

Judiciary Panel's Findings

Statement of Information—Internal Revenue Service

1. On or about March 21, 1970 special counsel to the President Clark Mollenhoff sent a memorandum to H. R. Haldeman transmitting material on the taxes of Gov. George Wallace's brother, Gerald Wallace. Mollenhoff has stated that he had been instructed by Haldeman to obtain a report from IRS on investigations relating to Gov. George Wallace and Gerald Wallace; that he had been assured by Haldeman that the report was to be obtained at the request of the President; that he obtained the report from the IRS; and that Mollenhoff did not give a copy of the report to anyone other than Haldeman or discuss the substance of it with anyone else until after the appearance of an article on April 13, 1970 regarding confidential field reports, and IRS investigation of charges of corruption in the Wallace Administration and the activities of Gerald Wallace. Former Commissioner of Internal Revenue Randolph Thrower has stated that an IRS investigation concluded that the material had not been leaked by the IRS or the Treasury Department. Thrower has stated that thereafter he and the IRS Chief Counsel met with Haldeman and Ehrlichman at the White House and discussed with them the seriousness of the leak and the fact that unauthorized disclosure of IRS information constituted a criminal act.

2. On Sept. 21, 1970, White House aide Tom Charles Huston sent a memorandum to Haldeman transmitting a report on an investigation by the IRS Special Service Group of political activities of tax-exempt organizations. Huston discussed administrative action against the organizations and stated that valuable intelligence-type information could be turned up by IRS as a result of their field audits.

3. Former Commissioner of Internal Revenue Thrower has stated that during the summer of 1970 he was advised by Under Secretary of the Treasury Charles Walker that John Caulfield, head of security for the President's office, was interested in the position of director of the IRS Alcohol, Tobacco and Firearms Division (ATF) and had the President's blessing and the support of top people at the White House. Thrower concluded that Caulfield was not qualified for the position. Thrower has stated that in November, 1970, he was told by Walker that the White House wanted Caulfield to be considered for the position of chief of the Enforcement Branch of ATF and that the White House wanted to take the Enforcement Branch out of ATF and have it report directly to Thrower rather than through the chain of command. Thrower has stated that he told Walker that Thrower would resign if Caulfield were appointed and the organizational changes were required. Thrower has stated that shortly thereafter he was advised that the White House would drop the matter.

4. Thrower has stated that in January, 1971, having decided to submit his resignation as commissioner of Internal Revenue, he attempted unsuccessfully through Treasury Secretary Kennedy and Attorney General Mitchell to arrange a meeting with the President to express his concern that any suggestion of the introduction of political influence into the IRS would be very damaging to the President and his administration as well as to the rev-

on Nixon and the

IRS

enue system and the general public interest. Thrower has stated that he was told by the President's appointment secretary, Dwight Chapin, that the President had received Thrower's views from the Attorney General and did not feel a conference was necessary. Thrower thereupon submitted his resignation.

5. From June 24, 1971 through June, 1972, members of Colson's staff circulated to various White House staff members names for and deletions from a list of political opponents. Dean has testified that the list was continually being updated, and the file was several inches thick. Colson has stated that the list maintained by George Bell of his office was primarily intended for the use of the social office and the personnel office in considering White House invitations and appointments.

6. On July 20, 1971, John Dean wrote a memorandum to Ehrlichman's aide Egil Krogh attaching information compiled by John Caulfield regarding the Brookings Institution's tax returns and noting that Brookings received a number of large government contracts. Caulfield has testified that it was his impression that this was public information. On July 27, 1971, Dean sent a memorandum to Krogh to which was attached a carbon copy of Dean's July 20, 1971, memorandum on which the words "receives a number of large government contracts" were underscored and a marginal note by Haldeman stated that these should be turned off. Dean's July 27, 1971, memorandum stated that he assumed that Krogh was turning off the spigot.

7. Dean has testified that on August 16, 1971, he prepared a memorandum entitled, "Dealing with our Political Enemies," which addressed the matter of how the administration could use the available federal machinery against its political enemies. Among Dean's suggestions was that key members of the staff should determine who was giving the administration a hard time and that they develop a list of names—not more than ten—as targets for concentration. Dean has testified that to the best of his recollection the memorandum was sent forward to Haldeman and Ehrlichman for approval or comment. Ehrlichman testified that he could not recall receiving any memorandum with respect to the enemies list from Dean or any other person in the White House.

8. On Sept. 9, 1971, Colson sent Dean a memorandum stating that he had checked in blue those to whom he would give top priority. Dean testified that attached to Colson's memorandum was an opponents list memorandum from Bell dated June 24, 1971, and a document entitled "Opponent Priority Activity" containing the names and brief descriptions of 20 political opponents with check marks beside eleven of the names.

9. On or about Sept. 14, 1971, Dean

sent to Haldeman's aide, Lawrence Higby, a list of names Higby requested. Most of the names were the same as those checked by Colson on the list attached to the Sept. 9, 1971, memorandum discussed in the preceding paragraph. Dean testified that upon a request from Haldeman that he wanted to nail this down as to the 20, or the minimum number with whom they could do something. Dean sent the list to Higby for Haldeman's final review. On several occasions thereafter Dean received names for the enemies project from Higby and Strachan, also an aide of Haldeman. Dean testified that he also received a list of McGovern campaign staff prepared at Ehrlichman's direction by CRP Director of Ballot Security Murray Chotiner. Dean has testified that the lists were principally used by Colson and Haldeman and that he did not know what they did with them. Haldeman has testified that enemies lists or opponents lists were used for withholding White House courtesies and invitations from those who had expressed opposition to administration policies.

10. On Sept. 22, 1971, John Caulfield wrote a memorandum regarding plans for scheduling Lawrence Goldberg to function in the Jewish area at the Committee for the Re-election of the President. Caulfield stated that Goldberg was actively engaged in Anti-Defamation League activities and that consideration should be given to a potential question of loyalty. On Oct. 6, 1971, Caulfield sent a memorandum to Dean attaching lists of charitable contributions from Goldberg's tax returns and stating that it postured an extremely heavy involvement in Jewish organizational activity. Caulfield also stated that Attorney General Mitchell should be discreetly made aware in this regard. Caulfield has testified that he obtained information on Goldberg's financial status from IRS Assistant Commissioner (Inspector) Vernon Acree and that the purpose of obtaining the information was to determine whether Goldberg was financially solvent and therefore able to assume a campaign position at CRP.

11. On or about Sept. 30, 1971, Caulfield sent a memorandum to Dean reporting on IRS tax audit information about Rev. Billy Graham. Caulfield testified that he obtained the information from Assistant Commissioner Acree. On Oct. 1, 1971, Higby sent a copy of Caulfield's memorandum to Haldeman with a transmittal slip bearing the hand-written notation, "Can we do any-

thing to help," below which is Haldeman's handwritten notation, "No, it's already covered." Dean has testified that the President had asked that the IRS be turned off on friends of his.

12. On or about October 6, 1971, Caulfield sent a memorandum to Dean transmitting information about tax audits of John Wayne and eight other entertainers which Caulfield had instructed the IRS to furnish. Caulfield has testified that he obtained the information from Acree.

13. From October 6 through October 13, 1971, Newsday published installments of an article on C. G. Rebozo. Dean has testified that after the article was published he was instructed by Haldeman that one of the authors of the article should have some problems. Dean and Caulfield discussed procedures to institute an audit of Robert Greene, a Newsday reporter who had written the article. Caulfield has testified that he discussed the request with Acree who told Caulfield that an audit could be instigated by use of an anonymous letter. Caulfield has testified that Acree later informed him that the procedure was followed. The staff of the Joint Committee on Internal Revenue Taxation has stated that Greene was not audited by the IRS but was subsequently audited by New York State tax authorities on the basis of information supplied under the federal state exchange program, but that the staff believes that the audit was unrelated to Greene's being classified as a White House enemy.

14. Dean has testified that he received requests from Haldeman to have audits commenced on certain individuals. Haldeman has testified that he could recall no specific requests but that information that had come to the attention of the White House or information that appeared to indicate a reason for an audit may have been referred by the White House to the IRS. Caulfield has testified that some time after Dean's request for an audit of Greene, Dean met with Caulfield and Acree and directed that full audits be conducted of three or four other individuals. Caulfield has testified that he and Acree decided not to conduct the audits and that so far as he knew no audits were conducted of any individuals.

15. On October 15, 1971, Caulfield wrote a memorandum to Dean recommending that background information obtained from the FBI about the producer of a motion picture derogatory to the President be released to the media and that discreet IRS audits be instituted on the producer, the distributor of the film and a related corporation. Caulfield testified that Dean requested he run an FBI name-check and that, at Caulfield's direction Anthony Ulasewicz conducted a "pretext inquiry" at the offices of the film's distributor. On Oct. 20, 1971, Caulfield sent a memorandum to Dean reporting on a pretext interview of the film's distributor and recommending that because the financial handling and distribution of the film was in the hands of amateurs, any actions against the producer, including background information and IRS capability, be carefully weighed and well hidden.

16. Prior to Nov. 7, 1971, a talking paper and memorandum were prepared with respect to making the IRS politically responsive. Dean has testified that he and Caulfield prepared the documents for Haldeman's use during a meeting with either the Secretary of the Treasury or the commissioner of Internal Revenue. Haldeman has testified that he could not recall either seeing the briefing memorandum or having any specific conversation with the Secretary of the Treasury.

17. In a Political Matters Memorandum dated Dec. 2, 1971, Strachan reported to Haldeman that Mitchell had discussed the need to develop a political intelligence capability. Strachan stated that

July 20, 1971

MEMORANDUM FOR: BUD KROGH
FROM: JOHN DEAN

In your work on the Pentagon Papers and related issues you will become aware of the fact that there is a publication out of the Brookings Institute indicating that they are planning for the fall of this year a study of Vietnam based on documents of a current nature. Chuck Colson has made some efforts to determine what Brookings is up to but I don't think he has produced any solid evidence of the nature of this publication. I requested that Caulfield obtain the tax returns of the Brookings Institute to determine if there is anything that we might do by way of turning off money or dealing with principals of the Brookings Institute to determine what they are doing and deal with anything that might be adverse to the Administration.

Attached are copies of these tax returns and you will note that Brookings receives a number of large government contracts. You will also note that on the Board of Trustees there are several people who might be of assistance to us in dealings with the Brookings Institute, e.g., Peter Peterson and H. Chapman Rose.

When we discuss this issue I will also give you some additional background information on the Brookings problem.

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These should be turned off
JB
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Memo from Dean to Krogh, with Haldeman note: "These should be turned off."

Sandwedge had been scrapped and that instead Gordon Liddy would become general counsel to CRP effective Dec. 6, 1971. Strachan stated that Liddy would handle political intelligence as well as legal matters and would also work with Dean on the political enemies project.

18. In early 1972 John Dean sent a memorandum to Haldeman, Ehrlichman, Klein, Colson and Ziegler, with a carbon copy to Mitchell, stating that an article by a journalist about a campaign fundraiser was scheduled for publication the following day. At this time an unsigned memorandum was prepared containing personal information about the journalist and describing his financial affairs. It also stated that certain facts suggested to IRS professionals that an audit might resultingly be in order. The memorandum also stated that because of the sensitivities of the ongoing inquiry, no audit should be initiated unless directed.

19. On June 12, 1972, Colson sent a memorandum to Dean stating that Colson had received a well-informed tip that there were discrepancies in the tax returns of Harold Gibbons, a vice president of the Teamsters union. Colson stated that Gibbons was an all-out enemy and asked that Dean please see if this one could be started on at once. Dean has testified that he put the memorandum in his file and that it remained there.

20. Former Commissioner of Internal Revenue Walters has stated that during the summer of 1972 he was asked by Treasury Secretary Shultz to check on a report by John Ehrlichman that Democratic National Committee Chairman Lawrence O'Brien had received large amounts of income which might not have been reported properly. Walters has stated that he reported to Shultz on the IRS's examination of O'Brien's returns for 1970 and 1971. Walters has stated that Ehrlichman was not satisfied with the interview and that he told

returns and that because of Ehrlichman's inquiries O'Brien was interviewed during the summer of 1972. Walters has stated that Ehrlichman was not satisfied with the interview and that he told Shultz he needed further information about the matter. Ehrlichman has testified that he had learned from a sensitive case report that the IRS investigating O'Brien and that he called Shultz to complain that the IRS was delaying the audit until after the election.

21. On or about Aug. 29, 1972, Shultz, Walters and Assistant to the IRS Commissioner Roger Barth telephoned Ehrlichman to report on the IRS investigation of Lawrence O'Brien. Shultz informed Ehrlichman that the IRS had closed the investigation. Ehrlichman complained to Walters that the IRS had been stalling the audit and he told Walters that a bad job had been done.

22. Walters stated that on Sept. 11, 1972, he went to Dean's office. Dean gave Walters a list of McGovern staff members and campaign contributors and requested that the IRS begin investigations or examinations of the people named on the list. Walters' notes of the meeting state that J. E. [John Ehrlichman] asked to make up the list to see what information could be developed and that Dean had not been asked by the President to have this done and did not know whether the President had asked directly that any of this be done. Walters has stated that he advised Dean that compliance with the request would be disastrous for the IRS and for the administration and that he would discuss the matter with Secretary Shultz and would recommend to Shultz that the IRS do nothing with respect to the request.

23. Walters has stated that on Sept. 13, 1972, he discussed with Secretary Shultz the list given him by Dean, showed Shultz the list and advised

Shultz that he believed they should not comply with Dean's request to commence examination or investigation of the people named on the list. Shultz told Walters to do nothing with respect to the list and Walters put it in his office safe. On July 11, 1973, Walters turned the list over to the Joint Committee on Internal Revenue Taxation. On Dec. 20, 1973, the staff of the joint committee issued a report stating that it found no evidence that the returns of any persons on the list were screened as a result of White House pressure.

24. On Sept. 15, 1972, from about 5:23 until about 5:27 p.m. the President met with Haldeman and discussed, among other things, Dean's working through IRS. At about 5:27 p.m. Dean joined the meeting and from about 5:27 to about 6:00 p.m. the President, Haldeman and Dean had a discussion which did not refer specifically to the IRS. The committee has received tape recordings of these conversations.

25. From approximately 6 p.m. to approximately 6:17 p.m. on Sept. 15, 1972, the President, Haldeman and Dean continued their meeting. The committee has not received a tape recording of this portion of the conversation. Haldeman and Dean have testified that the Sept. 15, 1972, meeting there was a discussion of taking steps to overcome the unwillingness of the IRS to follow up on complaints. According to a memorandum by SSC Minority Counsel Fred Thompson, special counsel to the President J. Fred Buzhardt has stated that during the Sept. 15, 1972, meeting Dean reported on the IRS investigation of Lawrence O'Brien. On May 28, 1974, the Watergate special prosecutor moved that the recording of this portion of the conversation be turned over to the appropriate grand juries on the basis that the recording was relevant to alleged White House attempts to abuse and politicize the IRS, including unlawfully attempting in August and September, 1972, to have the IRS investigate Lawrence O'Brien. On June 12, 1974, Judge Sirica granted the motion and ordered that the recording of the conversation from 6 to approximately 6:13 p.m. be made available to the special prosecutor.

26. Walters has stated that on or about Sept. 25, 1972, Dean telephoned him and inquired as to what progress had been made with respect to the list of McGovern campaign workers and contributors which he had given to Walters on Sept. 11, 1972. Walters has stated that he informed Dean that no progress had been made; that Dean asked if it might be possible to develop information on 50, 60 or 70 of the names; and that Walters responded that, although he would reconsider the matter with Secretary Shultz, any activity of this type would be inviting disaster. Walters has stated that on or about Sept. 29, 1972, he discussed Dean's request with Shultz and that he and Shultz agreed that nothing be done with respect to the list. Walters has stated that he did not furnish any name or names from the list nor request any IRS employee or official to take any action with respect to the list.

27. On March 13, 1973, the President met with Haldeman and Dean. During the conversation the President and Dean discussed, among other things, obtaining information from the IRS.

28. On May 2, 1973, the Center on Corporate Responsibility, Inc. filed suit claiming that it had been unlawfully denied tax-exempt status because of selective treatment for political, ideological and other improper reasons having no basis in the statute and regulations. On Dec. 11, 1973, the

United States District Court held that the tax exemption had been unlawfully denied. The court stated that its ruling was based in part on the failure of the White House to comply fully with discovery orders. The court found that the inference of political intervention had been unmistakably raised.

Affidavit from Clark Mollenhoff, June 4, 1974.

1. I was appointed special counsel to the President in July, 1969. I remained in that position until June, 1970, at which time I resigned from the White House staff.

2. Because my responsibilities at the White House included investigation of allegations of corruption or mismanagement in government, I had authority from the President to periodically obtain certain tax returns from the IRS.

3. Early in 1970 I was instructed by H. R. Haldeman to obtain a report from the IRS on its investigation of alleged illegal campaign contributions relating to the 1968 presidential campaign of Gov. George Wallace and unreported income received by his brother, Gerald Wallace.

4. I initially questioned Mr. Haldeman's instruction, but upon his assurance that the report was to be obtained at the request of the President, I requested the report of IRS Commissioner Randolph Thrower.

5. On March 20, 1970, I received a report on the IRS investigation from Assistant IRS Commissioner Donald Bacon.

6. On March 21, 1970, I delivered the report to Mr. Haldeman, on his assurance that it was for the President. I did not give a copy of the report to anyone else nor did I discuss the substance with anyone until after the appearance of a column by Jack Anderson.

7. On April 13, 1970, a report appeared in Jack Anderson's column about the IRS investigation. Shortly thereafter, I was requested to meet with Messrs. Haldeman, Ehrlichman and Ziegler. At that meeting they accused me of having leaked the IRS report to the press. I denied having done so and told them that the only copy of the report had gone to Mr. Haldeman.

8. Thereafter Commissioner Thrower questioned me about the leak. I informed him that I had delivered the only copy of the report to Mr. Haldeman and had not leaked the information, that Mr. Haldeman had attempted to blame me for the leak, and that I believed that the leak had occurred at the highest White House level.

Affidavit from Randolph Thrower, May 24, 1974.

This statement is made upon the basis of my best recollection of the facts and the sequence in which they occurred, without my having had the benefit of reference to files and other materials in the possession of the Internal Revenue Service which would permit a more precise statement.

In the summer of 1970, Clark Mollenhoff, special assistant to the President, telephoned me to inquire about an extensive field examination which the IRS was conducting into the possible diversion of political contributions for the benefit of private individuals in the 1968 campaign of George Wallace of Alabama. A brief statement as to the current status of the investigation had been included in our most recent "Sensitive Case Report." For many years reports on the status of sensitive cases within the Commissioner's staff and a copy had customarily been sent by special courier to the Secretary of the Treasury. I understand that customarily the Secretary of the Treasury would advise the President of any matters in the sensitive case report about which the President, by reason of his official duties and responsibilities, should be advised.

As I recall, Mr. Mollenhoff advised me that the report on the Wallace campaign was desired by or on behalf of the President and in connection with his official responsibilities. In earlier discussions over the disclosure of confidential information in the possession of the IRS, Mr. Mollenhoff and I had reached an understanding that this would constitute a legal justification for the disclosure.

Pursuant to Mr. Mollenhoff's request, I asked the office of the Assistant Commissioner-Compliance to prepare for the White House a summarization of the Wallace investigation in the form of memorandum from me. A memorandum was prepared which I reviewed and, after a few modifications, sent to Mr. Mollenhoff at the White House.

A few days later a column by Jack Anderson described the IRS investigation of charges of diversion of contributions in the 1968 Wallace campaign. It appeared to me that the Jack Anderson report came directly out of my memorandum. I called in the assistant commissioner-inspection, Vernon D. Acree, and asked him to investigate the possibility of an unlawful disclosure of confidential tax information. I asked him, in particular, to study carefully my memorandum in relation to other factual summaries in the IRS files, in order to determine whether we could identify any possible source for the Jack Anderson report other than my own memorandum such as other reports in the hands of the IRS or taxpayers' counsel. I also asked him to investigate the possibility of a leak in the movement of my memorandum within the IRS or the Treasury Department. At the time I was leaving the city on official business and asked that he attempt to have a report available on my return.

On my return Mr. Acree advised that my memorandum was clearly the source of the Jack Anderson column. He advised further that he had traced the movement of my memorandum within the Service and the Treasury Department and found nothing to suggest that the leak had occurred in these offices. Thereupon I called Mr. Mollenhoff who, before I could state my complaint, announced that he knew what I was calling about and wanted to assure me that he had not breached the operating procedures which he and I had developed and that he was in no way responsible for the leak. I told him that while it was a

very serious breach of the laws against disclosure, I had felt confident that he was not responsible. I stated, nevertheless, that I was greatly disturbed by it and wanted to know how it possibly could have occurred. Mr. Mollenhoff replied that the responsibility was at a higher level. I asked, "How high?" His response was to the effect that it occurred at the highest level or at the very top. While I do not recall the precise language used, I received the impression that he was referring to Mr. Haldeman or possibly Messrs. Haldeman and Ehrlichman.

Thereafter I telephoned John Ehrlichman to discuss the disclosure and arranged for a meeting at the White House with him and Mr. Haldeman which was attended by the Chief Counsel of the IRS, K. Martin Worthy, and myself. In the conference Mr. Worthy and I discussed the seriousness of the leak and the fact that an unauthorized disclosure constituted a criminal act. I did not make any accusations as Mr. Mollenhoff had asked me to hold in confidence what he had told me as to the apparent source of the leak. Messrs. Haldeman and Ehrlichman did not indicate to Mr. Worthy and me the source of the leak but he did take our complaint seriously and assured us that they would cooperate in undertaking to prevent such incidents in the future and would call the

gravity of the situation to the attention of those in the White House who might from time to time have access to such information.

Excerpts from a second affidavit from Randolph Thrower, May 24, 1974.

... In the summer of 1970 a vacancy occurred in the position of director of the Alcohol, Tobacco and Firearms Division of the IRS. The IRS Executive Selection Board was at that time interviewing and reviewing candidates for the position preparatory to making a recommendation on it to me as the commissioner. I was then advised that John Caulfield, head of security for the President's office, was interested in the position and had the President's blessing and the support of top people at the White House. Substantially all of my contacts with the White House on this matter, at that time and subsequently, were through Dr. Charles Walker, under secretary of the treasury.

I secured biographical information on Mr. Caulfield and had a personal interview with him. Also, through members of my staff, I made some limited inquiries about him. After careful consideration of the matter, I advised Dr. Walker that I did not consider Mr. Caulfield qualified for the office and had serious question as to whether he could secure approval for the position from the Civil Service Commission. Over the next few weeks, Dr. Walker and I had several conversations about this matter resulting from his presentation of my views to the White House and their request for further consideration.

At the same time I pointed out to Dr. Walker that we would expect to have a vacancy in the position of chief of the Enforcement Branch of ATF. The occupant of that office was acting as director of ATF and his appointment to that position had been sent by me to the Treasury Department for approval. The Enforcement Branch in my opinion was an extremely able, well experienced unit which was long experienced in the suppression of illegal manufacture of whiskey and illegal traffic in whiskey and tobaccos, as well as in its newer responsibilities of enforcement of the federal gun and explosive laws. On inquiry, Dr. Walker learned that the White House was not interested in this position for Mr. Caulfield.

Finally, at Dr. Walker's request, I prepared a detailed specification of the duties and responsibilities of the office. It covered regulatory functions in the three areas of alcohol, tobacco and firearms, as well as the extensive tax collection functions encompassing about \$7 billion a year, the supervision of an important laboratory, and the administrative responsibility, as I recall, of more than 1,000 employees. Shortly thereafter Dr. Walker advised me that the White House had dropped the matter.

A short time later Dr. Walker called to advise me that Mr. Gordon Liddy, then in the Office of the assistant secretary of the treasury for enforcement and operations, was interested in the position as director of ATF. I suggested to Dr. Walker that Mr. Liddy was in his department and he should handle this one. I told Dr. Walker that Mr. Liddy's experiences with the service with respect to the development of policy respecting gun laws had so affected the confidence in him on the part of the personnel of ATF that the appointment would be out of the question. He did not take issue with this. I suggested that he point out to Mr. Liddy that the experience administrative responsibilities would be overburdening and that the position would provide little opportunity for working directly in enforcement or developing policy. Dr. Walker suggested that I could more effectively tell this to Dr.

Liddy and I agreed to confer with Mr. Liddy on it. The conference did take place as planned and Mr. Liddy was very gentlemanly in listening to and seemingly taking into account what I had to say regarding the position. I also pointed out to him the possible difficulties of qualifying before the Civil Service Commission. At some later time, his request for consideration was withdrawn.

In the meantime my recommendation for the appointment of a new director of ATF was still pending in the Treasury Department without approval.

At a later time, probably in November, 1970, Dr. Walker advised me that the White House had reconsidered my earlier offer to consider Mr. Caulfield for the position of chief of the Enforcement Branch of ATF and that he was now interested in the position. I was told, however, that they wanted to take the Enforcement out of ATF and have it report directly to me rather than through the chain of command. . . . Among my objections to the proposal were the following:

1. The Enforcement Branch was fully integrated into the operations of

See TEXT, A15, Col. 1

TEXT, From A14

ATF, which division itself was integrated into the operations of Compliance, and it would be very disruptive to operations of ATF and confusing to its administration for this to occur;

2. Mr. Caulfield, as an inexperienced branch chief, would need the executive direction available from the chain of command;

3. The activities of the Enforcement Branch were frequently coordinated with the police functions of the Intelligence Division of Compliance and the Internal Security Division of Inspection, which required coordinated leadership;

4. I, as commissioner, could not give it the attention which it would require.

5. Mr. Caulfield's entry into the service would be greatly prejudiced by the fact that many would view the move as a political one which would be greatly resented within an organization which had prided itself for so long on being wholly apolitical.

In the course of the ensuing discussions I pointed out that in order to get greater coordination in our law enforcement activities I was planning to set up a special law enforcement committee, on which the head of the enforcement branch would serve, with which I would expect to meet frequently. I also gave assurance that the chief of the branch would have access to me directly in accordance with the practices I had generally followed in the service.

Despite the continued exchange and explanation of views on this subject, the positions of the two sides seemed to be hardening. I may have had direct telephone calls from the White House with respect to it but I have no specific recollection of any. Throughout the continued discussions I had been unable to find any reasonable justification for the proposal and my opposition grew in the face of the continued insistence. I was in fact very much concerned about the potential for a personal police force which would not have the protection and insulation of the career staff. Finally, Dr. Walker advised that he had been asked by the White House to tell me that all of my views had been taken into account but that I was to be directed to proceed as they had been requested. I advised Dr. Walker that he could tell the people at the White House that if they did insist upon the measure I would consider that my usefulness as Commissioner had been terminated. A day or two later Dr. Walker called back to advise that the White House had stated that they would drop the matter . . .

In January, 1971, I advised Secretary of the Treasury Kennedy that I would submit my resignation to the President. I told them that I first would like to discuss with the President my concern about White House attitudes toward the IRS, a problem which he recognized. He told me that as a presidential appointee I had that privilege and said he would arrange the conference. He later advised that he had been unable to arrange the conference and said that Mr. Haldeman had told him that the President did not like such conferences. After other means to arrange the conference failed, I visited the Attorney General and told him of the concerns which I wished to express to the President, namely, that any suggestion of the introduction of political influence into the IRS would be very damaging to him and his administration, as well as to the revenue system and the general public interest. The Attorney General told me that he had not been aware of the problems of recent months which I described to him and stated that he would convey the message. Sometime later the President's appointment secretary, Dwight Chapin, told me that the President had received my views from the Attorney General and did not feel that a conference was necessary. Thereupon, I submitted my resignation which I had been withholding until I had the opportunity to confer with the President.

Excerpts from John Dean's attachment to his July 20, 1972 memorandum to Egil Krogh on "the Brookings problem."

Indicated below is an examination of the power, influence and activities of the Ford Foundation and Brookings Institution along with recommendations as to how the administration can deal with them in 1972.

Ford Foundation

The colossus of foundations and apex of the academic foundation complex is the Ford Foundation. It's annual report for 1969, released March 8, 1970, showed assets at market value of 2.5 billion dollars, and a principal fund balance of 3.9 billion.

Established in 1936, it became a national organization in 1950. Since its inception, it is reported to have disbursed more than 3.6 billion dollars, including grants to 5,880 institutions in the U.S. and 82 foreign countries. Expenditures in 1969 were listed at 237.5 million dollars.

The foundation has provided money for the Brookings Institution, the Kennedy Memorial at Harvard, the Princeton Institute, and many other centers of academic-political actionism.

President of the foundation is McGeorge Bundy. Indicated below are the trustees of the organization who, in the words of Bundy "hold responsibility for our affairs and who set the policies and programs of the Ford Foundation."

Chairman-Julius Stratton (former President of M.I.T.)

Stephen D. Bechtel (senior Director of the Bechtel Corp.)

Eugene R. Black

John Cowles (former Chairman Minneapolis Standard Tribune Corp.)

Benson Ford (Vice-President of Ford Motor Co.)

Henry Ford II (Vice-President of Ford Motor Co.)

Henry Ford II (Chairman of the Board, Ford Motor Co.)

Kermet Gordon (President of Brookings Inst.)

Alexander Heard (Chancellor, Vanderbilt University)

Edwin H. Ford (Chairman and President-Polaroid Corp.)

Roy E. Larsen (Chairman, executive committee of Time Inc.)

John H. Loudon (Chairman of the board Rogue Dutch Petroleum Co.)

Robert S. McNamara (World Bank)

J. Irwin Miller (Chairman of the Board, Cummins Eugene Co.)

Bethuld M. Webster (partner, Webster, Sheffield, Heischmann, Hitshcock and Brookfield of New York)

Charles E. Wyzanski, Jr. (Chief Judge, U.S. District Court, Boston)

Ford has financed such activities as a school decentralization project in New York City that stirred up racial strife and led to three strikes by a teacher's union; a Negro voter registration drive in 1967 that was credited with helping to elect Carl Stokes as the first black Mayor of Cleveland, Ohio; and efforts to organize Mexican-Americans in California and Texas.

The foundation has invested in many community action programs across the country, and helped fund such Negro organizations as the N.A.A.C.P., C.O.R.E., and the S.C.L.C.

In July 1968 the foundation provided "travel and study" awards to eight former aides of the late Senator Robert F. Kennedy. The total amounted to \$131,069.50 and was subsequently the subject of much hill criticism.

Additionally, the foundation gave \$12,717 in 1969 to Joseph A. Colefa for a travel study in connection with a book called "The Student Revolution A Global Confrontation."

In the 1969 Ford Foundation annual report, Bundy stated "The nations social ills were still a major focus of our activity in 1969 . . . we hope to do much more in the Seventies."

Brookings Institution

In November 1970 Brookings reported to IRS total assets of \$48,960,000. Headquartered in Washington, the organization has emerged as the leading Democratic "think tank" in the Nation. Indeed, the large influx of former Democratic office-holders to the Institution in 1969 (See ATTACH "A") prompted one official to describe it as "a government-in-exile."

Brookings was a small organization until the 1960's. During the Kennedy and Johnson Administrations, it turned into a bigtime operation. While functioning as a kind of holding station for Democrats and of power, it attempts to influence public opinion and government policy. Access to huge sources of tax free money, such as the Ford Foundation makes the task immeasurable easier.

In recent years, the Institution has obtained more than 14 million dollars in Ford subsidies, including \$175,000 to produce a book called "Agenda for the Nation" immediately after the 1968 Presidential election.

The Wall Street Journal called it a collection of policy papers by 18 writers who "comprise an honor roll of academicians of the New Frontier and Great Society."

Shortly after the Nixon administration took office in 1969, the Institution announced a "new program of foreign policy studies." It is alleged that the Ford Foundation agreed to fund 75 per cent of the project, estimated to cost 7 million dollars over a three-year period.

These studies were to cover such controversial issues as: the strategic balance between the U.S. and the Soviet Union; arms control and disarmament; the U.S. role in Asia after Vietnam, relations with Communist China; the U.S. role in defense of Western Europe; foreign aid, trade, investment and development policy, new social and technological forces in the world, the size of the U.S. defense budget, kinds of weapons, and military assistance to foreign countries; a permanent peace-keeping force for the United Nations; social change and domestic problems in the U.S.

It is clear from this cursory analysis that the financial wealth, the influence of the Ford Foundation and Brookings Institution when used to engage in either direct or indirect political activity represents formidable opposition to the best interests of this Administration.

It would appear that an expeditious political response to this challenge would be the simple expedient of applying pressures to have the Internal Revenue Service strictly enforce existing statutes and promulgated regulations designed to threaten the tax exempt status enjoyed by these organizations.

In examining this potential with administration loyalists at IRS, a disappointing picture emerges. For example, as a result of congressional pressure in 1969 an audit of the Ford Foundation was undertaken. It is still ongoing with no tangible results or progress seen to date. Purposeful delay appears to be the chosen bureaucratic tact.

Commissioner Walters, according to these same IRS powers has not yet exercised the firm leadership expected at the time of his appointment. Additionally, there appears to be a reluctance on his part to make discreet politically oriented decisions and to effect major appointments based upon Administration loyalty considerations.

In this regard, career democrat William Loeb has been named as Walter deputy, a key policy position. Also, William Connett, another democrat, continues to function as Walters' Special Assistant for tax-exempt organizations. By written direction of Walters all tax exempt matters of substantiality must flow through Connett. Roger Barth is currently being eased out of IRS by Walters.

It is not believed, therefore, that this personnel alignment would allow a successful pro forma request for IRS action against Brookings or Ford. Indeed, under the above circumstances, such approach would appear to be politically inadvisable. Certainly charges of political interference would be raised in the media and elsewhere by representatives of the Ford and Brookings organizations and their many supporters.

In view of the above circumstances, the following recommendations are made with a view towards an effective and credible attack against Brookings and Ford designed to minimize the political impact these organizations will attempt to bring to bear during the coming election year:

A) The President direct Secretary Connally to give a major address forcefully dealing with the concern of both the executive and legislative branches (PATMAN) over political abuses and

other apparent illegal activities of foundations and other tax-exempt organizations.

(If the Secretary were not inclined to specifically attack Brookings and Ford in that speech, the Vice President could effectively follow with a hard hitting specific effort in that regard. Pat Buchanan has such a speech prepared.)

The Secretary's speech could include the announcement of the creation of a new position in Treasury, such as Deputy Undersecretary for Taxation to oversee, on behalf of the Administration both tax administration (IRS) and policy. Such appointee would be the medium through which the Administration could force following the Connally warning, stepped up IRS action and compliance in the tax exempt area during 1972. Understandably this appointee would have to be outstanding in qualification and loyalty.

B) Clark MacGregor to be directed by the President to work with Congress and Treasury to obtain more restrictive legislation on the political abuses of tax exempt organizations. We should shoot for public hearings on Brookings activities.

C) Senator Dole to be directed by the President to have the RMC develop this entire area as a key issue for the '72 campaign. The purpose would be twofold:

1) Focus to be brought upon FORD Foundation financed voter registration drives.

2) Take this issue away from George Wallace where it now lies.

D) The President to direct George Schultz to see to it that the \$500,000 in federal grants (HEW, OEO, etc.) presently received by Brookings be cut.

While a loud public protest could be anticipated, it would be welcome for the implication would be clear . . . partisan political involvement of Brookings, Ford and other anti-Administration foundations in 1972 would be fraught with peril.

NOTE: It should be recalled that Kermet Gordon, President of Brookings and a trustee of the Ford Foundation has been appointed to the Phase II Pay Board.

* * *

Memorandum from Jack Caulfield to John Dean on Daniel Talbot, producer of the film, "Millhouse."

Talbot has been identified as follows:

Male, white, 42 years of age
Resides at 180 Riverside Drive,
Manhattan #362-1243
Occupation—Film Distributor
No criminal record—F.B.I.
Member of Stop the Draft Movement-N.Y.C. in 1967—N.Y.C.P.D.

Talbot was pretext interviewed during a visit to his office located at 250 West 89th St, Manhattan on 10/18/71. Such office is adjacent to the New Yorker Theatre located at Broadway and 88th Street, Manhattan. Such theatre is currently showing MILLHOUSE.

Talbot's office was observed as being a sloppy one room operation with one secretary. Rent was determined to be \$85 per month.

It was ascertained that the film is

Celebrities' Tax Data

Excerpts from Oct. 6, 1971, memorandum from John J. Caulfield to John Dean on tax status of various entertainment figures. Accompanying the memo was the note: "The Wayne complaint when viewed in the attached context does not appear to be strong enough to pursue."

Subject: Audit Examinations of Individuals in the Entertainment Industry Who are Politically Active.

Per your instructions of September 28, 1971, we have selected some individuals in the entertainment industry who were politically active during prior elections and determined their audit history. We attempted to select those individuals whose economic condition is similar to that of JOHN WAYNE. Our review showed the following:

SAMMY DAVIS JR.—SSN 362-24-9919

| Period | Action | Results of Examination Deficiency or (Overassessment) |
|--------|---------------|----------------------------------------------------------|
| 6912 | Open in Audit | |
| 6812 | Open in Audit | |
| 6612 | Examined | \$ 5,531 |
| 6312 | Examined | 8,683 |
| 6212 | Examined | 6,674 |
| 6112 | Examined | 15,795 |

JERRY LEWIS—SSN 144-12-6399

| Period | Action | Results of Examination Deficiency or (Overassessment) |
|--------|---------------|----------------------------------------------------------|
| 7012 | Open in Audit | |
| 6912 | Open in Audit | |
| 6812 | Examined | \$11,266 |
| 6612 | Examined | 30,099 |
| 6512 | Examined | 94,272 |
| 6412 | Examined | 28,131 |
| 6312 | Examined | 142,718 |
| 6212 | Examined | 28,471 |
| 6112 | Examined | 22,096 |
| 6012 | Examined | 26,437 |
| 5912 | Examined | 47,983 |
| 5812 | Examined | 30,839 |

RONALD W. REAGAN—SSN 480-07-7456

| Period | Action | Results of Examination Deficiency or (Overassessment) |
|--------|---------------|----------------------------------------------------------|
| 7012 | Open in Audit | |
| 6912 | Open in Audit | |
| 6812 | Open in Audit | |
| 6712 | Open in Audit | |
| 6612 | Examined | No Change |
| 6512 | Examined | \$ 1,122 |
| 6412 | Examined | 3,541 |
| 6312 | Examined | 3,660 |
| 6212 | Examined | 4,778 |

FRANK SINATRA SSN 929-29-0367

| Period | Action | Results of Examination Deficiency or (Overassessment) |
|--------|----------------|----------------------------------------------------------|
| 6812 | Open in Audit | |
| 6512 | Surveyed Claim | |
| 6412 | Examined | \$ 5,708 |
| 6312 | Examined | 5,732 |
| 6212 | Examined | 7,271 |
| 6012 | Examined | 12,086 |

Mr. JOHN WAYNE's audit history, per the Form 1247 cards, is shown below:

| Period | Action | Results of Examination Deficiency or (Overassessment) |
|--------|---------------|----------------------------------------------------------|
| 6912 | Open in Audit | |
| 6812 | Open in Audit | |
| 6712 | Open in Audit | |
| 6612 | Open in Audit | |
| 6612 | Examined | \$237,331 |
| 6512 | Examined | 7,396 |
| 6412 | Examined | 6,389 |

also being shown in Philadelphia and San Francisco.

Talbot advised that his future plans for the film include distribution to college groups on a lease basis. He also described plans to distribute the film to other cities, but careful questioning determined a market only in third and fourth rate theatres.

Talbot referred questions about possible Democratic pressures to acquire the film to the producer, Emile D'Antonio.

Comments

Even though the financial handling and distribution of this film appears to be in the hands of amateurs, it must be remembered that it is getting considerable play in the liberal press. Additionally, D'Antonio was interviewed by Agronsky on TV this past week. Further, Variety reported the DNC has approached D'Antonio with a view towards acquiring the film.

I feel that there is potential here for this film to take fire and become a cause celebre. At the moment only the radical left is patronizing it. We must be quite careful not to be identified with any act or actions which would incite the interest of the general public. Resultingly, any action taken vis a vis D'Antonio or Talbot should be weighed carefully and well hidden. This includes my previous comments re D'Antonio's background and our capability at I.R.S.

Affidavit from Johnnie M. Walters, June 10, 1974.

1. This statement is made upon my best recollection of the facts as they occurred, without my having had the benefit of reference to files and other materials in the possession of the Internal Revenue Service (IRS) which might permit a more precise statement.

2. I served as Commissioner of Internal Revenue from Aug. 6, 1971 through April 30, 1973.

3. Beginning late in 1971 or early in 1972 the IRS began an intensive investigation of the Howard Hughes organizations and operations. During the course of that investigation, IRS learned that some fairly substantial amounts of money had been paid by the Hughes organization to Lawrence O'Brien and his associates. Sensitive case reports with respect to the Hughes investigation reflected the O'Brien payments. (Sensitive case reports are sent to the Commissioner from the field each month to keep him and the Secretary of the Treasury advised of IRS investigations or proceedings relating to prominent persons or sensitive matters.) A Special Assistant to the Commissioner (during my tenure as Commissioner, Roger Barth) regularly delivered to the Secretary of the Treasury the monthly sensitive case reports.

4. During the summer of 1972, Secretary Shultz informed me that someone in the White House (subsequently identified as John Ehrlichman) had information that Mr. O'Brien had received large amounts of income which might not have been reported properly. The Secretary asked whether IRS could check on the matter, and I advised that IRS could.

5. I thereupon requested Assistant Commissioner Hanlon (Compliance) to determine whether Mr. O'Brien had filed returns which reflected substantial amounts of income. After a few days, he reported orally that Mr. O'Brien had filed returns which reported large amounts of income during the preceding years, that IRS had examined the returns for 1970 and 1971, that Mr. O'Brien had paid a small deficiency for one year, and that the examinations were closed. I reported this to Secretary Shultz.

6. Thereafter, from Secretary Shultz I learned that Mr. Ehrlichman was not satisfied with the report on the status of Mr. O'Brien's returns. I informed Secretary Shultz that Mr. O'Brien would be interviewed in connection with the Hughes investigation. I do not recall specifically whether scheduling of the interview of Mr. O'Brien originated in the Field investigation independently of Secretary Shultz's inquiries or as a result of Secretary Shultz's inquiries, but, in any case, IRS needed the interview and would have scheduled it. During 1972, however, it was IRS policy to postpone investigations involving sensitive cases, to the extent possible without loss of position or revenue, until after the election. In line with that policy, IRS probably would not have interviewed Mr. O'Brien prior to the election; however, because of the indicated inquiries, IRS did interview Mr. O'Brien during the summer of 1972.

7. To the best of my recollection, the IRS field personnel had some difficulty in scheduling an interview with Mr. O'Brien and at one point they agreed to interview his son instead

(who had informed the IRS agents that he had information about his father's financial matters).

Before that interview took place, however, I was informed by Secretary Shultz that Mr. Ehrlichman thought IRS should interview Mr. O'Brien, not his son. I agreed with that and directed that IRS interview Mr. O'Brien rather than his son. I do not know how Mr. Ehrlichman learned of some of the details of which he had knowledge.

8. IRS interviewed Mr. O'Brien on or about Aug. 17, 1972. Mr. O'Brien was cooperative although the interview was limited timewise, and Mr. O'Brien suggested that any further interview be postponed until after the election. My recollection is that IRS furnished a copy of the Conference Report to Secretary Shultz. A short time thereafter, Secretary Shultz informed me that Mr. Ehrlichman was not satisfied and that he needed further information about the matter. I advised the Secretary that IRS had checked the filing of returns and the examination status of those returns (closed) and that there was nothing else IRS could do.

9. On or about Aug. 29, 1972, at the request of Secretary Shultz, I went to his office with Roger Barth so that we could conclude review of the O'Brien matter and dispose of it. Secretary Shultz, Mr. Barth and I discussed the matter and agreed that IRS could do no more. We then jointly telephoned Mr. Ehrlichman. Secretary Shultz informed Mr. Ehrlichman of that; I stated that IRS had verified that Mr. O'Brien had filed returns, that those returns reflected large amounts of income, that IRS already had examined and closed the returns, and that we (Shultz, Walters and Barth) all agreed that there was nothing further for IRS to do. Mr. Ehrlichman indicated disappointment, and said to me "I'm god-damn tired of your foot dragging tactics." I was offended and very upset but decided to make no response to that statement. Following the telephone conversation, I told Secretary Shultz that he could have my job any time he wanted it.

10. The meeting with the Secretary and telephone conversation with Mr. Ehrlichman stand out in my recollections as the final incidents in the O'Brien matter, however, in concluding the matter, I may have furnished some data with respect to Mr. O'Brien's returns to Secretary Shultz shortly after (5 or 6 days) that encounter (some questions posed seem to indicate this).

Affidavit from Johnnie M. Walters, May 6, 1974.

1. I served as commissioner of Internal Revenue from Aug. 6, 1971, through April 30, 1973.

2. On Sept. 11, 1972, I met with John W. Dean, III, pursuant to his request, in his office at the Old Executive Office Building. At that meeting he gave me a list of names, and requested that IRS undertake examinations or investigations of the people named on the list. The list appeared to contain names of persons on the 1972 Presidential campaign staff of Senator George McGovern and of contributors to that campaign.

3. Mr. Dean stated that he had been directed to give the list to me. It was my impression at the time of the Sept. 11, 1972, meeting that John D. Ehrlichman was the one who had given Mr. Dean his directions, but I do not recollect on what my impression was based. Mr. Dean stated that he had not been asked by the President to have this done and that he did not know whether the President had asked that any of this activity be undertaken. Mr. Dean expressed the hope that the IRS could do this in such a manner that would "not cause ripples." He indicated that he was not yet under pressure with respect to this matter.

4. I advised Mr. Dean that compliance with the request would be disastrous for the IRS and for the administration and would make the Watergate affair look like a "Sunday school picnic." I asked whether he had discussed the matter with Secretary Shultz, and he said no. I advised him that I would discuss the matter with Secretary Shultz, and that I would recommend to Secretary Shultz that we do nothing on the request.

5. On Sept. 13, 1972, at the earliest opportunity, I discussed the matter with Secretary Shultz, showed him the list, and advised him that I believed that we should not comply with Mr. Dean's request. Mr. Shultz looked briefly at the list, and said do nothing with respect to it. I placed the list in a sealed envelope and placed it in my office safe. I believe I may have informed Mr. Dean of the decision, but do not specifically recall doing so.

6. On or about Sept. 25, 1972, I received a telephone call from Mr. Dean. He inquired as to what progress I had made with respect to the list. I told him that no progress had been made. He asked if it might be possible to develop information on fifty-sixty-seventy of the names. I again told him that, although I would reconsider the matter with Secretary Shultz, any activity of this type would be inviting disaster.

7. Thereafter, on or about Sept. 29, 1972, and again at the earnest opportunity, I discussed the matter again with Secretary Shultz. We again agreed that nothing would be done with respect to the list. I have no recollection of any further discussions about the matter during my tenure as IRS commissioner, except the possibility of mentioning (without showing) it to the present commissioner, Donald C. Alexander, as he was in the process of being named commissioner.

8. At no time did I furnish any name or names from the list to anyone, nor did I request any IRS employee or official to take any action with respect to the list.

9. I removed the list from the safe when I left IRS and thereafter personally kept it in the sealed envelope and locked in my present office.

10. On July 11, 1973, upon written request, I submitted the list, along with my handwritten notes of the Sept. 11, 1972, meeting, to the Joint Committee on Internal Revenue Taxation in connection with the committee's investigation of allegations that the IRS took enforcement actions for political purposes.