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DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
001. report	White House Travel Office; RE: USSS [partial] (1 page)	02/24/1995	b(7)(C), b(7)(E)

COLLECTION:

Clinton Presidential Records
Press Secretary
Mike McCurry
OA/Box Number: 11102

FOLDER TITLE:

WHTO [White House Travel Office] [2]

2011-0586-F
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RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

P1 National Security Classified Information [(a)(1) of the PRA]
P2 Relating to the appointment to Federal office [(a)(2) of the PRA]
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P5 Release would disclose confidential advice between the President and his advisors, or between such advisors [a)(5) of the PRA]
P6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA]

C. Closed in accordance with restrictions contained in donor's deed of gift.
PRM. Personal record misfile defined in accordance with 44 U.S.C. 2201(3).
RR. Document will be reviewed upon request.

Freedom of Information Act - [5 U.S.C. 552(b)]

b(1) National security classified information [(b)(1) of the FOIA]
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WHITE HOUSE TRAVEL OFFICE

WHITE HOUSE PRESS CORPS
TRAVEL POLICIES & PROCEDURES

THE WHITE HOUSE

WASHINGTON

February 24, 1995

Dear White House Press Corps,

The White House Travel Office has received numerous questions concerning the policies and procedures governing White House Press Corps travel. In response to your concerns, the White House Travel Office worked with the Board of Directors of the White House Correspondents Association (WHCABD) and network representatives throughout 1994, to develop a comprehensive set of policies and procedures which will streamline support, strengthen communications, improve customer and vendor relations, and ensure a fair and equitable distribution of expenses.

The policies contained on the following pages have been reviewed and approved by the WHCA Board of Directors and supersede all previously stated policies.

The information contained in this document is intended for the sole use of the travelling members of White House Press Corps and not for release.

Sincerely,

STEVEN E. RIEWERTS
Director
White House Travel Office

FOR OFFICIAL USE ONLY - NOT FOR RELEASE

Travel Policies and Procedures

OVERVIEW

This document establishes written guidelines by which the White House Travel Office will manage the White House Press Corps travel program. The policies and procedures contained in this document were developed through a cooperative effort between the White House Travel Office, White House Correspondents Association Board of Directors and network representatives. The overall goal is to streamline support, strengthen communications, improve customer and vendor relations, and ensure a fair and equitable distribution of expenses. These policies apply to all press travel support as provided by the White House Travel Office. This document becomes effective on April 1, 1995.

GENERAL INFORMATION

The White House Travel Office (WHTO) provides a full range of travel services for the members of the White House Press Corps when accompanying the President, Vice President and First Lady, or when requested by the White House Press Secretary. Services include the following: air and ground transportation, hotel accommodations and convention services.

The level of travel services varies with each trip site and is determined by scheduled events. Specific service requirements are obtained from the following three sources:

- White House Press Corps, "Trip Sign-up Sheet"
- Established Policy Requirements
- Individual Special Requests

The WHTO will maintain a full and accurate accounting of all expenses incurred in support of the White House Press Corps. Annually, the WHTO will provide a full range of financial reports to the President and board of the White House Correspondents Association. Cost allocation will be performed in accordance with the policies outlined in this document.

Upon completion of a trip, news organizations will receive a customer invoice for each individual traveller. In addition, each organization will receive a monthly statement. The statement will provide a record of aggregate account activity which will include payments, current charges and amounts past due for all travellers.

Press cooperation is critical to the overall success of the White House Press Corps travel program. The quality of support and billing accuracy is dependent upon accurate and timely information.

Support will only be provided to those news organizations travelling on the press charter for at least one leg of the trip and who have

- signed-up on the "Trip Sign-up Sheet" (Domestic trips), or
- submitted a "Trip Sign-up Packet" (International trips), or
- phoned in their request directly to the WHTO, and followed-up with written confirmation. (Phone requests should only be used as a last resort.)

The Director of the White House Travel Office and the Director of White House Press Advance will conduct joint quarterly meetings with the White House Correspondents Association Board of Directors (WHCABD) and network representatives. All issues relevant to White House Press Corps support will be discussed. The policies and procedures contained in this document were approved by the WHCABD and network representatives. Revisions must be approved by the signatories to this document.

TRIP SIGN-UP PROCEDURES

The "White House Press Sign-Up" roster is the primary source document for determining the level of support afforded individual members of the White House Press Corps.

DOMESTIC TRAVEL

A "White House Press Corps Sign-Up" roster will be posted on the bulletin board in the White House Press Briefing Room immediately following public announcement by the White House of the trip.

> NOTE: In addition, Sign-Up rosters will be provided in the filing center on trips underway during the sign-up period.

INTERNATIONAL TRAVEL

A "White House Press Sign-Up Packet" will be available for pick-up in the White House Press Office and the USIA Foreign Press Center following public announcement by the White House of an international trip.

> NOTE: "Sign-up Packets" can be obtained directly from the White House Travel Office by calling (202) 456-2250.

PHONE-IN REQUESTS

The Travel Office will accept Sign-up information over the phone by exception only. A Travel Office Trip Coordinator can be reached by calling (202) 456-2250.

> NOTE: All phone-in requests must be confirmed in writing by the close of the same business day. Confirmations can be faxed to the White House Travel Office at (202) 456-6670.

SIGN-UP FORM ENTRIES

All sign-up information must be complete, accurate and legible. Mark only those spaces where support is required. Blank spaces are considered negative responses.

SIGN-UP DEADLINE

The sign-up deadline date and time will be posted on each sign-up roster. ***After the deadline, all requests are considered confirmed and constitute a binding agreement to pay for the services ordered (See No Shows/Cancellations).***

NO SHOWS/CANCELLATIONS

Cancellations will be accepted prior to the sign-up deadline without incurring cost to the traveller.

No-shows and cancellations received after the deadline will be liable for all air, phone, ground and hotel expenses as requested on the sign-up roster. Expenses will be billed on a pro-rata basis, except for hotel cancellation charges which if incurred will be billed directly to the organization.

CHANGES

Increases in the level of service will be accepted throughout the duration of the trip as possible. Substitutions or increases in the number of personnel travelling will be accepted at any point during a trip within limitations (e.g., credential, visa and or passport requirements, hotel availability).

EMERGENCY CANCELLATIONS

Cancellations due to personal emergencies such as: death in the family, serious illness, personal injury, hospitalization, etc., will be accepted on a case-by-case basis without charge. The WHTO must be notified of emergency cancellations as soon as possible but not later than end of the trip to receive credit. Verbal notification must be followed by a written confirmation.

LATE SIGN-UP

Requests for travel services received after the deadline will be accepted only on a space available basis. ***Travellers cannot be guaranteed a seat on the charter, a hotel room, a phone, or workspace in the filing center after the deadline.***

PRESS CHARTER AIRCRAFT PROCEDURES

The WHTO will provide competitively-priced charter service for the White House Press Corps. Passenger safety and reliability will never be compromised.

CHARTER AIRCRAFT SERVICE

The WHTO will arrange for air charter service based on the number of press who sign up. Charter service will not be provided if it is determined that such service is cost prohibitive.

PASSENGER SAFETY

Passenger safety is the highest priority. In furtherance of this goal and in accordance with Federal Aviation Regulation, Part 121.311 - 317, all passengers must be seated with seat belts fastened for all takeoffs and landings, and when instructed by the pilot.

INFLIGHT SERVICE

The WHTO will ensure the same level of service is provided to all passengers regardless of their seat assignment.

CHECK-IN AND DEPARTURE

All passengers should check-in by the scheduled deadline and board the aircraft a minimum of 20 minutes prior to the scheduled departure time. All passengers must comply with scheduled baggage and equipment check-in times so departure schedules can be met.

SMOKING

Smoking is not permitted on White House Press charter aircraft. For safety reasons, smoking is never permitted in or around aircraft during ground servicing operations.

SEAT ASSIGNMENTS

Seat assignments will be provided at check-in. Seating diagrams will be posted in the Press Center at Andrews AFB and in the filing centers at each trip site. A WHTO Trip Coordinator will be available at each location to provide assistance. The WHTO will assign seats by news organization and not by the name of the individual. News organizations are responsible for individual seat assignments within their allocation.

Every effort will be made to ensure seat assignments do not change for the duration of the trip. In the event changes are required due to an increase in the number of press passengers, they will be kept to a minimum and the affected passengers will be notified prior to boarding the aircraft.

FIRST-CLASS/FORWARD SEATING

Priority in first-class or forward seat assignments will go to news organizations which routinely travel on White House Press charters. The following organizations will always be assigned one first-class or forward seat: ABC, CBS, NBC, CNN, AP, AFP, Reuters, and UPI. In addition, one seat each will be provided and rotated among the radio correspondents, news magazine correspondents, and print correspondents. Preference will be given to those who travel most frequently on WH Press charters.

MEAL SERVICE

The WHTO will ensure a full hot meal service is provided on every flight exceeding 1 hour in duration unless otherwise requested. Passengers will be advised of any exceptions to this policy.

DEPENDENT TRAVEL

Dependents are allowed to accompany travelling members of the White House Press Corps on the press charter if:

- aircraft seating is available, (NOTE: Journalists, official staff and support travellers have priority over dependents.)
- the trip is within the continental United States, and
- The primary purpose for the trip is to accompany the President on vacation.

Dependents are charged $100.00 per person for the entire trip -- not $100.00 per leg.

BOARDING CARDS

During each flight, the onboard WHTO representative will distribute boarding cards to all persons travelling on the White House press charter. Individuals must complete all sections of the boarding card and have it ready for collection during the flight. The cards are used to verify passenger manifests and become a permanent part of the trip file.

CUSTOMER BILLING

The White House Press Fund is funded solely through direct reimbursement from the news organizations travelling as part of the White House Press Corps. Funds are disbursed to vendors as they are collected from the news organizations. Timely billing and reimbursement is critical in ensuring future support for the White House Press Corps. The WHTO in cooperation with the WHCABD and network representatives has developed policies to ensure timely payments to vendors and guarantee adequate working capital to accommodate advance payments and to reduce billing of extraneous expenses received after the trip has been billed.

SERVICE CHARGE

Effective March 1, 1995, a 2% service charge will be assessed on the total amount of each traveller's invoice. Proceeds will be used to provide working capital for White House Press Fund disbursements, advance payments to vendors and to cover miscellaneous administrative costs (e.g., delivery fees, press entry visas, bank fees), associated with providing White House Press Corps support. In addition, these funds will be used to pay for late or adjusted vendor invoices received after the trip has been billed. This procedure will be limited to bills which are equal to or less than $500.00 or 1% of the overall trip expense whichever is lower. This will reduce the need for additional billing.

At the end of each fiscal year (calendar year) and during the annual audit process, the balance in the service charge account will be verified. Any and all amounts exceeding $100,000 will be refunded to the news organizations based upon their contributions during the fiscal year being audited.

EXPENSE CATEGORIES

Expenses are allocated on a pro-rata basis in accordance with the following categories:

AIR TRANSPORTATION

1. Air Force One Airfare (Press Pool only)
2. Press Charter Air Transportation Expense
3. Helicopter Airfare

AIR TRANSPORTATION - CONT.

4. Air Force One Inflight Service
5. Press Charter Inflight Service
6. Pre-Advance Airfare (Press travellers only)
7. Pre-Advance Inflight Services (Press travellers only)
8. Additional fees and tariffs associated with operating the press charter

FEDERAL TRANSPORTATION EXCISE TAX (FET)

For Domestic Trips: FET is equal to 10% of the air transportation charges less any catering and fees.

For International Trips: FET is $6.00 per traveller; it is a one time fee.

GROUND EXPENSES

1. All Ground Transportation (e.g., buses, motorcade vehicles, baggage trucks, etc)
2. Filing Center Space Rental
3. Filing Center Equipment and Electrical Support
4. Catering
5. Proportionate Share of Event Site Press Equipment, as necessary.
6. Pre-Advance expenses incurred by press organizations selected to represent the press corps on the pre-advance.
7. Miscellaneous expenses - (ex. bottled water, visas, excursion fees, etc.)

PHONES

Installation charges for filing center phones as specifically requested on the WH Press Sign-up.

PHONES-SITE

1. Installation charges for shared phones at event sites.
2. Rental fees for cellular phones shared by travel pools.

Withdrawal/Redaction Marker
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EXPENSE ALLOCATION

All expenses incurred in direct support of the White House Press Corps are allocated on a pro rata basis.

AIR TRANSPORTATION: Each leg of the itinerary is assigned a proportionate cost which is divided equally among all press passengers. The following formula is used to compute the proportionate cost for each leg of the trip:

(Leg flight time / Total flight time) x Total air transportation expense

The cost for individual legs of international trips may be adjusted to create an equitable distribution of overall charter costs for that trip. When so adjusted, a greater percentage of overall charter costs will be assigned to the legs carrying the greatest number of passengers. This procedure is especially applicable to international trips.

For international trips, press passengers travelling on the last leg of the trip will be billed at the comparable, commercial, business class fare. The business class fare will be computed as an average of all business class fares offered by the airlines, for the specific market, on the day of travel.

Government employees travelling in direct support of the press will travel on the charter at no expense. (NOTE: numbers may vary depending on trip complexity, events and staffing requirements.)

ORGANIZATION	DOMESTIC TOTAL STAFF	INTERNATIONAL TOTAL STAFF
White House Press Office	3	6
White House Press Advance	0	2
White House Stenographers	4	6
U.S. Army Transportation Agency (a/k/a "Carpet")	2	4
White House Travel Office	1	2
U.S. Secret Service	(b)(7)c, (b)(7)e	
U.S. Customs	0	1
U.S. Immigration	0	1

[001]

Government employees not involved in press support and AT&T employees travelling on the press charter are billed at the applicable government rate. The total government share per leg is subtracted from the total leg cost and the remaining portion is divided among the press travellers.

GROUND EXPENSES: Press travelling on transportation provided by the White House and/or those requesting filing center workspace or phones at a trip site are charged a pro rata share of all ground expenses incurred in that location.

Catered food in the filing center is provided only for the travelling White House Press Corps and support staff. Catering will not be provided in the filing center in areas where reputable food establishments are available within walking distance and events allow ample time to eat.

The government travellers listed above are not billed for ground expenses.

PHONES: This expense is for installation charges for phones ordered in the filing center. The charges are billed pro rata based on the number of filing center phones an individual requested on the WH Press Sign-up sheet, via a phone request, or requests honored and confirmed in writing after the trip departed (availability permitting).

News organizations choosing to share a phone in the filing center must indicate on the WH Press Sign-up sheet or in writing with whom they intend to share. These organizations will be billed the appropriate amount of the pro rata share based on the number of organizations sharing a phone.

PHONES - SITE: All press travelling on White House provided transportation, and/or those requesting filing center workspace, phones or credentials at a White House trip site are charged a pro rata share of all installation charges for phones installed at event sites for the shared use of the White House Press.

Still photographers are exempt from paying event site phone installation charges.

CUSTOMER INVOICES

Effective March 1, 1995, individual trip expenses will be provided on a White House Travel Office invoice form. The Travel Office will make every attempt to provide accurate billing information within 15 days of the return of the trip.

Additional billing may be required when late or adjusted bills are received after the trip has been billed. Amounts exceeding $500.00 or 1% of the overall trip expense, whichever is lower, will be billed in accordance with the guidelines established for billing expenses. All other amounts will be satisfied through disbursements from the service charge account.

CUSTOMER STATEMENTS

Statements will be printed at the end of each month and mailed to news organizations. Statements will provide a history of account activity to include outstanding invoices, payments received since the last statement, finance charges and amounts past due.

FINANCE CHARGES

At the end of each month, Finance Charges will be assessed against all outstanding balances on a per invoice basis for all amounts in excess of thirty days past due. Finance Charges will accrue at a daily rate of 0.03288%, or a corresponding annual percentage rate of 12%. The WHTO computes Finance Charges at the end of each month by applying the daily periodic rate to the outstanding balance of each invoice (including unpaid Finance Charges) in excess of thirty days past due. Invoice balances paid prior to the end of the month will not be subject to Finance Charges.

CUSTOMER BILLING RIGHTS

If you think your account is wrong, or you need more information about an invoice, write to: **White House Travel Office, OEOB Room 87, Washington, D.C. 20500.** You can telephone the WHTO accounting staff at (202) 456-2250, for information, but billing inquires must be received in writing within thirty days of the date of the invoice to be valid. Inquiries will be handled on a case-by-case basis and will not be accepted after thirty days. In your inquiry, give the WHTO the following information:

- Name of the news organization.
- Traveller's name.
- Invoice number.
- Dollar amount of the suspected error.
- Describe the error and explain why you believe there is an error.

You do not have to pay any amount in question while the WHTO is investigating, but you are still obligated to pay the parts of your bill that are not in question. While the WHTO investigates your question, Finance Charges will not be assessed against the disputed amount, nor will action be taken to collect the amount you question.

CUSTOMER PAYMENTS

Invoice amounts are due and payable upon receipt. Past due dates are determined using the invoice date shown on the top right of the customer invoice. Payments must be remitted by check, money order, or cashier's check.

30 DAYS PAST INVOICE DATE - Accounts are considered delinquent 30 days after the invoice date as shown on the top right corner of the invoice. Finance charges will be assessed at the end of each month against all outstanding balances on a per invoice basis for all amounts in excess of 30 days past due. Finance charges will accrue at a daily rate of 0.03288% or 12% per annum.

60 DAYS PAST INVOICE DATE - A delinquency notice will be sent to all news organizations with accounts 60 days or more past due.

90 DAYS PAST INVOICE DATE - Organizations with accounts 90 days or more past due will not be allowed to travel as part of the White House Press Corps. WHTO support will be denied to any organizations with accounts 90 days or more past due, to include: filing center access, phones, transportation, hotel accommodations and press credentialing.

WHITE HOUSE PRESS CORPS

TRAVEL

POLICIES AND PROCEDURES

APPROVAL AUTHORITY

PRESIDENT,
WHITE HOUSE CORRESPONDENT'S ASSOCIATION

VICE PRESIDENT
WHITE HOUSE CORRESPONDENT'S ASSOCIATION

NETWORK POOL CHAIRMAN

STILL PHOTOGRAPHER'S REPRESENTATIVE

SPECIAL ASSISTANT TO THE PRESIDENT
AND WHITE HOUSE PRESS SECRETARY

DEPUTY ASSISTANT TO THE PRESIDENT FOR
MANAGEMENT AND ADMINISTRATION

DIRECTOR
WHITE HOUSE PRESS ADVANCE

DIRECTOR
WHITE HOUSE TRAVEL OFFICE

White House Travel Office

Management Review

July 2, 1993

White House Travel Office
Management Review

On May 25, the White House announced that Chief of Staff Mack McLarty would begin an internal management review of the decisions and events surrounding the dismissal of seven employees from the White House Travel Office, and that he would be assisted by Director of the Office of Management and Budget, Leon Panetta.

This report is a product of that internal review. It is based on an extensive series of interviews with persons inside and outside the White House and a review of relevant documents produced by those persons. The former Travel Office employees were not interviewed because the Attorney General expressly requested that we refrain from doing so. (See letter from Deputy Attorney General, Exhibit A.)

The report has three parts: (i) a statement of facts; (ii) a discussion of the key issues; and (iii) a set of management improvements.

SUMMARY

The Travel Office incident raises a number of issues, discussed in detail in Part II of this report. We summarize our conclusions here:

First, the financial management of the Travel Office was seriously deficient:

- **Unaccounted for funds** -- In the 17-month period studied, Peat Marwick found checks written to cash totalling $18,000 with no record in the petty cash book. (See Peat Marwick Report as Exhibit B.) In one case, a $5,000 check written seven months earlier was matched by a $2,000 entry in the petty cash book. The next day, $2,800 of the missing funds were found by the Travel Office Director in his credenza.

- **Lack of accountability** -- According to Peat Marwick, there were no adequate financial controls: "no formal financial reporting process;" (ii) "no reconciliations of financial information other than...bank statements;" (iii) "no documented system of checks and balances on transactions and accounting decisions within the office;" (iv) "no apparent oversight...of financial activities or transactions of the office."

- **Billing by estimate** -- The press corps was billed according to estimates of what the costs of a trip would be. There were no clear written records of the reconciliation process.

- **Poor cash management system** -- The Office lacked a minimally adequate cash management system. For example, there was no general ledger or cash receipts/disbursements journal.

- **Lack of Documentation** -- The documentation for bills submitted to the press corps was either inadequate or nonexistent.

- **Lack of contractual support** -- There was no written contract between the Travel Office and the primary domestic charter company it used (UltrAir or Airline of the Americas).

Second, irrespective of the financial mismanagement of the Travel Office, the White House erred in its handling of the incident in several respects:

- Not treating the Travel Office employees with more sensitivity;

- Not being sufficiently vigilant in guarding against even the appearance of pressure on the FBI;

- Permitting people with personal interests in the outcome to be involved in evaluating the Travel Office;
- By not being sufficiently sensitive to the appearance of favoritism toward friends;

- Not engaging in the kind of deliberate, careful planning that the reorganization of an Office like this warrants and requires.

Third, the White House is reorganizing the Travel Office to save money for the taxpayers and the travelling press:

- Instituting a new system of competitive bidding for White House press charters that has already reduced charter costs significantly -- especially important to smaller news services, who might otherwise be unable to cover Presidential trips;

- outsourcing the commercial travel side of the Travel Office business, which will result in a savings to the taxpayers of more than $100,000 a year;

- implementing a new accounting system developed by the Office of Management and Budget and stringent internal control procedures to assure sound financial management.

Fourth, the White House is taking corrective action to:

- Expand and strengthen existing guidelines and procedures for contacts between the White House and the FBI;

- expand and strengthen guidelines and procedures for contacts between the White House and the IRS;

- establish guidelines and procedures for contacts between the White House and FBI press offices and guidelines restricting the disclosure of ongoing criminal investigations (See Gearan Memorandum, Exhibit C);

- issue rules on access to the White House by persons who are not full-time employees and whose access is not already controlled by other procedures -- such as press or contractors -- these rules to be issued by the Chief of Staff, in consultation with the Counsel to the President.

Fifth, the five Travel Office employees who exercised no financial control over the Office will be asked to return to work at an appropriate assignment consistent with their background and experience in the Executive Office of the President or other federal agency, pending completion of the ongoing investigation.

I. STATEMENT OF FACTS

There were two independent sets of activities regarding the Travel Office from January to March 1993. Additional events occurred in April and May.

First Set of Activities -- January to March

The White House Travel Office has two principal functions -- arranging and advancing press charters for the White House press corps, and arranging commercial travel for staff of the Executive Office of the President. It handles several million dollars a year. The White House is the only federal agency, other than the FBI and the Defense Department, that does not use an outside travel agency to make its commercial travel arrangements.

Catherine Cornelius coordinated commercial travel for the Clinton-Gore campaign and the transition. She sought to serve this function in the new Administration. World Wide Travel of Little Rock, the agency used by the Clinton-Gore campaign, was also interested in continuing in the same capacity and was prepared to make a competitive bid for the White House business.

Cornelius and World Wide met with David Watkins in Little Rock early in the transition to discuss future possibilities. Watkins had been Deputy Campaign Manager and Chief Financial Officer in the campaign and would become Assistant to the President for Management and Administration. Cornelius prepared memos for Watkins dated December 31 and January 26, both discussing how travel might be handled in the new Administration. Watkins gave no indication that he intended to review or modify the current White House travel operation in the near term. (See Cornelius 12-31-92 Memo, Exhibit D; and Cornelius 1-26-93 Memo, Exhibit E.)

In January, Watkins hired Cornelius and Clarissa Cerda as general assistants, with the understanding that they would be transferred to more suitable positions after the initial organizing period.

In February, Watkins asked a third assistant to prepare a memo on the organization of the Travel Office. At that time, Watkins sought to determine whether any personnel slots could be cut as part of the promised 25% White House staff reduction.

Cornelius and Cerda also prepared a Travel Office memo. (See Cornelius/Cerda Memo, Exhibit F.) The memo outlined a new structure for the Travel Office in which Cornelius and Cerda would serve as co-directors of the office and World Wide would provide commercial service.

Thereafter, Cornelius periodically asked about the possibility of moving to the Travel Office, but no action was taken during the next seven weeks.

Second Set of Activities -- January to March

Darnell Martens is President of Thomason, Richland & Martens (TRM), a small, aviation consulting firm based in Cincinnati, Ohio. TRM is one-third owned by Martens, one-third by Harry Thomason, and one-third by Dan Richland, an associate of Thomason.

Martens had done billing and consulting during the Clinton-Gore campaign for Air Advantage, the campaign's charter broker. After the election, Martens was interested in helping Air Advantage and certain campaign charter carriers learn how to bid on the White House press charter business.

In early February, Martens sought Thomason's help in contacting the White House. Thomason called Press Secretary Dee Dee Myers and asked whether the White House charter business was subject to competitive bidding. Myers assumed that it was, and Thomason told Martens to contact Myers. Subsequently, Martens called Myers and Myers forwarded his call to Billy Dale, the long-time Director of the Travel Office.

Martens asked Dale about the possibility of bidding competitively on the White House press charter business. According to a memo that Martens wrote to the file following the phone call, Dale told Martens that he had served in the Travel Office for 31 years, that no one had seen fit to replace him with a commercial operation and that no combination of price or service could win White House business for Martens. (See Martens Memo, Exhibit G.)

Martens mentioned the call to Thomason. He also called Air Advantage owner Penny Sample to tell her about his conversation with Dale. In that call, he discovered that the White House Travel Office had, for a long time, basically used only one charter carrier for domestic travel. The traditional White House carrier had been Pan Am. Several months after Pan Am went out of business, the Travel Office began using a new carrier, Airline of the Americas (which now does business under the name UltrAir), started by former Pan Am employees.

In early March, Martens, on a trip to Los Angeles, told Thomason about the Dale call in greater detail. He also told Thomason that he had heard a rumor suggesting that there was corruption in the Travel Office.

Thomason was concerned that the White House charter business was not competitively bid and that the Travel Office might also be engaged in wrongdoing. In passing, he mentioned to the President in late March that he thought there was trouble in a White House department having to do with travel, but did not give the President any details.

Events During April to May

In the first days of April, Watkins informed Cornelius that he was sending her to the Travel Office to make commercial travel arrangements for White House staff. He also asked her to observe the operation of the office and to prepare a report by May 15, which he could use in deciding whether to reorganize the Office. He continued to be interested in reorganization as a means to help reach the 25% staff cut. She began work there on April 12.

Also in early April -- Watkins believes shortly after Cornelius had started work in the Travel Office -- Thomason phoned Watkins and told him that he had heard allegations about corruption in the Travel Office.

About a week after Cornelius started at the Travel Office, Watkins told her that he had heard rumors about improper activities in the Office. He asked her to keep her eyes and ears open.

During April, Cornelius tried to collect information. She copied a small number of documents, including several checks made out to cash. She aroused the suspicion of the other employees when a duplicate of a check she tried to copy jammed in the copy machine and was subsequently discovered by the employees. The Assistant Director in the Office reacted by placing the financial files in a locked cabinet. This made it impossible for Cornelius to return a file of documents she had previously taken home.

Cornelius also listened to conversations around the office and heard what she took to be evidence that the employees were living in a manner beyond the means of government employees.

At the end of April, Thomason returned to Washington. He had been asked to consult on the staging of presidential events and was provided with an access pass of the kind issued to staff, allowing him open passage throughout the White House complex. He was permitted temporary use of an office in the East Wing.

On May 1, at the White House Correspondents Association Dinner, Thomason heard George Condon, President of the Correspondents Association, address the growing expense to the press of travelling on Presidential trips, a particular problem for smaller news agencies. Thomason viewed the no-bid practices of the Travel Office as part of the problem.

On May 10, Thomason asked Watkins about the status of the Travel Office. Watkins said that he had placed Cornelius in the Travel Office and, following his meeting with Thomason, called Cornelius to ask her to meet with Thomason. Thomason asked Martens to fax his February memo to the White House.

On May 11, on the Presidential trip to Chicago, Cornelius was paged by the Travel Office and given a message to call a reporter at Time magazine. The reporter asked if Cornelius is the President's cousin. She told the reporter she would have to call back, but was concerned about the call and mentioned it to Deputy Communications Director, Jeff Eller, with whom she had a personal relationship. Cornelius believed that employees in the Travel Office had leaked this information to the press.

On May 12, having returned from Chicago, Cornelius met with Thomason. They discussed their respective concerns about the Travel Office and concluded that persons there might be engaged in wrongdoing.

Following their meeting, Thomason and Cornelius met with Watkins to report their suspicions. Martens, who was in Washington at the time, joined the meeting and recounted his conversation with Dale.

In the early afternoon of May 12, Watkins set up a meeting with Deputy White House Counsel Vincent Foster. Watkins was accompanied by Cornelius and Thomason. They informed Foster of their concerns about the Travel Office. Foster had another appointment, so the meeting adjourned for a short time, reconvening later that afternoon, after Cornelius had retrieved the documents she had taken home.

Associate White House Counsel William Kennedy joined this second meeting. Foster and Kennedy recommended that the Travel Office be audited, but Watkins stated that the White House had no audit capability. In light of this, the participants were unsure how to proceed in pursuing the allegations of financial mismanagement. Kennedy, the White House Security Officer, was designated to identify a course of action.

Initial FBI Contacts. Kennedy handles internal security matters, including clearances for White House staff. In the course of his work on clearances, he is in contact with the Special Inquiry Unit of the FBI on a regular basis. Kennedy, late in the afternoon of May 12, called Jim Bourke, Chief of the Special Inquiry Unit. Kennedy told Bourke that there was a problem in a White House office, that he was unsure how to proceed and that he sought guidance on handling the matter. Bourke indicated that he would determine appropriate agents with whom Kennedy could talk.

After the White House Counsel's daily morning staff meeting on Thursday May 13, Foster asked Kennedy if he had come up with a plan to look into the situation in the Travel Office. Foster was concerned that evidence of possible wrongdoing might be tampered with or destroyed. Kennedy said he had called Bourke at the FBI for advice and was awaiting further word from Bourke.

After Kennedy returned to his office, Bourke called seeking further detail to aid in determining which FBI unit might have jurisdiction. Kennedy indicated that he needed Bourke to promptly provide him with a contact who could give him guidance on how the matter should be handled. According to Bourke, Kennedy said that he needed to hear from Bourke within the next fifteen minutes and that, if the FBI were unable to provide guidance, Kennedy might have to seek guidance from another agency, such as the IRS.

Following internal discussions at FBI Headquarters to determine which unit might have jurisdiction, agents Howard Apple, Chief of the Interstate Theft/Government Reservation Crimes Unit, and Pat Foran, Acting Chief of the Violent Crimes and Major Offenders Section, made a preliminary visit to the White House. According to Apple, Kennedy indicated that he was unsure whether the matter should be handled by the FBI or the IRS. Apple also recalls Kennedy indicating that the matter was being directed or followed at the highest levels of the White House. Kennedy does not recall making this statement, but does recall indicating that his superiors -- Foster and Watkins -- were looking over his shoulder.

After talking to Kennedy briefly, Apple and Foran determined that, to the extent the Travel Office matter involved possible criminal activity, such activity was probably within the jurisdiction of a unit in the White Collar Crime Section. They returned to headquarters. Shortly thereafter, a second team of agents, Richard Wade, Chief of the Governmental Fraud Unit, and Tom Carl, supervisor in that Unit, visited 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. Wade and Carl talked with Kennedy alone for a short time, then with Kennedy and Foster. Finally, they talked with Cornelius and, following this conversation, determined that there were grounds for further investigation.

In addition to Apple, Foran, Wade and Carl, several other FBI officials were aware of the White House request for assistance, including Thomas Kubic, Chief of the Bureau's White Collar Crime section, Danny Coulson and Fred Verinder, Deputy Assistant Directors, Larry Potts, Assistant Director of the Criminal Investigative Division and Douglas Gow, Associate Deputy Director. None questioned the propriety of the White House call.

On May 14, the FBI briefed Justice Department lawyers, Joe Gangloff, Acting Chief of the Office of Public Integrity and Jerry McDowell, Chief of the Fraud Section, who in turn briefed Jack Keeny, Deputy Assistant Attorney General. None raised an objection. Gangloff confirmed that there was a basis for further investigation.

Peat Marwick Review. On Thursday afternoon, May 13, Watkins decided that he could use a non-government auditor to review the Travel Office, and called the accounting firm of KPMG Peat Marwick. Peat Marwick was recommended by an Office of Administration assistant who had attended a seminar given by one of the firm's partners under the auspices of Vice President Gore's National Performance Review. Watkins asked them to begin a financial review of the Travel Office the next morning.

Foster agreed to the Peat Marwick review, believing it to be a more cautious and low-key approach than having the FBI immediately commence its investigation. Foster asked the FBI to wait for the results of the Peat Marwick financial review before proceeding with its investigation. 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. Foster, Watkins and Watkins aide Patsy Thomasson[1] met with Chief of Staff Thomas F. "Mack" McLarty late in the afternoon and McLarty approved proceeding with the Peat Marwick review.

That afternoon, before Foster talked to Watkins about Peat Marwick, Foster went to see the First Lady on a matter unrelated to the Travel Office. The First Lady told Foster that she had heard about problems in the Travel Office. Foster replied that Kennedy was looking into it. Late that afternoon, she saw McLarty and inquired about the situation in the Travel Office. Foster subsequently informed her that Peat Marwick was going to conduct a review of the Office.

On May 13 and 14, Thomason, Cornelius and Eller urged that the Travel Office matter be dealt with promptly. At a meeting of Thomason and Cornelius on the morning of May 13, Eller had been called to give guidance on handling the press. At a brief meeting Friday morning in McLarty's office, Eller argued vigorously that the employees should be dismissed by 5:00 pm that day. Foster counseled against any action pending the results of the accountants' review. Watkins was not at this meeting, having left Washington the night before to attend his daughter's graduation in Memphis, but he too favored the more deliberate approach. McLarty decided that no action would be taken until the completion of the Peat Marwick review.

The Peat Marwick team began their review Friday morning. They were accompanied by a team from Watkins' office, who had been routinely reviewing the management practices of various White House offices as part of an effort that would later be incorporated into the Vice President's National Performance Review. The Travel Office employees were informed that the Peat Marwick team was participating in the review because the Office handled significant amounts of money.

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[1] Patsy Thomasson is no relation to Harry Thomason.

During the next three days, Peat Marwick reviewed the financial records and conduct of the Office. Peat Marwick was unable to conduct a formal audit because the financial records were too disorganized and irregular to be auditable. Peat Marwick found "significant weaknesses in the existing internal control systems in the...travel office", including a "lack of financial control consciousness," "no formal financial reporting process," "no documented system of checks and balances on transactions and accounting decisions" and "no apparent oversight."

For the seventeen-month period for which records were available -- December 1991 to April 1993 -- Peat Marwick identified $18,000 worth of checks made out to cash for which there was no record in the petty cash book. Peat Marwick also found a $5,000 check made out to cash in October 1992 of which only $2,000 was entered in the petty cash book. The next day Dale produced $2,800 from an envelope in his credenza, which he claimed to be part of the missing $3,000.

Beginning Friday and over the weekend, Watkins received telephone updates on the progress of the Peat Marwick review. Late Friday afternoon, he received an update from Patsy Thomasson on the progress of the Peat Marwick review. He then talked to Foster about the review. Foster, in light of the First Lady's inquiry the previous day, suggested Watkins update her. Watkins then called the First Lady and updated her about the situation in the Travel Office.

On Monday, May 17, with Peat Marwick's field work and a rough draft report completed, Watkins decided to dismiss the seven employees. McLarty approved. Watkins wrote a memo to McLarty, in which he stated that a review of the Travel Office, which would have occurred anyway under the auspices of the Vice President's National Performance Review, was accelerated in response to the urgings of Harry Thomason and Catherine Cornelius. Watkins cc'd Mrs. Clinton. (See Watkins Memo, Exhibit H.)

The memo discussed how the office had been audited, the "abysmal management" found by Peat Marwick, Watkins' intention to dismiss the seven employees the next day, his interim plan to manage the Office and his hope of potentially saving four personnel slots. The memo noted that, while the Travel Office staff acted as "adjunct press advance staff" on Presidential trips, Cornelius advised that these functions were duplicative of functions carried out by White House Scheduling and Advance.

Dale, who had talked intermittently of retirement in the past, came to see Watkins on May 17 to announce that he wanted to retire. Watkins told Dale that he did not want to discuss Dale's retirement at that time. Watkins scheduled a meeting with the employees for 10 am Wednesday, May 19. He met with them at that time, informed them that they were being dismissed and requested that they leave the Office that day.[2]

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[2] Watkins delayed the dismissals from May 18 to May 19 because several members of the Office were in California on the 18th, with the Presidential trip, as were Myers and Eller.

The Dismissals

At approximately 8:30 am on May 19, Watkins delivered talking points to Myers. Those talking points described the dismissals as the result of a routine review conducted as part of the Vice President's National Performance Review. The talking points also noted that the White House had asked the FBI to investigate.

At around 9 am, upon seeing the talking points, Foster and Kennedy spoke to Watkins. They instructed him to delete any reference to any FBI investigation and counseled that there should be no discussion of that fact. Watkins unsuccessfully sought out Myers, who had accompanied the President to Capitol Hill, and passed on Counsel's instruction to Eller shortly before 10 am. Eller said that he would pass this instruction on to Myers. Watkins still planned to inform Myers himself. Neither reached Myers in time. When Watkins returned to her office before her press briefing, he learned that Myers, shortly after noon, had taken a press call and disclosed the FBI inquiry in response to a reporter's question.

Early in the afternoon of May 19, Watkins' deputy Brian Foucart accompanied Dale to the bank where the Travel Office kept an account. Dale informed Foucart that he had the Cornelius and Cerda memo in his possession and briefly showed Foucart another memo which mentions TRM and Thomason and which appears to have been the memo Martens wrote following his phone conversation with Dale in February.

Upon his return to the White House, Foucart told Watkins that Dale was in possession of the two memos. Watkins did not mention this fact to other senior White House staff.

Also on May 19, travel agents from World Wide Travel moved into the White House Travel Office to handle commercial travel on an interim basis. Cornelius had called World Wide on May 12 to ask that they be prepared to come to Washington in the event changes were made in the Travel Office. World Wide had sent one agent to Washington May 13. Other agents arrived May 19.

On May 19, Martens called Penny Sample of Air Advantage and asked her to work at the Travel Office on a volunteer basis to help arrange press charters for upcoming Presidential trips. The first trip was scheduled for Saturday, May 22, in New Hampshire. Sample arrived at the Travel Office May 20.

The initial announcement of the dismissals provoked a great deal of criticism. The criticism increased in the days following the dismissals. This resulted in part from the disclosure of the Cornelius/Cerda memo and the Martens memo, both of which were leaked to the press. Consequently, the dismissals were the subject of several fractious press briefing sessions. Several reporters questioned the bona fides of the FBI investigation.

FBI Press Statements

On May 19 and 20, the FBI prepared three different statements. On May 19, the Bureau, following Myers' disclosure of a likely FBI investigation, had issued a one-sentence release noting that "the results of the audit of the White House Travel Office will be referred to the FBI for our review." On May 20, the Bureau issued two different versions of a press guidance (called a "response").[3] The earlier version noted that "we anticipate receiving the final report of the auditors soon and will analyze their findings and conduct appropriate investigation." The later version noted that the Bureau would "analyze their findings to determine the next steps in the investigation."

Consistent with FBI practice, the Bureau faxed each of these statements to the Justice Department and to the White House.[4]

On the morning of May 21, the FBI press office started orally providing more information than had appeared in the written responses of May 20. In answer to questions about whether the FBI was being inappropriately used by the White House, Bureau spokespersons were answering that the Department of Justice has guidelines which dictate when the Bureau can initiate an investigation and that those guidelines had been met.[5]

In the early afternoon of May 21, in preparation for the mid-day press briefing, White House Communications staff called John Collingwood to the White House to clarify the facts and indicate what could properly be said about the investigation. Collingwood is head of Public and Congressional Relations for the FBI. White House Counsel Bernard Nussbaum, Foster and Kennedy were in the room when Collingwood arrived because they were previously asked by Communications Director George Stephanopoulos to come and clarify the sequence and purpose of contacts between the White House and FBI.

The White House communications staff wanted to know from Collingwood whether it would be accurate to state that the FBI had determined there to be sufficient evidence to warrant further criminal investigation. Collingwood confirmed that this would be an accurate statement. After Collingwood returned to the FBI, he updated his written press response to reflect his earlier oral press responses and the conversation in Stephanopoulos's office. (See Exhibit I.) He faxed the new press response to the White House, per standard procedure.

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[3] The FBI distinguishes between a "press response" -- intended to be read or faxed to a reporter who calls with a question -- and a "press release", intended for general distribution.

[4] It is standard practice for the FBI to fax press responses and press releases to the Department of Justice and to any involved agency.

[5] The guidelines are The Attorney General's Guidelines on General Crimes, Racketeering Enterprise and Domestic Security/Terrorism Investigations.

The White House press office, not recognizing the FBI's distinction between a response and a release, distributed the response before the May 21 press briefing.

Collingwood indicated subsequently that he did not realize the White House was going to release the statement.

Interim Arrangements in the Travel Office

Late in the afternoon of May 21, the White House and World Wide Travel agreed that it would be desirable for World Wide to leave. On the weekend of May 22-23, a competitive bid process was carried out according to procurement procedures established by the General Services Administration. An interim, 120-day contract to handle commercial travel arrangements in the Travel Office was awarded to American Express. On May 24, American Express began work.

Penny Sample left the Travel Office on June 1. She was replaced by a detailee from the General Services Administration, who is currently making all press charter arrangements.

On May 25, the White House announced that the five Travel Office employees with no financial control over the Office would be placed on paid administrative leave. They continue on that basis to this date. The other two employees have filed for retirement.

II. DISCUSSION OF PRINCIPAL ISSUES

Travel Office Management

The review conducted by KPMG Peat Marwick uncovered serious financial mismanagement. Peat Marwick's findings were serious enough to warrant disciplinary action -- including severance of the two employees who exercised financial control -- quite apart from whether any employee of the Travel Office had engaged in criminal wrongdoing (a question beyond the scope of this review).

The key findings of the Peat Marwick review, which is attached as an exhibit to this report, are:

- **Unaccounted for funds** -- In the 17-month period studied, Peat Marwick found seven checks written to cash totalling $18,000 for which there was no record in the petty cash book. On Friday, May 14, Peat Marwick also found a $5,000 check written October 9, 1992 of which only $2,000 was entered in the petty cash book. The next day, Dale informed Peat Marwick that he had located $2,800 of the missing funds -- in an envelope in his credenza. Peat Marwick asked for documentation of the unaccounted for funds, but the employees were unable to provide it.

- **Lack of accountability** -- According to Peat Marwick, there were no adequate financial controls: "no formal financial reporting process;" (ii) "no reconciliations of financial information other than...bank statements;" (iii) "no documented system of checks and balances on transactions and accounting decisions within the office;" (iv) "no apparent oversight...of financial activities or transactions of the office."

- **Billing by estimate** -- The press corps was billed according to Dale's estimates of what the costs of a trip would be. If his estimate turned out to be too high or too low, he would increase or decrease his estimate of the next trip's expenses commensurately. There were no clear written records of his reconciliation process.

- **Poor cash management system** -- The Office lacked a working system for keeping track of accounts receivable. For example, there was no general ledger or cash receipts/disbursements journal. There were no aging reports, no reports of outstanding accounts receivable, no apparent rebilling when receivables had remained outstanding for a given period of time. There was no segregation of authority between those who could sign and those who could endorse checks.

- **Lack of Documentation** -- The documentation for bills submitted to the press corps was either inadequate or nonexistent.

- **Lack of contractual support** -- There was no written contract between the Travel Office and the primary domestic charter company it used (UltrAir or Airline of the Americas).

Treatment of the Travel Office Employees

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. Although the Peat Marwick financial review provided ample justification to remove those with control over the Office's finances, the removal need not have been so abrupt. All of the employees should have had an opportunity to hear the reasons for their termination, especially the allegations of wrongdoing, and should have been afforded an opportunity to respond.

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.

The White House did take appropriate corrective action on May 25 by extending indefinitely the paid administrative leave status of the five employees with no financial authority. The White House, after consultation with the five employees, will place them on an interim basis in appropriate jobs in the Executive Office of the President or other agencies. No final decision on their status can be made until any other inquiries now underway have been completed.

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.

Contacts with the FBI

The White House contacts with the FBI regarding the Travel Office raise four distinct issues: (i) whether the initial direct contact between the White House and the Bureau was improper; (ii) whether the White House pressured the FBI into undertaking an investigation or otherwise sought to influence FBI officials; (iii) whether the White House erred in disclosing the existence of an FBI investigation; and (iv) whether the White House pressured the FBI to issue or alter a press statement.

Initial contact. Following the second May 12 meeting in Vince Foster's office, White House Counsel's office was faced with allegations of potential criminal activity and would have been remiss in not pursuing the matter. William Kennedy, the Associate White House Counsel in charge of security, was designated to identify a course of action. Kennedy had previously been in contact with the FBI on matters of internal White House security. He decided to call the FBI for guidance.

There were no internal policies at the White House, the Department of Justice or the FBI proscribing direct contact from the White House on a matter of this kind. With respect to the separate issue of the White House contacting the FBI directly about a pending investigation, there is a strict policy in force that such contact would be improper without initial approval by both White House Counsel and a top level Justice Department official. This reflects longstanding policies at the White House, Justice Department and FBI, and was reiterated by White House Counsel Bernard Nussbaum in policy guidance issued February 22 and March 8.[6]

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[6] A review of past practice and procedure regarding White House contact with the FBI indicates that there have in the past been well-defined and long-standing policies regarding contact with the FBI on certain issues. Carter White House Counsel Bob Lipshutz advised a staff member in an April 1977 memo that "[h]enceforth, all communications between the Department of Justice and the White House will be through the Office of the Counsel." In a September 1978 speech, Attorney General Griffin Bell went a step further, outlining specific guidelines for contact with the Department of Justice in three areas: pending criminal and civil cases, policy and legislation, and funding programs for law enforcement. Attorney General Benjamin Civiletti re-affirmed these principles one year later.

The Reagan administration, likewise, established procedures regarding certain contacts with the FBI. An interview with A. B. Culvahouse substantiated that the Reagan procedures focused on contact regarding pending criminal and civil cases: all contacts were to be directed through the White House Counsel's office, and only to the senior-most officials at the Department of Justice.

On February 22, 1993, White House Counsel Bernard W. Nussbaum outlined restrictions for staff contact with independent and executive branch agencies in a memo to all White House staff. The guidelines require staff to refer all inquiries concerning pending criminal or civil investigation at the Department of Justice to the Counsel's office. "If appropriate and necessary," the memo states, "the inquiry will be transmitted by the Counsel's office to the Office of the Attorney General or the Deputy Attorney General." Similar to requirements of previous administrations, the Nussbaum memo states that direct contact with the Department of Justice regarding policy, legislative, and budget matters is permitted.

A number of senior FBI and Justice Department officials were made aware of the White House call on May 13 and 14 and raised no objection to it. Joe Gangloff, of the Office of Public Integrity, concurred with the FBI's course of action at that time.

On May 19, the Office of Public Integrity sent an "Urgent Memorandum" to the Attorney General briefing her on the Travel Office matter. She contacted Nussbaum to discuss the direct White House contacts with the FBI on May 24.

In short, it does not appear that Kennedy's call to Bourke was improper. To avoid any possible appearance of impropriety in the future, Nussbaum issued a statement on May 25, with which the Attorney General concurred, stating that, while Kennedy's call was not improper, future calls regarding White House internal security matters, such as potential criminal activity, would be routed through the Department of Justice. (See Exhibit J.)

Pressure. In Kennedy's initial call to Bourke on May 12, there is no indication that Kennedy put any pressure on Bourke. But in subsequent conversations, first with Bourke, then with Apple, Foran, Wade and Carl, Kennedy appears to have made statements conveying urgency and high levels of White House interest. Such comments were inappropriate. Comments like these risk creating the perception that the FBI is being improperly pressured. To avoid that perception, such comments should not have been made.

Reference to the IRS was also a mistake. First, under these circumstances, direct contact between the White House and the IRS would not have been justified. Second, the message could have been interpreted as an ultimatum, even if that was not intended.

Nussbaum's February 22 memorandum also requires that any inquiries regarding pending IRS cases or investigations must be referred to the Counsel's office. If "necessary and appropriate," the rule states, the Counsel's office will forward the inquiry to the Office of the Deputy Secretary of the Treasury.

In a March 8 memorandum further explaining rules governing contact with agencies, Nussbaum reiterated that there are "special rules" which apply to contacts with the FBI and IRS, and referred staff to the February memorandum (which Nussbaum attached) for details.

In a May 24 letter to Senator Joe Biden Jr., Deputy Attorney General Philip B. Heymann further outlined the policy to which the Clinton Administration is committed. Heymann's letter -- written in response to questions asked at his confirmation hearing -- outlined procedures for contact about pending civil and criminal cases, policy, appointments, legislation, budgeting, and public relations.

Despite the wealth of established policy governing contact regarding *pending* civil or criminal cases, there is no written policy on reporting potentially criminal matters. Thus, while it is clear from past policy that the White House should initially contact only senior officials of the Department of Justice about an on-going investigation, there was no clear policy concerning what the White House should do in initiating an investigation involving White House operations or facilities.

At the same time, it should be recognized that, when agents Wade and Carl, following their initial meeting with Cornelius on May 13, determined that there was a basis for further investigation and were prepared to go forward immediately, Foster and Kennedy asked them to delay because they preferred to proceed more cautiously. They asked the FBI to await the results of Peat Marwick's financial review -- a course of action that the FBI initially resisted -- rather than coming in with Peat Marwick or proceeding with an investigation.

Disclosure. It was a mistake for the White House to publicly discuss FBI involvement, which led to the disclosure of the FBI investigation. The FBI has a standing policy not to confirm or deny the existence of investigations. Among other things, this properly protects the reputation of people whose names would be unfairly tarnished by disclosure of an 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.

Even though Watkins' talking points mentioned the FBI, it was unwise for Myers, as White House Press Secretary, not to double-check the propriety of making reference to a possible FBI investigation.

Press Release. The FBI Press Office prepared four public statements on the Bureau's Travel Office inquiry between May 19 and May 21. The circumstances surrounding the preparation of the fourth statement -- the May 21 press response -- created an appearance of impropriety.

Asking Collingwood to participate in a White House communications meeting was a mistake. Stephanopoulos assumed that Collingwood's presence and limited participation were appropriate because he was only asking for a clarification of the FBI's position. In addition, three representatives from Counsel's office were in the room when Collingwood appeared and raised no objection. But, summoning Collingwood to that kind of White House communications meeting and Collingwood's participation in the meeting conveyed the appearance that the White House was leaning on the Bureau to tailor its statement to the White House's advantage.

When Collingwood faxed the FBI statement, he thought he was merely sending a guidance, rather than a release. But the White House Communications Office erred in seeking the FBI statement, which it subsequently released.

There is no evidence that the White House tried to push the FBI to say anything inaccurate or inappropriate. In effect, the Bureau simply revised its written response to comport with what FBI spokespeople were already telling reporters. But involving Collingwood in a White House communications meeting was nonetheless improper and insensitive to the appearance of White House influence.

Contacts with IRS

Contrary to the implications of various press reports, there is no evidence that the White House contacted the Internal Revenue Service in connection with either the Travel Office or any charter company engaged by the Travel Office.

Personal Interests

Harry Thomason has said consistently that his actions with regard to the Travel Office were in no way motivated by a desire to enrich himself, and his assertions are not contradicted in the record. Still, in early February, Thomason made a call to the White House on behalf of Darnell Martens, his partner in TRM. Martens, in turn approached the Travel Office in an apparent effort to secure business. That approach was outlined in the memo to file that Martens wrote at the time.

Martens asserts that, although the memo speaks in terms of TRM earning White House business, he wanted to learn how to bid on White House charter business not for his own company, but for other companies in the charter and charter brokerage business with whom he developed relationships during the Clinton-Gore campaign. Even so, Martens remained an interested party. Had he been successful in helping charter friends obtain White House contracts, good will may have accrued to his benefit in other transactions with the same companies.

It is entirely plausible that Thomason was in no way motivated by the hope of financial gain. On May 20, when Thomason was asked by Stephanopoulos, who was unaware of the Martens memo, whether he had any financial interest in any company bidding on White House work, Thomason, not viewing TRM as bidding on the charter business, specifically denied it. He could not understand why the White House charter business should be handled on a no-bid basis or why a suggestion for an open, competitive process should be rejected out of hand. However, he should have limited his intervention to telling Watkins about Dale's alleged rebuff.

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.

Jeff Eller's actions with regard to the Travel Office were also influenced by his personal concern about Cornelius. Eller does not appear to have focussed on the Office before the week of May 10. But once he did get involved, he became an advocate for dismissing the employees immediately -- even before Peat Marwick conducted its review. Eller's participation in the decision-making process and advocacy for a decision that was in Cornelius' interest were imprudent.

There is every reason to believe that these individuals saw their actions as being in the best interests of the White House and the President. But every 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.

The Appearance of Favoritism

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.

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.

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.

The apparent placement of Cornelius, a distant cousin of the President, in the Travel Office after the dismissals fed the impression of favoritism. In fact, Cornelius' relation to the President did not play any role in the Travel Office incident. Very few people even knew of the family relationship.

White House Management

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.

Thomason was advising the White House on the staging of presidential events, for which he was well qualified. He was given a pass like a White House staffer, affording him open passage throughout the White House complex. No one objected when he began looking into the affairs of the Travel Office, which clearly extended beyond what he was originally asked to do.

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.

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.

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.

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.

Poor Planning. There was no adequate plan in place to manage the Travel Office in the aftermath of the dismissals.

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.

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.[7]

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.

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.

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[7] Midwest Express, the charter engaged for New Hampshire, asked to be paid in advance. Believing the Travel Office funds to be temporarily unavailable, Sample arranged for Air Advantage to forward the fee to Midwest. Had there been closer management, Air Advantage would not have taken on this middleman role.

Air Advantage forwarded the fee less an amount that would ordinarily have represented the broker's commission, as Sample understood that no commission would be paid in this case. Midwest, however, sent Air Advantage a commission check. Sample had Air Advantage return the check.

III. MANAGEMENT IMPROVEMENTS

Contacts with Investigatory Agencies

White House contacts with investigatory agencies may arise in three circumstances: (a) contacts regarding the initiation of an investigation, (b) contacts regarding a pending investigation or case, and (c) contacts regarding administrative matters.

1. **The Counsel to the President has issued revised guidance to all White House personnel clarifying that initial White House contacts concerning ongoing FBI investigations or possible criminal activity will occur only between Counsel's Office and the Attorney General, Deputy General or Associate Attorney General.**

As with any organization, White House personnel may find that they have information about a possible violation of law. If there is a reasonable suspicion of a crime involving White House facilities, or about which White House personnel may have knowledge, the initial communication of this information should be made to the Attorney General, the Deputy Attorney General, or the Associate Attorney General. The communication should be made by the White House Counsel's Office, rather than by other White House personnel. If continuing contact is required, the White House Counsel's Office and the senior Justice Department official with whom the Office is dealing will design and monitor the continuing contact.

Similarly, with respect to any oral or written communications from the White House regarding pending investigations or cases, the White House Counsel's Office should initiate contact with the Department of Justice. These initial contacts should be made to the Attorney General, the Deputy Attorney General, or the Associate Attorney General. Here too, if continuing contact is required, the White House Counsel's Office and the senior Justice Department official with whom the Office is dealing will design and monitor that continuing contact.

Finally, with respect to contacts regarding administrative matters, White House personnel may have a need to communicate with Justice Department and FBI personnel on a variety of issues. These issues include policy, legislation, budgeting, and appointments. Members of the White House staff may deal with the appropriate persons in Justice and the FBI on such matters, just as with other Departments and agencies. The White House Counsel's Office also has a need to communicate with FBI personnel about background investigations and clearances of government officials and may communicate directly with appropriate FBI officials for that purpose.

2. <u>The Counsel to the President has issued revised guidance to all White House personnel clarifying that it is never appropriate to contact the IRS to initiate an audit.</u>

It is never appropriate for White House personnel to initiate an audit by directly contacting the Internal Revenue Service. To the extent that White House officials have information of criminal tax violations by federal employees, such information should be communicated to the Attorney General by the White House Counsel.

With respect to pending investigations or cases, a policy similar to the policy regarding the FBI will be followed. Any written or oral communications about a pending investigation or case should be made between the White House Counsel's Office and Deputy Secretary of Treasury. If continuing contact is required on particular matters, it will be left to the White House Counsel's Office and the Deputy Secretary to design and monitor that continuing contact.

Finally, with respect to contacts regarding administrative matters, White House personnel have a need to communicate with Treasury and IRS personnel on issues such as policy, legislation, budgeting, and appointments. White House personnel may deal with the appropriate persons in Treasury and IRS about such matters, just as with other Departments and agencies. The White House Counsel's Office also has a need to communicate with IRS personnel about routine "tax checks" of prospective government officials and may communicate directly with appropriate IRS officials designated for that purpose.

3. **<u>The White House Press Office will not disclose ongoing investigations, except in extraordinary circumstances and only with the approval of the White House Counsel and Chief of Staff or Deputy Chief of Staff.</u>**

The White House Press Office generally should not disclose ongoing investigations. In extraordinary circumstances, it is possible that a disclosure would be determined to serve the public interest. Even in such extraordinary circumstances, Press Office disclosure should be made only with the approval of (1) the White House Counsel and (2) the Chief of Staff or Deputy Chief of Staff. Such disclosure should be made, moreover, if possible, only after consultation between the White House Counsel's Office and senior officials of the investigative entity's Department.

4. **<u>The Director of Communications has issued guidance to all White House Communications Department personnel which clarifies the procedures for contacts between the FBI Public Affairs Office and White House Press Office.</u>**

This guidance will include a bar on White House personnel writing, editing or distributing FBI press statements or guidance.

The White House Press Office responds to inquiries and provides information. A routine administrative function of the Office is consultation with spokespersons for Departments and agencies regarding public statements and publicly available information. Nevertheless, it is essential to avoid any possible appearance of interference with the FBI. Accordingly, in the future, if the Press Office desires to communicate with FBI spokespersons concerning public statements about a pending case or investigation, the White House Counsel's Office should first contact the Attorney General, the Deputy Attorney General, or the Associate Attorney General. If continuing contact is required, the White House Counsel's Office and the senior Justice Department official with whom the Office is dealing will design and monitor the continuing contact.

The Press Office will coordinate contacts with the Department of Justice's public affairs office. FBI press statements or press guidance will not be written or edited with guidance by the White House. The White House will not distribute FBI press guidance. The White House will distribute FBI press releases only after they have been distributed by the FBI.

White House Travel Office

The mission of the White House Travel Office is twofold: to arrange commercial travel for Executive Office of the President staff and to provide quality logistical support for media personnel and White House staff who accompany the President, Vice President and First Lady on official trips. Such support includes chartering aircraft to carry media personnel, arranging food and portage and arranging phone banks and work space at visit sites for working members of the media.

5. **The White House has selected through competitive bid an experienced travel agent to manage commercial travel, which will result in savings to the government.**

On May 21, 1993, the White House Office of Management and Administration asked the GSA's Federal Supply Service to immediately contract a travel agency to manage commercial travel for EOP employees. GSA's Federal Supply Service is responsible for the negotiation and administration of travel agency contracts for the Washington area.

GSA officials, working with OA procurement officials, selected three highly qualified travel agencies to interview for the White House contract for a 120-day period. Agencies were selected for their experience in handling extensive domestic and international travel as well as experience in the charter area. The selection panel included a contracting officer, technical experts and other GSA officials. The panel considered verbal proposals from the travel agencies and ultimately selected American Express.

American Express currently operates on a 120-day contract. The White House retains an option to extend that contact for 30-day increments indefinitely. The agency operates in accordance with Federal Travel Regulations. The agency does not receive any income from the federal government. Any income derived by American Express is through private arrangements with passenger carriers, hotels and other service providers. This arrangement is the norm in virtually every government agency of any size. American Express currently has four employees assigned to the White House Travel Office; their salaries are paid by American Express and they receive no income from the federal government. This arrangement will ensure high quality service while reducing the need for and costs associated with managing commercial travel with full-time government employees. We estimate annual savings to the taxpayers in excess of $100,000.

6. **The White House has instituted a competitive bid process to select press charters which will result in savings to the travelling press corps.**

On June 1, 1993, at the request of the White House Office of Management and Administration, GSA selected a staff person from its federal travel management program to manage the contracting of charter services for the White House press corps traveling with the President. Both the competitive bid process for securing charters for the national press corps, as well as the contracting of American Express to handle commercial travel for the EOP were put in place by GSA at the White House's request. GSA's Northeast zone, which includes the Washington DC area, procures and administers 54 travel contracts for more than 150 agencies, with estimated air sales of $345 million for FY '93.

While contracts for press charters in the past had been primarily awarded to one domestic carrier and only a few international carriers, the White House Travel Office has now begun a competitive bid process for selecting air charters for the traveling press.

This system of competitive bidding seeks to encourage the most price competitive bids -- while maintaining a level of service that is commensurate with White House press corps needs. Among the specifications for service upon which these companies bid are sufficient company service records and verification that charters meet safety certification standards set by the Air Force.

Since the beginning of the competitive bid process, the White House Travel Office has chartered four aircraft. An average trip under competitive bidding has resulted in a significant decrease in air charter costs. The White House Travel Office continues to work with the Office of Management and Administration and charter companies to assure value that is consistent with press corps needs.

7. **<u>The White House Travel Office is implementing a new accounting system developed by the Office of Management and Budget and stringent internal control procedures to assure sound financial management.</u>**

A financial review of the White House Travel Office by KPMG Peat Marwick, and a subsequent review by the Office of Management and Budget's Office of Federal Financial Management identified several financial shortcomings in the White House Travel Office:

- Lack of financial accountability
- Absence of accounting systems, controls and documentation
- Need for contractual support
- Inadequate billing procedures

Recognizing that a large portion of the funds managed by the White House Travel Office are from private sources (money paid by media organizations for charter expenses related to presidential travel), it is nonetheless important that these funds be managed by the White House with sound government accounting principles and government integrity in mind.

At the request of the White House Office of Management and Administration, OMB's Office of Federal Financial Management (OFFM) recommended several accounting procedures and systems to improve financial management in the travel office. These recommendations have been summarized in an accounting procedures handbook, and include:

- Use of an inexpensive, off-the-shelf ledger system used by many small commercial businesses. This system will provide necessary controls over payables, receivables and cash. The system is expected to be installed by July 1.

- Improvements to the travel office's computer system that computes billings and maintains detailed trip information.

- Development of detailed accounting procedures for producing and controlling billing information, authorizing services, estimating trip costs and processing collections.

These new accounting systems and procedures for managing financial transactions are currently in use by the White House Travel Office.

8. **Long-term Structure of the White House Travel Office**

The White House Office of Management and Administration has requested GSA, in consultation with OMB's OFFM and the White House Correspondent's Association, to assess the current interim systems in place for the travel office and make appropriate recommendations on the final structure of the White House Travel Office during the month of August 1993. This will include a recommendation on whether to expand the use an outside travel agency to manage press charters, assess the adequacy of the new financial systems and controls currently in place, and determine the White House personnel required to manage the travel office function.

Access to the White House

When private persons are granted regular access to the White House to undertake White House assignments, without analysis of their employment status or possible conflicts of interest, and without explanation to them of their ethical responsibilities, problems may arise. Individual White House staff members who approve such assignments may not be in a position to evaluate the ethical implications of a private person's access to the White House Office.

9. **The Chief of Staff, in conjunction with the Counsel to the President, will provide guidance on access to the White House.**

The Chief of Staff, with the assistance of the Counsel's Office, will issue appropriate rules for access to the White House by persons who are not full-time government employees and whose access is not already controlled by other procedures (as it is, for example, for members of the press, or contractors). Assistance to the White House by volunteers who answer phones, open and answer mail, or perform similar tasks, has occurred over a period of time and does not raise the possibility of special problems; access for purposes of this nature, therefore, might be permitted by general rule. Requests for access not covered by general rule, however, should require the approval of the Chief of Staff or his designee. If such approval is granted, additional clearance should be sought from the Counsel's Office with respect to ethical matters.

Exhibit A

Office of the Deputy Attorney General
Washington, D.C. 20530

July 1, 1993

The Honorable John Podesta
Assistant to the President
The White House
Washington, D.C. 20500

Dear Mr. Podesta:

I understand that your office has expressed interest in interviewing, as part of the White House's administrative review of the activities of the White House Travel and Telegraph Office (the "Travel Office"), the five employees of that office who were recently placed on administrative leave, and the two who have filed for retirement.

As you know, the Federal Bureau of Investigation ("FBI") currently is conducting a preliminary inquiry into several allegations relating to the Travel Office. That inquiry is being supervised by the Criminal Division's Public Integrity Section. It is the Department's general practice to request that an Executive Branch agency refrain from taking any action that might unduly affect an ongoing criminal investigation.

The Department believes that interviews by White House personnel of these seven individuals at this time may delay and otherwise negatively impact the FBI's inquiry. Accordingly, we ask that any such interviews be postponed, pending the completion of our investigation.

Sincerely,

Philip B. Heymann

Philip B. Heymann
Deputy Attorney General

Exhibit B

KPMG Peat Marwick

Management Consultants

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Washington, DC 20036

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Telex 440477 PMMDCUI

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May 17, 1993

Mr. William H. Kennedy, III
Associate Counsel to the President
The White House
Office of the Counsel
Room 136
Old Executive Office Building
Washington, DC 20500

Dear Mr. Kennedy:

KPMG Peat Marwick is pleased to provide you with this report summarizing the observations and findings resulting from our procedures relating to the White House Office of Travel and Telegraph's (referred to in this report as the press travel office) management, systems, policies, and procedures.

The purpose of our work was to assist you in assessing present accounting policies, practices and procedures. Our on-site work, which consumed approximately 300 hours of professional time, was conducted at the press travel office from May 14, 1993 to May 16, 1993.

The following paragraphs describe the specific objectives, procedures and findings of our work. The procedures we performed were limited in nature and extent and were agreed to by the Office of Management and Administration. As you know, the procedures were revised throughout our on-site work to reflect the time-frame and the limited availability of data, information, and documented policies and procedures. As such, this report may not necessarily disclose all significant matters about the press travel office or reveal errors or irregularities, if any, in the underlying information. Our 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. Furthermore, we do not make any representations regarding the sufficiency of the procedures we performed for your information needs.

Page two summarizes our major observations and findings relating to the accounting system. In particular, we observed several significant weaknesses in the existing internal control systems of the press travel office. The specific procedures performed and our findings are described in more detail in the sections that follow.

In addition to the weaknesses summarized on page two, we noted certain other discrepancies. For example, with regard to petty cash transactions, eight checks written to cash on the Riggs National Bank account were either not accounted for as an increase to the petty cash fund, were incorrectly recorded in the petty cash fund, or were missing from the petty cash fund documentation. The total amount of such discrepancies was $18,200. This and other discrepancies are described in more detail in the pages that follow.

OBSERVATIONS AND FINDINGS

Summary of Significant Accounting System Weaknesses

Lack of Accountability	There is a lack of financial control consciousness. There is no formal financial reporting process. There are no reconciliations of financial information other than reconciliations of bank statements. There is no documented system of checks and balances on transactions and accounting decisions within the office. There is no apparent oversight or higher level review process of financial activities or transactions of the office.
Lack of Accounting Controls and Systems	Accounting policies and procedures are informal or poorly communicated. There is no systems or procedures documentation. There is no general ledger, or cash receipts/disbursements journals. There appears to be a lack of accounting expertise.
Lack of Documentation	Several disbursements have missing or inadequate documentation. Documentation for bills submitted to the press is either inadequate or missing. No copies of bills to customers/press are on file.
Lack of Contractual Support	There is no formal contract with the primary domestic press charter air carrier. There is no evidence or documentation of competitive bids or purchase orders for press charter service.
Inadequate Billing Process	Billing practices are informal and inconsistent. Differences between estimated trip costs, which are the primary basis for billings and actual costs incurred, are not documented.

This section of our report details the observations and findings of our study. For each area of our study we identify the study objective, the procedures we performed, and our findings.

Objective 1:

To gain an understanding of the accounting system, specifically the cash receipts and cash disbursements cycles.

Procedures:

We interviewed the Director of the press travel office to gain an overall understanding of the financial management practices and policies of the office.

Findings:

Our inquiries related to the major financial management practices and policies of the office indicated a number of potential significant internal control weaknesses, including the following:

General:

- No general ledger or other form of double entry bookkeeping
- No financial statement preparation
- No external review mechanism

Cash Receipts:

- No cash receipts journal
- Improper segregation of duties with respect to access to accounting function and access to cash receipts
- Incoming checks not restrictively endorsed on a timely basis
- Incoming checks not deposited on a daily basis
- Inadequate reconciliation of total cash receipts to deposits in the bank due to lack of daily cash receipts log
- Inability to determine if cash received was properly or accurately applied to the related receivable (customer/press account balance)

Air Charter:

- No overall contract with the primary domestic charter company
- No contracts issued for each individual trip
- No documentation of competitive bids
- No purchase orders for press charter service
- No detailed service information provided in charter billings to document exactly what is being paid for and if the charges are reasonable

Trip Billing System:

- Billing invoices not prenumbered or multi-part. Access to the stationary not controlled
- Trip records can be deleted from the automated billing system when open receivables still exist
- The system provides no summary of daily cash applied to the receivables
- Remittances provided by the customers/press discarded after the receipts are recorded in the system
- Search capabilities on the automated billing system limited and information can only be listed by trip

Press Reimbursement of Trip Costs:

- No formal reconciliation procedure exists to adjust amounts billed to the press after comparison to actual costs

Accounts Payable/Cash Disbursements

- No cash disbursements journal
- Inadequate or non-existent segregation of duties between individuals with accounting and check writing authorities
- No payables log exists for air charter invoices

Objective 2:

To determine if checks written to cash were recorded as increases to the petty cash fund, and that selected withdrawals from the petty cash fund were supported and properly billed.

Procedures:

(a) Selected all checks written to "cash" (total of 17 checks) from the population of canceled checks on file received from Riggs National Bank from January 1, 1992 to April 30, 1993 .

(b) Traced the amount and date on the canceled check to the petty cash book.

(c) Located and summarized the detailed petty cash uses (i.e., expenses incurred) for each employee of the office. This procedure was done in order to determine if the detailed information agreed to the summary information.

(d) Traced a non-statistical sample of 10 petty cash disbursements related to 10 trips as listed in the petty cash book to the charges on the respective trip worksheets.

Findings:

(a) On the first day of our fieldwork, we noted and inquired about eight discrepancies between the amounts written to "cash" on the Riggs National Bank account and the recording of these amounts into the petty cash fund. Each of the eight checks was made out to "cash" and signed by the Director of the press travel office, and endorsed by the same individual. A detailed listing of discrepancies follows:

Check Date	Check Number	Amount to "Cash"	Increase to Petty Cash
January 11, 1993	4441	$ 2,500	$ None
October 9, 1992	4173	5,000	2,000
June 17, 1992	3898	3,000	None
April 10, 1992	3780	2,500	None
February 18, 1992	3617	3,000	None
December 27, 1991	3567	2,000	None
December 18, 1991	3557	3,000	None
December 5, 1991	3533	2,000	None
		$23,000	

(b) For three petty cash transactions dated December 27, 1991, December 18, 1991 and December 5, 1991, the page from the petty cash book was missing for this time period and the entry therefore is untraceable.

(c) On the second day of fieldwork, the Director of the press travel office informed us that he located $2,800 of the $3,000 unaccounted for in the October 9, 1992 petty cash transaction. He informed us that he found it in an envelope located in a locked drawer in the office, separate from the rest of the petty cash.

(d) Total of checks written to cash and not recorded on petty cash log or subsequently located by the press travel office is $18,200.

(e) For the 10 selected petty cash disbursements (i.e., use of a petty cash draw by an individual) chosen, we traced the petty cash disbursement amount per the petty cash book to the respective summary trip worksheet located in the trip files. We noted that the amount of the petty cash disbursement was recorded on the summary trip sheet as an actual cost incurred on that particular trip.

Objective 3:

To assess whether checks recorded as received in the press travel office were deposited into the Riggs National Bank account within a reasonable time and were properly posted to the automated billing system (i.e., properly applied to the outstanding bill).

Procedures:

(a) Selected a non-statistical sample of 25 items from the "Checks Received Log" for the time period January 1, 1992 to May 14, 1993.

- Traced each sample item to the respective time period's deposit slip.
- Traced the deposit slip noted above to the bank statement.
- Traced each sample item to the automated billing system.

Findings:

(a) All items selected agreed to the deposit slip amounts and to the bank statements.

(b) All checks in our non-statistical sample were deposited into the bank within one week's time period.

(c) Due to limitations in the press travel office documentation, we were unable to determine whether 23 of the cash receipts were properly posted to their respective account balances.

Objective 4:

To determine that written checks are the only disbursements from the Riggs National Bank account.

Procedures:

(a) Reviewed bank statements for the period January 1, 1992 to April 30, 1993 looking for non-check disbursements.

(b) Counted the number of canceled checks returned with each bank statement and compared them to the number of checks clearing the bank that month.

Findings:

(a) We found no non-check type (e.g., no wire transfers, etc.) disbursements from the Riggs National Bank account.

(b) In all cases, the number of canceled checks returned with the bank statement was the same as the number of checks disbursed that month per the bank statement.

Objective 5:

To assess the quality of documentation supporting selected cash disbursements.

Procedures:

(a) Chose a non-statistical sample of 76 canceled checks from the period January 1, 1992 to April 30, 1993, noting the date, check number, amount and payee. The non-statistical sample included 17 checks made out to "cash" which were reviewed as part of the procedures for Objective 2.

(b) Compared each check to available vendor invoices, with the exception of the checks written to cash.

(c) Reviewed each canceled check for apparent propriety of endorsement.

Findings:

(a) Of the non-petty cash check disbursements, 12 disbursements (canceled checks) appear to have no supporting invoice. Nine of the 12 disbursements were for baggage handling charges at hotels. The total amount of these nine disbursements was $4,690.07.

(b) Two disbursements represented refunds for overpayment by customers/press. There is no supporting documentation for these refunds. The two disbursements amounted to $374.75.

(c) One disbursement to Pan Am Express on December 20, 1991 did not have a related invoice. The Director of the press travel office 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.

(d) We noted differences in the check disbursement amount and the invoice amount for charges related to press charter service. This difference, in all cases, was indicated by the press travel office to be Government Travel Requests (GTR's). GTR's were forwarded, along with the check amount, to the charter service. The total of the two (check and GTR) equaled the invoice amount. Both the check and GTR are negotiable instruments.

Objective 6:

To assess the quality of the documentation supporting a selected trip's costs (as indicated on the trip worksheet).

Procedures:

(a) Chose one trip from the total trip files from January 1, 1992 to the present.

(b) Traced each check that was disbursed in payment of the total trip charges indicated on the trip worksheet to the related vendor invoices (i.e., original documentation requesting payment for services).

(c) Reviewed each canceled check for apparent propriety of endorsement.

Findings:

(a) All checks written in payment of charges related to this one trip (President Clinton's trip to Detroit, Michigan on February 10, 1993) appear to be properly supported.

(b) All checks appear to be properly endorsed.

Objective 7:

To analyze the volume of cash activity flowing through the press travel fund bank account from the period January 1, 1992 through April 30, 1993.

Procedures:

(a) Obtained bank statements since January 1, 1992.

(b) Collected the following information about the press travel fund account:

- Beginning and ending bank balances of the press travel fund cash account
- Average daily balance
- Total receipts (for the month)
- Total disbursements (for the month)
- Current balance on hand as of April 30, 1993.

Findings:

We noted the following information (cents omitted):

Beginning balance at January 1, 1992	$	636,813
Total receipts, January 1, 1992 - April 30, 1993		10,446,951
Total disbursements, January 1, 1992 - April 30, 1993		- 10,709,680
Ending balance at April 30, 1993	$	374,084

Range of average daily balance:

High in January, 1993	$	1,080,247
Low in March, 1993	$	245,195

Objective 8:

To gain an understanding of the volume of air charter service fees for the period January 1, 1992 through May 15, 1993 and to determine the recipient of the fees.

Procedures:

(a) Obtained the check books from January 1, 1992 through May 15, 1993 and noted checks disbursed in payment of either commercial or chartered air service.

(b) Summarized the detailed information gathered in (a) above by individual carrier/airline.

Findings:

In summary, the following airlines or charter services were disbursed funds from the press travel fund from January 1, 1992 through May 15, 1993 (cents omitted):

Domestic Travel:		
Ultrair, Inc.	$	428,733
Airline of the Americas		2,123,939
Pan Am World Airways		100,815
Miami Air International		343,024
		2,996,511
International Travel:		
TWA		1,479,247
American Trans Air		892,064
Evergreen Int'l Airlines		154,579
		2,525,890
Grand Total	$	5,522,401

Objective 9:

To determine that all disbursements made to Ultrair, Inc. or Airline of the Americas since September 1992 were included in the overall trip charges on the trip worksheet for a specific trip.

Procedures:

(a) Assembled, from the check book stubs, a listing of all disbursements made to Ultrair, Inc. or Airline of the Americas since September 1992.

(b) Traced the check amount to the respective trip worksheet, or trip worksheets in the case of one check paying for more than one trip. We noted whether there were any discrepancies between the amount disbursed to the charter company and the amount indicated as the "actual" cost on the trip worksheet.

(c) Noted whether there were other types of trip charges (e.g., hotel, truck rental, telephone) on the same trip worksheet for the trip numbers being reviewed.

Findings:

(a) All checks disbursed to Ultrair, Inc. or Airline of the Americas were included on trip worksheet(s).

(b) We noted that these trip worksheets did contain other trip costs (i.e., there were other charges in addition to the charter service such as phone charges, hotel, truck rental, ground transportation, etc.).

(c) We noted that the check amount disbursed to Ultrair, Inc. or Airline of the Americas was different than the amount noted as actual cost of "press charter." The difference was due to GTR's. The GTR's were remitted along with the net check to the charter company. Both the check and the GTR are negotiable instruments and together totaled the invoice amount.

Objective 10:

To analyze, in more detail, the receipts and disbursements activity of the press travel fund for the month of February 1993.

Procedures:

(a) Obtained the February 1993 Riggs National Bank statement and the canceled checks on file.

(b) Listed each canceled check that made up the total disbursement amount for February 1993.

(c) Discussed the reasonableness of the level of cash receipts in the month of February 1993 with the Director of the press travel office.

Findings:

(a) The total amount of checks returned with the February bank statement ($1,030,835 (cents omitted)) agreed to the total amount disbursed per the bank statement. Significant disbursements making up this total include the following (cents omitted):

Treasurer of the U.S. (for Air Force 1 charges - August, 1992 - January, 1993)	$	525,037
Airline of the Americas		79,456
AT&T (phone charges - September 5, 1992 - October 25, 1992 or 13 trips)		327,891
Total significant disbursements	$	932,384

(b) According to our interview with the Director of the press travel office, low receipts in February 1993 were due to a decrease in press travel after the November election and the lack of travel early on by the new Administration which took over on January 20, 1993.

Objective 11:

To approximate the net assets of the press travel fund at May 15, 1993.

Procedures:

(a) Obtained the cash balance of the press travel fund at Riggs National Bank at April 30, 1993 from the April 30, 1993 bank statement reconciliation.

(b) Subtracted from the April 30, 1993 cash balance the following amounts:

- Amount of checks written on the cash account from May 1, 1993 to May 15, 1993 that were identified in the press travel fund check book.

- Amount of unpaid vendor invoices at May 15, 1993 that were identified from the trip worksheets or actual hard copy vendor invoices in the open invoice file.

(c) Added to the April 30, 1993 cash balance the following amounts:

- Amount of deposits made to the cash account from May 1, 1993 to May 15, 1993 that were identified from copies of deposit slips.

- Amount of checks received by the press travel office in payment of bills which had not yet been deposited that were located in a locked drawer in the press travel office.

- Amount of outstanding accounts receivable at May 15, 1993 that were identified from the automated billing system.

- Amount of unbilled expenses which had been paid by the press travel office but had not yet been billed to the customer/press. This amount was estimated by reviewing the paid invoices for these expenses and noting that the amount had not been set up as an accounts receivable.

Findings:

The approximate net assets of the press travel fund at May 15, 1993 were computed as follows:

	Cash balance per April 30, 1993 bank statement reconciliation	$369,976
Less:	Checks written from May 1 to May 15, 1993	(318,880)
Less:	Estimated unpaid invoices (i.e., accounts payable) at May 15, 1993	(521,602)
Add:	Estimated accounts receivable at May 15, 1993 (See NOTE below.)	366,793
Add:	Deposits to bank account from May 1 to May 15, 1993	76,489
Add:	Checks on hand not yet deposited to bank but already applied to accounts receivable	92,025
Add:	Unbilled expenses incurred by the press travel office but not yet billed to the press and not included in the estimated accounts receivable amount.	834
Estimated net assets at May 15, 1993		$65,635

NOTE: The data in the automated billing system indicated that a trip occurring in December 1992 was not billed. The trip file showed disbursements for the trip totaling approximately $113,000. We were unable to determine if the trip had been billed, and, if not, why it had not been billed. This amount is not included in the accounts receivable balance of $366,793 above.

Objective 12:

To review the policies and procedures used to calculate amounts billed to the press for press travel, and to compare the actual cost of the trips to the amounts billed to the press.

Procedures:

(a) Interviewed individuals responsible for preparing bills to the press to review the procedures used to prepare the bills.

(b) Gained a general understanding of the automated billing system used to generate invoices.

(c) Compared the amount billed to the press by the press travel office per reports generated by the automated billing system to the actual cost incurred for the trip per the trip worksheets for 28 consecutive trips between August 23, 1992 and October 12, 1992.

In performing this procedure, we selected the most recent trip for which substantially all costs incurred (per the trip worksheet) had been invoiced and paid, which was the trip departing October 11, 1992 and returning October 12, 1992. We then examined each preceding trip in consecutive order, completing through August 23, 1992 in the time provided.

(d) Compared the amount billed to the press per the trip spreadsheet generated by the automated billing system in the trip files for 5 trips to another report produced from the same automated billing system.

Findings:

(a) No written policies or procedures documenting the billing process exist.

(b) We were informed that amounts billed to the press were based on estimates of trip costs, not on actual costs, because of the time delay in receiving invoices for certain trip expenses (such as long-distance telephone lines). No subsequent formal reconciliation of estimated to actual costs was made.

(c) The Director stated that differences between the amount billed and actual cost for trips were recovered or refunded through adjustment of billings on subsequent trips. No formal documentation of these adjustments was maintained.

(d) We were unable to determine actual amounts billed to the press because the original source documentation was unavailable, and other sources of the billed amounts were inconsistent. Per the Director, copies of the original invoices sent to the press were not maintained on file in the office. For three of five trips reviewed, the dollar amounts contained on a summary report generated from the automated billing system and used by the office as the record of amounts billed differed from corresponding amounts on another report generated from the same system.

••

This report relates only to the items specified above and reflects events and circumstances as they were documented or conveyed orally to us from May 14, 1993 through May 16, 1993.

Very truly yours,

KPMG Peat Marwick

<u>Exhibit C</u>

THE WHITE HOUSE

WASHINGTON

July 2, 1993

MEMORANDUM TO THE COMMUNICATIONS STAFF

FROM: Mark Gearan

SUBJECT: Procedures for Contacts with the FBI

In accordance with the findings of the management review of the White House Travel Office, the following guidelines shall take effect immediately for all members of the communications staff:

1) No staff person shall contact the FBI, under any circumstances, without prior approval of the Communications Director and the White House Counsel's Office.

2) No staff person shall disclose or discuss an ongoing or potential FBI investigation without the approval of the Communications Director, White House Counsel and the Chief or Deputy Chief of Staff. Should any staff person receive a question regarding an existing or potential investigation by the FBI from the media, their questions should be referred to the public affairs office of the Justice Department. Possible exceptions to this rule will only be made under the advisement of the Communications Director and Counsel's Office.

3) No staff person is to provide written or verbal guidance on FBI press statements under any circumstances.

4) No staff person shall distribute FBI press releases, unless they have already been distributed by the FBI. Press responses are not to be distributed under any circumstances.

Any questions regarding these procedures should be directed to my attention.

cc: Mack McLarty
Bernard Nussbaum
Leon Panetta

Exhibit D

MEMORANDUM

TO: David Watkins
Barbara Yates

FROM: Catherine Cornelius CAC

DATE: December 31, 1992

RE: THE WHITE HOUSE OFFICE OF TELEGRAPH & TRAVEL

The Clinton-Gore Administration has a unique and unprecedented opportunity to establish a comprehensive Travel Management Program for the White House. This memorandum is to provide you with the current workings of the White House Office of Telegraph & Travel, how they differ from the Campaign and the Transition's Travel Office,and the possibilities for implementing a Federal Travel Management Center program within the White House.

THE WHITE HOUSE OFFICE OF TELEGRAPH & TRAVEL

The current Office of Telegraph & Travel is located on the first floor of the OEOB. It falls under the Office of Management & Administration as part of White House Operations.

The purpose of this office is to arrange all travel for the President, the Vice-President, the First Lady, the Cabinet Members, the White House Staff, visiting dignitaries, guests of the President or Vice-President and all those people which travel with them. To date, their are nine staff members in the White House Travel Office: 7 on the White House Payroll and 2 which are commissioned Military Officers. This staff is structured as follows:

Director of Telegraph & Travel - XS Appointment
Deputy Director of Telegraph & Travel - XS Appointment
5 Professional Travel Agents
2 Commissioned Military Officers

Currently, this office uses a branch of SATO Travel, Inc. to access travel schedules and information. This process dates back to 1899 when the Federal Government prohibited federal travelers from using commercial travel agencies. Travelers were required to procure transportation through in-house travel management operations, or directly from the suppliers. During the regulated era, the domestic airlines created a joint reservation and ticketing operation known as the Scheduled Airline Ticketing Offices(SATO). SATO was established by agreement among the domestic airlines, which was protected by an unusual grant of anti-immunity, to provide convenient service to the in house travel management centers of the Federal Government.

In 1983, after the airlines were deregulated, the GSA initiated pilot programs using the services of commercial air travel agencies, to determine whether they could provide an acceptable level of service and provide cost benefits. On 4/24/84, the General Accounting Office ruled that travel agencies could, at a minimum, provide an acceptable level of service based on the successful results of 31 GSA test sites and Department of Defense locations. This GAO ruling provided that commercial travel agencies could now bid for Federal Travel Contracts.

Despite the removal of private sector prohibitions, SATO continued to be the prominent source of procuring all travel services, until 1986 when the SATO anti-trust immunity was terminated. At the time of dissolution, the airlines created a new corporation called SATO Travel, Inc. to continue their service to Federal in house travel management centers, and position themselves to bid on the contracts as they were solicited. The travel agency community quickly responded to the competitive environment established for civilian and military accounts and began to place aggressive bids to operate these Federal Travel Management Centers.

Today, the Federal Travel Management Program has been in place for over six years, and is one of the most successful government purchasing initiatives. This progressive program has provided government travelers with state-of-the-art, cost-effective and efficient service. Much of the administrative burden has been transferred from the government to the private sector resulting in enormous untold savings.

The White House, to date, has not taken advantage of the successful Federal Travel Management Center (FTMC) Program to competitively bid for travel agency services. Billy Hale, the Director of Telegraph & Travel,has been in this position for over 12 years. In 1980, when he began his tenure, the Federal Travel Management Program had not been created or implemented. The Travel Office, under Mr. Hale's direction began using SATO and then SATO Travel, Inc. and never initiated changing the process in pursuit of the FTMC program. If Mr. Hale had tried to establish an FTMC, it is probable that his staff would have been displaced by the selected agency and all of the roles and procedures would have been revamped. After six years of operating under the SATO arrangement, Mr. Hale evidently opted to stay with the status quo, and thus the White House remains one of the few Government entities that has not implemented the FTMC program.

Under the FTMC program travel agencies are contracted to perform all commercial travel, accounting and management reporting services. The travel agency provides staff, reservation computers, MIS, ancillary equipment and supplies at no cost to the White House. The White House pays only for the actual cost of travel. The campaign & the Transition both out sourced for their travel services with World Wide Travel. Implementing an FTMC in the White House is the same thing as out source the White House travel services.

By out sourcing the White House Travel needs through the FTMC Program we can expect at least three drastic changes immediately.

1. The program will help to achieve the goal of reducing the White House staff by 25%. The current travel operation employs 7 White House staff. Five of those staff positions can be replaced by travel agency personnel under an FTMC contract. Travel agency proposals usually offer to interview and hire qualified exsisiting staff to avoid job displacement.

2. The Federal Government is the largest single client group of the travel industry with an estimated $7 billion dollar annual budget, and as we are constantly reminded by the media, government travel is visible and perceived by the public as a "perk" rather than a function necessary to accomplish business. The development of a White House Travel Management Program with early implementation will demonstrate quick action and savings initiatives. The FTMC will provide accurate and detailed accountability and nullify any perception of impropriety.

3. By aggressively negotiating through the out sourced travel agency, an analysis will undoubtedly establish that significant savings can be achieved, data can be captured and potential abuses can be minimized through the implementation of a FTMC Program.

By using an out sourced agency, through the FTMC program, we can expect to save some real dollars as well. For example:

I. The cost of operating an in house full service agency per year is close to $ 200,000 in tangible costs, and an estimated $ 150,000 in intangible costs. By out source, all of these costs are absorbed by the contracted agency.

ESTIMATED TANGIBLE COSTS PER YEAR

Rental of Full Service Agency Equipment (5 SABRE Work Stations, Ticket Printer, Invoice Printer, Hard Copy Printer, Data lines, Maintenance Agreement)	**$ 23,940.00**
Salaries of 5 Travel Agents (35,000 per year)	**$175,000.00**

ESTIMATED INTANGIBLE COSTS PER YEAR $125,000.00

Management Reports
Accounting Services
24 - Hour Travel Services

II. In many cases the airfares the Campaign & Transition Travel Office negotiated and implemented through World Wide Travel are lower than the Government city pair airfares used across the board by all Federal Travel Management Centers. This would allow the White House to show a marked cost savings per ticket over any other Federal agency for travel costs.

City Pair	Negotiated Rate	Government Rate	Cost Savings
Little Rock - DC	$330	$342	$ 12
Los Angeles - DC	$388	$374	
Chicago - DC	$290	$352	$ 62
Atlanta - DC	$248	$328	$ 80
Nashville - DC	$290	$388	$ 98
Seattle - DC	$388	$396	$ 8
Cinncinnatti - DC	$240	$294	$ 54
Orlando - DC	$258	$324	$ 66

Based on an estimated volume of $6 million and an average ticket cost of $350, we can assume that 17,150 tickets are issued each year by the White House Travel Office. Per ticket, the White House could save an estimated $30 per ticket by using our negotiated fares as opposed to the government city pair air fares which could mean an annual cost savings of $514,500.

III. COMMISSION REBATES

The issuing agent on any airline ticket collects a 10% commission on behalf of their organization. SATO Travel, Inc., as an airline owned ticketing office, would rebate all commission back to the airline without reducing the cost of the ticket. A privately owned travel agency that issued an airline ticket would collect their 10% commission from the airline, reducing the amount of money the airline earns per ticket but never decreasing the cost of the ticket to the customer.

The White House, when contracting with the selected agency, should stipulate that every quarter, 3.5% of the 10% Commission collected should be rebated back to the White House Travel Account. This stipulation was placed in the campaign's original contract with World Wide Travel, and on the $3,443,174 spent on commercial air the campaign realized a $111,000 rebate.

An estimate of the volume of commercial air travel the White House Travel Office does per year is $6 million dollars based on the standard industry expectation that 1 agent operates at or near a monthly sales volume of $100,000. If the White House spent $6 million dollars on commercial air travel, they could expect a rebate of $210,000 under an outsourced contract. Under the current system, SATO Travel, Inc. as an airline owned ticketing office, refunds the 10% commission to the airline, and the White House is never able to recapture any kind of a rebate.

IV. ESTIMATED COST SAVINGS

Based on the assumption that the volume of commercial air travel in the White House is at or near $6 million, the Clinton/Gore Administration could save an estimated $1 million dollars by contracting with a travel agency for their travel needs.

THE CONTRACTING PROCESS

Contracting for travel services can be done one of two ways. The White House could issue a solicitation or request that the General Services Administration(GSA) perform the solicitation and evaluation procedure. It is my recommendation, based on my knowledge of the contracting procedures and the specialized needs of the new White House travel operations, that the White House contract independently for travel services.

The White House issues Request for Proposals (RFP) for Travel Services to travel agencies. The procurement process follows the Federal Acquisition Regulations and includes the provisions of the Federal Travel Regulations (civilian) and the Joint Travel Regulations (military). Departments have worked closely with the travel industry to determine available service and newly enhancements for inclusion in the solicitations and evaluation criteria. The period that the White House will accept Proposals is up to the selection committee within the White House. There is no set time period that the Request for Proposal has to be open.

The government has enjoyed, in most cases, intense competition from the travel agency community for the FTMC contracts. Travel agencies can provide similar services and are differentiated by their approach, experience, innovations and expanded capabilities to offer comprehensive government travel management.

THE REQUEST FOR PROPOSAL

The White House has very specialized travel requirements. Security, accountability and flawless service will be key to the FTMC contract. The RFP will contain specific items in the "Statement of Work" to address all contract requirements. General areas include, but are not limited to:

1. Service Requirements
2. Personnel Requirements
3. Quality Control Plan and Capabilities
4. Equipment(reservation computers, MIS, etc.)
5. Management Reporting
6. Business Management (approach, internal controls, experience & security provisions)
7. Financial Plan
8. Special contract requirements

The competitive biding process for travel services insures complete integrity in the designation of a travel agency to perform contract requirements.

PROPOSAL EVALUATION

The evaluation process is accomplished by a team of government contracting and travel specialist. Evaluation criteria can be customized for the White House requirements. Individuals within the government have extensive experience, and can probably be called upon to assist in the process.

CONTRACT IMPLEMENTATION

Implementation schedules are required in all proposals to describe the activities involved to prepare for full service on the contract start date. The time required to hire staff, install equipment, pass security clearances, perform quality control checks on all service, obtain appropriate Airline Reporting Corporation accreditation for the office, etc. will vary. Implementation can be completed within 30 to 90 days depending on the size and scope of the contract.

SUMMARY CONCLUSION

The development of a White House Travel Management Program with early implementation will demonstrate quick action and savings initiatives. By establishing an FTMC within the White House as opposed to utilizing the domestic airline owned SATO, Travel Inc. the Clinton Administration could expect some advantageous changes.

1. The White House could eliminate five staff positions from their payroll, and expect the out sourced agency to replace the positions with individuals on their payroll.

2. The out sourced agency will have the ability to capture data and generate specified reports which will provide accurate and detailed accountability and nullify and perception of impropriety.

3. The out sourced agency will aggressively negotiate discounted rates and tariffs on behalf of the White House as opposed to SATO Travel, Inc. which is owned and operated by the airlines. An airline owned agency has no incentive to negotiate discounts which would come out of their own coffers.

4. The out sourced agency will capture a 10% commission on each ticket issued. The contract should stipulate the White House should receive from 3% to 5% of that commission at the end of a specified period(per week, per month, per quarter). Estimates indicate that this could mean a rebate of $210,000 on an estimated $6 million dollars of travel. By using SATO Travel, Inc., the White House over the past 12 years has lost out on over $2.5 million dollars.

Exhibit E

January 26, 1993

MEMORANDUM FOR DAVID WATKINS
ASSISTANT TO THE PRESIDENT FOR
MANAGEMENT AND ADMINISTRATION

FROM: CATHERINE CORNELIUS

SUBJECT: WHITE HOUSE TRAVEL

The current structure involves three separate entities which encompass the roles of budgeting travel, coordinating travel and recovering travel funds from the press that both Clarissa and myself performed in conjunction with World Wide Travel. The mistaken assumption was that Billy Dale and his staff of six equated the role that I played within the campaign and transition. In reality Billy Dale's operation of 6 equals our Press reimbursable operation that Clarissa supervised, and a Trip Coordinator operation of 5 equates my former responsibilities. The accountability and budget management function which was performed by Barbara's operation is currently preformed by Tom Hussfeld within the Office of Administration Finance under Chris Vein.

TRIP COORDINATOR
Currently this position and four separate coordinators are part of the Office of Presidential Advance. The Trip Coordinator operation makes all of the arrangements for Presidential travel, travel of the First Lady, the Vice-President's travel, official staff travel, political staff travel and the travel of any visiting VIPs. Travel coordination involves negotiations, hotel arrangements, car rentals and airline tickets. Billy Dale's office evidently has 2 agents which are able to book and issue tickets within the White House using American Airline's SABRE systems.

DIRECTOR OF TRAVEL & TELEGRAPH
This seven person operation is responsible for chartering all press planes, manifesting them, arranging the contracts and all press reimbursements to the White House account. Six people at an estimated salary cost of $250K per year perform the tasks that World Wide and Clarissa accomplished for under $30K salary cost per year plus a 2% commission on funds recovered. Billy Dale's operation operates on a 30 day recovery time opposed to Clarissa who in the end operated on a 72 hour recovery time for funds.

The break in the system is the Trip Coordinator's role. Scheduling and Advance, myself and you operated under the assumption that my role equated Billy Dale's; therefore, there were no plans to recruit or place Trip Coordinator's within the system. Thus, the role I preformed for the campaign has remained vacant within the White House as well as the four support staff positions. Until that role is filled, the White House will have no person to arrange their travel and will be left to an individual basis to book airline reservations, to investigate and reserve hotel reservations and arrange for car rentals.

TRAVEL ACCOUNTING AND BUDGET OFFICER
Tom Hussfeld is responsible for maintaining the accuracy of the travel records for the White House. Tom ensures the forms are completed and completes individual budgets per trip which are then committed into the Travel Fund. On a monthly basis, he distributes budget reports and reconciles all information with the GAO. Finally, Tom and the Trip Coordinator review and audit all bills prior to payment.

SUMMARY
To picture the White House Travel Operation, I have equated our roles within the campaign with the White House roles:

Billy Dale The Office of Telegraph & Travel	Clarissa World Wide TravelAcctg.
Trip Coordinator Three Deputy Trip Coordinators Staff Assistant	Catherine World Wide Travel Agents
Tom Hussfeld OA's Finance Dept.	Barbara's Actg.Operation
Final Approval Authority Department Head David Watkins	Department Head

If we do not want to change any roles currently, the Trip Coordinator's role needs to be filled to plug the system. Also, physically moving all these contingencies into the same place will help with the confusion and loss of information. Currently all of these groups run around in circles trying to work together.

A drastic change would involve outsourcing over 8 of these positions (est. $350K savings in salaries alone) to a commercial travel agency. White House Staff would then supervise and work with the agency staff to produce the same results in a more efficient way.

Exhibit F

THE WHITE HOUSE

WASHINGTON

THE WHITE HOUSE TRAVEL OFFICE

BRIEFING BOOK AND PROPOSAL

BY

CATHERINE CORNELIUS AND CLARISSA CERDA

FEBRUARY 15, 1993

EXECUTIVE SUMMARY
THE WHITE HOUSE TRAVEL OFFICE
BRIEFING AND PROPOSAL

OVERVIEW

THE INFORMATION TO FOLLOW PROVIDES AN ANALYSIS OF THE CURRENT PROCEDURES AND AUTHORITIES UNDER WHICH TRAVEL WAS EXERCISED DURING THE BUSH ADMINISTRATION AND A PROPOSED MODEL FOR THE CLINTON ADMINISTRATION. THE MODEL FOR THE FUTURE UTILIZES THE CAMPAIGN PHILOSOPHY OF OUTSOURCING TO A COMMERCIAL TRAVEL AGENCY WHILE CONSIDERING ALL OF THE REGULATIONS OF GOVERNMENT TRAVEL.

THE BUSH ADMINISTRATION

WITHIN THIS STRUCTURE, TRAVEL INVOLVES THREE DELINEATIONS OF AUTHORITY AND INVOLVES THREE SEPARATE GROUPS.

I. THE OFFICE OF TELEGRAPH AND TRAVEL (BILLY DALE - DIRECTOR)

The responsibilities of this office are to provide all support for the Traveling Press Corps prior to, during and after an official Presidential Trip. This group is charged with the responsibility of managing a the press monetary fund, coordinating their charter flights and hotel arrangements, traveling on the plane and in the end billing the press for their pro rata share.

Secondary to this responsibility, the Office of Telegraph and Travel provides an on-line ticketing service to issue commercial airline tickets to traveling staff members.

II. THE OFFICE OF PRESIDENTIAL ADVANCE (KATHLEEN SUPER -DIRECTOR)

The Office of Presidential Advance was charged with the coordination of all Presidential Travel. Their authorities have allowed them to manifest and monitor the Air Force One Plane by directing Air Lift Ops designate the number of advance persons traveling to a site, select hotels and manage the trip on the ground. In reality, all authority for approval, which on paper belongs to the Office of Management and Administration, has defaulted to the Advance & Scheduling office over time. Currently, the Management office rarely sees the Travel Authorization prior to departure.

III. THE OFFICE OF MANAGEMENT AND ADMINISTRATION

All accounting and budgeting has been performed by a person in Chris Vein's office, and they alone have maintained the M&A role in Travel. Tom Hufford is the authorizing party for all individual staff travel by default. Staff is expected to coordinate their own arrangements, and then submit a request for Travel based on their findings. There is NO commercial travel support for hotels, etc.

THE CLINTON ADMINISTRATION - PROPOSED

I. OFFICE OF MANAGEMENT AND ADMINISTRATION

Under the proposed system, the Office of Management and Administration would create a Travel Department which completely fell under it's jurisdiction as one of the many service entities it controls. All information and expenditures would then be centralized and under David Watkins control and the individuals he designates to run this operation. Therefore, the department ultimately responsible for the budget would regain control over it's expenditure from the front end as opposed to the back end of the process. Clearly, no other department head should have jurisdiction over these funds.

II. THE TRAVELING PRESS

The Traveling Press would no longer have an entire staff of White House employees outside of the press office which care for their needs above and beyond the needs of The President and/or the Traveling Staff. As in the campaign, the staff designated with caring for the Press (Press Advance) would clearly be in place to advance their movements, but also ensure that the President's needs--and not the Press Corps'--are satisfied. (Please see article attached.) Thus, when the group travel, all parties are coordinated by a team - the Travel Office - as opposed to one person planning the staff travel, one group planning the press travel and another planning the President's schedule.

III. THE OUT SOURCED AGENCY

The agency is contracted with to serve all EOP employees; however, they report to and with the Office of Management and Administration. There is never a question of their reporting structure, it is clearly to the money. The agency also allows for a great deal of overhead to be shifted to the contracted agency. The Administration will only pay for the actual costs of travel, and nothing above and beyond that cost. An added advantage is the accurate and quick reports an agency can generate for review as opposed to the current financial system of 30 days.

IV. THE OFFICE OF SCHEDULING & ADVANCE

By controlling the Travel Office and the Travel Agency, the Office of Management and Administration will be able to gain control over the advance operation. No advance travel will occur without the financial/budgeting side of the system being aware of it. Thus, giving the opportunity for discussion of approval and disapproval. In an age of high ethical standards, monitoring any White House Travel is critically important.

V. White House Political Travel and the DNC

If the DNC were able to establish an account with an outsourced agency the White House used to perform Official Travel, there would be extreme continuity in the Travel of White House staff. All staff would be able to use the same ticketing office for either Political or Official Travel. The Travel Office staff can monitor the classification of travel as Political or Official Travel, and bill the appropriate account. The risk for unethical behavior or misappropriated funds is reduced ten fold on the front end.

VI. Press Reimbursements

The current operation costs more money to run than it should and could cost. It requires more FTEs than it should. It is decentralized and inefficient. The current operation bills expenses based on reasonable estimates prior to being incurred rather than on actual money spent--creating unrecoverable expenditures. It does not appear to have a clear tracking system, subjecting us to greater risk under GAO or Press Scrutiny. The current Travel and Telegraph Office seems to be complacent in its inefficiency and overly pro-press. Reorganization and centralization of the travel system in the White House would eliminate much of this inefficiency.

Travel Approval Process
President and First Lady

1. An invitation to travel is accepted by the President or First Lady.

2. The Advance Office determines how many advance staff will be at the site.

   Individual offices (working closely with the Advance Office) determine which White House staff will accompany the President or First lady.

3. Each traveler prepares and signs a travel authorization noting the estimated itinerary.

4. Each traveler forwards the travel authorization to the office head for approval and signature.

5. The travel authorization is forwarded to Room 1 (Tom Hufford) for review and itemization of travel costs.

   Working with the Advance Office, the following cost centers will be considered:
   -transportation
   -lodging
   -per diem
   -misc (taxi, mileage)

6. The travel authorization is forwarded to the Assistant to the President for Management and Administration (or designee - Catherine Cornelius) for approval.

7. Once approved or denied, the travel authorization is forwarded back to Room 1 for any budget allocation and administrative processing.

AS SUBMITTED BY CHRIS WEIN per my REQUEST
FEBRUARY 15th.

FY 1993 White House Office Travel
Data as of January 31, 1993

	FY 1993 Budget	Expended	Available Balance
Presidential Travel	100,000	1,000	99,000
Staff Travel	800,000	193,716	606,284

BENEFITS OF PROPOSED REORGANIZATION

1. Centralized Coordination of Macro Travel Picture (Presidential Travel, Staff Travel & Press Travel).

2. Use of Outside Travel Agency REDUCES IN-HOUSE COSTS and Allows for Better Coordination.

3. More Efficient Use of Staffing (More with Less FTEs).

4. More Efficient Use of Dollars (More than $200,000 saved in salaries alone.)

5. Centralized Coordination of Official <u>and</u> Political Travel (No Centralization Previously.)

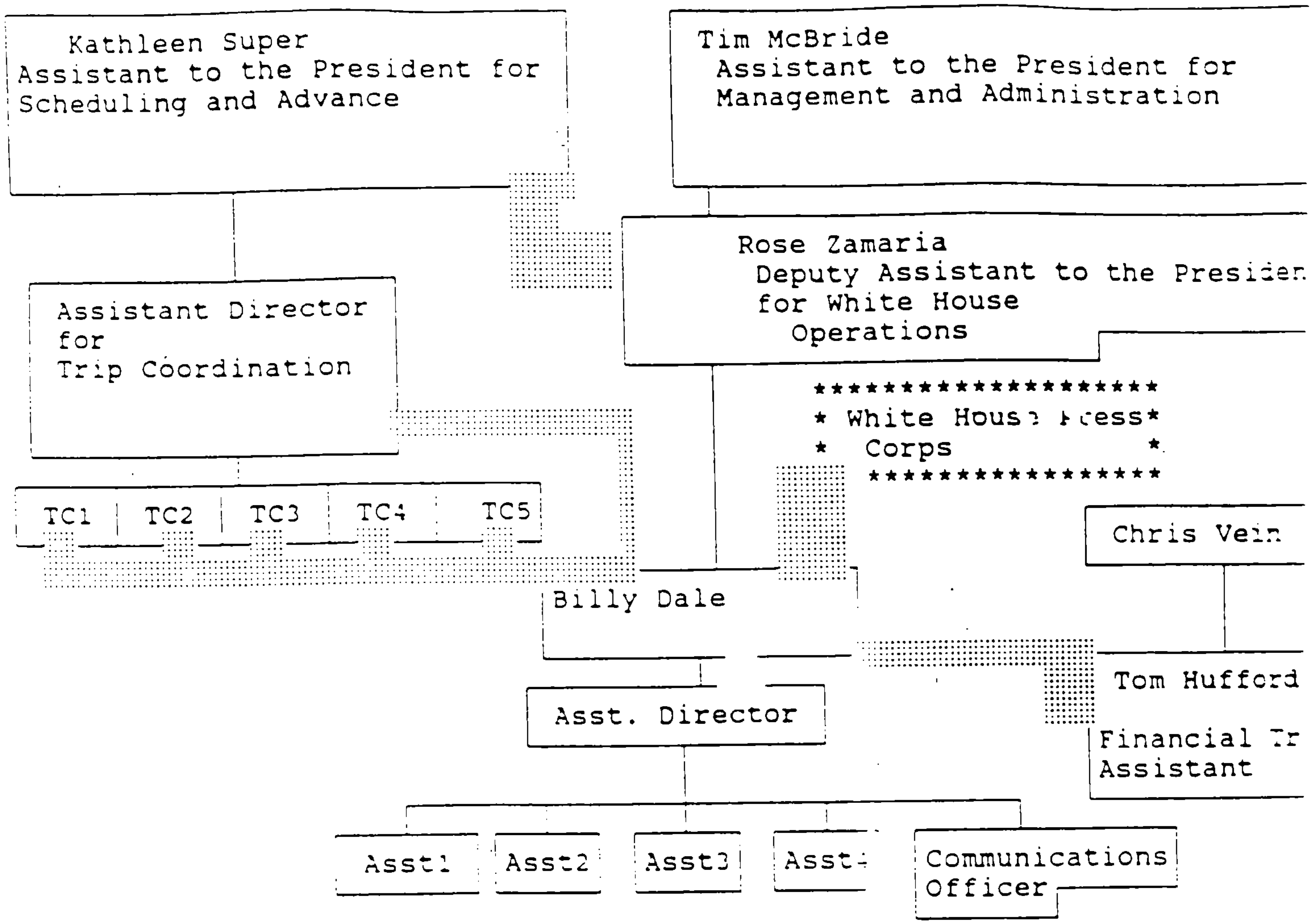
6. Front-End Monitoring of Staff Travel (Instead of tracking after the fact.)

7. Travel Assistance for Staff Travel (None Previously.)

8. Incoming Clinton Administration More Comfortable and Familiar with this Proven System.

9. Recommended Staff are More Knowledgeable and Familiar with the Personalities Involved as well as the System; thus, allowing for BETTER SERVICE.

BUSH ADMINISTRATION WHITE HOUSE TRAVEL OFFICE
ORGANIZATIONAL HEIRARCHY



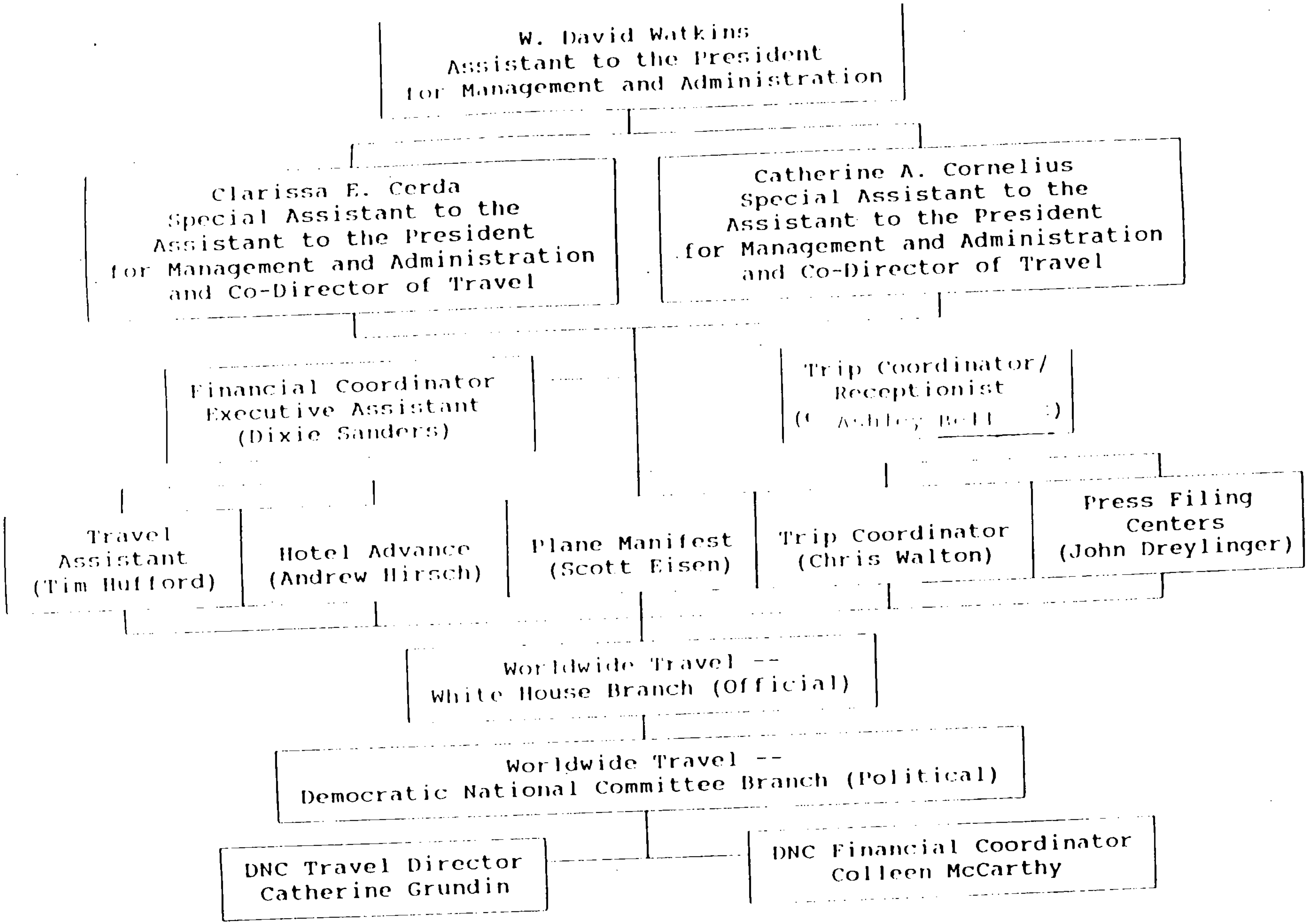

W. David Watkins
Assistant to the President
for Management and Administration
Clarissa E. Cerda
Special Assistant to the
Assistant to the President
for Management and Administration
and Co-Director of Travel
Catherine A. Cornelius
Special Assistant to the
Assistant to the President
for Management and Administration
and Co-Director of Travel
Financial Coordinator
Executive Assistant
(Dixie Sanders)
Trip Coordinator/
Receptionist
(Ashley Bell)
Travel
Assistant
(Tim Hufford)
Hotel Advance
(Andrew Hirsch)
Plane Manifest
(Scott Eisen)
Trip Coordinator
(Chris Walton)
Press Filing
Centers
(John Dreylinger)
Worldwide Travel --
White House Branch (Official)
Worldwide Travel --
Democratic National Committee Branch (Political)
DNC Travel Director
Catherine Grundin
DNC Financial Coordinator
Colleen McCarthy

Exhibit G

~~CONFIDENTIAL~~

WHITE HOUSE PRESS CHARTERS

THE PROPOSAL

Dee Dee Myers stated to both Harry Thomason (personally) and Darnell Martens (by phone) that the White House was not tied to any particular charter operator and that based on that assumption she saw no reason why Thomason, Richland & Martens, Inc. (TRM) should not be able to compete for the White House Press Corps charter business.

Dee Dee Myers was kind enough to place Darnell Martens of TRM in contact with Billy R. Dale, Director of the White House Travel Services Department.

THE PHONE CALL

Mr. Dale informed Mr. Martens that there was no possible combination of price/service under which TRM could earn the White House business and to not waste his time discussing the matter.

Note that TRM was not informed that it would be "difficult" or that there was only a "slim" chance of earning the business...but that there was "no chance" of earning the business.

Dale informed TRM that there was no price point that he could not get (but specifically declined to disclose at what price he obtains aircraft) or an operator that he has not already contacted. Therefore, what could TRM do that he could not?

Certainly a fair question *(however, Dale offered the question rhetorically --not in an effort to discuss the matter).*

Martens informed Dale that TRM purchases a much higher volume of charter hours than the White House does and that the buying power could be combined with the White House business to lower the cost from particular vendors to the Press Corps. Further, Martens informed Dale that TRM is aware of at least one operator that has aircraft based in Washington, has aircraft superior to those currently being used and could be obtained at a rate comparable and probably lower than that currently being paid by the Press Corps.

Martens again asked Dale that based on the above described possibility of a price/service combination that is superior to the current operation, wouldn't just a simple meeting be in order?

Again, Dale informed Martens that there was no possibility of gaining the White House business. "I have been here 31 years and no one has seen fit to replace me with a commercial operation yet. So until they do, I will continue to handle this without your help. However, if you are ever in Washington, I would be happy to meet you but do not bother making a special visit because you will not get the business."

Martens ended the conversation by "accepting" Dale's offer for a meeting at a future date.

DETERMINED TO BE AN ADMINISTRATIVE MARKING Per E.O. 13526
Sec. 3.2(C) Initials: WB **Date:** 9/15/16

RESEARCH INFORMATION

TRM has learned that, contrary to Dee Dee Myers understanding, the White House Press Corps has been flown on a virtually exclusive basis by Pan Am and then "Son of Pan Am" known as Airline of the Americas (AOA) - a charter operation made up of ex-Pan Am executives using ex-Pan Am aircraft. (AOA is now also doing business under the name of Ultra Air.)

In the brief period between Pan Am's bankruptcy and Airline of the Americas certification, the first half of 1992, other operators were used.

Also, the White House uses American Trans Air for international press travel. ATA has long-range aircraft that AOA does not operate.

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 Services Department since all flights dealt with following President Bush.

This could also explain, what TRM considers to be, the almost violent reaction by the White House Travel Services Department regarding the possibility of someone else coming in to operate the White House Press Charters. This begins to fall loosely under the heading of: "Methinks thou dost protest too much."

Likewise, American Trans Air had been contacted by Darnell Martens of TRM representing the Clinton For President Committee (CFPC) in April and May of last year. They informed Martens point blank that they had a limited relationship with the White House and that limited business with Bush was better than no business with Clinton. ATA did provide a bid for the business but the written contract rates and terms were far in excess of those discussed with Martens in person-placing ATA out of the market.

Once again, a company which made its choice and has represented that it did not support the Clinton presidential initiative continues to benefit from its special relationship with Billy R. Dale and the White House Travel Services Department.

THE RESULT

Dee Dee is wrong. The White House is tied into two operators (one essentially domestic and one essentially international)...operators who did everything possible (and then some) to get President Bush re-elected apparently with the full knowledge and cooperation of the White House Travel Services Department (at least the senior members who were present throughout the Bush Administration).

Using two operators semi-exclusively is not illegal. It probably isn't unethical. But it is simply not possible that one domestic operator which operates only two airplanes (a 727 in St. Louis and a 727 in New York), has exactly the type of aircraft needed for the lowest possible price for virtually every domestic flight.

What significance, if any, can be attributed to the coincidence that essentially the same individuals at both The White House and at Pan Am/AOA have been handling the press charter business for a protracted period of time? Is it a matter of just being easier to call one operator? If so, then the Travel Services Department is not doing its job. If its something else, then what?

Further, why wouldn't the White House Travel Services Department be sensitive to the existence of many operators who have invested heavily in their businesses and are small businesses by most definitions? Isn't it reasonable to assume that other operators could provide the level of service required by the White House?

With 20 years of experience in air charter and being the former "president" of *Air Elvis*, I can state without equivocation that the operators and aircraft are out there and they are capable and deserving of some of the business. Why can't they compete for the business?

SUMMARY

- No competitive service/price bidding for White House Press Corps (WHPC) charters.
- Current operator has only two aircraft - one in St. Louis, one in New York - none in Washington.
- Current operator attempted to provide free transportation to press covering Bush campaign appearances.
- Current Director of White House Travel Services Department (WHTSD) must have been aware of the above aborted attempt to provide free transportation and took no subsequent action (Director agrees on price and signs the checks - no price, no checks).
- WHTSD refuses to discuss business opportunities with legitimate charter operators.
- WHTSD has tied itself to a specific domestic operator without the knowledge or approval of Administration officials (including Dee Dee Myers).
- WHTSD claims that price is of little significance since press pays - but government personnel do fly on aircraft and government does pay using GTR's.

Exhibit H

THE WHITE HOUSE

WASHINGTON

May 17, 1993

MEMORANDUM TO MACK MCLARTY

FROM: DAVID WATKINS

SUBJECT: <u>WHITE HOUSE TRAVEL OFFICE</u>

CC: Hillary Rodham Clinton

As part of the National Performance Review (NPR) lead by the Vice President, the White House Office of Management & Administration has been engaged in customer service overhaul and an internal management review of operational functions in the Executive Office. Urged by Harry Thomasson, who had heard rumors of criminal activity in the Travel Office, and Catherine Cornelius, who had been observing the Travel Office for 45 days, we placed the Travel Office at the front end of the review and began an emergency review this past Friday.

What We Did

On Thursday, May 13, we retained KPMG Peat Marwick to conduct an accounting audit. At the same time, Vince Foster and Bill Kennedy began initial talks with the FBI both to ask their advice on how to proceed, given allegations of kickbacks and mismanagement, and to ensure that our review would not impede a criminal investigation. Catherine Cornelius, who had been detailed to the Travel Office to observe its functions for 45 days, briefed FBI agents about what she had seen, including copies of checks written to cash in large sums from the Press Reimbursable Account of the Travel Office.

Friday morning, May 14, Peat Marwick began their review, which we described to Travel Office staff as the audit portion of the NPR review of the White House. Peat Marwick reviewed Travel Office records, procedures, systems and controls pertaining to financial management. Our internal White House team interviewed staff to develop a log of their responsibilities in case a take-over of the operation was necessary. The review continued over the weekend.

What We Found

Although the final Peat Marwick report will not be presented until Wednesday, we were updated several times a day over the course of the weekend, enabling us to brief the FBI on the progress of the review.

Peat Marwick auditors found:

1. Abysmal management. No accounting "system" exists for the Press Reimbursable Account. There is a "seat of the pants" operation that keeps few records and has no control function or reconciliation process. Checks are written to

cash by the same individuals who endorse them. These same employees keep all the books.

Billing to the press corps is informal, undocumented and based on personal judgements. The press is billed on estimates, not on actual costs. (And these estimates are made by the director, in his head.) If the director believes he has been overcharging on one trip, he will jus undercharge on the next.

2. Unaccounted-for funds. Large checks have been written to cash, for the intended purpose of tipping drivers and baggage handlers on trips. In the 17 month period studied 17 checks were written to cash. However, in 8 of these 17 cases, Peat Marwick found discrepancies in the cash leavin the bank and the amount logged into the petty cash fund. The unaccounted-for cash totalled approximately $18,000.

Follow-up Actions

Late Saturday, we briefed the FBI on these findings and began planning a new system to replace the old one. FBI agents suggested they believed there was sufficient cause for them to conduct a criminal investigation but they asked us to have Peat Marwick complete their audit before the FBI would begin further work.

Our Interim Plan

As a result of the findings, tomorrow, May 18, I will meet with the staff of the Travel Office and will terminate them, with pay through June 5, 1993.

Simultaneously, we will reorganize the White House Administrative Office to include a Travel Section that will carry on the functions of the former White House Travel Office. The new White House Administrative Office will be headed by a (to-be-hired) experienced financial manager who will oversee the administrative, personnel, travel, telephone service and photo operations.

The Travel Section, on an interim basis, will consist of: Catherine Cornelius, who will manage the procurement of charters and will coordinate staff travel through travel agency staff; a financial specialist detailed from another agency to implement Peat Marwick's plan for a new financial control system for the office; and an administrative assistant, Chris Walton, who worked on the campaign.

Temporarily, Worldwide Travel will take over travel services, as we examine the permanent outsourcing this function to a travel agency. We will develop procedures to request bids for this business.

While our review indicated that the Travel Office staff acted as adjunct press advance staff on Presidential Trips, it is our understanding from Catherine that these are duplicative functions, overlapping our Scheduling and Advance staff's duties. We will eliminate this duplication, making sure not to disrupt any trips.

This plan will reduce a seven person office to three people. If th interim plan proves successful, we will potentially save four personnel slots, towards our 25% reduction.

Exhibit I

FBI Press Office
(202) 324-3691

IMMEDIATE RELEASE
May 19, 1993

We understand that the results of the audit of the White House Travel Office will be referred to the FBI for our review.

U.S. Department of Justice

"A"

Federal Bureau of Investigation

Office of the Director

Washington, D.C. 20535

PRESS RESPONSE
May 20, 1993

RE: WHITE HOUSE TRAVEL OFFICE

At the request of the White House, the FBI has had preliminary contact with the White House and the auditors brought in to audit the White House Travel Office. We anticipate receiving the final report of the auditors soon and will analyze their findings and conduct appropriate investigation. Beyond that, we are not in a position to comment.

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U.S. Department of Justice "B"

Federal Bureau of Investigation

Office of the Director

Washington, D.C. 20535

PRESS RESPONSE
May 20, 1993

RE: WHITE HOUSE TRAVEL OFFICE

At the request of the White House, the FBI has had preliminary contact with the White House and the auditors brought in to audit the White House Travel Office. We anticipate receiving the final report of the auditors soon and will analyze their findings to determine the next steps in the investigation. Beyond that, we are not in a position to comment.

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U.S. Department of Justice

Federal Bureau of Investigation

Office of the Director

Washington, D.C. 20535

FBI Press Office
(202) 324-3691

PRESS RESPONSE
May 21, 1993

RE: WHITE HOUSE TRAVEL OFFICE

At the request of the White House, the FBI has had preliminary contact with the White House and the auditors brought in to audit the White House Travel Office. That contact produced sufficient information for the FBI to determine that additional criminal investigation is warranted. We anticipate receiving the final report of the auditors soon and will analyze their findings to determine the next steps in the investigation. Beyond that, we are not in a position to comment.

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Exhibit J

The White House

Office of the Press Secretary

For Immediate Release May 25, 1993

STATEMENT OF BERNARD W. NUSSBAUM
WHITE HOUSE COUNSEL

By directly contacting the FBI concerning how to deal with allegations of possible wrongdoing by employees of the White House Travel Office, the White House Counsel's office violated no policy, procedure or other requirement. There is presently no requirement that such contacts involving matters of internal White House security be made initially through the Office of the Attorney General. It has been the practice of the White House Security Officer -- in this instance, William Kennedy, Associate White House Counsel -- to be in direct contact with the FBI concerning internal White House security matters.

With respect to matters outside the White House, there is a policy that any initial contact with the Department of Justice concerning any pending Justice Department investigation or criminal or civil case will be made only by the White House Counsel's Office and only with the Attorney General, the Deputy Attorney General, or the Associate Attorney General. That policy has continually been reaffirmed by the White House.

The Attorney General has expressed the desire that in the future, even with regard to matters of internal White House security, to avoid any possible appearance of impropriety, the White House should inform the Office of the Attorney General, the Deputy Attorney General, or the Associate Attorney General before contacting the FBI. Since the White House shares the Attorney General's desire to avoid any such appearance of impropriety, it has assured the Attorney General that such contacts with the FBI in the future respecting matters of internal White House security will be made initially through the Justice Department, as she requested.

There is nothing more important to this Administration than to preserve the integrity and the appearance of integrity of the Justice Department and the Federal Bureau of Investigation.

The Attorney General has reviewed this statement and is in full accord with it.

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