigate, the FBI would have moved in and sealed the office. But in this case, there were no credible allegations—the investigation was being done because the White House demanded it. Thus the investigation would have to be delayed until a middle step could be invented.

As luck had it, an auditor with political ties to the administration, Larry Herman of the accounting firm KPMG Peat Marwick, was already in residence in Vice President Gore's office, doing early work on the examination of government management that would come to be known as the National Performance Review.

Mack McLarty signed off on the Foster-Watkins-Thomasson cover-up plan late Thursday, May 13. At that point, the Review reported, "Foster asked the FBI to wait for the results of the Peat Marwick financial review before proceeding with its investigation." The FBI was uncomfortable with this procedure, but acquiesced. "After initially expressing a preference for agents to accompany the Peat Marwick team, FBI agent Wade agreed with Foster and Kennedy to wait for the completion of Peat Marwick's review," the Review said.

There were several additional contacts between Kennedy and the FBI once the decision to audit was made. Throughout the day on May 14 and during the weekend, Kennedy urgently attempted to feed any preliminary findings he could get his hands on to the FBI in a vain effort to cover his tracks. These contacts were divulged in the Sessions letter; the White House Review and the GAO audit omitted them entirely. Sessions revealed to Dole that twice on May 14 Kennedy called Wade, "provid[ing] additional information [on the] audit being conducted at the Travel Office and discrepancies being found by the auditors." On May 15, according to Sessions, FBI agents Tom Carl and David Bowie, of the bureau's Washington Metropolitan Field Office, went to the White House "at the behest of Mr. Kennedy . . . to receive a further update about the preliminary findings of the 'performance review.'" Sessions further revealed that the two agents met not only with Kennedy, but also with Patsy Thomasson and Larry Herman of Peat Marwick.[4]

Given Herman's ties to the administration, of course, the audit can hardly be called truly independent; indeed, two aides from Watkins's office—deputy Brian Foucart and Jennifer O'Connor, a staff assistant—worked with Herman, checking back with Thomasson on their progress throughout the weekend. Thomasson then called Watkins; Watkins called Foster; and Foster told Watkins to call Hillary.

Why Hillary? It turns out that the sense of urgency in the White House on May 13—the day Kennedy gave the FBI fifteen minutes to jump—was at least partly due to Hillary's clicking her heels. Though the GAO ignores these conversations, she had asked both Vince Foster and Mack McLarty in separate meetings that day what was being done about the "problems" in the travel office.

How Hillary first became aware of the "problems" has been one of the enduring mysteries of Travelgate, a question glossed over entirely in the White House Review. Recall that on May 12, Thomason and Martens had met with Watkins—and then Watkins told Cornelius to call World Wide with news of imminent firings. Though none of the press accounts picked up on it, the missing piece of the puzzle was disclosed by the GAO. Following the meeting with Watkins, Thomason "repeated his concerns" to Hillary, and then reported back to Watkins on the conversation. (Through his lawyer, Thomason said he could not recall any conversation with Hillary.)

Thomason's interests dovetailed nicely with what White House sources describe as Hillary's obsession with clearing out "Republican holdovers" from the White House staff. Indeed, the GAO reported that on May 14, in a call to update Hillary on the audit, Watkins told the GAO that Hillary "urged that action be taken to get 'our people' into the Travel Office . . ." Though Hillary declined to be interviewed by the GAO, in written responses she maintained that she "does not recall this conversation with the same level of detail as Mr. Watkins."

Foster told Hillary late Thursday that the audit would start the next morning. But even that was not soon enough for Harry Thomason, Cornelius, and Jeff Eller, who met with Mack McLarty on Friday morning to urge him to fire the travel office employees by 5 p.m. that day. McLarty probably didn't know that Cornelius had already told World Wide to come to Washington.

Foster objected to the immediate firings, because the audit had to happen first, and McLarty backed him up. "McLarty decided that no action would be taken until the completion of the Peat Marwick review," according to the

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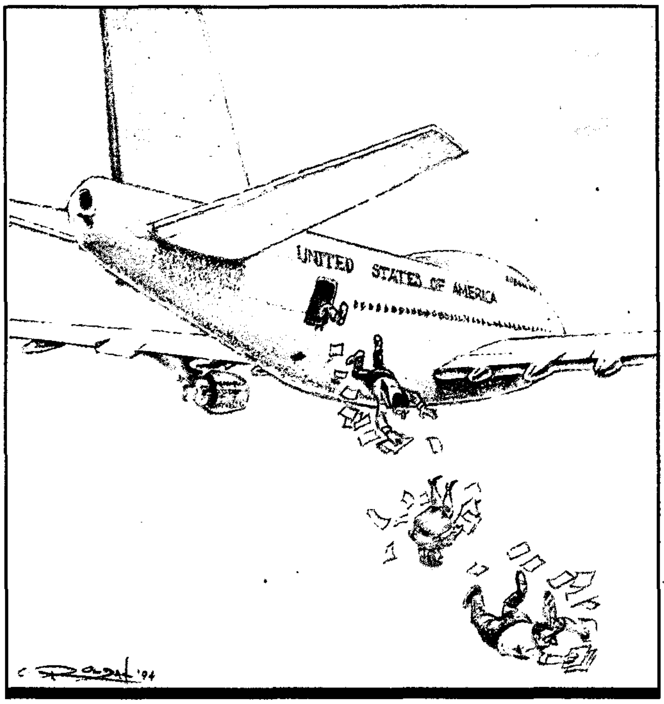
[4] Thomasson has learned how to respond to questions with answers that are technically correct but misleading nonetheless. In a Senate subcommittee hearing March 25 of this year, GOP Sen. Christopher Bond of Missouri had this exchange with Thomasson. Bond: "Did you participate with the Peat Marwick auditors in the review of the Travel Office affair?" Thomasson: "The process of reviewing the White House Travel Office was done by a group of staff from the White House as well as assisted by Peat Marwick for the financial side and for doing numbers. I was briefed by Peat Marwick during the process, sir." Bond: "You didn't participate in the process?" Thomasson: "No, sir." How is it that a meeting on Saturday at the White House with Kennedy, Larry Herman, and two FBI agents doesn't count as "participating in the process"?

Review. The "action," of course, was pre-determined by Hillary on May 12 after she spoke with Thomason.[5]

On Monday, May 17, Watkins sent a memo to McLarty reporting the results of a draft of the Peat Marwick review and informing him of the pending firings, though one had nothing substantively to do with the other. (As will be discussed later, the audit turned up no evidence of kickbacks.) If the review really mattered at all, why not wait for the final report, which was due that Wednesday, rather than act on a draft?

In the opening paragraph of the memo, Watkins linked the audit to Gore's National Performance Review ("We placed the Travel Office at the front end of the review"). Perhaps this was written with the expectation that the memo would be made public, because McLarty surely knew that the only connection between the audit and the NPR was Larry Herman. Watkins was also contradicted on this point by Gore's office, which told the GAO that the audit was not conducted under the auspices of the NPR.



A second falsehood is that the FBI "suggested they believed there was sufficient cause for them to conduct a criminal investigation but they asked us to have Peat Marwick complete with audit before the FBI would begin further work." Even the White House Review had to come clean on this score, noting that Foster had persuaded FBI agent Wade to delay investigating until the audit could be churned out.

In a third false statement, Watkins conveyed the impression that the new system for the travel office had been devised during the weekend of the audit, rather than months before at his instruction. "Late Saturday, we briefed the FBI on these findings and began planning a new system to replace the old one," he wrote. (Watkins confirmed Sessions's statement that the FBI had White House contact that day.)

Watkins carbon-copied only Hillary on this memo, placing the "cc" designation prominently across the top of the first page, yet another sign that Hillary was privy to the firings before they occurred, as well as to the plan to appoint Cornelius to head the re-organized office working hand in glove with World Wide Travel. Watkins needed Hillary's imprimatur to implement the plan. Carboning the first lady in this bold way suggests the two had a quite close relationship, and Watkins was willing to call in some chips for Carney.

Watkins was born in Hope, the same town as Bill Clinton and Mack McLarty, and like McLarty is said to be a boyhood friend of the president's. (Harry Thomason is from Hampton, about 60 miles from Hope.) A millionaire, Watkins has owned an advertising agency, a music company, a cellular telephone company and two telecommunications businesses. Some of his money was made in a 1983 bid he put together to compete for a cellular phone franchise in Little Rock. Watkins invited Hillary to join a group of prominent Arkansans to apply for a license through the Federal Communications Commission. In an interview in July 1992 with the *Washington Post*, Watkins said of the group, "We were picking friends." In a recent interview with *Business Week* (which briefly mentioned the deal but did not make the Watkins-Travelgate connection), Larry Wallace, another investor in the Watkins group who owns the NBC affiliate in Little Rock, said Hillary's connection to the governor was thought to be a way of attracting the FCC. Hillary put up $2,014 for a 2.5 percent interest in the group.

The FCC, however, decided to award the franchise by lottery and the Watkins group lost out. Watkins then took out a loan to buy out the winner, with Hillary personally guaranteeing $60,000. In the end, the Watkins group bought the license and turned around and sold the franchise in 1988 to the telecommunications giant McCaw Cellular Communications Inc. The group made more than $2 million on the sale; Hillary got a check for $45,998 on her $2,014 investment. That debt seems to have been partially repaid in 1991, when then-Gov. Clinton appointed Watkins's father Henry Grady Watkins III to the Arkansas Pollution Control and Ecology Commission, a local version of the EPA with broad powers touching on virtually every aspect of the state's economy, from land use to air and water quality.

In 1992, the Clintons became indebted once again to David Watkins, who helped arrange the campaign's $3.5 million bridge loan from his former employer, Worthen National Bank. The loan, based on funds the campaign was expected to bring in, was critical to Clinton's candidacy.

Watkins was involved in a second partnership with Hillary, one that has raised conflict-of-interest questions for the first lady.

(continued on page 71)

[5] What Peat Marwick issued, in fact, was not an audit at all; it was drafted as a letter to Bill Kennedy. The cover memo on the draft clearly noted: "[O]ur procedures do not constitute an audit, examination, or review in accordance with standards established by the American Institute of Certified Public Accountants." Apparently the records were too disorganized to do a formal audit; Peat Marwick did not consider whether this was in part the consequence of Cornelius's rifling through documents and removing some of them.

The Elves of Whitewater

by John Corry

In the end, it may be a novelist or playwright who will tell the Whitewater story best. The press, by and large, is ambivalent. It is aware of the moral vacuum at the White House, but it is uncomfortable with the knowledge, and often wishes it would go away. The problem is, this is not likely to happen. "The corruptions of Whitewater are like the fruit of a richly bearing tree," the novelist Mark Helprin wrote on the op-ed page of the *Wall Street Journal*, "and it seems that every day a new dead hand rises from a misty Arkansas lake." Just so, and the same day Helprin's essay was published, Bill Clinton told a somnolent Washington press corps that he had lost some $22,000 less than he previously had said he had lost on his now famous real-estate venture. The *New York Times* nodded agreeably, and reported this in the twenty-eighth paragraph of its story.

The *Times* was not attempting to cover up malfeasance. Indeed, the week before it had been the first to report that Hillary Rodham Clinton had made $100,000 in commodities trading. So many dead hands have risen, however, that the press has grown confused. What was lost in the twenty-eighth paragraph of the *Times* story that day was treated more appropriately with a page-one headline in the *Washington Post*.

The gingerly approach is widespread. When Mrs. Clinton held a press conference, news stories stressed not so much what she said about Whitewater, but the poise she showed when she said it. *Time* magazine summed this up nicely: "The confiding tone and relaxed body language, which was seen live on four networks, immediately drew approving reviews." The press conference, artfully staged and carefully timed—on a Friday afternoon while Richard Nixon was dying, and the Serbs were doing their best to invite bombing—became not the vehicle for making news, but rather the news itself. It is appropriate for the press to show deference to a first lady, but not when this means critical faculties must lapse. What ought to have been the lead paragraph, or somewhere close to it, in the *Times*'s coverage of Mrs. Clinton poked through only timidly in the twenty-fifth paragraph of a sidebar on page ten:

> Despite a demeanor that suggested infinite patience and openness, she never fully resolved the central question of Whitewater and the commodities trade: whether powerful friends had given the Clintons favorable treatment and had opened doors not accessible to ordinary Arkansans.

Clearly, Whitewater is taxing. The American Society of Newspaper Editors, temporarily suspending its usual brooding about diversity in the newsroom, fretted at its meeting in Washington over whether the press was becoming too mean. The *Times* reported that the editors were worried "about criticism that they may be overemphasizing Mr. Clinton's role in the Whitewater affair." In his keynote address, the ASNE president, William A. Hilliard, the editor of the *Oregonian* in Portland, obviously had Whitewater in mind. He warned the more than 800 editors about what he called "a cancer of mean-spiritedness festering in the journalistic gut," and as an example of mean-spiritedness cited a column by James J. Kilpatrick.

Kilpatrick had written that Clinton, bound by his "vows before the gods of diversity," could not have named a white male to the Supreme Court at the time he chose Ruth Bader Ginsburg. Editor Hilliard, according to the *Times*, said this showed "cold contempt" for Clinton's sincere commitment to end discrimination. Moreover, it set a bad example for young journalists.

Presumably, Hilliard was serious, even though (a) Kilpatrick, as a columnist, could say anything he pleased; (b) he was almost certainly right in what he did say; and (c) whether Clinton is sincerely committed to anything at all is really an unanswered question. Nevertheless, none of the other editors hooted Hilliard off the podium, or broke out in loud guffaws. Whitewater has also offered the press an excuse for the secret pleasures of self-flagellation. By berating itself for imagined misdeeds the press confirms its own sense of importance; and as the story grows, so does the flagellation. A Nexis search for February finds no more than four stories in major publications in which the phrase "feeding frenzy" appears with the word "Whitewater." In a single week in March, however, feeding frenzy and Whitewater turn up in forty-two separate articles.

The truth is that the press was drawn into Whitewater only reluctantly. The *New York Times* now reminds readers that it published the first story about Whitewater—in March 1992—although it neglects to mention that for two years afterward it did its best to ignore it. (Jeff Gerth, who wrote that first story, was bad-mouthed by James Carville and Clinton's other dark elves as an irresponsible reporter. Gerth eventually got his revenge; he disclosed Hillary Clinton's 10,000-percent profit in commodities trading.)

Indeed, for a long while, no newspaper

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