

# Bungling Blocked Co-Op Tax Probe

WASHINGTON (AP) — The Senate Watergate committee staff says bureaucratic bungling and not John Connally, apparently headed off an expanded tax probe and possible criminal charges against the nation's largest dairy-farmer cooperative in 1972.

The committee staff said it investigated allegations that Connally, who was then secretary of the Treasury, may have influenced an Internal Revenue Service audit that petered out after uncovering more than \$90,000 in apparently illegal corporate political donations.

"The investigation by the committee has uncovered no evidence of any improper action ... either with respect to the IRS audit or the case in the Justice Department," the staff's report said.

It said the IRS did not act on staff recommendations for an expanded audit because of a shift in jurisdiction and an error in judgment.

And it said the Justice Department's criminal division failed to follow up on a recommendation for a criminal prosecution because the division lost the records of the case until after the statute of limitations had expired, making prosecution impossible.

The report did state that top IRS officials, including then director Johnnie Walters, took a personal interest in the dairy

cooperative tax case and pressed to wind it up quickly. It quoted IRS officials as saying the handling of the case was highly unusual.

By failing to expand the audit beyond the fiscal year in which the original political payment was discovered, the IRS missed evidence of massive illegal political donations by the cooperative, Associated Milk Producers, Inc.

These donations included an admittedly illegal \$100,000 to President Nixon in 1969, apparently illegal money to Hubert H. Humphrey's campaigns in 1968, 1970 and 1972, and apparently illegal funding of Rep. Wilbur D. Mills' brief 1972 presidential campaign. They didn't surface until two years after the IRS audit, and then only as a result of Watergate and anti-trust investigations.

The IRS episode began with a routine audit of the milk producers in mid-1971, and dragged on through the following year.

Use of corporate money in federal political campaigns is illegal.

The Watergate committee's staff report, written principally by Democratic staff members David Dorsen and Alan Weitz, has not been formally adopted by the committee. The Associated Press obtained a copy after it was circulated to committee members this week.