

IRS Role Is Under Scrutiny

Senate Panel Looks Into Rebozo Probe

Post 4/22/74

By Michael J. Sniffen
Associated Press

The Senate Watergate committee's investigation of a \$100,000 campaign contribution by Howard Hughes is focusing as much on the Internal Revenue Service as on the money itself, an informed source says.

Committee investigators have uncovered what they consider to be questionable procedures in the IRS's own probe of the billionaire's contribution. The money was given to President Nixon's close friend Charles G. (Bebe) Rebozo in two installments in 1969 and 1970.

The questions were raised in a nine-page memo sent by the committee's assistant chief counsel Terry Lenzner on April 15 to committee members. The Associated Press has obtained access to the memo.

In a statement issued yesterday, the IRS said it is not IRS practice to discuss publicly any pending investigation or whether it is engaged in an investigation. The statement said:

"The IRS flatly denies that it has engaged in any cover-up regarding the committee's investigation and asserts that it has been cooperating with the committee staff to the fullest extent consistent with the disclosure limitations in the tax laws.

"The public disclosure this weekend of the contents of a memorandum from the assistant chief counsel of the committee is of particular concern to the IRS when, in fact, it has been informed by the chief counsel of the committee that

the memorandum has not been reviewed by the chief counsel nor the members of the committee.

"In accordance with existing law and policy it is not the practice of the IRS to discuss publicly any pending tax investigation nor whether or not it is engaged in an investigation. The IRS considers it improper for any investigative body to engage in public disclosure of such matters because of the possibility of irreparable damage to an individual cleared after an investigation or prejudicial effect on any prosecution that may result."

Lenzner's memo also complained that the IRS has put "frustrating and debilitating roadblocks" into the committee's investigation of the contribution, by refusing to turn over material uncovered in IRS' own probe.

"The Lenzner memo raised questions about how IRS handled the investigation. One reason now for pressing for that IRS information is primarily to answer those questions," a source close to the investigation said yesterday.

Rebozo has said he told only Mr. Nixon's secretary, Rose Mary Woods, of the contribution and that he kept it intact in a safe deposit box for three years before returning it to Hughes representatives.

Published reports have said that Mr. Nixon's former attorney, Herbert W. Kalmbach, has told the committee that Rebozo informed him last April 30 that some of the money was given to Mr. Nixon's two brothers and to Miss Woods for their personal use. Miss Woods and the Nixon brothers have denied this.

Lenzner's memo gives this
See WATERGATE, A16, Col. 1

WATERGATE, From A1

account of the IRS investigation of the contribution:

The IRS learned in May, 1972, that the money went to Rebozo but did not request an interview with him until the fall of 1972. That request brought no result, so a second request was made in the spring of 1973 and IRS interviewed Rebozo on May 10, 1973.

This was almost a year after IRS agents first learned Rebozo had the money.

Unlike other taxpayers, Re-

bozo was advised by White House officials of the IRS interest in him before he was contacted by IRS.

Rebozo was first contacted by IRS agents in Las Vegas, but the subsequent investigation was assigned to Jack Bartlett, an IRS agent assigned to Florida.

Bartlett sought to interview third-party witnesses to Rebozo's account of the contribution by making requests through Rebozo's attorney,

Kenneth Gemmill, who has also served as a tax adviser to Mr. Nixon.

Instead of interviewing Miss Woods, Bartlett contacted Gemmill who contacted White House special counsel J. Fred Buzhardt. Buzhardt obtained a letter from Miss Woods to Bartlett stating her account.

"It is, to say the least, unusual for IRS or any agency to conduct an investigation through the subject taxpayer's own attorney," Lenzner wrote.

Lenzner's memo continued: Without having reviewed all available records, Bartlett advised Rebozo that he had been cleared by IRS.

On Oct. 18, 1973, Bartlett advised Rebozo that Archibald Cox, then Watergate special prosecutor, had sought and was given IRS information related to Rebozo.

"This gratuitous information was supplied to Rebozo shortly before Cox was ordered to be fired by President Nixon," Lenzner wrote.

According to the memo, the IRS has refused to allow the committee to interview Bartlett but said that written questions for him could be submitted to the agency. Lenzner recommended that the committee subpoena Bartlett and other IRS employees with pertinent information.

Lenzner's memo reviews a series of letters between the committee and the Treasury Department and the IRS about a Senate resolution passed Feb. 21 calling for the committee and IRS to exchange information about the investigation.

In return for its information, the committee has received some income tax returns from IRS but not the worksheets, records and results of IRS interviews which it seeks, the source said.

Lenzner wrote, "I was advised on April 12 that we could receive no additional information or returns" because of a dispute over the language in the correspondence.

The memo says that among the information the committee has sought unsuccessfully were copies of IRS sensitive case reports on Hughes Tool Co.; F. Donald Nixon, one of the President's brothers; Rebozo and others.