

WXPost  
**IRS Audit**  
 JUN 21 1975  
**Hits Acts**  
**Of Agents**

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Internal Revenue Service agents assigned to two undercover investigations "were major participants in illegal activities," according to an internal IRS audit report made public yesterday.

"In one project the agent directly participated in extortion, sale of stolen property and fraudulent business schemes. The agent also made unauthorized travel to Italy and Canada," the IRS report said.

"In the other project the agent conducted a gambling and illegal liquor sales operation that ultimately resulted in his arrest and prosecution," continued the report, released by a House subcommittee reviewing IRS intelligence operations.

Another IRS internal report made public by the subcommittee said, "In a number of areas (IRS) policies and procedures were not adhered to, which permitted unauthorized electronic recordings of telephonic conversations in nine cases and nontelephonic conversations in three cases."

During one week's survey last winter, IRS internal auditors found 17 instances around the nation of agency regulations on electronic surveillance being violated by IRS agents, according to the report.

The internal IRS reports were the topic of a heated three-hour hearing yesterday by the House Government Operations subcommittee at which top IRS officials were questioned sternly.

"I don't think that you folks are sensitive to the problem that we perceive to the invasion of civil rights. Otherwise, you wouldn't have let these things go on," said Rep. Benjamin S. Rosenthal (D-N.Y.), Subcommittee chairman.

IRS Commissioner Donald C. Alexander stressed that the abuses involve only a "tiny" portion of IRS's 80,000 employees. Alexander said his agency has been tightening its safeguards against such abuses and "is basically doing a difficult job well."

However, Rosenthal said the IRS internal audit reports

See IRS, A5, Col. 1

# IRS Audit Cites Illegal

## IRS, From A1

"indicate that there have been serious management failures in the policies, practices and procedures of IRS intelligence division," which has 2,700 special agents to conduct criminal investigations.

The report on IRS undercover projects cited as "serious weaknesses in management and internal controls" an undercover project "conducted for 2½ years without an effective plan or program" and one "conducted for 18 months without significant results or coordination" with other IRS investigations.

Rep. Robert F. Drinan (D-Mass.) said IRS should eliminate all its undercover agents "doing all this spooky spy stuff."

Alexander said "a tiny number" of undercover IRS agents is needed to probe organized crime.

The IRS report on electronic surveillance said one week's review "showed that in numerous cases special agents recorded nontelephonic conversations without proper authorization from the Attorney General (and) recorded conversations with persons not covered by authorizations, including conversations with attorneys."

The report said IRS agents also were found to have recorded telephone conversations by use of induction coils and tape recorders without obtaining the required permission. It said that while IRS's intelligence division was supposed to have only 28 induction coils, an inspection uncovered 53.

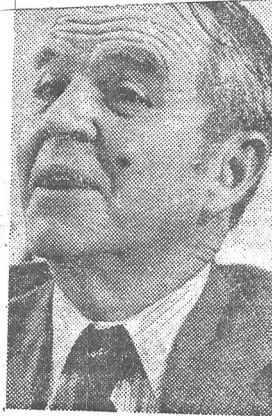
Alexander and other IRS officials stressed that the reported electronic surveillance did not involve wiretapping, but either telephone monitoring with the consent of one

party to a conversation or "wiring up" an individual to record a nontelephonic conversation.

"We have a flat rule against wiretapping. We don't engage in that," Alexander said.

The IRS commissioner said that the electronic surveillance abuses cited in the agency's report involved violations of IRS regulations, but not breaking of the law. Pressed by Drinan to tell how many IRS agents had been disciplined for the violations, IRS officials said they didn't know but would find out.

A third IRS internal audit report released by the subcommittee concluded that the agency's procedures for dealing with "narcotics law violators vary nationally from district to district, and that as a result, tax laws are not applied consistently and equitably to all taxpayers."



**DONALD C. ALEXANDER**  
 . . . a "tiny" portion

Alexander said IRS's participation in a federal drive on narcotics traffickers "has not been cost effective," costing IRS \$53 million in the past three fiscal years while returning \$35 million in revenue. The number of IRS agents in the narcotics program was reduced from 1,040 at the end of June, 1974, to 634 this March, an agency spokesman later said.

The subcommittee also released an apparent IRS names list mailed anonymously to the subcommittee by "an American who believes in the U.S. Constitution."

Among the organization names are the American Legion, Black Panther Party, Church of Jesus Christ, Occidental Petroleum Corporation, Hyatt House and Synanon. Individuals listed include entertainers Doris Day, Dean Martin, Frank Sinatra and Stella

Stevens, and former U.S. Ambassador to Great Britain Walter Annenberg.

IRS officials said the list appeared to be something that could have come from the agency's files, but declined to explain the list or discuss the names, citing IRS's confidentiality rules.