

RICHARD C. HOLBROOKE
Special Government Employee
New York, New York
FAILURE TO DISCLOSE FINANCIAL DISCLOSURE INFORMATION
OIG CASE NO. 98-116

Title: Richard C. Holbrooke
Special Government Employee
New York, New York
Failure to Disclose Financial Disclosure
Information
98-116

Date of Report:

Type of Report: Administrative Report

Report Agents: Brian D. Rubendall
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Approved by: Alan R. Jones, ASAC

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EXECUTIVE SUMMARY

This investigation was predicated upon information that then-Assistant Secretary for European and Canadian Affairs (EUR) Ambassador RICHARD HOLBROOKE lived in the Georgetown (Washington D.C.) townhouse of then-Ambassador to Switzerland M. Larry Lawrence rent free and did not report the "gift" on his Financial Disclosure Reports filed with the Department of State (DOS) as required. Additional information indicated that Ambassador HOLBROOKE may have had a conflict of interest by subsequently providing DOS with a memorandum describing Ambassador Lawrence's Merchant Marine service during World War II. This information was used in part as justification for a waiver allowing Ambassador Lawrence's burial in Arlington National Cemetery. It has been established that Ambassador Lawrence fabricated his military service record.

An interview with the [REDACTED] b7c, b6 revealed that Ambassador HOLBROOKE lived in the residence from September 20, 1994, until February 1996. Ambassador Lawrence's spouse stated that Ambassador HOLBROOKE did not pay rent or utilities during his stay, but did pay for his telephone usage as well as for food and cleaning.

Ambassador HOLBROOKE's Financial Disclosure Reports, filed on May 16, 1995, and June 4, 1996, contain no entries for "Gifts, Reimbursements and Travel Expenses." The Financial Disclosure Reports contain no reference to Ambassador HOLBROOKE living in Ambassador Lawrence's townhouse.

When interviewed about this matter, Ambassador HOLBROOKE confirmed that he lived in the townhouse but stated that he occupied only one small room during his stay. Ambassador HOLBROOKE stated that his Financial Disclosure Reports were prepared for him by his accountant and that he (Ambassador HOLBROOKE) was not aware that he was required to report his stay as a gift and that he was unaware that the gift had not been listed on the report. Regarding the burial memorandum, Ambassador HOLBROOKE stated that the detail in the memorandum was supplied by Ambassador Lawrence's official biography, which Ambassador HOLBROOKE had no reason to believe was inaccurate.

Subsequent to his interview with OIG, Ambassador HOLBROOKE submitted an amendment to his May 16, 1995, and June 4, 1996, Financial Disclosure Reports in which he estimated the value of the gift from Ambassador Lawrence to be \$800-\$1000 a month for the seventeen months of his stay.

This matter was reviewed by the Department of Justice, Public Integrity Section, and determined not to warrant criminal prosecution of Ambassador HOLBROOKE.

DETAILS

On June 22, 1998, the Office of Inspector General (OIG) initiated an investigation based upon information developed during a separate OIG investigation indicating that then-Assistant Secretary for European and Canadian Affairs (EUR) Ambassador RICHARD HOLBROOKE resided in the Georgetown (Washington D.C.) townhouse of then-Ambassador to Switzerland M. Larry Lawrence rent free. Ambassador HOLBROOKE failed to report this "gift" on his Financial Disclosure Reports filed with the Department of State (DOS) as required.

Ambassador HOLBROOKE initialed a memorandum to Assistant Secretary for Administration Patrick Kennedy on January 10, 1996, describing Ambassador Lawrence's Merchant Marine service during World War II (Tab 1). This memorandum describes Ambassador Lawrence's service aboard the U.S. Merchant Marine vessel *Horace Bushnell*, which was torpedoed and sank in 1945. This memorandum was used in part as justification for a waiver authorizing Ambassador Lawrence's burial in Arlington National Cemetery. Ambassador Lawrence was subsequently determined to have fabricated his service record.

On August 14, 1998, OIG interviewed [b7c, b6] at [b7c, b6], Washington, D.C., the residence owned by the Lawrences. [b7c, b6] confirmed that the residence is currently owned by Shelia Lawrence, spouse of the late Ambassador Lawrence. [b7c, b6] stated that Ambassador HOLBROOKE moved into the residence on September 20, 1994, and lived there until February 1996. [b7c, b6] stated that Ambassador HOLBROOKE had the whole house available for his use, but he kept mostly to the kitchen and his bedroom (Tab 2).

On August 26, 1998, OIG interviewed Shelia Lawrence, who confirmed that Ambassador Lawrence invited Ambassador HOLBROOKE to stay in the Georgetown townhouse during his tenure as Assistant Secretary. Shelia Lawrence stated that Ambassador HOLBROOKE did not pay rent for his use of the townhouse, nor did he pay the utilities. Shelia Lawrence stated that Ambassador HOLBROOKE paid for his use of the telephone as well as for food and cleaning (Tab 3).

OIG reviewed Ambassador HOLBROOKE's Executive Branch Public Financial Disclosure Reports dated May 16, 1995 (Tab 4), and June 4, 1995 (Tab 5). Both reports are signed by Ambassador HOLBROOKE. Under "Schedule B, Part II: Gifts, Reimbursements, and Travel Expenses," both forms are marked "none." Language is contained in that section of each form as follows:

Report the source, a brief description (including travel, dates, and the nature of the expenses provided), and the value of: (1) transportation, lodging, food, or entertainment received from one source totaling \$250 or more (unless received as personal as hospitality at the donor's personal or family residence); (2) other gifts from one source totaling \$100 or more in value; and (3) cash reimbursements of \$250 or more from source.

On July 14, 1998, Ambassador HOLBROOKE was interviewed by OIG. Ambassador HOLBROOKE confirmed that he lived in Ambassador Lawrence's Georgetown townhouse for seventeen months during his tenure as Assistant Secretary (Tab 6, pp. 5-6, 8). Ambassador HOLBROOKE stated that he accepted the offer to live in the townhouse because his own Georgetown townhouse needed extensive rehabilitation. Ambassador HOLBROOKE stated that he stayed in one small room which had its own bathroom (Tab 6, pp. 7-8). Ambassador HOLBROOKE confirmed that he lived in Ambassador Lawrence's townhouse for seventeen months, but stated he was out of Washington an enormous percentage of the time during that period (Tab 6, pp. 8-9). Ambassador HOLBROOKE confirmed that he did not pay rent, but added that he offered to do so but the Lawrence's declined (Tab 6, pp. 9).

Ambassador HOLBROOKE stated that prior to accepting Ambassador Lawrence's invitation to live in the house, he contacted Deputy Legal Adviser Jim Thessin and informed him of his intentions. Ambassador HOLBROOKE stated that Thessin told him that he did not see an ethics problem concerning his living in the house (Tab 6, pp. 7, 11).

Regarding his Financial Disclosure Report for June 4, 1996, Ambassador HOLBROOKE stated that the report was filled out by [b7c, b6], who was the assistant to his accountant, [b7c, b6]. Ambassador HOLBROOKE stated he skimmed the report before he signed it, but he did not carefully review it. Ambassador HOLBROOKE stated he was unaware that his living in the townhouse had not been listed on the report (Tab 6, pp. 15). Ambassador HOLBROOKE added that it did not occur to him that living in the townhouse was a gift that was required to be listed on the report (Tab 6, pp. 15, 18-19). Ambassador HOLBROOKE was not questioned in detail about his May 16, 1995, report.

Regarding the memorandum to Assistant Secretary Patrick Kennedy Ambassador HOLBROOKE initialed for Ambassador Lawrence's burial at Arlington National Cemetery, Ambassador HOLBROOKE stated that the memorandum was prepared for him by the Executive Office of EUR. Ambassador HOLBROOKE stated that the information in the memorandum was based upon Ambassador Lawrence's official biography, which was vetted by DOS, the White House and the Senate Foreign Relations Committee (Tab 6, pp. 24). Ambassador HOLBROOKE stated he had no reason to believe that Ambassador Lawrence had fabricated his service record (Tab 6, pp. 25).

On July 23, 1998, OIG interviewed Deputy Legal Adviser James H. Thessin who stated that he had no recollection of the telephone conversation in which Ambassador HOLBROOKE supposedly informed him that he was going to be living in Ambassador Lawrence's house. Thessin added that this did not mean that the conversation never took place. Thessin stated that he was no longer in possession of the journals containing his notes of conversation from 1994 (Tab 7).

Stevan Bunnell, Trial Attorney, Department of Justice, Public Integrity Section, informed OIG that the issue regarding Ambassador HOLBROOKE's failing to disclose his living in Ambassador Lawrence's townhouse does not merit prosecutive consideration.

ATTACHMENTS

1. Memorandum from Ambassador HOLBROOKE to Assistant Secretary Patrick Kennedy, dated January 10, 1996 regarding Ambassador Lawrence's burial.
2. Information of Record Form for b7c, b6, dated August 14, 1998.
3. Information of Record Form for Shelia Lawrence, dated August 26, 1998
4. Ambassador HOLBROOKE's Public Financial Disclosure Report, dated May 16, 1995.
5. Ambassador HOLBROOKE's Public Financial Disclosure Report, dated June 4, 1996.
6. Transcript of Ambassador Holbrooke's July 14, 1998, interview with OIG.
7. Information of Record Form for James H. Thessin, dated July 23, 1998.