

United States Senate

PERMANENT SUBCOMMITTEE ON INVESTIGATIONS

Committee on Homeland Security and Governmental Affairs

Carl Levin, Chairman

John McCain, Ranking Minority Member

**IRS AND TIGTA MANAGEMENT FAILURES
RELATED TO 501(c)(4) APPLICANTS ENGAGED IN
CAMPAIGN ACTIVITY**

**MAJORITY STAFF REPORT
WITH
MINORITY STAFF DISSENTING VIEWS**

REPORT EXHIBITS

Part 9 OF 10

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(“Tigta Bates No.” Documents)

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	Permanent Subcommittee on Investigations letter to Internal Revenue Service Acting Commission Daniel I. Werfel, dated May 23, 2014, urging IRS to suspend Lois Lerner from her office as Director of the Office of Exempt Organizations.	1675
	Treasury Inspector General letter to The Honorable Sander M. Levin, July 19, 2013, regarding TIGTA audit report.	1677
	<i>IRS list reveals concerns over Tea Party 'propaganda,'</i> <u>USA Today</u> , September 18, 2013, together with IRS list of Political Advocacy Cases.	1680
	<i>Does the IRS really have it in for tea party groups?,</i> <u>The Colorado Independent</u> , March 28, 2012, together with IRS Letter to Waco Tea Party Group and IRS Letter to Progressive Group.	1696

**Consistency in Identifying and Reviewing Applications for Tax-Exempt Involving
Political Advocacy Issues**

#201210022

AIGA Briefing

September 12, 2012

Overall Objective:

Our overall objective is to assess the consistency of the Exempt Organizations function's identification and review of applications for tax-exempt status involving potential political advocacy issues.

Objective I – Assess the actions taken by the Exempt Organizations function in response to the increase in applications for tax-exempt status from organizations potentially involved in political advocacy activities.

Current Status:

- We have completed preliminary interviews with the main players in the development of the advocacy issue to ascertain actions taken.
- We have obtained numerous emails and documents related to the development of the advocacy issue.
- We have completed a draft timeline of events based upon the information we have obtained to date.

Work Scheduled:

- Perform additional interviews as necessary to gather all relevant information.
- Continue to develop the timeline if additional information is provided.
- Complete summaries for the objective.

Objective II – Determine whether changes to procedures and controls since May 2010 affected the timeliness of reviewing applications involving potential political advocacy issues.

Current Status:

- We have completed preliminary interviews with the main players in the development of the advocacy issue and determined that there were no outside influences when developing the criteria used to identify advocacy cases that led to delays in processing the cases.
- We have reviewed documentation related to the steps taken during the development of the advocacy emerging issue to determine if any actions delayed the review of the political advocacy applications. Delays identified include:
 - Lack of consistent management oversight.
 - Lack of a formal process to request assistance from EO Technical (Headquarters).
 - Untimely guidance provided to EO Determinations from EO Technical.

Work Scheduled:

- Complete summaries for the objective.

Objective III – Determine whether the actions taken by the Exempt Organizations function to identify applications for tax-exempt status of organizations with potential political advocacy issues were consistent.

Current Status:

- **IIIA – EDS Full Development Cases**
 - 173 out of 244 cases completed. We received another 36 cases that need to be reviewed.
 - 21 potential exceptions identified
 - 72 cases missing screener chronology
 - 21 cases missing specialist check sheet
 - 14 cases missing specialist chronology
 - 12 cases missing specialist narrative detailing justification for determination
 - 26 U.S.C. §.6103
- **IIIB – Merit Closed Cases**
 - 90 of 94 cases completed plus the extra sampled cases. We did not receive three of the initially sampled cases. (We have re-requested them. We also re-requested 1 additional case because the file was incomplete.)
 - 3 potential exceptions identified
 - 26 cases missing screener chronology
 - 34 cases missing specialist check sheet
 - 8 cases missing specialist chronology
 - 35 cases missing specialist narrative detailing justification for determination
- **IIIC – Advocacy Cases**
 - 116 out of 298 cases completed. We received another 75 cases that need to be reviewed.
 - 62 potential exceptions identified
 - 17 cases missing screener chronology
 - 12 cases missing specialist check sheet
 - 4 cases missing specialist chronology
 - 6 cases missing specialist narrative detailing justification for determination

Work Scheduled:

- Continue to review objective IIIA cases as the files are received.
- Continue to review objective IIIC cases as the files are received.
- Discuss results with EO once reviews completed.
- Complete summaries for the objective.

Objective IV – Determine whether the EO function consistently had a reasonable basis for requesting information from organizations seeking tax-exempt status involved in potential advocacy.

Current Status:

- We have not begun this objective.

Work Scheduled:

- Once we complete objective III, we will begin reviewing cases for this objective. We will review the same cases obtained for Objective IIIC.

Consistency in Identifying and Reviewing Applications for Tax-exempt Status
Involving Political Advocacy Cases
Audit Status Meeting

MEMO OF CONTACT

Participants: Greg Kutz, AIGA
Troy Paterson, Director (via phone)
Tom Seidell, Audit Manager
Cheryl Medina, Senior Auditor
Michael McGovern, Auditor
Evan Close, Auditor

Date: September 25, 2012

Time: 10:00 am

Subject: Status of audit

Details:

AIGA Kutz began by informing us that TIGTA received an inquiry from Representative Issa on the status of our review. It was decided that TIGTA will respond that we are still in fieldwork.

AM Seidell went through the current status of the audit. We have completed a timeline of events after interviewing numerous EO employees and reviewing over 100 emails. AIGA Kutz commented that we don't know if we received all documentation.

AM Seidell then discussed our three samples for the case reviews. He explained what a § 501(c)(4) organization can and cannot do, including political campaign intervention, as long as it is not the primary activity of the organization, and furthers its exempt purpose. For § 501(c)(3) organizations, they cannot do any political campaign intervention. For the three samples, we are reviewing over 600 cases to determine if they were accurately identified for the advocacy group based upon the information available to the screener. In Objective IV, we will review the questions to determine if any were unnecessary.

AIGA Kutz had an idea for a future review. Fake organizations could be approved for § 501(c)(3) status. Any charitable donations to the organizations are tax deductible, which affects the tax gap.

AM Seidell explained that according to the people we spoke to, the Headquarters office knew cases were being held, but did not know the criteria being used. However, we have emails that include references to Tea Party cases by Headquarters employees.

2

AIGA Kutz kept suggesting we put examples in the report of references to organizations and the delays in processing cases that took place. He suggested we check with Chief Counsel on whether we can generically refer to cases as examples without them being redacted in the report.

AIGA Kutz reviewed 26 U.S.C. § 6103

(b)(3) 26 U.S.C. 6103

He asked how many organizations received the donor information question. I stated that we have not looked at the questions yet, but IRS Headquarters reviewed many case files for the donor question and that I could give him a figure. (Auditor's Note: During a break in the meeting, I reviewed the Headquarters analysis of the questions asked and identified 29 organizations that received the donor question. AIGA Kutz asked how many of them were Tea party organizations. I identified eight Tea Party organizations that received the donor question. Binder 1, pp. 112-116)

We then discussed how we envision the report. AM Seidell explained that we planned on issuing an interim report and a final report for this review, similar to the filing season audits completed every year. The first report would cover the timeline of events and the identification of advocacy cases. The second report would include similar information, but would also include our analysis of the questions (Objective IV). AIGA Kutz did not think an interim report was a good idea. He suggested that the report needs to answer the crucial question of whether the IRS targeted Tea Party organizations. The answer is yes. We should also include the allegations made by the organizations.

Right now, no one has admitted to authorizing the criteria used to identify advocacy cases. It just ended up that way. AIGA Kutz thinks we need to ask the TEGE Commissioner who authorized the Tea Party criteria. Director Paterson has his quarterly meeting with the Commissioner tomorrow (9/26/12).

AM Seidell called Director Paterson to join the meeting. AIGA Kutz reiterated that he would like to get TEGE's official position on the criteria. Director Paterson agreed and suggested he could also ask the EO Director about this as well. AIGA Kutz thought this was a good idea. AIGA Kutz also wants to ask if the executives know that the organizations were asked to provide additional information, but later told it was not necessary.

Director Paterson mentioned the interim report we plan on issuing. It would include information on whether the IRS targeted Tea Party organizations, whether more liberal organizations were referred to the advocacy group. A discussion on how to word issues in the report was had. It was decided we need to state the facts - other organizations with political campaign intervention issues were not sent to the advocacy group (objective IIIA and IIIB). We cannot definitively identify liberal vs. conservative organizations, so we want to stay away from using "heated" jargon.

cjm
9/27/12

Anketell Margaret A TIGTA

From: Paterson Troy D TIGTA
Sent: Monday, March 19, 2012 7:28 AM
To: Medina Cheryl J TIGTA; McGovern Michael A TIGTA; Seidell Thomas F TIGTA
Cc: Nakamura Nancy A TIGTA
Subject: JCT Report on Allegations of Bias Surrounding Applications for Tax Exemption and Examinations of Tax-Exempt Organizations

Cheryl, Mike, and Tom,

Proving that there is nothing new under the sun, here is a March 2000 report from the Joint Committee on Taxation regarding allegations that the IRS was biased when reviewing applications and conducting examinations of politically active organizations that were tax-exempt or applying to be tax-exempt. Sound familiar? I haven't read this yet, but I'm thinking we might be able to glean some bits of wisdom from an investigation that has already been down the path we are heading. Have fun!

Troy

[Redacted signature]

[Redacted] = Redacted by the Permanent Subcommittee on Investigations



[Redacted text]

Anketell Margaret A TIGTA

From: Paterson Troy D TIGTA
Sent: Thursday, March 22, 2012 1:47 PM
To: Martin Russell P TIGTA
Subject: RE: 501(c)(4) Briefing Paper

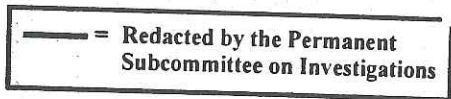
Russ,

I thought Russell was going to be briefed on these at the Senior Staff meeting today, but it looks like we're scheduling something for early next week. Assuming there are no objections next week, we will start planning the application side of the audit next week. Planning will start for the oversight of existing 501(c)(4)s review in about a month.

We lucked out that we have two teams that are in the process of issuing reports right now and they happen to be the teams with the most experience in the area!

Troy



 = Redacted by the Permanent Subcommittee on Investigations

From: Martin Russell P TIGTA
Sent: Thursday, March 22, 2012 1:42 PM
To: Paterson Troy D TIGTA
Subject: RE: 501(c)(4) Briefing Paper

When are you starting these if you do?

<< OLE Object: Picture (Device Independent Bitmap) >>

Russell P. Martin
Director - Electronic Tax Administration
Returns Processing and Account Services
Treasury Inspector General for Tax Administration

From: Paterson Troy D TIGTA
Sent: Thursday, March 22, 2012 1:34 PM
To: Martin Russell P TIGTA
Subject: RE: 501(c)(4) Briefing Paper

Russ,

Nancy and I were up on the hill about a week and a half ago to discuss concerns one of the House Ways and Means subcommittees had with the way the IRS is processing requests for tax exemption from potential section 510(c)(4) organizations related to the Tea Party. Basically, the staffers we met with allege that the IRS has been sitting on requests for a long time and, during an election year, asking a massive amount of unreasonable questions before deciding on whether to grant tax exemption to Tea Party-related groups. At the same time, the IRS is getting a lot of heat from the Democrat side who allege that the IRS is not cracking down hard enough on organizations funneling money to super PACs that are masquerading as tax-exempt social welfare organizations. (section 501(c)(4))

organizations). In response, we've decided to look at both sides of it (how the IRS is processing applications for tax exemption by potential 501(c)(4) organizations and how the IRS is overseeing 501(c)(4) organizations that are already in business and filing information returns).


This seems to crop up every election year when one side or the other believes either the IRS is overstepping its bounds or tax-exempts are being too politically active.

Troy


From: Martin Russell P TIGTA
Sent: Thursday, March 22, 2012 1:22 PM
To: Paterson Troy D TIGTA
Subject: RE: 501(c)(4) Briefing Paper

Hey Troy – what is this in response to??? Sorry trying to get up to speed.

<< OLE Object: Picture (Device Independent Bitmap) >>
Russell P. Martin
Director - Electronic Tax Administration
Returns Processing and Account Services
Treasury Inspector General for Tax Administration

 = Redacted by the Permanent Subcommittee on Investigations

From: Paterson Troy D TIGTA
Sent: Thursday, March 22, 2012 12:44 PM
To: Phillips Michael R TIGTA; Nakamura Nancy A TIGTA
Cc: Casey Kenneth F TIGTA; Martin Russell P TIGTA
Subject: RE: 501(c)(4) Briefing Paper

Mike,

Attached is the revised 501(c)(4) briefing paper. We have addressed your concern by stating that we will cancel one audit and delay another audit. A brief description of the canceled audit and delayed audit can be found in the footnote. If you need any additional information, please let me know.

Troy


<< File: IG Briefing Paper (501c4 Social Welfare Organizations).doc >>

From: Phillips Michael R TIGTA
Sent: Thursday, March 22, 2012 8:56 AM
To: Nakamura Nancy A TIGTA
Cc: Paterson Troy D TIGTA; Casey Kenneth F TIGTA; Martin Russell P TIGTA
Subject: FW: 501(c)(4) Briefing Paper
Importance: High

Hi Nancy,

Before I send this up to Matt, can Troy and you put under the Audit Project section what we have to give up doing to focus on these two audits. If you can be specific about which two audits in the plan will not be done and why we will not do them, it helps to show Russell that we have limited resources and have to give up other reviews that we had planned to do.

Thanks,

Mike

From: Nakamura Nancy A TIGTA
Sent: Wednesday, March 21, 2012 8:45 PM
To: Phillips Michael R TIGTA
Cc: Paterson Troy D TIGTA
Subject: FW: 501(c)(4) Briefing Paper

Mike,

Based on our discussion last Tuesday in Atlanta, we are planning a two-phased audit reviewing the IRS's oversight of § 501(c)(4) organizations. The attached briefing document outlines the two phases as well as the recent media and congressional interest in this area.

If you have any questions, please let me know.

Thanks,
Nancy

From: Paterson Troy D TIGTA
Sent: Wednesday, March 21, 2012 5:42 AM
To: Nakamura Nancy A TIGTA
Cc: Kisler Debra L TIGTA
Subject: RE: 501(c)(4) Briefing Paper

<< File: IG Briefing Paper (501c4 Social Welfare Organizations).doc >>

From: McGovern Michael A TIGTA
To: Medina Cheryl J TIGTA
Cc: Seidell Thomas F TIGTA
Subject: RE: c4s
Date: Monday, March 26, 2012 8:47:03 AM

Ok. I was on the phone with Tom Hawkins. I'm going to begin referencing today, so the sooner we have the meeting the better.

From: Medina Cheryl J TIGTA
Sent: Monday, March 26, 2012 8:40 AM
To: McGovern Michael A TIGTA
Subject: c4s

Tom called me this morning to say that Nancy has given Troy the ok to contact legislative affairs informing them of this review. We then can contact EO for a planning meeting. Tom would like to have a conference call later today for us to brainstorm on what info/questions we want to discuss with EO during planning. Put your thinking cap on.

Cheryl Medina
Treasury Inspector General for Tax Administration
Phone: 781-835-4278
Fax: 781-279-0336

Anketell Margaret A TIGTA

From: Medina Cheryl J TIGTA
Sent: Thursday, March 29, 2012 9:41 AM
To: Seidell Thomas F TIGTA; McGovern Michael A TIGTA; Paterson Troy D TIGTA
Subject: Article on Determs

Here is the first article I've seen that actually compares letters from the IRS to both conservative and progressive groups – letters ask similar questions.

Does the IRS really have it in for tea party groups?

By Teddy Wilson.

Wednesday, March 28, 2012 at 5:19 am

Conservative activists and some Republican lawmakers are up in arms about what they describe as the Internal Revenue Service conducting a partisan and ideologically driven campaign against tea party groups around the country. They claim that progressive organizations are not experiencing the same level of scrutiny. However, some progressive groups say they have had similar experiences with the IRS, and at least one expert dismisses the notion that the government is engaged in an ideological witch hunt.

Tea party groups, as well as other non-profit organizations, can apply for tax-exempt status with the IRS. Under the 501(c) designation there are 28 different types of organizations that are exempt from paying some or all federal taxes. Typically, organizations like tea party groups will apply either for 501(c)3 or 501(c)4 status, depending on the organization's activities. One of the differences between the designations is that donations to a 501(c)3 are tax deductible and donations to a 501(c)4 are not.

In an interview with the Texas Independent, Toby Walker of the Waco Tea Party said that the group applied for 501(c)4 status by filing a 1024 form with the IRS in July of 2010. About a month later the group was informed that the IRS would take 90 days to inform it of an approval, a denial, or a request for more information. "The 90 days came and went," said Walker. "But on their web site it said that they were behind. We started calling and checking in, and they said they were backlogged."

Then on Feb. 7 of this year, the Waco Tea Party received a letter from the IRS asking for the answers to 20 questions. "Some of the questions were acceptable," said Walker. "We knew they were going to ask for more information, and we weren't surprised to get the letter. What surprised us were a number of the questions that did not pertain to the 1024."

"Red alert"

Walker specifically cited the seventeenth question as being a "red alert." The question asks if the group has a "close relationship with any candidate for public office or political party." The question also asks them to describe the relationship.

"I told our treasurer to find out what that means," said Walker. "When we called the IRS they said that close relationship is subjective and to send them the names, and they will let us know. What does that mean?"

"It was so onerous to answer," said Walker.

The letter asked for transcripts of the group's social media activities, including posts on Facebook and Twitter. It also requested transcripts of the group's online radio show. Walker said that the group was looking at significant costs for printing and shipping all of the documents required. "Just to do our Twitter account would be between 2,500 and 3,000 pages," said Walker.

Walker said that she knew that "left leaning groups" that filed the same year had been approved. While she did not name the specific groups, Walker referred to a March 8 Roll Call article. The article stated that "several liberal groups contacted by Roll Call did not report similar experiences."

The article specifically cited Protect Your Care, a 501(c)4 organization that describes its mission as providing a space to "champion the Affordable Care Act," as an organization that did not receive any such questionnaire letter from the IRS. Roll Call also said that one other unnamed liberal 501(c)(4) organization was granted tax exempt status in May after receiving "only a modest six-part questionnaire."

Progressives get same treatment

However, interviews conducted by the Texas Independent with three different progressive organizations call into question charges that the IRS is engaged in ideological discrimination. Each organization reported varying degrees of interactions with the IRS, and the amount of time it took each to receive final approval also varied. However, two of the organizations did receive correspondence from the IRS requesting more information, and these letters included similar questions to those received by the Waco Tea Party.

In College Station, Texas, the Brazos Progressives, a coalition of progressive groups and businesses, originally filed for 501(c)3 status and, after being denied, filed for and received 501(c)4 status. Clean Elections Texas, an organization that seeks to build support for a public funding option for candidates seeking public office in Texas, filed for 501(c)4 status and said that they avoided requests for more information by being advised on what specific information the IRS was looking for on the 1024 forms.

A staff member of a progressive organization in Texas spoke with the Texas Independent on the condition of anonymity due to the fact that their organization is undergoing a similar review as the Waco Tea Party. The staff member said that while the organization's application for 501(c)3 and 501(c)4 status went through "fairly smoothly," the organization also had to answer extensive follow-up questions about its finances and mission.

"We received a questionnaire of around twenty questions," said a staff member. "The letter was looking for a deeper understanding of our organization. There were no questions that were that surprising. I think they [the questions] were just about really drilling into why we wanted to have a tax exempt status. It made us focus on what we are working on and what kind of great good agenda, not just a partisan agenda, we are working toward."

"The IRS is asking similar questions of organizations from all over the political spectrum."

The staff member, who said that he has worked for multiple 501(c)3 and 501(c)4 organizations during the Clinton, Bush, and Obama administrations, said that he has perceived no difference in how non-profits applying for tax-exempt status are treated. "When the IRS asks questions, then you answer them," said the staff member. "If you are upset with being upfront and clear about your organization, then maybe you shouldn't be filing for a 501(c)4 status."

A comparison of the letter from the IRS released by the Waco Tea Party and of a letter provided by the progressive Texas organization found that both are extensively detailed, asked similar questions, and were tailored to each organization. Both letters asked for copies of the organization's board meeting minutes and for

copies of each organization's web sites. Questions also addressed specific concerns that the IRS had with each organization but, on the whole, did not appear to treat the organizations differently.

Marcus Owens, an attorney who represents non-profit organizations and has previously worked with the IRS, told the Texas Independent that the IRS is attempting to "get behind the rhetoric" of organizations that are interested in public policy.

"The IRS is asking similar questions of organizations from all over the political spectrum," said Owens. "The real issue for the IRS when it looks at organizations that apply for 501(c)4 status is whether or not they are social welfare organizations or something else. It's not whether or not they should be exempt or not, but which code section they should be exempt under."

While Owens did think that some of the questions were too broad and could have been worded better, he also said that groups applying for tax exempt status have options when questioned by the IRS.

"Fundamentally the IRS has a right ask the questions," said Owens. "However, the IRS is usually open to negotiating how much information you need to provide. What is clear is that this application process is normally not improved by public posturing. It is the task of the organization or the organization's representatives to add to the facts and make the case to the IRS."

Walker says that when the Waco Tea Party received the letter from the IRS, the group contacted its members, volunteers, and supporters. At no time did the group contact the IRS directly for clarification of the questions or to negotiate what information would be acceptable.

The Waco Tea Party also sought out the American Center for Law and Justice for legal advice and representation.

The ACLJ has taken up the cause of the Waco Tea Party and other tea party groups. The ACLJ describes itself as "committed to ensuring the ongoing viability of freedom and liberty in the United States and around the world." Founded in 1990 by television evangelist Pat Robertson, the group has gained notoriety for taking up conservative causes. These have included providing a legal defense for a public bus driver who was fired for refusing to take a woman to a Planned Parenthood clinic in Texas.

"When a branch of the fed government is violating citizens' rights, they need to be investigated and put into their constitutional box."

The ACLJ posted a petition on its web site to "Stop the IRS from Silencing the Tea Party." The petition claims that under the Obama Administration the IRS "appears to be conducting politically motivated investigations of tea party organizations nationwide." The petition characterizes the investigations as "bullying tactics" that are "designed to silence these organizations." The petition calls for the Speaker of the House and others to "provide IRS oversight." Other Republican lawmakers and candidates have joined in supporting these claims, and some have called for congressional investigations.

Rep. Flores gets involved

Republican Rep. Bill Flores (TX-17), whose district includes Waco, penned a letter to House Committee on Oversight on Government Reform Chairman Rep. Darrell Issa stating that he is "concerned that the IRS is targeting tea party organizations around the country." The letter requests that Issa's committee open an investigation into the issue and hold congressional hearings. Republican senators also sent a letter to Commissioner of the IRS Douglas Shulman, requesting a response to similar concerns and demanding that the agency hold further "demands for information."

The Waco Tea Party also taken to social media to make its case that it is being targetted by the IRS, characterizing it as a battle between the "IRS versus the tea party." Posting multiple status updates and links on Facebook and Twitter, the group has made the claim that you are "either with us or against us and the constitution." The group has also promoted the petition drive by the ALCJ, tweeting "defend the tea party from the IRS, sign the petition and call Congress."

Another recent tweet reads: "The left is trying to silence Rush, and the IRS is trying to silence the tea party."

Walker shares the desire for an investigation and hearings. "Yes there needs to be congressional hearings," she said. "When a branch of the fed government is violating citizens' rights, they need to be investigated and put into their constitutional box."

Waco Tea Party IRS Letter//

IRS Letter to Progressive Group//

Cheryl Medina
Treasury Inspector General for Tax Administration.
Phone: 781-835-4278
Fax: 781-279-0336

From: Martin Russell P TIGTA
To: Paterson Troy D TIGTA; Jones Jeffrey M TIGTA
Subject: FW: Monthly Briefing Documents (May)
Date: Monday, May 21, 2012 10:11:01 AM
Attachments: 201210022-Commissioner Briefing Paper (Dated 05-30-2012) (2).doc
#201110027-CmrBriefingMay2012.doc
Text for IRS Commissioner Data Call to AIGA 10-10.doc

FYI

Russell P. Martin

Acting Assistant Inspector General for Audit

Management Services and Exempt Organizations

Treasury Inspector General for Tax Administration

Office - 978-809-0296

From: Martin Russell P TIGTA
Sent: Monday, May 21, 2012 10:11 AM
To: Begg Margaret E TIGTA
Subject: FW: Monthly Briefing Documents (May)

Peggy,

Below are the two suggestions from MSE. The one on the 501(c)(4) is the key briefing.

Thanks Russ

Russell P. Martin

Acting Assistant Inspector General for Audit

Management Services and Exempt Organizations

Treasury Inspector General for Tax Administration

Office - 978-809-0296

From: Stephens Dorothy A TIGTA
Sent: Monday, May 14, 2012 1:34 PM

To: Begg Margaret E TIGTA; Duncan Alan R TIGTA; Martin Russell P TIGTA; McKenney Michael E TIGTA; Nakamura Nancy A TIGTA
Cc: Davis Estine H TIGTA
Subject: Monthly Briefing Documents (May)

Good afternoon, would you kindly send the briefing documents directly to the DIGA for the month of May and June.

Thank you for your assistance.

Dot

Monthly Commissioner Meeting

The **MAY** meeting with the IRS Commissioner is scheduled for **MAY 30TH**. The prep meeting with the Inspector General will be on **MAY 22nd**.

In order to prepare this month's briefing book, I need your respective suggestions for topics, as well as audits that you think Mike should discuss at the meeting. As in the past, please provide a briefing document on significant audits or any other audit issues or topics you would like discussed. If you would like to provide a copy of the discussion draft/draft report to supplement the briefing paper please feel free to do so.

Monthly Recovery Act Briefing Papers

Please update your monthly Recovery Act Briefing Papers as well.

For both the Commissioner Meeting Briefings and the Recovery Act Briefings, please use a new document for each audit you're highlighting. For your Recovery Act Briefing Papers, please include Recovery Act in the project title.

Please use the attached revised briefing paper template for both the Commissioner Meeting Briefing Papers and the Recovery Act Briefing Papers. I would appreciate it if I could get your input by Friday, May 18th.

Thanks.

Process for Reviewing Applications for Tax Exemption
Office of Audit Briefing Paper
May 30, 2012

Audit Project or Report Number: 201210022

Objective: We are currently developing the appropriate scope for this audit, which will focus on the process used by the IRS when reviewing applications for tax-exempt status by § 501(c)(4) organizations.

Planned Discussion Draft Report Date: N/A

Planned Draft Report Date: N/A

Planned Final Report Date: N/A

Project/Report Description: On March 8, 2012, the Counselor to the Inspector General and Office of Audit representatives met with congressional staffers from the House Committee on Oversight and Government Reform. Congressional staff raised concerns with IRS reviews of applications for tax-exempt status by § 501(c)(4) Social Welfare organizations. Specifically, congressional staff were concerned that the IRS was targeting specific groups that had applied for tax exemption, e.g., Tea Party groups, and subjecting them to additional scrutiny based on their political views.

Program Information:

Organizations wishing to be recognized as tax-exempt may file applications with the IRS indicating their planned activities, as well as financial information. A determination is made on whether the organization qualifies for tax-exempt status. In some cases, additional information is requested from the organization before a determination decision is made.

Audit Status:

Due to the sensitivity of this issue, we are providing information identified during planning for this audit. We obtained documentation indicating that certain organizations' applications for tax-exempt status were targeted by the Exempt Organizations Determinations office based on the organizations' name or political beliefs. Additional audit work is needed to determine the extent, if any, of inconsistent treatment of these organizations applications for § 501(c)(4) tax-exempt status.

- o In February 2010, according to Exempt Organizations function officials, the Determinations office identified an increase in applications for § 501(c)(4) status where organizations were advocating issues relating to government spending, taxes, and similar matters.
- o As early as May 2010, according to documentation we were provided, Exempt Organizations function screeners were informed to identify applications by Tea Party groups for additional scrutiny.
- o In June 2011, the Exempt Organizations Director was informed the Determinations office was using criteria that **specifically targeted** applications

Process for Reviewing Applications for Tax Exemption
Office of Audit Briefing Paper
May 30, 2012

that mention: 1) the "Tea Party," "Patriots," or the "9/12 Project", 2) government spending, government debt or taxes, 3) education of the public by advocacy/lobbying to "make America a better place to live", or 4) criticizing how the country is being run. As of June 2011, over 100 applications meeting this criterion had been identified and were forwarded to a specific group for processing.

- In July 2011, subsequent to the briefing of the Exempt Organizations Director, the Exempt Organizations function changed the criterion for identifying these organizations to remove references to specific political groups or political issues. The criterion was changed to "organizations involved with political, lobbying, or advocacy for exemption under 501(c)(3) or 501(c)(4)".
- As of January 2012, the criterion now reads "political action type organizations involved in limiting/expanding government, educating on the Constitution and Bill of Rights, social economic reform/movement."

Media Attention:

There have been numerous news articles with allegations of the IRS requesting extensive amounts of additional information from organizations applying for § 501(c)(4) tax-exempt status, including donor information, as part of its review of applications. Several accusations of bias towards conservative groups, particularly Tea Party organizations, have been made.

The Congress has shown increased interest in the IRS's treatment of § 501(c)(4) social welfare organizations, as well. Several members of Congress have requested the IRS investigate whether groups designated as social welfare organizations are improperly engaged in a substantial or even predominant amount of campaign activity. Several other requests from the Congress raised concerns about selective enforcement in the determinations process.

MEMORANDUM OF DISCUSSION

DATE: 05/22/2012

TIME: 10:50-11:30 AM

SUBJECT/PURPOSE: To document discussion of the IG briefing paper that we prepared on certain § 501(c)(4) applications being "targeted"

PRESENT: Lois Lerner Director, EO function
Troy Paterson TIGTA

SOURCE: Discussion via teleconference

NOTE: The following are highlights from my conversation with the EO function Director, Lois Lerner.

- Troy:** I'm just calling to let you know that we will be raising an issue to our IG regarding § 501(c)(4) applications. We have received documentation showing that certain organizations (Tea Party, organizations criticizing how the country is being run) were targeted for additional scrutiny in part of the EO function. We do not know whether this led to inconsistent or improper treatment of these organizations and we will not know that until we conduct an audit. I believe we need to inform our IG because our front office has received congressional interest and external complaints that the IRS has been targeted specific groups as part of the application process. The reason I wanted to let you know this is because the IG may or may not discuss this at the upcoming IRS Commissioner meeting. **Lois:** I was expecting your call and I understand the issues, but I would probably characterize it differently.
- Troy:** Let me fill you in on what I know and you can let me know if you think my understanding is incorrect and if you have any perspective to add. In the Spring of 2010, the IRS began receiving certain types of applications that it had not seen before. Therefore, the EO Rulings and Agreements organization put out e-mails to its screeners to target all "Tea Party" applications for additional review by a certain group. By June 2011, the criterion had been expanded to include other groups, such as Patriots and the 9/12 group, as well as groups that question how the country is being run. About 100 cases had been set aside by this time. It is my understanding that you were briefed on the criterion being used. As a result of the briefing, the criterion was changed to be more about the tax law and less about the specific groups or ideologies involved. We believe that the criterion should have been about issues with the tax law all along. We are aware that the criterion has changed since then and is still under revision. Is this correct? **Lois:** That is basically correct; however, I think I can fill in some gaps that will help you understand the situation better. It has been customary for the applications group in Cincinnati to document emerging issues through e-mails. However, we received complaints at a CPE that employees were receiving too much information via e-mail and there was no consolidated place where employees could go for this information. As a result, Cincinnati began consolidating information into what is called a BOLO (Be On the LOokout). In the Spring of 2010, the applications group began seeing a surge in applications that were very up front about political work the organizations would be conducting. It is not unusual for us to send cases to a specific group when we see an uptick of applications with the same issues. We like to have a specific group or set of people work the applications so that we are consistent in our determinations.
- Lois:** Since our Cincinnati folks had never seen applications like the ones they were receiving, they contacted the TE/GE Division National Office to ask for guidance on how to proceed. At the time, I was only aware that there had been an uptick in the number of applications received that involved political activity. This is not unusual leading into an election year. I had not been informed of the specific criterion that was being used in the field. Our National Office asked to review several representative cases so that we could provide guidance on how the field should handle these cases. This is not unusual when there is not a lot of legal precedent in an area. Our National Office reviewed cases and drafted guidance for the field. However, I'm not sure if that guidance was used or whether it was used consistently because it was only in draft form. When I heard the criterion being used, I immediately asked that the criterion be changed. While I don't believe our folks in Cincinnati meant any malice, I was disappointed with the language used to describe the emerging issue. I would agree that the language should be more about the issues in the applications and not about particular groups that are applying for tax exemption. I believe that Cincinnati was just using shorthand to describe the cases and

was not thinking about the impact of describing cases in a particular manner. Our work is much more out in the public and, while I believe the Cincinnati employees were just trying to find an easy way to describe the applications, our employees need to be cognizant of the fact that we need to make it clear that we do not select cases for additional determinations or examination work based on political affiliation. It should not enter into the conversation.

- **Lois:** As a result of the briefing you mentioned, we changed the criterion. I was later informed that the criterion we decided upon was so generic that it was catching too many applications. Therefore, the Cincinnati employees began changing the criterion to ease the situation. Once I heard about that, I began to put controls in place to ensure that any criterion that is established or edited is reviewed and approved at a higher level in the EO function organization. **Troy:** It is interesting that you say that because the audit team and I have spoken about the need for a control that would ensure a more broad-based approval than local level e-mails and spreadsheets. **Lois:** I believe that by the time you get to reporting on your audit that we will have already taken care of the issue. I believe you will also see that we have conducted training on the issue and we're moving forward on getting guidance into the IRM. You will also see some other actions that we are taking.
- **Troy:** Would you suggest that I contact Joseph Grant (Acting Commissioner, Tax Exempt and Government Entities) to let him know about the fact that we will be briefing our IG and he may brief the IRS Commissioner? **Lois:** I appreciate it, but I can inform him of our discussion. He is very well aware of the events that have led us to this point.

NOTE TO FILE: On March 8, 2012, the Counselor to the Inspector General (IG), Nancy Nakamura, and I met with congressional staffers (Chris, Teagan, Brian, and Kevin) from the House Committee on Oversight and Government Reform. The following are highlights from our discussion.

- Chris stated they had met with the IRS a couple of weeks ago.
- Chris asked what had changed that might explain the IRS's overly burdensome questions being asked of Tea Parties applying for 501(c)(4) tax exemption. I stated I wasn't sure because TIGTA's Office of Audit had not conducted an audit in the area recently. However, the recently issued Exempt Organizations Workplan discusses a new project on 501(c)(4) self-declarers and news articles have mentioned a companion application process. It may be part of this effort. Chris requested a copy of the Workplan. Since it is available publically, I stated that I could provide that documentation to the staffers through the Counselor to the IG.
- One of the other staffers asked if I could comment on whether or not the questions being asked of the Tea Parties were reasonable. I stated that I could not. One of the staffers read some of the questions and asked if I had heard these questions asked in previous projects. I responded that the previous projects we had audited did not relate to 501(c)(4) organizations; therefore, I could not compare the 501(c)(4) questions with questions I had seen in other projects. The staffers seemed to agree that the questions have gone over the line, especially questions asking for donor information and speakers that will speak in the distant future.
- Chris stated that he believed the IRS was trying to overburden the Tea Parties in hopes that they would give up, as many of these organizations are too small to handle the kind of requests that the IRS is issuing. Teagan stated that, if the IRS believes these organizations should not receive tax-exempt status, the IRS should go ahead and deny the applications instead of asking more questions.
- The staffers expressed concern that other organizations may not be receiving the same amount of scrutiny as the Tea Parties because of the Tea Party's beliefs.
- Chris asked if we would review the area if requested by Congress. The Counselor to the IG stated that it would depend on how the request was worded and whether the IG believed the work should be completed. Nancy suggested that, if the staffers wished to make a request through their representatives, the staffers should work with TIGTA on the wording prior to submission so we could ensure that the request was for something that Office of Audit could accomplish.
- Nancy then reviewed the concerns expressed by the staffers. The staffers are concerned that the IRS is biased in how it is processing 501(c)(4) applications from Tea Parties versus other organizations. The staffers are concerned about whether the questions being asked of potential 501(c)(4) organizations have gone over the line (e.g., requests for names of donors and future speakers). The staffers are also concerned about the application process for 501(c)(4)s. What is the IRS trying to achieve with the actions it is taking?
- Chris asked if the Office of Audit had received information from the IRS's Exempt Organizations function under 26 USC 7217 regarding top level Executive Branch

officials requesting the IRS to examine or review certain organizations. Nancy and I stated that we had not received anything; however, I stated that the Office of Investigations may have received something the Office of Audit is not privy to. However, the Counselor to the IG stated that he had canvassed all functions within TIGTA and TIGTA has not received anything under 26 USC 7217 from the IRS. However, the Counselor to the IG stated that he would broaden the search by just using the general topic of the inquiry and not mentioning 26 USC 7217. According to Chris, the IRS responded that they had sent information over to the Office of Audit under 26 USC 7217. IRS officials would not state how many times they had done that. Instead, they responded that it was infrequently.

Tracy Patterson

From: Nakamura Nancy A TIGTA
Sent: Friday, May 10, 2013 11:21 AM
Phillips Michael R TIGTA
Subject: RE: [MARKETING]News Alert: IRS apologizes for
inappropriately targeting conservative political groups

Thanks, Mike!

From: Phillips Michael R TIGTA
Sent: Friday, May 10, 2013 11:19 AM
To: McKenney Michael E TIGTA; Nakamura Nancy A TIGTA; Kutz Gregory D TIGTA
Subject: FW: [MARKETING]News Alert: IRS apologizes for inappropriately targeting conservative political
groups

Hello all,

This just went out and we are getting calls from the Hill. I know Counsel sent Greg suggestions for
additional redactions. We probably need to speed up the release of this report. Greg can you give me a
status on your folks' review?

Thanks,

Mike

From: Holmgren R David TIGTA
Sent: Friday, May 10, 2013 11:06 AM
Phillips Michael R TIGTA
Subject: Fw: [MARKETING]News Alert: IRS apologizes for inappropriately targeting conservative political
groups

Mike, this is a brilliant preemptive strike by the IRS; when we release next week it will be old news.
David
Sent from my BlackBerry

From: The Washington Post [mailto:newsletters@email.washingtonpost.com]
Sent: Friday, May 10, 2013 10:57 AM
To: Holmgren R David TIGTA
Subject: [MARKETING]News Alert: IRS apologizes for inappropriately targeting conservative political
groups

IRS apologizes for inappropriately targeting conservative political groups

Friday, May 10, 2013 10:56:26 AM

ditional News Alert

IRS apologizes for inappropriately targeting
conservative political groups

The Internal Revenue Service is apologizing for inappropriately flagging conservative political groups for additional reviews during the 2012 election to see if they were violating their tax-exempt status.

Lois Lerner, who heads the IRS unit that oversees tax-exempt groups, said organizations that included the words "tea party" or "patriot" in their applications for tax-exempt status were singled out for additional reviews.

Lerner said the practice, initiated by low-level workers in Cincinnati, was wrong and she apologized while speaking at a conference in Washington.

Read more at:

http://www.washingtonpost.com/business/irs-apologizes-for-inappropriately-targeting-conservative-political-groups-in-2012-election/2013/05/10/5afe7b8-b980-11e2-b568-6917f6ac6d9d_story.html

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.vid.holmgren@tigta.treas.gov

From: Hernandez Gladys M TIGTA
Sent: Friday, May 10, 2013 11:25 AM
Phillips Michael R TIGTA
Cc: McCarthy Michael T TIGTA; Barnes David J TIGTA
Subject: RE: [MARKETING]News Alert: IRS apologizes for inappropriately targeting conservative political groups

Smart strategy on their part. We also again reached out to Greg and copied OMP. Gladys

From: Phillips Michael R TIGTA
Sent: Friday, May 10, 2013 11:21 AM
To: Hernandez Gladys M TIGTA; McCarthy Michael T TIGTA
Cc: Barnes David J TIGTA
Subject: RE: [MARKETING]News Alert: IRS apologizes for inappropriately targeting conservative political groups

Thanks Gladys. I think this is an IRS pre-emptive strike. We have already received multiple emails from Issa's staffers and others. I have sent Mike McKenney, Nancy, and Greg an email asking the status of the review to Counsel's additional suggestions for redactions.

Mike

From: Hernandez Gladys M TIGTA
Sent: Friday, May 10, 2013 11:14 AM
To: McCarthy Michael T TIGTA; Phillips Michael R TIGTA
Barnes David J TIGTA
Subject: FW: [MARKETING]News Alert: IRS apologizes for inappropriately targeting conservative political groups

FYI

From: Jones Amy P TIGTA
Sent: Friday, May 10, 2013 11:07 AM
To: Hernandez Gladys M TIGTA
Subject: FW: [MARKETING]News Alert: IRS apologizes for inappropriately targeting conservative political groups

From: The Washington Post [mailto:newsletters@email.washingtonpost.com]
Sent: Friday, May 10, 2013 10:56 AM
To: Jones Amy P TIGTA
Subject: [MARKETING]News Alert: IRS apologizes for inappropriately targeting conservative political groups

IRS apologizes for inappropriately targeting conservative political groups

Friday, May 10, 2013 10:54:56 AM

National News Alert

IRS apologizes for inappropriately targeting conservative political groups

The Internal Revenue Service is apologizing for inappropriately flagging conservative political groups for additional reviews during the 2012 election to see if they were violating their tax-exempt status.

Lois Lerner, who heads the IRS unit that oversees tax-exempt groups, said organizations that included the words "tea party" or "patriot" in their applications for tax-exempt status were singled out for additional reviews.

Lerner said the practice, initiated by low-level workers in Cincinnati, was wrong and she apologized while speaking at a conference in Washington.

Read more at:

http://www.washingtonpost.com/business/irs-apologizes-for-inappropriately-targeting-conservative-political-groups-in-2012-election/2013/05/10/5afef7b8-b980-11e2-b568-6917f6ac6d9d_story.html

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amy.jones@tigta.treas.gov

TIGTA Bates No. 007792

PSI-TIGTA-09-000403

From: Kraushaar Karen G TIGTA
Sent: Sunday, May 12, 2013 7:55 PM
George J Russell TIGTA
Cc: Phillips Michael R TIGTA; Kutz Gregory D TIGTA; Barnes David J TIGTA; McCarthy Michael T TIGTA
Subject: Re: Communications Report 05-12-2013

Hi Russell,

I have not responded to any reporters this weekend. At this point I do not see the merit in engaging with reporters until we have something concrete to share, such as a date and time for a media briefing.

I am hopeful that TIGTA may be able to offer that tomorrow or Tuesday, and have suggested expedited disclosure review so that we can schedule briefings on the final report in an orderly fashion for congressionals and media as soon as possible. By jumping the gun with its public apology, the IRS created some confusion and inaccuracy about the nature of our report and findings, which we can set straight by releasing the final report without delay.

Should be an interesting week!

----- Original Message -----

From: George J Russell TIGTA
Sent: Sunday, May 12, 2013 05:04 PM Eastern Standard Time
To: Kraushaar Karen G TIGTA; Barnes David J TIGTA
Cc: Phillips Michael R TIGTA; Kutz Gregory D TIGTA
Subject: Re: Communications Report 05-12-2013

Karen:

Did you speak with the NY Times reporter who has reached out to me and others today?

----- Original Message -----

From: Kraushaar Karen G TIGTA
Sent: Sunday, May 12, 2013 04:23 PM
To: Barnes David J TIGTA
Cc: Phillips Michael R TIGTA; George J Russell TIGTA
Subject: Re: Communications Report 05-12-2013

Thanks for tracking these David. Nothing new to share at this time.

----- Original Message -----

From: Barnes David J TIGTA
Sent: Sunday, May 12, 2013 04:17 PM Eastern Standard Time
To: Kraushaar Karen G TIGTA
Subject: Communications Report 05-12-2013

The following media outlets inquired regarding TIGTA's audit of the IRS's handling of applications for tax-exempt status:

Wall Street Journal, New York Times and BNA Daily Tax Report.
David Barnes
Public Affairs Liaison
Treasury Inspector General for Tax Administration

TIGTA Bates No. 007794

PSI-TIGTA-00-000405

From: George J Russell TIGTA
Sent: Monday, May 13, 2013 8:46 AM
To: Kraushaar Karen G TIGTA
Cc: Phillips Michael R TIGTA
Subject: Re: Cavuto Request

I agree with you.

----- Original Message -----

From: Kraushaar Karen G TIGTA
Sent: Monday, May 13, 2013 08:30 AM
To: George J Russell TIGTA
Cc: Phillips Michael R TIGTA
Subject: Fw: Cavuto Request

Good morning Russell,

This request came in last night. I recommend a strategy of politely declining until such time as we are ready to release our report. I think it is important that you be able to remain above the political fray until then.

Kindly let me know your thoughts when you can.

Karen

-- Original Message -----

From: Siegelheim, Matthew [mailto:Matthew.Siegelheim@foxbusiness.com]
Sent: Sunday, May 12, 2013 08:40 PM Eastern Standard Time
To: Kraushaar Karen G TIGTA
Subject: Cavuto Request

Hi Karen,

Hope you had a wonderful Mother's Day!

Would IG George be available to appear with Neil tomorrow on FBN to discuss the timeline involving the IRS and Tea Party?

Taping between 5:15-6pm et.

Matt

From: Kutz, Gregory D TIGTA
To: Seidell, Thomas F TIGTA; Paterson, Troy D TIGTA
Subject: EO Draft
Date: Friday, March 08, 2013 4:15:20 PM

I thought we had a good meeting with Counsel today. I often find it useful to have internal debate and discussion on issues and other views. I know Mike McKenney has good perspective as he was on the Hill as a Subcommittee staff director on the Oversight committee. On the biggest issue as to whether we say the IRS targeted, I am fine with leaving the objectives as they are focused on the allegations and answering them without using the word "target" but describing clearly what they did. I think we are in agreement on "inappropriate" and it seems we can work through the other matters. Tom if Troy is out with his father please feel free to work directly with me on a revised version and hopefully getting this to IRS early next week for a "pre-discussion" draft.

Thankyou
Greg

From: Paterson Troy D. TIGTA
To: Medina Cheryl J. TIGTA; Seidell Thomas F. TIGTA
Subject: RE: Well...
Date: Monday, March 11, 2013 6:58:00 AM

Tom and Cheryl,

I reviewed the revised report over the weekend and have some minor revisions throughout and a few questions. Fortunately, I believe it will not be difficult to make any needed changes and get this up to Greg today!

I have a meeting with Greg and the directors regarding testimony this morning. After that, we can get together and discuss.

Troy

From: Medina Cheryl J. TIGTA
Sent: Friday, March 08, 2013 1:36 PM
To: Paterson Troy D. TIGTA; Seidell Thomas F. TIGTA
Subject: RE: Well...

Troy,

I made a feeble attempt at changing targeting and timely in the clean version of the report I was preparing. I don't know what else needs to be changed.

If we are going to keep targeting, we should make sure we are referring to the criteria, and not EO personnel.

Tom said he won't be available this afternoon because of his meeting with GSA.

Cheryl

From: Paterson Troy D. TIGTA
Sent: Friday, March 08, 2013 1:32 PM
To: Seidell Thomas F. TIGTA; Medina Cheryl J. TIGTA
Subject: Well...

Tom and Cheryl,

I took off for lunch and tried to clear my head after the Counsel meeting. How do you think we should proceed?

Troy

From: Kutz Gregory D TIGTA
To: Creswell Lori L TIGTA; McCarthy Michael T TIGTA
Subject: RE: Tax-Exempt Applications Audit Report for your Review and Feedback
Date: Monday, March 18, 2013 3:11:00 PM

Let me know when you are in office some time with a few minutes to chat. I will share with you the discussion we had with IRS last week on the conferences draft report (Beth Tucker, Pam LaRue and Acting Commissioner Chief of Staff).

Greg

From: Creswell Lori L TIGTA
Sent: Monday, March 18, 2013 2:08 PM
To: Paterson Troy D TIGTA
Cc: Kutz Gregory D TIGTA; Seidell Thomas F TIGTA; Medina Cheryl J TIGTA; McCarthy Michael T TIGTA; Carter Thomas E TIGTA
Subject: RE: Tax-Exempt Applications Audit Report for your Review and Feedback

Troy,

We wanted to thank you all for meeting with us to discuss Counsel's comments concerning the draft audit report pertaining to applications for tax-exempt status. We have reviewed the revised draft that you provided to our office last week and appreciate the changes that have been made to the draft report. We believe that the revisions address and/or resolve the comments and concerns that we have offered. At this time, we have no further comments to offer concerning this matter.

Thanks
Lori

From: Paterson Troy D TIGTA
Sent: Wednesday, March 13, 2013 10:57 AM
To: McCarthy Michael T TIGTA; Creswell Lori L TIGTA
Cc: Kutz Gregory D TIGTA; Seidell Thomas F TIGTA; Medina Cheryl J TIGTA
Subject: RE: Tax-Exempt Applications Audit Report for your Review and Feedback

Mike and Lori,

Good morning. Thank you again for the assistance on our report regarding applications for tax-exempt status. Attached is a revised version of the report. We have incorporated, for the most part, the suggestions you provided below and in our subsequent conference call. Could you review one more time and let us know if you have any remaining concerns? We appreciate the help.

Troy Paterson
Director, Tax Exempt and Government Entities/Human Capital
Phone: [REDACTED]
e-mail: troy.paterson@tigta.treas.gov

[REDACTED] = Redacted by the Permanent Subcommittee on Investigations

From: McCarthy Michael T TIGTA
Sent: Thursday, February 28, 2013 10:07 AM
To: Kutz Gregory D TIGTA; Paterson Troy D TIGTA
Cc: Creswell Lori L TIGTA; Carter Thomas E TIGTA; Hernandez Gladys M TIGTA
Subject: FW: Tax-Exempt Applications Audit Report for your Review and Feedback
Importance: High

Greg and Troy –

Thank you for forwarding the attached report to Counsel for comment. Having not been involved in the audit or having access to the audit work papers, our comments and concerns are premised solely upon the information in the written draft report.

According to the draft report, OA has concluded that the EO function “used inappropriate criteria that targeted Tea Party and other organizations applying for tax-exempt status based upon their names or values, instead of applications with indications of potential political campaign intervention (hereinafter referred to as political cases).”

As an initial concern, “targeted” has a connotation of improper motivation that does not seem to be supported by the information presented in the audit report. I think “selected” or even “singled out” would be more accurate. Also, it is not clear why exactly we find the criteria used were “inappropriate.” Is it because specific names associated with political activity shouldn’t be used as a criteria? That would seem to make it difficult for the IRS to identify potential political applications for referral to the specialized unit. If this is the rationale, the information in footnote 11; that the use of organization names occurs in non-political cases as well, seems like it needs more attention, since it suggests both that the IRS was not politically motivated in this case, and that our recommendation might need to be broader. Or are we saying it was inappropriate because the use of names was one-sided, i.e. name criteria included only certain types of groups seen as conservative, and names of other political groups with different policies should have also been included? If that is the rationale, do we have evidence that similarly situated groups from the left side of the political spectrum should have been included by name in the criteria, but were not? The later sections of the report seem to suggest this, but it is not clear.

The report also refers to one of the selection criteria as an organization’s “values,” which we don’t think is an accurate word based on the examples given. I think these would be more accurately described as “policy positions” or “policy goals” or “political statements.”

On pages 8-9 of the report, we offer statistical information purporting to determine whether the use of “inappropriate criteria resulted in organizations being treated inconsistently.” However, the statistical information does not actually address the use of the “inappropriate criteria.” Instead, it really focuses on whether the application had

information concerning potential political activity and whether it should have been processed by the political team.

Starting on page 10 of the report, the report talks about applications not being "process[ed] timely due to ineffective management of political cases." The report does not identify what standard OA used to define "timely." While it is clear that processing took a long time, can we say it is not timely if there is no time limit for processing? Also, it appears that the lengthy delay results from a lengthy wait for a legal opinion, which appears to be the basis for OA's conclusion that it was "ineffective management." It is unclear however how waiting for an opinion equates to "ineffective management."

We hope that this helps highlight our substantive concerns with the draft report. If you would like to discuss further, please let me know.

Thanks,
Mike

From: Paterson Troy D TIGTA
Sent: Monday, February 25, 2013 8:19 AM
To: McKenney Michael E TIGTA; McCarthy Michael T TIGTA
Cc: Kutz Gregory D TIGTA; Davis Estine H TIGTA; Seidell Thomas F TIGTA; Medina Cheryl J TIGTA; McGovern Michael A TIGTA
Subject: Tax-Exempt Applications Audit Report for your Review and Feedback

Good morning,

Greg mentioned that, due to the sensitivity of the attached report, he would like for us to obtain your feedback before we issue a discussion draft report to the IRS. Therefore, I am attaching a copy of the report for your review. If you have any questions or would like to meet to discuss, please let me know. I look forward to hearing from you.

Troy Paterson
Director, Tax-Exempt and Government Entities/Human Capital
Phone: [REDACTED]
e-mail: troy.paterson@tigta.treas.gov

[REDACTED] = Redacted by the Permanent
Subcommittee on Investigations

From: Paterson Troy D TIGTA
To: Kutz Gregory D TIGTA
Subject: RE: EO Applications Report
Date: Tuesday, March 26, 2013 8:32:00 AM

Greg,

Sounds good...I will give you a call in your office at 11. Sorry I wasn't able to meet with you earlier, but I needed to meet with the EO applications and the tax credit bond teams this morning to get things moving in the right direction.

Troy
[Redacted]

[Redacted] = Redacted by the Permanent Subcommittee on Investigations

From: Kutz Gregory D TIGTA
Sent: Tuesday, March 26, 2013 8:30 AM
To: Paterson Troy D TIGTA
Subject: RE: EO Applications Report

I am going into 2 hours or so of meetings. How about 11 am?

From: Paterson Troy D TIGTA
Sent: Tuesday, March 26, 2013 8:28 AM
To: Kutz Gregory D TIGTA
Subject: EO Applications Report

Greg,

Whenever you are ready, please give me a call at 404-338-7476 to discuss the meeting with Lois. I met with the team this morning and discussed a few extra changes that we thought were appropriate. However, there are 3 separate issues that Lois brought up that I think you and I need to discuss and decide how we are going to proceed.

1. Lois stated that the report read like it was politically motivated and there was no recognition about how difficult these cases were and the fact that there is no bright line test for making determinations on applications involving these issues.
2. Lois stated that the background of the report should be expanded to discuss how applications are processed (number of applications processed, screening process, 3 different outcomes of screening, more about full development cases and how they are assigned by grade, etc.).
3. Lois wanted us not to use the terms "political teams" and "political cases". In Lois' opinion, the IRS was not specifically looking for political campaign intervention.

Troy
[Redacted]

From: Paterson Troy D TIGTA
To: Dori Thomas M TIGTA
Cc: Seidell Thomas F TIGTA; Medina Cheryl J TIGTA
Subject: RE: Audit # 2012100022 - Outcome Measure Review
Date: Monday, February 25, 2013 2:13:00 PM

— = Redacted by the Permanent Subcommittee on Investigations

Tom,

Thanks. Everyone is a bit anxious about this report due to its subject matter. We appreciate you taking the time to see if we are on the track!

Troy

From: Dori Thomas M TIGTA
Sent: Monday, February 25, 2013 2:10 PM
To: Paterson Troy D TIGTA
Cc: Seidell Thomas F TIGTA; Medina Cheryl J TIGTA
Subject: RE: Audit # 2012100022 - Outcome Measure Review

Hi Troy — I took a quick read through Appendix IV and the report body. Nothing jumped out at me as being out of line, and I did not see anything that you missed. If you have any other questions, let me know.

Thanks,

Tom

From: Paterson Troy D TIGTA
Sent: Monday, February 25, 2013 1:31 PM
To: Dori Thomas M TIGTA
Cc: Seidell Thomas F TIGTA; Medina Cheryl J TIGTA
Subject: Audit # 2012100022 - Outcome Measure Review

Tom,

Good afternoon. I hope all is well.

I was hoping you could help us out. Attached is a report we have written regarding how the IRS processes tax-exempt applications from organizations that potentially are involved in political campaign intervention. Due to the sensitivity of this report, our AIGA has asked that Chief Counsel and the DIGA review the report before we issue it as a discussion draft. In addition, Greg thought it would be a good idea for the report to be reviewed from an outcome perspective so we don't potentially revise our position with the IRS on outcomes between discussion draft and draft.

Could you please review and let us know what you think of how we present our outcomes and whether you identify any additional outcomes we should consider? I would appreciate it.

If you have any questions or would like to discuss, please let me know.

From: Martin Russell P TIGTA
To: Paterson Troy D TIGTA
Subject: FW: TIGTA letter
Date: Wednesday, July 11, 2012 8:42:21 AM

FYI

From: McKenney Michael E TIGTA
Sent: Friday, June 22, 2012 9:14 AM
To: Martin Russell P TIGTA
Subject: RE: TIGTA letter

So you recommend advising against such a letter?

From: Martin Russell P TIGTA
Sent: Friday, June 22, 2012 6:55 AM
To: McKenney Michael E TIGTA
Subject: RE: TIGTA letter

Mike,

Not familiar with the process of providing regular updates on audits where we have not issued a report. Are we allowed to say what we are finding to outside stakeholders, such as staffers, without issuing a report?

I just signed the audit plan and Engagement Letter will be coming up for your review and signature. Below is an FYI for you on what we identified so far: (We will now be focusing on whether the identified applicants were treated inconsistently with applicants that did not relate to a Tea Party Organization)

The Exempt Organizations function's Determinations Office began seeing an increase in applications for tax-exempt status from organizations involved in potential political advocacy activities early in Calendar Year 2010. The following highlights the actions taken by the Exempt Organizations function once this increase was identified:

- In February 2010, according to Exempt Organizations function officials, the Determinations Office identified an increase in applications for IRC § 501(c)(4) status where organizations were advocating issues relating to government spending, taxes, and similar matters. This was identified as an emerging issue needing more scrutiny. The Group Manager responsible for initially screening applications notified the Headquarters Office about this potential emerging issue.
- As early as May 2010, according to documentation we were provided, Exempt Organizations function screeners were informed to identify applications from Tea Party groups for additional scrutiny. This documentation informed function screeners to forward any application related to the Tea Party to a certain Determinations Group for further review. The Group Manager initially assigned this emerging issue developed the criteria for identifying the applications.

In August 2010, this emerging issue was transferred to a different Determinations Group, which still has responsibility for it today.

- In June 2011, the Exempt Organizations Director was informed that the Determinations Office was using criteria that **specifically targeted** applications that mention: 1) the "Tea Party," "Patriots," or the "9/12 Project", 2) Government spending, Government debt or taxes, 3) education of the public by advocacy/lobbying to "make America a better place to live", or 4) criticizing how the country is being run. As of June 2011, the IRS indicated that over 100 applications meeting this criterion had been identified and were forwarded to a specific group for processing.
- In July 2011, subsequent to the Exempt Organizations Director being briefed on the targeting criteria being used to screen applications, the criterion for identifying these organizations was changed to remove references to specific political groups or political issues. The criterion was changed to "organizations involved with political, lobbying, or advocacy for exemption under 501(c)(3) or 501(c)(4)." References to these applications in IRS documentation were also changed from Tea Party to advocacy organizations.^[1]
- In December 2011, draft guidance was provided by the Headquarters office to aid in reviewing advocacy cases. This guidance is currently being revised.
- As of January 2012, the criterion was changed to, "political action type organizations involved in limiting/expanding government, educating on the Constitution and Bill of Rights, social economic reform/movement." According to Exempt Organizations function management, this criterion is currently being revised.

From: McKenney Michael E TIGTA
Sent: Thursday, June 21, 2012 4:54 PM
To: Martin Russell P TIGTA
Subject: FW: TIGTA letter

Russ, what do you think about this?

From: Sutphen Matthew S TIGTA
Sent: Thursday, June 21, 2012 4:27 PM
To: McKenney Michael E TIGTA
Subject: FW: TIGTA letter

Mike,

Yesterday, I touched base with Chris Hixon and notified him that we just began working on our first 501(c)(4) audit. As you will see below, the Committee and Subcommittee would like to kept updated on our progress and for a copy of the final report. Chris has asked for our input on the letter.

I am not comfortable with the general, vague language of "regular updates." Maybe we can limit the scope and number of updates. Please review and provide me with any comments/edits you deem necessary.

Thank you!

Matthew

From: Hixon, Christopher [<mailto:Christopher.Hixon@mail.house.gov>]
Sent: Thursday, June 21, 2012 4:04 PM
To: Sutphen Matthew S TIGTA
Cc: Blase, Brian
Subject: FW: TIGTA letter

Matt – good talking with you. Attached is a draft letter from Chairmen Issa and Jordan that we are considering sending.

Let us know any thoughts/comments you have on the draft – happy to work with you on the language.

Thanks,
Chris

¶ The IRS defines advocacy as 1) political campaign intervention, 2) lobbying for specific legislation, and 3) general advocacy. For this emerging issue, the focus is on political campaign intervention.

From: Medina Cheryl J TIGTA
To: McGovern Michael A TIGTA
Subject: RE: case review criteria
Date: Friday, July 13, 2012 9:06:00 AM

We are not using the BOLO at all. We are going to independently look for any indications of political campaign intervention activities by the organization. This is what should have been done, but wasn't. I told Tom we are going to have to come up with some common definition of political campaign intervention, so we are all using the same criteria. He agreed and said we should know it when we see it.

From: McGovern Michael A TIGTA
Sent: Friday, July 13, 2012 9:03 AM
To: Medina Cheryl J TIGTA
Subject: RE: case review criteria

I'm still confused—are we exclusively using the BOLO criteria?

From: Medina Cheryl J TIGTA
Sent: Friday, July 13, 2012 9:01 AM
To: McGovern Michael A TIGTA
Subject: case review criteria

I spoke with Tom this morning. He wanted a status update for this past week. I told him you and I discussed the case review and had a concern with what criteria we are going to use. We don't know what the Screeners used. After going back and forth, he decided that it doesn't matter what the Screeners did. We need to use what they should have been following, which is identifying any political campaign intervention activity. If we find any exceptions, we can use the BOLO or any other faulty criteria the Screeners were following as the cause. The focus is on the bad criteria used and if it caused cases to be missed or misidentified.

We will discuss in more detail next week when we are going through the cases, but thought I let you know the latest.

Cheryl Medina
Treasury Inspector General for Tax Administration
Phone #781-835-4278
Fax # 781-279-0336

From: Paterson Troy D TIGTA
To: Seidell Thomas F TIGTA; Medina Cheryl J TIGTA; McGovern Michael A TIGTA; Close Evan A TIGTA
Subject: Article on Political Advocacy
Date: Monday, July 23, 2012 8:58:00 AM

Tom, Cheryl, Mike, and Evan,

For your gee.whiz, here's an article about political advocacy.

— = Redacted by the Permanent Subcommittee on Investigations

Troy

Taxpayer Watchdog Calls on IRS to Probe Re-Branded Texas ACORN Branch

By Perry Chiaramonte

July 19, 2012



ACORN branches all over the country disbanded in disgrace in 2010, but have come back under new names.

The former Texas ACORN chapter has a new name and a scheme to collect donations and divert them for political use in a way that abuses tax laws governing charitable organizations, according to a Washington-based public interest group.

Cause of Action, a nonprofit taxpayer watchdog, charged in a letter to the **Treasury Inspector General for Tax Administration** that the tax-exempt Texas Organizing Project (TOP), formed from the ashes of scandal-ridden ACORN, is using money funneled to it by a closely associated group called the Texas Organizing Project Education Fund for political activity.

The fund gave nearly 80 percent of its revenues -- approximately \$640,000 -- to the advocacy group in 2010, leading Cause of Action officials to believe its reason for being is to raise charitable donations to send to TOP, which is permitted to fund political activity. TOP has used its website to solicit support for Mary Ann Perez, a Democrat running for state representative.

"Cause of Action is asking the IRS to investigate these groups for potential abuses of their tax exempt status."

- Dan Epstein, Cause of Action

"Fiscal sponsorship [has allowed TOP and TOP ED] to use a loophole in the tax code to engage in improper political activities under the radar of the IRS," Dan Epstein, executive

director of Cause of Action, said to FoxNews.com. "Cause of Action is asking the IRS to investigate these groups for potential abuses of their tax-exempt status, and to hold them accountable for any violations they find."

"Texas Organizing Project Education Fund is abusing this privilege by not sponsoring an individual educational project, but rather sponsoring an entire political entity, the Texas Organizing Project. TOP ED should suffer tax penalties for essentially existing as a channel through which money is being directed to a political organization, but the IRS is either intentionally overlooking this abuse, or is unaware of it," Epstein added.

This marks the third such investigation that the watchdog group has called for accusing other re-branded ACORN branches of being engaged in similar activities.

"While fiscal sponsorships are legal, it is not legal for a 501(c)(3) organization, such as TOP ED, to give any money to an organization that engages in political activity, without triggering various tax consequences," reads the letter signed by senior counsel for Cause of Action.

[Click here to view the full letter](#)

The public advocacy watchdog group also claims in the letter that TOP and TOP ED are an example of former state chapters of ACORN re-branding themselves in the wake of controversies that led to the national parent group shutting down in 2010. Cause of Action claims the defunct non-profit instructed "its affiliates to funnel tax-deductible and/or taxpayer dollars to ACORN over a 40-year period."

"After ACORN became subject to public scrutiny, and eventually filed for bankruptcy, it re-branded many of its state chapters in order that those organizations could continue pursuing ACORN's goals," Cause of Action officials said. "TOP is the reconstituted ACORN in Texas."

Officials for TOP and TOP ED did not return repeated calls for comment.

Spokesmen for both the IRS and Treasury Inspector General declined to comment on the letter or any resulting investigation.

From: Paz Holly O
To: Seidell Thomas F TIGTA; Medina Cheryl J TIGTA
Subject: FW:
Date: Wednesday, August 08, 2012 4:58:57 PM
Attachments: BOLO Spreadsheet 06162012.xls
BOLO Spreadsheet 06162512.xls
BOLO Spreadsheet 071012.xls
BOLO Spreadsheet 071112.xls
BOLO Spreadsheet 062512.xls

From: Bell Ronald D
Sent: Wednesday, August 08, 2012 3:47 PM
To: Paz Holly O
Subject:

5 BOLO's

From: Paz Holly O
To: Seidell Thomas F TIGTA; Medina Cheryl J TIGTA
Subject: FW: BOLO Alert
Date: Wednesday, August 08, 2012 4:52:20 PM
Attachments: Copy of Combined Spreadsheet TAG 8 12 10.xls
Importance: Low

From: Bell Ronald D
Sent: Wednesday, August 08, 2012 3:38 PM
To: Paz Holly O
Subject: FW: BOLO Alert
Importance: Low

From: Hofacre Elizabeth L
Sent: Thursday, August 12, 2010 10:19 AM
To: &TEGE:EO:RA All Ees
Subject: BOLO Alert
Importance: Low

All,

Enclosed is the combined spreadsheet with an additional issue (#13) under the BOLO Tab.

Thanks,
Liz Hofacre

TEGE EOD Emerging Issues Coordinator
[REDACTED]

[REDACTED] = Redacted by the Permanent
Subcommittee on Investigations


From: Paz Holly O
To: Seidell Thomas F TIGTA; Medina Cheryl I TIGTA
Subject: FW: BOLO ALERT
Date: Wednesday, August 08, 2012 4:55:38 PM
Attachments: BOLO Spreadsheet 12 13 10 (2).xls


From: Bell Ronald D
Sent: Wednesday, August 08, 2012 3:41 PM
To: Paz Holly O
Subject: FW: BOLO ALERT

From: Bell Ronald D
Sent: Monday, December 13, 2010 10:07 AM
To: &TEGE:EO:RA Determ Ees
Subject: BOLO ALERT

Issue #15 has been identified and closed as of 12/13/10. Attached is the latest BOLO Spreadsheet revised 12/13/10.

Note: Issues numbers are found in column D of the attached spreadsheet.

Ron Bell
BOLO Coordinator


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From: Paterson Troy D TIGTA
To: Martin Russell P TIGTA
Subject: Discussion with Greg
Date: Tuesday, August 14, 2012 12:50:00 PM

Russ,

Greg called me this morning to introduce himself. We talked about Atlanta, where the 3 groups in our directorate are located, and the type of work we do (tax exempt, human capital, and equity/diversity/inclusion). He also asked if there was anything "big" going on that he should know about right away. I told him that the biggest thing on the horizon in our directorate had to do with a commitment we made to meet with congressional staff before September 30th on the political advocacy applications job. I gave him some background on the job and suggested that we would need to get together and determine the timing of the briefing and what we would like to discuss. He agreed that this would be something we would need to plan in advance due to the political sensitivity of the issue and the fact that we are in fieldwork.

I just thought I would let you know about our conversation in case Greg mentions something when you meet with him on Wednesday. I wanted to make sure he doesn't surprise you with some high-level knowledge about a project you have not briefed him on yet.

Troy


 = Redacted by the Permanent Subcommittee on Investigations

From: Paz Holly O
To: Medina Cheryl J TIGTA
Subject: RE: Bucketing Results Request
Date: Thursday, August 16, 2012 10:23:47 AM

Cheryl,

Your understanding of the process post-buckering is correct. Unfortunately, I checked with Cindy and Sharon, and we do not have a list of the applicants who were approved without the additional information originally requested. This can be determined based on review of the individual files, but there is no master list. Similarly, there is no list of the organizations who were sent the letter indicating that the donor information was expunged from the file. My understanding is that that letter has only been sent in one or two cases as most organizations did not provide this information.

Holly

From: Medina Cheryl J TIGTA [mailto:Cheryl.Medina@tigta.treas.gov]
Sent: Tuesday, August 14, 2012 1:37 PM
To: Paz Holly O
Subject: Bucketing Results Request

Hi Holly,

I am still getting through all the emails and documents you provided us. I have another request. After the bucketing in May 2012, it was determined that some organizations could be approved without the additional requested information. If I understand what occurred, each organization received a phone call informing them that the additional information was not necessary, and their application was approved. A special determination letter with an additional paragraph reiterating what was said during the phone call was sent. Do you have a list of organizations that fall into this scenario?

You provided a recent tracking sheet that includes which bucket the cases fell into, but I am not sure if every organization in bucket 1 on the sheet did not respond to the request for information and received the special determination letter. Did some of the bucket 1 cases previously respond, and the team determined the organizations could be approved? I am looking for just the ones that didn't respond, but were approved anyway.

Also, do you have a list of organizations that received the letter regarding destroying the donor information they provided at the request of the Specialists?

Thanks.

Cheryl Medina
Treasury Inspector General for Tax Administration
Phone #781-835-4278
Fax # 781-279-0336

From: [Medina Cheryl J TIGTA](#)
To: [Seidell Thomas F TIGTA](#)
Subject: FW: TIGTA request - updated case data
Date: Monday, June 11, 2012 8:31:00 AM
Attachments: 501c4 Cases for TIGTA(1).xls
Advocacy Case Tracking Sheet 06052012.xls
Importance: High

From: Paz Holly O [mailto:Holly.O.Paz@irs.gov]
Sent: Monday, June 11, 2012 7:01 AM
To: Medina Cheryl J TIGTA
Cc: Thomas Cindy M
Subject: FW: TIGTA request - updated case data
Importance: High

Cheryl,

Attached are the spreadsheets you requested. Attachment 1 includes the updated tracking sheet information.

Attachment 2 includes the open and closed case listings requested. Tab 1 contains the open case listing and tab 2 contains the closed cases. NOTE: The Employee ID Number was requested, but that information is not in EDS. Instead, the EDS specialist number was included. Also, the POD was requested. While there is a POD field in EDS, it is not utilized.

Holly

From: Medina Cheryl J TIGTA [mailto:Cheryl.Medina@tigta.treas.gov]
Sent: Friday, June 01, 2012 3:11 PM
To: Thomas Cindy M
Cc: Paz Holly O; Seidell Thomas F TIGTA
Subject: FW: TIGTA request - updated case data

Cindy,

We would like to request an updated copy of the advocacy case tracking sheet used by the advocacy team. If possible, we are requesting the information through May 31, 2012.

Also, we would like an updated listing of open and closed Section 501(c)(4) cases from EDS. The following is the criteria for this request:

- We would like a spreadsheet with all Case Type "I" Section 501(c)(4) closed cases beginning May 1, 2010 through May 31, 2012.
- We would also like a detailed listing of Case Type "I" Section 501(c)(4) open cases.

Both listings should include the following fields:

TEDS Case Number

EDS Case Number
EIN
Organization Name
Case Type "I" - Initial
Subsection "04"
Current Status Code
Current Status Date
Postmark Date/Control Date
Employee ID Number
Employee Name
Group Number
Employee Post of Duty (if possible)

If you have any questions, feel free to contact me or Tom Seidell. I will be out of the office next Monday and Tuesday. Thanks for your help.

Cheryl Medina
Treasury Inspector General for Tax Administration
Phone #781-835-4278
Fax # 781-279-0336

From: Martin Russell P TIGTA
To: Paterson Troy D TIGTA
Subject: RE: TIGTA letter
Date: Friday, June 22, 2012 6:49:34 AM

Thanks

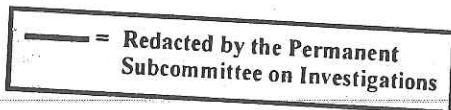
From: Paterson Troy D TIGTA
Sent: Friday, June 22, 2012 6:48 AM
To: Martin Russell P TIGTA
Subject: RE: TIGTA letter

Russ,

Hmm...I've never provided regular updates on audits where we have not issued a report. Are we allowed to say what we are finding to outside stakeholders, such as staffers, without issuing a report? I've never heard of us doing that before. From our previous meeting with Mr. Hixon and other staffers, I'm certain the first question in the first meeting will be "Have you found any indications that the IRS is targeting Tea Party groups?". If we are not prepared to provide an answer to that question without issuing a report, I think we should limit the request to providing a briefing on the scope of our review and providing a copy of the final report.

Troy



 = Redacted by the Permanent Subcommittee on Investigations

From: Martin Russell P TIGTA
Sent: Friday, June 22, 2012 6:35 AM
To: Paterson Troy D TIGTA
Subject: FW: TIGTA letter

Troy,

Let me know if you have any concerns.

From: McKenney Michael E TIGTA
Sent: Thursday, June 21, 2012 4:54 PM
To: Martin Russell P TIGTA
Subject: FW: TIGTA letter

Russ, what do you think about this?

From: Sutphen Matthew S TIGTA
Sent: Thursday, June 21, 2012 4:27 PM
To: McKenney Michael E TIGTA
Subject: FW: TIGTA letter

Mike,

Yesterday, I touched base with Chris Hixon and notified him that we just began working on our first

501(c)(4) audit. As you will see below, the Committee and Subcommittee would like to kept updated on our progress and for a copy of the final report. Chris has asked for our input on the letter.

I am not comfortable with the general, vague language of "regular updates." Maybe we can limit the scope and number of updates. Please review and provide me with any comments/edits you deem necessary.

Thank you!

Matthew

From: Hixon, Christopher [mailto:Christopher.Hixon@mail.house.gov]
Sent: Thursday, June 21, 2012 4:04 PM
To: Sutphen Matthew S TIGTA
Cc: Biase, Brian
Subject: FW: TIGTA letter

Matt – good talking with you. Attached is a draft letter from Chairmen Issa and Jordan that we are considering sending.

Let us know any thoughts/comments you have on the draft – happy to work with you on the language.

Thanks,
Chris

From: Lerner Lois G
To: &TEGE:EO All Fes
Subject: FW: Executive Announcement
Date: Monday, April 23, 2012 1:53:03 PM

Join me in officially welcoming Holly Paz as the permanent EO Director Rulings and Agreements!

Lois G. Lerner

Director of Exempt Organizations

From: Barczak Kim E
Sent: Monday, April 23, 2012 10:44 AM
To: &&Executives All
Cc: &Senior Exec Team Schedulers; &HCO Exec Services; Marx Michelle
Subject: Executive Announcement

This message is being sent on behalf of Joseph H. Grant, Acting Commissioner, Tax Exempt/Government Entities (TE/GE) Division:

I am pleased to announce the selection of **Holly O. Paz** as the **Director of Exempt Organizations (EO) Rulings and Agreements (R&A)**. She has been acting as the Director of EO R&A for some time now. Holly began her career with the IRS as an attorney-advisor in the Taxpayer Advocate Service. She joined TE/GE Exempt Organizations, Rulings and Agreements in June 2008 where she served as manager of EO Guidance, and manager of EO Technical. Prior to joining the IRS, Holly spent eight years as an attorney in private practice focusing on exempt organizations. She represented a diverse array of educational organizations, religious organizations, public charities, private foundations, social welfare organizations, and trade associations. Holly provided advice to such organizations regarding lobbying and political activities, private foundation rules, executive compensation, and unrelated business income tax.

Please join me in congratulating Holly and wishing her well in her new assignment.

Thank you.

Kim E. Barczak
Director, Executive Services
[Redacted]

[Redacted] - Redacted by the Permanent Subcommittee on Investigations

From: [George J Russell TIGTA](#)
To: [Kraushaar Karen G TIGTA](#)
Cc: [Raschiatore Michael S TIGTA](#)
Subject: RE: TIGTA In the News March 26, 2012 (revised)
Date: Monday, March 26, 2012 3:54:00 PM

Thanks Karen. The message was actually meant for Michael R., but keep your eyes open too.

J. Russell George

Inspector General
Treasury Inspector General for
Tax Administration

From: Kraushaar Karen G TIGTA
Sent: Monday, March 26, 2012 3:54 PM
To: George J Russell TIGTA
Subject: RE: TIGTA In the News March 26, 2012 (revised)

Will do.

From: George J Russell TIGTA
Sent: Monday, March 26, 2012 3:53 PM
To: Kraushaar Karen G TIGTA
Subject: RE: TIGTA In the News March 26, 2012 (revised)

Keep an eye out for the letter referenced in the second story. Make sure the mailroom knows to get it to me.

J. Russell George

Inspector General
Treasury Inspector General for
Tax Administration

From: Kraushaar Karen G TIGTA
Sent: Monday, March 26, 2012 11:14 AM
To: &TIGTA All Executives; Bennett Voneka S TIGTA; Barnes David J TIGTA; Donnan Jennifer Y TIGTA; Kraushaar Karen G TIGTA; Raschiatore Michael S TIGTA; McCarthy Michael T TIGTA; Polsfoot Thomas F TIGTA; Riley Kevin P TIGTA; Sutphen Matthew S TIGTA; Thomas Calvin A TIGTA; Venson Sheila M TIGTA
Subject: TIGTA In the News March 26, 2012 (revised)

<< OLE Object: Picture (Device Independent Bitmap) >>

March 26, 2012

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- > [Federal Computer Week: IGs: IRS, SSA and DHS Lose Billions in Improper Payments](#)
 - > [CNS News: Mark Levin Asks IG to Probe Possible IRS Misconduct in Dealing With Tea Party](#)
 - > [Tax Prof.Com IRS Error Rate Results in \\$14-\\$17 Billion/Year in Erroneous EITC](#)

Payments

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CNS News

Sunday, March 25, 2012

Mark Levin Asks IG to Probe Possible IRS Misconduct in Dealing with Tea Party

(CNSNews.com) - Landmark Legal Foundation sent a letter on Friday to the Treasury Department's Inspector General for Tax Administration requesting an investigation to determine whether officials with the Internal Revenue Service have engaged in misconduct in dealing with applications from Tea Party groups seeking tax-exempt status under section 501 (c) (3) of the Internal Revenue Code.

"Landmark Legal Foundation requests an immediate investigation into possible misconduct by the Internal Revenue Service's Exempt Organization (EO) Division that calls into question the integrity of federal tax administration and IRS programs," said the letter signed by Landmark President Mark Levin.

"Recent media reports indicate that the EO Division is using inappropriate and intimidating investigation tactics in the administration of applications for exempt status submitted by organizations associated with the Tea Party movement," Levin wrote.

As CNSNews.com reported earlier this month, the American Center for Law and Justice, which says it represents nearly 20 Tea Party organizations nationwide, put out a statement on March 7 complaining about what it perceived to be improper treatment of Tea Party groups by the IRS.

"This appears to be a coordinated attempt to intimidate Tea Party organizations by demanding information that is outside the scope of legitimate inquiry and violates the First Amendment," ACLJ Chief Counsel Jay Sekulow said in a statement.

"These organizations have followed the law and applied for tax exempt status for their activities as Americans have done for decades," Sekulow said. "The problem here is the IRS has gone beyond legitimate inquiries and is demanding that these organizations answer questions that actually violate the First Amendment rights of our clients."

"This intimidation campaign is as onerous as what the IRS did to the NAACP in the 1950's and is simply unacceptable," said Sekulow. "We will aggressively defend our clients and are prepared to take the IRS to court if necessary."

In his letter to the inspector general, Landmark's Levin said that the types of inquiries the IRS was making of Tea Party groups were inappropriate.

"The information demanded in many cases goes far beyond the appropriate level of inquiry regarding the religious, charitable and/or educational activities of a tax exempt entity," said Levin.

"The inquiries are not relevant to these permitted activities," Levin wrote. "Inquiries extend to organizational policy positions and priorities, personal and political affiliations, and associations of staff, board members and even family members of staff and board members."

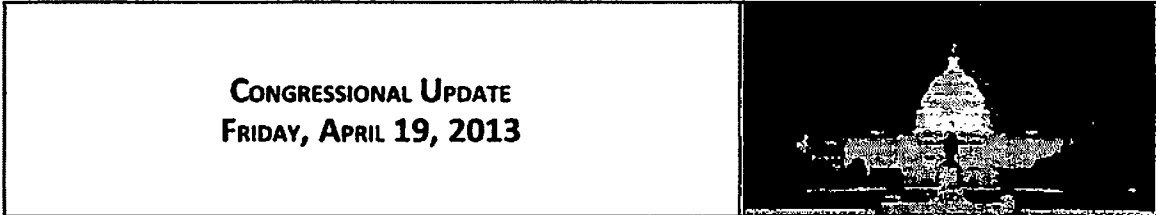
"Finally," said Levin, "reports that Tea Party-related organizations are being singled out for the IRS's intrusive inquiries raises serious questions about the propriety of the personnel involved in the evaluation of tax exemption applications."

Landmark Legal Foundation also asked the inspector general to "determine whether the relevant IRS employees are acting at the direction of politically motivated superiors."

The Treasury Inspector General for Tax Administration provides "independent oversight of IRS activities."

**Redacted by the
Permanent Subcommittee on Investigations**

From: Sutphen Matthew S TIGTA
To: George J Russell TIGTA
Cc: McCarthy Michael T TIGTA; McKenney Michael F TIGTA; Camus Timothy P TIGTA; Holmgren R David TIGTA; Begg Margaret E TIGTA; Kraushaar Karen G TIGTA; Raschiatore Michael S TIGTA; Nakamura Nancy A TIGTA; Jakabcin George J TIGTA; Venson Sheila M TIGTA
Subject: Congressional Update
Date: Friday, April 19, 2013 5:13:53 PM
Attachments: Correspondence - Incoming 2506 2010-04-08 Letter to TIGTA (2).pdf



New Requests:

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Updates:

**Redacted by the
Permanent Subcommittee on Investigations**

Upcoming Hearings/Briefings:

**Redacted by the
Permanent Subcommittee on Investigations**

- Christopher Hixon, majority staffer for HOCR, expressed an interest in having an advanced briefing on OA's upcoming tax-exempt audit report. He too said that Chairman Issa may be interested in holding a hearing. As a reminder, this report was initiated as a result of meeting with the committee staff last spring, and Chairman Issa sent a follow-up letter expressing his interest in the matter.

From: Kutz Gregory D TIGTA
To: George J Russell TIGTA
Subject: Re: Greetings to you From [REDACTED]
Date: Tuesday, October 23, 2012 10:22:23 PM

given the highly sensitive nature of this ongoing audit (politically active non-profits) a more in depth discussion would be useful for you. Mike R is planning to discuss rescheduling with you

From: George J Russell TIGTA
Sent: Tuesday, October 23, 2012 06:17 PM
To: Kutz Gregory D TIGTA
Subject: RE: Greetings to you From [REDACTED]

Thanks. Do we still need to meet on that issue?

From: Kutz Gregory D TIGTA
Sent: Tuesday, October 23, 2012 4:39 PM
To: George J Russell TIGTA
Subject: Greetings to you From [REDACTED]

[REDACTED] called me today to do a reference check on a former employee [REDACTED]
[REDACTED]
[REDACTED]

Greg

[REDACTED] = Redacted by the Permanent Subcommittee on Investigations

McKenney Michael E TIGTA

From: McKenney Michael E TIGTA
Sent: Wednesday, May 08, 2013 10:13 AM
To: Kutz Gregory D TIGTA (Gregory.Kutz@tigta.treas.gov)
Subject: RE: Final Report 201210022 -- Inappropriate Criteria Were Used to Identify Tax Exempt Applications for Review

Greg, why is that that we don't say that this review was performed at the request of the Chairman of the House Oversight and Government Reform Committee?

From: Seidell Thomas F TIGTA
Sent: Wednesday, May 08, 2013 9:18 AM
To: McKenney Michael E TIGTA
Cc: Kutz Gregory D TIGTA; Anderson John E TIGTA; Davis Estine H TIGTA; Paterson Troy D TIGTA; Medina Cheryl J TIGTA
Subject: FW: Final Report 201210022 -- Inappropriate Criteria Were Used to Identify Tax Exempt Applications for Review

Mike,

The revised final report is attached. We made the two changes you wanted and the report is ready to go.

Tom

Tom Seidell
Audit Manager
[Redacted]

[Redacted] = Redacted by the Permanent Subcommittee on Investigations

From: Anderson John E TIGTA
Sent: Wednesday, May 08, 2013 8:10 AM
To: Seidell Thomas F TIGTA
Cc: Paterson Troy D TIGTA; Davis Estine H TIGTA; McKenney Michael E TIGTA
Subject: FW: Final Report 201210022 -- Inappropriate Criteria Were Used to Identify Tax Exempt Applications for Review

Hi Tom – no, the final report package is with Mike McKenney. The files are attached if you need to make changes to the footnotes. When you do, please send to Mike with a cc to me so that I have the current version. Thanks.

From: Seidell Thomas F TIGTA
Sent: Wednesday, May 08, 2013 8:07 AM
To: Anderson John E TIGTA
Subject: Final Report 201210022

John,

Troy send the final package up to OMP on Monday, but we need to change two footnotes. Do you guys still have the report?

Thanks
Tom

From: Anderson John E TIGTA
Sent: Tuesday, May 07, 2013 5:40 PM
To: McKenney Michael E TIGTA
Cc: Jones Jeffrey M TIGTA
Subject: Final Report 201210022 -- Inappropriate Criteria Were Used to Identify Tax Exempt Applications for Review

Hi Mike,

Attached is the final audit report, *Inappropriate Criteria Were Used to Identify Tax-Exempt Applications for Review*. The corresponding Highlights document is also attached. **I understand a press release has already been drafted for this report.**

TIGTA initiated this audit based on concerns expressed by members of Congress. The overall objective of this audit was to determine whether allegations were founded that the IRS: 1) targeted specific groups applying for tax-exempt status, 2) delayed processing of targeted groups' applications, and 3) requested unnecessary information from targeted groups.

TIGTA determined that the IRS used inappropriate criteria that identified for review Tea Party and other organizations applying for tax-exempt status based upon their names or policy positions instead of indications of potential political campaign intervention. Ineffective management: 1) allowed inappropriate criteria to be developed and stay in place for more than 18 months, 2) resulted in substantial delays in processing certain applications, and 3) allowed unnecessary information requests to be issued.

Although the processing of some applications with potential significant political campaign intervention was started soon after receipt, no work was completed on the majority of these applications for 13 months. This was due to delays in receiving assistance from the Exempt Organizations function Headquarters office. For the 296 total political campaign intervention applications TIGTA reviewed as of December 17, 2012, 108 had been approved, 28 were withdrawn by the applicant, none had been denied, and 160 were open from 206 to 1,138 calendar days (some for more than three years and crossing two election cycles).

More than 20 months after the initial case was identified, processing the cases began in earnest. Many organizations received requests for additional information from the IRS that included unnecessary, burdensome questions (e.g., lists of past and future donors). The IRS later informed some organizations that they did not need to provide the information that was previously requested. IRS officials stated that any donor information received in response to a request from its Determinations Unit was later destroyed.

TIGTA recommended that the IRS finalize the interim actions taken, better document the reasons why applications potentially involving political campaign intervention are chosen for review, develop a process to track requests for assistance, develop and publish guidance, develop and provide training to employees before each election cycle, expeditiously resolve remaining political campaign intervention cases (some of which have been in process for three years), and request that social welfare activity guidance be developed by the Department of the Treasury.

In their response to the report, IRS officials agreed with seven of our nine recommendations and proposed alternative corrective actions for two of our recommendations. TIGTA does not agree that the alternative corrective actions will accomplish the intent of the recommendations and continues to believe that the IRS should better document the reasons why applications potentially involving political campaign intervention are chosen for review and develop and publish guidance.

John Anderson
Audit Manager – Office of Management and Policy
Office [REDACTED]
Telework [REDACTED]

[REDACTED] = Redacted by the Permanent
Subcommittee on Investigations

From: Barnes David J TIGTA
To: Kraushaar Karen G TIGTA
Subject: Fw: TIGTA Statement on "Be On the Look Out" Listings
Date: Tuesday, June 25, 2013 7:26:33 PM

David Barnes
Public Affairs Liaison
Treasury Inspector General for Tax Administration

Redacted by the Permanent Subcommittee on Investigations

Office: [REDACTED]
Mobile: [REDACTED]

From: Bernie Becker [mailto:bbecker@thehill.com]
Sent: Tuesday, June 25, 2013 07:25 PM Eastern Standard Time
To: Barnes David J TIGTA
Subject: Re: TIGTA Statement on "Be On the Look Out" Listings

Again: did you all know of BOLOs listing liberal groups when you wrote the audit?

On Tue, Jun 25, 2013 at 6:10 PM, Bernie Becker <bbecker@thehill.com> wrote:
That makes some sense. You're not really directly answering whether you knew about liberal groups being on the BOLOs though. I get that you knew other BOLOs existed, and that it wasn't part of the request.

Sent from my iPhone

On Jun 25, 2013, at 17:58, Barnes David J TIGTA <David.Barnes@tigta.treas.gov> wrote:

We acknowledged that we had identified other issues that we beyond the scope of our audit.

Think of an audit like writing a story. At some point, you need to quit reporting and start writing. If you find something that doesn't quite fit in the story, you mention it to get it on the record but focus on it.
That make sense?

What is Rep. Camp saying about this?

David Barnes
Public Affairs Liaison
Treasury Inspector General for Tax Administration

Office: [REDACTED]
Mobile: [REDACTED]

From: Bernie Becker [mailto:bbecker@thehill.com]

Sent: Tuesday, June 25, 2013 05:47 PM Eastern Standard Time
To: Barnes David J TIGTA
Subject: Re: Fw: TIGTA Statement on "Be On the Look Out" Listings

Thanks, David.

Just to be clear: You only focused on Tea Party groups because that was what the person who asked for the audit - i.e., Issa - requested. So, if you had found reason to believe that groups outside of the Tea Party were also singled out by the IRS for partisan reasons, you would not have pursued that any further.

And that is sort of standard operating procedure for the IG when an audit is requested. That all sound about right?

On Tue, Jun 25, 2013 at 5:36 PM, Barnes David J TIGTA <David.Barnes@tigta.treas.gov> wrote:

Bernie:

Here's some additional background, for attribution to a TIGTA spokesperson:

TIGTA was asked to narrowly focus on Tea Party organizations. On page 6 of our report we acknowledge the existence of other BOLOs. We did not review the use, disposition, purpose or content of the other BOLOs. That was outside the scope of our audit.

Hope this helps.

From: Bernie Becker [<mailto:bbecker@thehill.com>]
Sent: Tuesday, June 25, 2013 3:58 PM

To: Barnes David J TIGTA
Subject: Re: Fw: TIGTA Statement on "Be On the Look Out" Listings


Do you know when?



For example, I still have some questions about the statement you sent yesterday. You appear to be saying that the progressive term on the BOLO wasn't used to select cases dealing with potential campaign intervention. Is that because the progressive groups appear to be seeking c3 status on the BOLO? The fact they weren't on the emerging issues tab?

Any guidance is appreciated....

On Tue, Jun 25, 2013 at 2:23 PM, Barnes David J TIGTA
<David.Barnes@tigta.treas.gov> wrote:

Bernie:
I'll get back to you on this.

 = Redacted by the Permanent Subcommittee on Investigations

David Barnes
Public Affairs Liaison
Treasury Inspector General for Tax Administration
Office: 
Mobile: 

From: Bernie Becker [mailto:bbecker@thehill.com]
Sent: Tuesday, June 25, 2013 1:46 PM

To: Barnes David J TIGTA

Subject: Re: Fw: TIGTA Statement on "Be On the Look Out" Listings

Thanks for this. Are you guys going to have a specific response to the Levin letter any time soon? Or more specific information on any steps forward for you guys?

On Mon, Jun 24, 2013 at 6:47 PM, Barnes David J TIGTA
<David.Barnes@tigta.treas.gov> wrote:

David Barnes
Public Affairs Liaison
Treasury Inspector General for Tax Administration

Office: 
Mobile: 

From: Barnes David J TIGTA

Sent: Monday, June 24, 2013 05:17 PM Eastern Standard Time
To: Barnes David J TIGTA
Subject: TIGTA Statement on "Be On the Look Out" Listings

For attribution to a TIGTA spokesperson:

"TIGTA's audit focused on the criteria the IRS used to select cases for expanded review for potential political campaign intervention. The "Be On the Look Out" listings discussed in our report were the ones used to refer cases for this type of scrutiny.

On page 6 of the report, we noted that the IRS had other criteria used to refer cases for other types of processing, some of which also used the names of organizations. For example, the IRS had lookouts for indicators of known fraud schemes, so they could be referred to the group that handled those issues.

As we continue our review, we have identified other criteria that use names and policy positions to refer cases. Although these criteria were not used to select cases for review of potential political campaign intervention, we are reviewing whether these criteria led to expanded scrutiny for other reasons, and why these criteria were implemented. Because many of these involve specific taxpayers, we cannot provide further information at this time, but have advised the IRS and Congressional committees authorized to receive tax information of our review."

— = Redacted by the Permanent Subcommittee on Investigations

David Barnes
Public Affairs Liaison
Treasury Inspector General for Tax Administration
Office: [REDACTED]
Mobile: [REDACTED]

From: [Kraushaar Karen G TIGTA](#)
To: samstein@huffingtonpost.com
Subject: Response to your inquiry
Date: Tuesday, June 25, 2013 5:27:00 PM

Hi Sam,

Please see below.

Questions:

1. Can TIGTA comment on the fact that the lead auditor assigned to the exempt organization audit was previously relieved from his position at the GAO because of a faulty report he did on for-profit colleges. I've confirmed as much through various press accounts. I would like to get your reaction to the concerns that some might have over his role in the IRS project in light of this episode

TIGTA response: "TIGTA's rigorous review process insures the integrity of all our work. Our audit reports, in addition to being conducted in conformance with government auditing standards, are subjected to extensive review."

2. Can TIGTA clarify why its report never mentioned that progressive groups were on the BOLO. They were listed on the same forms as Tea Party groups (as the House Democrat-released docs reveal). So it's impossible that investigators didn't see them. Perhaps the directive from the House Oversight Committee was very defined: only look at the targeting of conservative groups. TIGTA response: Yes, we were asked to narrowly focus on Tea Party organizations. But if that is the case, isn't it worthwhile context to include that progressive groups were screened? TIGTA response: On page 6 of our report we acknowledge the existence of other BOLOs. Perhaps the type of screening applied to each was different. If so, i'd love an explanation. TIGTA response: We did not review the use, disposition, purpose or content of the other BOLOs. That was outside the scope of our audit. Or perhaps you felt restricted in your ability to talk about it. I noticed that in the IG's testimony he alluded to other groups being targeted without mentioning names. But in that case, I'm unclear as to what type of proprietary tax information would have been revealed had you disclosed in the report that progressive groups were targeted. TIGTA response: Section 6103 of Title 26 forbids us from revealing any confidential taxpayer information, including taxpayer names.

If you still would like to discuss this further, David Barnes and I are both around tomorrow.

Thanks and have a good evening,

Karen Kraushaar
Director of Communications
Treasury Inspector General for Tax Administration
1401 H Street, N.W. Suite 469
Washington, D.C. 20005
Office: [REDACTED]
Cell: [REDACTED]
Karen.Kraushaar@tigta.treas.gov

[REDACTED] = Redacted by the Permanent Subcommittee on Investigations

From: Hicks, Josh
To: Kraushaar, Karen G TIGTA
Subject: Re: Tax-Exempt audit objective
Date: Thursday, June 27, 2013 1:23:15 PM

Are you saying you want to retroactively put your last response -- about "not accurate" -- on background?

Regarding yesterday's questions, I am indeed still hoping for answers.

Sent from my iPhone

On Jun 27, 2013, at 12:59 PM, "Kraushaar, Karen G TIGTA" <Karen.Kraushaar@tigta.treas.gov> wrote:

Josh, I am only speaking on background today, not for attribution.

Regrettably, erroneous information was provided to my office. It happens.

There is a lot of confusion out there about this whole matter, especially about the BOLOs. I am still working on getting you responses to the questions you sent us yesterday. Do you still want those?

Karen

From: Hicks, Josh [mailto:josh.hicks@washpost.com]
Sent: Thursday, June 27, 2013 12:39 PM
To: Kraushaar, Karen G TIGTA
Subject: RE: Tax-Exempt audit objective

Did you say TIGTA was "asked by House Oversight Chairman Darrell Issa (R-Calif.) 'to narrowly focus on Tea Party organizations,'" as the Hill put it.

If so, what was the context of that statement, and how did the Hill misuse it, in your opinion?

Josh Hicks
Washington Post
Desk: [REDACTED]

[REDACTED] = Redacted by the Permanent Subcommittee on Investigations

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<http://www.washingtonpost.com/blogs/federal-eye/>

From: Kraushaar, Karen G TIGTA [mailto:Karen.Kraushaar@tigta.treas.gov]
Sent: Thursday, June 27, 2013 12:31 PM
To: Hicks, Josh
Subject: RE: Tax-Exempt audit objective

Yes Josh thanks. The statements attributed to me in The Hill are not accurate.

Several members of Congress shared their concerns about Tea Party organizations with TIGTA. However, the focus of our audit was on the IRS's consistency in its identification and review of applications for tax-exempt status involving potential political advocacy issues.

Thanks ...there is a lot of confusion out there!

From: Hicks, Josh [mailto:josh.hicks@washpost.com]
Sent: Thursday, June 27, 2013 12:09 PM
To: Kraushaar Karen G TIGTA
Subject: RE: Tax-Exempt audit objective

Hey, Karen. Following up on this for the story we're planning to run tomorrow: Do you dispute any of the quotes the Hill newspaper attributed to you in the article we discussed?

<http://thehill.com/blogs/on-the-money/domestic-taxes/307813-irs-ig-says-audit-limited-to-tea-party-groups>

If not, do you have any issues with the Hill's framing of your remarks?

Josh Hicks

Washington Post

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<http://www.washingtonpost.com/blogs/federal-eye/>

From: Kraushaar Karen G TIGTA [mailto:Karen.Kraushaar@tigta.treas.gov]
Sent: Wednesday, June 26, 2013 6:01 PM
To: Hicks, Josh
Subject: RE: Tax-Exempt audit objective

Hi Josh,

Some members of Congress did express concern about the way Tea Party organizations were being treated, but our audit is as stated below.

Consistency in Identifying and Reviewing Applications for Tax-

Exempt Status Involving Political Advocacy Issues (FY 2012 – Work in

Process – Audit Number: 201210022) **Audit Objective:** Assess the consistency of the

EO function's identification and review of applications for tax-exempt status involving

potential political advocacy issues.

Hope this helps. Thanks!

From: Hicks, Josh [mailto:josh.hicks@washpost.com]
Sent: Wednesday, June 26, 2013 5:54 PM
To: Kraushaar Karen G TIGTA
Subject: RE: Tax-Exempt audit objective

Thanks for all this. The picture has become clearer, but we're going to hold off on the story until we have more information about the BOLO tabs and what they each mean. As for now, it appears as though the focus of the audit was on the "emerging issues" criteria, which arose after court decisions opened the door for a new type of tax-exemption candidate. The terms such as "progressive" and "medical marijuana" came from separate BOLO categories, as you and Mike pointed out this morning.

Very important question: Why did you tell the Hill newspaper that Issa had asked TIGTA to "narrowly focus on tea party organizations"? Seems like the audit actually focused on emerging issues cases. We'll need to address that in this article.
<http://thehill.com/blogs/on-the-money/domestic-taxes/307813-irs-ig-says-audit-limited-to-tea-party-groups>

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<http://www.washingtonpost.com/blogs/federal-eye/>

From: Kraushaar Karen G TIGTA [mailto:Karen.Kraushaar@tigta.treas.gov]
Sent: Wednesday, June 26, 2013 5:39 PM
To: Kraushaar Karen G TIGTA
Cc: Phillips Michael R TIGTA
Subject: Tax-Exempt audit objective

Here is the accurate description of our audit report, in our annual audit plan:

Consistency in Identifying and Reviewing Applications for Tax-Exempt Status Involving Political Advocacy Issues (FY 2012 – Work in Process – Audit Number: 201210022) **Audit Objective:** Assess the consistency of the EO function's identification and review of applications for tax-exempt status involving potential political advocacy issues.

Please refer to this. While members of Congress expressed their concerns about Tea Party organizations, this is the accurate description of the audit. Let me know any

questions. Thanks!