

FEDERAL BUREAU OF INVESTIGATION

Date of entry 07/03/2013

FEDERAL TAXPAYER INFORMATION

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[redacted] date of birth [redacted] Social Security account number [redacted] residence address [redacted] b6 -2,3,4
 [redacted] was interviewed pursuant to a proffer letter at the office of the b7C -2,3,4
 Federal Bureau of Investigation in Covington, Kentucky. Also present
 during the interview were [redacted] attorneys, [redacted] and [redacted]
 [redacted] and U.S. Department of Justice Attorneys [redacted] and [redacted] (b)(6), (b)(7)(C) per CRM
 [redacted] Prior to the interview, [redacted] provided copies of approximately
 ninety pages of relevant documents and emails, which are maintained in the
 case file. When specifically identified below, documents from [redacted]
 production will be followed by the appropriate bates numbers. After being
 advised of the identities of the interviewing agents and the nature of the
 interview, [redacted] provided the following information:

[redacted] was hired by the Internal Revenue Service (IRS) in October [redacted] b6 -2
 as a Grade 5. Prior to his employment with the IRS [redacted] worked in b7C -2
 private industry at [redacted]
 [redacted] has a business degree from [redacted]
 [redacted] He spent [redacted] In
 1998, [redacted] became a revenue agent and progressed from a Grade 7 to a
 Grade 9 and then to a Grade 12. He worked cases in the Employer Plans and
 Exempt Organizations. In 2000, he became a Grade 13 manager over a group
 of revenue agents. His group would develop Exempt Organizations (EO)
 applications [redacted] used the term 'develop' to describe applications that
 needed additional items and information. [redacted] performed additional work
 in customer service, as he often found that customers did not understand
 the IRS rules, whether they were small mom and pop shops or attorneys. He
 was also a [redacted] coordinator. In 2003 or 2004, he became a
 full-time screening manager.

The EO function of the IRS was initially structured into seven
 districts before all the areas were merged into one and located in
 Cincinnati, Ohio. The IRS wanted a centralized approach that created
 consistency in its processes. While the number fluctuates year to year,
 approximately 70,000 to 100,000 501(c) applications are received by the IRS

Investigation on 06/26/2013 at Covington, Kentucky, United States (In Person) b6 -1
 File # 282B-WF-2896615 Data drafted 07/03/2013 b7C -1
 by [redacted]

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each year. Of these applications, approximately 80% are 501(c)(3) applications.

The application process begins when the taxpayer [REDACTED] often refers to them as customers) submits an application along with a fee. This application has a date which is also known as its control date. This is important because applications are processed in control date order. The application is initially processed in Covington, Kentucky. The check is processed and the application is scanned into a computer system called TEDS. All applications prior to the implementation of TEDS in 2003-2004 were received as paper copies in folders [REDACTED] screening group was the first to use TEDS. [REDACTED] had proposed this idea of having a group made up of just screeners in a document entitled Exempt Organizations Centralized Screening Group Proposal dated February 20, 2003 (71000084-89). Previously, applications were randomly assigned to different groups. Each group had its own contingent of screeners. Managers of these different groups did not compare their cases, and as such, screeners work from group to group was inconsistent. In 2003-2004 when [REDACTED] group was created, it centralized the screening function.

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The intent of the screening group was to always close a complete case. This means that the application is complete, and meets all of the necessary requirements. This is called a merit close. [REDACTED] screeners put all applications into one of four "buckets" or categories. The first bucket is the incomplete bucket. This accounts for about 5% of all applications. This means that the application is missing required documentation. These applications are sent back to processing, which then kicks them back to the applicant. [REDACTED] is the head of processing, which is located in the Cincinnati area. The second bucket is the merit close bucket. These cases make up approximately 35% of all applications. These cases meet the requirements based on the application received, and the organization is approved for 501(c) status and the application is closed out. The third bucket is the intermediate bucket or accelerated processing, which means there are a few issues that need further development, but nothing major. This bucket makes up about 50% of the applications. The final bucket that the rest of the applications fall into is the full development case bucket. These cases have potential issues with the application criteria. No applications are ever fully denied out of the screening group. They are either incomplete, approved or need development to some degree.

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[REDACTED] worked with [REDACTED] to develop the bucketing system approach to screening applications. Initially there were only two buckets, merit close or put the case into inventory [REDACTED] originally called this

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the Red Flag group, but it later was changed to the bucketing system. However, with the two bucketing system, less experienced screeners were sending most of the applications to inventory.

[REDACTED] group screens all 501(c) applications received by the IRS, regardless of whether they are 501(c)3, 4, 5, 6 etc. Therefore his group typically reviews 4,000-5,000 applications each month. This breaks down to about 20-25 applications per screener per day. [REDACTED] group is made up of three GS 13 screeners and around seven to nine GS 12 screeners. The screening group needs seasoned screeners because of the risk involved in approving applications. [REDACTED] defines risk as severe jeopardy to the government. This could be financial risk or issue development. Since merit close approvals are based solely on the application and nothing else, screeners always have some risk that they may approve an applications that should not be approved for reasons that are not apparent in the application. This could create issues in the future or can cause financial loss to the government. Experienced screeners are more willing to take on this risk. [REDACTED] came up with a check sheet on risk for his screeners.

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There are two things that customers can do that is different than the normal process. Customers can withdraw their application, which often happens when revenue rulings are pointed out that address specific issues which are relevant to the customer. Secondly, customers can get a group ruling, which means that when the details about the group are approved, any customers who apply under the group heading will receive the same treatment and be approved automatically. These customers do not need to go through screeners again. The best example for this group ruling scenario is the Catholic Church.

In 2010, the most senior screeners in [REDACTED] group were [REDACTED] were two other screeners in the group [REDACTED] held monthly group meetings.

[REDACTED] priority was to always insure that his screeners had work. He would electronically assign cases to each screener. He did not typically review his screeners' cases unless he noted some inefficiency in their work. [REDACTED] asked his personnel to track daily what buckets they used and how much time they spent on the cases [REDACTED] calculated the time spent on each case by his screeners, and found that the average time spent on each case was .4 of an hour. Although all merit closures have to be approved by him in order for them to move on (a system requirement), he did not usually review them due to the heavy volume. Quality Assurance would

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review random selections of cases. [REDACTED] screeners always had good quality scores which were given on a quarterly basis. [REDACTED] was in Quality Assurance.

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According to the Internal Revenue Manual (IRM), screeners have five days to screen a case. Inefficiency is the primary reason as to why there might be a backlog of cases. IRM states cases need to be assigned within 30 days of their control date. [REDACTED] aimed for getting cases assigned to his screeners in 14 days.

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Once applications were placed in one of the three non-approval buckets, it was tagged in the system. Specific issues that applications may have had could include technical issues that would dictate which group needed to review the applications. These review groups were not just located in Cincinnati, but rather they were located all over the country, to include Atlanta, Dallas, Chicago, and Baltimore. Since the IRS wanted cases treated consistently, cases would be farmed out to these specialty groups. Cases were sub-designated to these groups via system categories they were placed in by the screeners.

In 2010, [REDACTED] reported to [REDACTED] who was located in El Monte, California. She did not have a background in EO, rather her expertise was in Benefit Plans. But when the two sections were merged, the area she was put in charge of was exclusively EO. She retired in December [REDACTED]. Several people were acting managers after that, to include [REDACTED].

[REDACTED] The managerial structure in Cincinnati was as follows [REDACTED] was the Director/Program Manager [REDACTED] was the Area Manager for the group [REDACTED] was in. [REDACTED] was the Area Manager for the other area. She has since retired [REDACTED] reported to HOLLY PAZ, EO Director of Determinations, who was located in Washington, D.C. She reported to LOIS LERNER, Director of Exempt Organizations, also in Washington, D.C. EO is made up of two entities, Determinations and Examinations. EO is one of three entities that makes up the Tax Exempt section of the IRS. The other two are Employee Plans and Government Entities. JOE GRANT was the Acting Commissioner of the Tax Exempt section.

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EO Technical was a group in Washington D.C. made up of attorneys with experience in EO. They would prepare for Congressional matters, develop rules and procedures, and provide training to IRS employees. PAZ was the head of EO Technical from 2010-2012. [REDACTED] would call EO Technical directly when he was a revenue agent. When [REDACTED] took over in 2003/2004, she enforced the chain of command, so [REDACTED] would elevate technical issues that he had up the chain [REDACTED] was not given specific guidance on what to elevate. If [REDACTED] did not know the answer to a screeners question, or

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it was an emerging issue (something they had not seen before), he would elevate it to [REDACTED] who would elevate it to [REDACTED]

In February 2010, one of [REDACTED] screeners, [REDACTED] came into [REDACTED] office and brought with him a case. The case was for a 501(c)(4) named [REDACTED] [REDACTED] said it was the first case like it he had seen and that he could not approve it because it had some issues. 501(c)(4) organizations can do political activity, but it cannot be its primary activity. [REDACTED] application did not say what percentage of its activity was political. A percentage is needed to approve or disapprove based on this primary designation.

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In [REDACTED] experience, management chains in the IRS want to be notified of issues and do not want to be embarrassed. He has seen situations in the past where things came back around without notification up the chain, and that was seen as an issue. He then became a stickler for notifying up the chain of command. Since his group might end up with a number of similar cases, and since he wanted consistency in application screening, this had the possibility of being an emerging issue. He then elevated it to [REDACTED] who then elevated it to [REDACTED] and who then elevated it to PAZ. [REDACTED] stated that the [REDACTED] case rested on its own facts, and it needed development.

b3 -1
b6 -2,3
b7C -2,3

In an e-mail dated February 25, 2010 (71-000010) where [REDACTED] follows up on a conversation with [REDACTED] understood [REDACTED] use of the term "high profile" in reference to the case to mean that the case could generate issues within the press since the Tea Party was frequently in the press. An issue could be, for example, if say a denial was given when it should not be. He wanted to make sure it was given appropriate treatment. [REDACTED] was aware at the time of what the Tea Party was from what he saw on the news. That did not make a difference to him [REDACTED] considers himself a conservative Republican, but that does not have any bearing on his job.

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[REDACTED] would tell his screener agents about any issues that were elevated. [REDACTED] came back to him later and said he had identified ten other cases. [REDACTED] asked [REDACTED] if Washington (EO Technical) wanted to see these other cases [REDACTED] was told no, they did not. [REDACTED] was told to hold these cases in TEDS in his group number.

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b7C -2,3

In March/April 2010 Group 7822 was designated as the group to receive these Tea Party cases [REDACTED] was the Group Manager of Group 7822. All of these cases were assigned to a reviewer named [REDACTED]. At a later point [REDACTED] became the Group Manager and [REDACTED] took over as the reviewer. [REDACTED] sent these cases to the full development bucket. His group continued to screen cases as before: if they were merit closed or incomplete, send them to those buckets. Cases needing development were now

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b7C -2

sent to group 7822 [REDACTED] does not know if there were any similar cases that were merit closed at the time [REDACTED] told screeners on any case to air on the side of caution. He never directed his people to inventory all cases that mentioned Tea Party. He emphasized screen the case, then bucket it. He does not remember providing any specific guidance on identifying Tea Party specific cases. The focus was on social welfare organizations doing political activity.

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b7C -2

In an e-mail chain dated April 1, 2010 (71-000015-16) [REDACTED] refers to doing a SCR on these cases. SCR stands for Sensitive Case Reports. [REDACTED] never prepared SCR's or received reports on them. SCR's were created by group managers (like [REDACTED] or [REDACTED] was an acting manager in EO Technical. [REDACTED] who was also on the e-mail chain, was a technician in EO Technical. Both [REDACTED] were based in Washington, D.C. PAZ [REDACTED] two cases sent to EO Technical (the other being [REDACTED] a 501(c)(3) [REDACTED] did not know why EO Technical did not want the other cases as well. He guesses they did not want more cases to work.

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b6 -2,3
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In an e-mail chain from late April 2010 (71-000024-25), the cases are moved from [REDACTED] "75" (the number his group used for inventory) to Group 7822. As far as [REDACTED] was concerned, out of sight, out of mind. He did not follow up on the cases. This e-mail chain included [REDACTED] (manager in processing support) and [REDACTED] who was a manager and is now a line revenue agent.

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[REDACTED] worked in Washington D.C. and recently retired [REDACTED] does not know if [REDACTED] is a nickname.

From the March/April 2010 timeframe until June/July 2011 [REDACTED] does not remember addressing any Tea Party issues. In an e-mail dated June 2, 2011 (71-000047-49) from [REDACTED] to [REDACTED] requested that [REDACTED] send [REDACTED] the criteria screeners used to label a case a "tea party case" [REDACTED] was surprised by this e-mail because he did not have any conversations about Tea Party issues leading up to this e-mail exchange.

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In a separate e-mail chain dated June 2, 2011 (71-000092-93) [REDACTED] asked his experienced screeners, [REDACTED] to put forth what issues, not criteria, they were seeing, not using, in tea party cases. He accumulated these and forwarded them to [REDACTED] He was asking what his screeners were finding, not what they were using to screen cases.

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[REDACTED] never provided general criteria to his screeners to use to identify issues [REDACTED] did not look at the BOLO (Be on the Lookout) spreadsheet, nor did he provide the spreadsheet to his screeners. He did not think his screeners would have the time to use the BOLO. His view was

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that the screeners should just send further development cases that needed consistent treatment to Group 7822. Group 7822 was the consistency group that ensured consistent treatment for these types of groups. [redacted] told [redacted] this, and [redacted] agreed that they did not consider the screeners when developing the BOLO spreadsheet.

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b7C -2,3

In the Minutes of Group Meeting - Group 7838, dated August 17, 2011 (71-000058-59), the Miscellaneous Items section stated that all advocacy and BOLO cases should go to [redacted] group. [redacted] never mandated that his screeners had to use the BOLO, in fact he did not want screeners to stop working and bring up BOLO issues all the time [redacted] did not have the time to deal with each time a screener brought up a BOLO issue. The BOLO often directed people to bring possible BOLO cases to their manager's attention. [redacted] told his screeners to forward them to Group 7822 for consistent treatment. Group 7822 may divide these BOLO cases up and send them elsewhere as needed. [redacted] did not write the minutes for this meeting. This Miscellaneous Item was not mentioned because he wanted different treatment of these cases than anything done previously, he was just emphasizing that the cases that needed development should be sent to Group 7822.

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The BOLO spreadsheet was set up a while before all of this stuff began in 2010. Prior to the BOLO, emails were used to track issues to look out for. Consequently people would have to keep and track their emails. [redacted] concern was that screeners spent too much time following instructions on the BOLO list instead of sending cases to Group 7822 if they needed further development, which wasted time and stopped the process. Group 7822 acted as the catch-all consistency group, and was the specific group for advocacy. Other specialty groups were also set up for consistency or specific issues.

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For example TAG 18 was a group that was set up for [redacted] [redacted] which had set up for automatic exemption, much like the group ruling for the Catholic Church. However it came to the IRS' attention that many of these [redacted] did not actually exist, they were just an address. Since the cases are approved strictly on just the application, they would not catch this fraud without further review, so cases of this type were sent to TAG 18.

b3 -1

ACORN cases (listed on the BOLO) are not similar to the Tea Party cases. ACORN was abusive in its practices, and went to a TAG group, not advocacy. TAG stands for Touch and Go. TAG groups are used for fraudulent issues, not consistency groups. There were cases where political liberal groups were categorized in TEDS as advocacy groups, but [redacted] was not sure who they were.

b6 -2
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b6 -2
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An e-mail dated July 5, 2011 (71-000050) was sent to [REDACTED] from [REDACTED] with the subject: "FW: Emerging Issue Cases." [REDACTED] refers to the Washington Office putting together a document for recommended actions for working these cases. [REDACTED] never saw the document [REDACTED] was referring to, but it would be intended for [REDACTED] group regardless, not [REDACTED]. [REDACTED] was [REDACTED] staff assistant. [REDACTED] was a Manager. [REDACTED] stated there were no time constraints on EO Technical, and therefore was not surprised that no guidance had been issued in over a year and half from when the cases were first brought to the attention of management.

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The TEDS system can trace the history of a case and has a reporting function. A report was created analyzing all 501(c)(4) organizations. In TEDS, the name Tea Party was the tag used to identify the cases, but advocacy was the issue for the identification.

b6 -2,3
b7C -2,3

In an e-mail dated September 12, 2012 (71-000033-34), from [REDACTED] to [REDACTED] four buckets are used to describe statistics relating to advocacy cases. These buckets are not the same buckets used by [REDACTED] screening group.

In an e-mail dated May 10, 2012 (71-000064) from [REDACTED] with subject: "FW: Advocacy Cases - Next Steps - UPDATE", she states that she spoke with PAZ regarding the advocacy team, training etc. and then provides the update which includes a list of people participating in the training. This e-mail was the first time that [REDACTED] heard about a group or training to deal with advocacy groups. [REDACTED] was asked to speak the first day of the training about how advocacy/Tea Party identification started. [REDACTED] talked about other issues they were identifying. [REDACTED] had heard there was an internal IRS investigation that had started prior to this meeting. [REDACTED] does not know why it started. He felt like the meeting was a fact finding meeting. He could tell something was going on, but NAN MARKS was very positive during the training. MARKS was the Senior Technical Advisor to JOE GRANT, the Commissioner over Tax Exempt [REDACTED] did not participate in the training after he spoke. The meeting did not change anything he was doing in screening.

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b7C -2,3

Treasury Inspector General for Tax Administration (TIGTA) talked to [REDACTED] for about an hour in an interview in August 2012 for an audit. [REDACTED] did not think anything was a serious issue out of this meeting. The first time [REDACTED] realized something serious was going on was when he heard LERNER'S speech at a news conference in 2013 around the time of the release of the audit report. [REDACTED] does not know of any type of cover up or any destruction of documents. [REDACTED] never told his people what to say in

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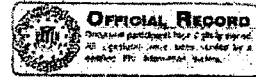
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regards to these issues and nobody had ever told him what to say. He did not destroy documents, he never instructed others to destroy documents, and he never ordered people to cooperate in the investigation.



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FEDERAL BUREAU OF INVESTIGATION

Date of entry 11/07/2013

FEDERAL TAXPAYER INFORMATION

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[redacted] date of birth [redacted] Social Security account number [redacted] residence address [redacted]

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b7C -2,3,4

[redacted] office telephone [redacted] was interviewed at the Cincinnati FBI office. Also present during the interview were Department of Justice Attorneys [redacted] and [redacted] and Treasury Inspector General for Tax Administration (TIGTA) Special Agent [redacted]. During the interview, documents were shown to [redacted] and hereafter those documents will be referred to by their respective bates numbers and copies will be maintained in the 1A section of the case file. After being advised of the identities of the interviewing agents and the nature of the interview, [redacted] provided the following information:

(b)(6), (7)(C)
per CRM

[redacted] has been the Manager over [redacted] in Exempt Organizations (EO) Determinations since 2003. She started with the IRS in [redacted] and became a revenue agent in 1991. She was an EO Group Manager from 1998 to 2003. [redacted] has a little [redacted] experience, but no [redacted] reports to the Director of Rulings and Agreements. ROB CHOI used to be the Director, then it became HOLLY PAZ, and when PAZ was [redacted] it was [redacted] KAREN SCHILLER is the current acting Director who replaced PAZ.

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QA's responsibility is to review the Determinations Program. This is comprised of three components. The first is the Sample Review Program. This is done with the computer system where a random sample of closed cases is reviewed. The statistics based off of these reviews are then sent to the Commissioner for review. These cases are completed quarterly. The second component is the Mandatory Review Program. These reviews are designated per the Internal Revenue Manual (IRM). The mandatory reviews are usually complex cases, sensitive cases, as well as all denials. These cases should be done within five days. The last component is the Special Review Program which includes special or separate reviews. Before everything was stopped regarding advocacy cases, QA was conducting a Special Review of advocacy cases but only made it through "bucket" 1, otherwise known as merit closed cases.

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Investigation on 07/09/2013 at Cincinnati, Ohio, United States (In Person)

File # 282B-WF-2896615

Date drafted 07/26/2013

by [redacted]

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The computer system in the Sample Review Program, the Employee Plan and Exempt Organization Determination System (EDS), will generate a random sample for review. The review is based on attributes in the case files, and the sample generated is 1200 cases a year, but that will be cut down to about 400 cases. [REDACTED] has seven Grade 13 revenue agents working for her.

They include [REDACTED]

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[REDACTED] and [REDACTED] Most people are on three year assignments to QA; [REDACTED] is the only permanently assigned agent. Since most people are on a rotation they get on the job training. They do need a background in working cases, but they do not need special training. Everyone pulls cases from case inventory and cases are assigned on a first in, first out basis. If a QA reviewer was involved in the original case, he or she will not be involved in the QA review. For every case that is reviewed in QA, EDS prints a report that identifies when and where cases went, and what steps that case took.

Every QA review requires [REDACTED] signature. All denial letters are published in a redacted form, so she reviews them even more closely. [REDACTED] has limited interaction with IRS personnel in Washington, D.C. in the normal course of her job. She might contact them if a case needs to be elevated for awareness, or a case needs to be sent to EO Technical, or if her function is being reviewed. Most of her day to day work is routine manager responsibilities and working with her staff. On one occasion she flow charted the application process with three people from EO Technical to identify important measurements.

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Cases go to Processing first, where they process the payment and input the case into the EDS and TEDS systems. An agent requests cases from Processing, and has them assigned to him or her. The agent then screens the cases. The agent tries to merit close cases in the screening stage if possible. If this happens, then they prepare a worksheet and a clerk would then prepare a letter, send it, and close out the application. This is considered putting the case in the first 'bucket.' Intermediate processing, also called advanced processing, is used where a few additional things are missing from the application. This is considered the second bucket. The third bucket is full development.

A political sensitive case should go to full development even if it looks complete. CHOI issued a memo in 2010 saying that political sensitive cases should not be closed in screening and should be sent to full development [REDACTED] agreed to provide a copy of this memo which will be maintained in the 1A section of the case file). This would cause the case to be put into general inventory and then reviewed based on case grade. Politically sensitive groups are outlined in the IRM section 7.20.5.

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Regarding the history of the BOLO spreadsheet [REDACTED] recalled that there was a time when agents needed an informal process to identify certain types of cases. The best example to use is credit counseling cases. There was abuse in these applications and in one instance 200 applications were filed by one person. There needed to be a way to let people working cases know to look for these cookie cutter type applications. [REDACTED] a manager at the time, tasked screeners to come up with a way to track this type of information. One screener in particular, [REDACTED] kept a spreadsheet and came up with the name TAG (Touch and Go) for it. This spreadsheet had what to look for and then what to do with it. Credit counseling cases were sent to [REDACTED] group since he had a fraud background. This began the specializations of certain groups receiving certain types of cases. As new things came in the door more areas were identified.

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b7C -2,3

[REDACTED] would e-mail the Group Manager with issues she thought might be added to the BOLO list. She understood from what she had seen that the Group Manager would add things to the list. [REDACTED] did not look at the BOLO often. The agent in charge of the list changed frequently. She is not sure if any issues she raised were ever put on the list. She would send e-mails to [REDACTED] and [REDACTED] on stuff to watch for. Most stuff on the list was from Cincinnati, but some stuff like newspapers and medical marijuana were put on the list by Washington. IRM section 7.20.6 covers the BOLO.

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b7C -2,3

If [REDACTED] had updates or changes for the section of the IRM that she is responsible for, she would send them to [REDACTED] in Washington. He would then send them out for comment and then they would be reviewed and then become part of the IRM.

b6 -2,3
b7C -2,3

As part of the QA process, reviewers will look to see whether the BOLO and OFAC list were checked as part of the casework. Initially they had a lot of errors where people did not check the BOLO. Screeners then came up with a checklist that included checking the BOLO as one of the steps. Some specialists probably read this to mean that if a type of case is on the BOLO then send it to the appropriate group for development regardless of whether the case could be merit closed in screening.

[REDACTED] stopped [REDACTED] in the hall one time and wanted her opinion on Tea Party cases. She recommended he contact EO Technical. She knew that the Tea Party was in the news and he would want to elevate the issue. She might have reminded him about the mandatory elevation category. Tea Party cases would probably fall into the mandatory review category because of the political nature. CHOI's memo spelled out political activities like voter education, voter registration and political host committees.

b6 -2,3
b7C -2,3

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EO is often in the news so most agents pay attention to the news. Most agents and managers would know what the Tea Party was. IRM section 1.54 requires people to elevate issues through the management chain. Several months after [REDACTED] conversation with [REDACTED] was on vacation and [REDACTED] was acting in her place. Some Tea Party cases came to QA. [REDACTED] reviewed them and noticed that in the file there was correspondence noting the cases were coordinated with EO Technical, therefore it was not appropriate for QA to review them then. These cases would eventually be subject to mandatory review and were probably approval case closures.

b6 -2,3
b7C -2,3

In May 2012 there was a big bucketing of Tea Party advocacy cases. [REDACTED] was asked to provide two of her revenue agents as reviewers. This bucketing process was not just Tea Party cases.

b6 -2
b7C -2

In January 2012 a progressive case came to her group because of a denial close. She raised it to PAZ. PAZ asked for a draft denial letter to be sent to Washington via e-mail. Washington then told them to hold up and do not send the letter. [REDACTED] felt this was unusual. She got three other similar cases in March/April 2012, but they were not labeled as advocacy cases. In August 2012, Washington said some of the denial letters looked good but do not send them. Eventually the cases were sent back from QA to the groups in which they were originally worked [REDACTED] felt the length of time this took was unusual and the approving of the letters but not sending them was unusual as well. PAZ gave her the impression that Washington wanted to make sure the denial letters were consistent. [REDACTED] and [REDACTED] were the people from EO Technical who came back to [REDACTED] and said they agreed to the denials. PAZ would have been the person telling [REDACTED] to hold out on sending them.

b6 -2,3
b7C -2,3

In an e-mail chain from June to September 2012 (bates 37 to 39) [REDACTED] documents her follow up on these progressive cases that started with the first case she received in January 2012. She recalls leaving [REDACTED] a telephone message during this exchange. She felt the delay was ridiculous and that no reason given to her to explain the delay was reasonable. Taxpayers were complaining to specialists, who were then complaining as to why their cases were being held by QA. [REDACTED] had a couple of calls with PAZ about these cases in addition to the e-mails [REDACTED] was frustrated by the whole delay around these cases. To her it seemed like Washington was afraid to make a decision and the consequences of publicly making that decision.

b6 -2,3
b7C -2,3

[REDACTED] had not had a lot of prior interaction with PAZ. [REDACTED] felt PAZ's decisions and feedback were slower than her previous boss, CHOI. PAZ had tax law experience. Sometimes decisions were delayed because PAZ was waiting on LOIS LERNER.

b6 -2,3
b7C -2,3

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[REDACTED] was shown an e-mail dated May 10, 2012 from [REDACTED] (bates 64 to 65). Prior to this e-mail she had received an e-mail from PAZ telling her that PAZ was putting a team together for this advocacy bucket project. She needed two people from QA. One of the people [REDACTED] selected was [REDACTED]. [REDACTED] is one her best reviewers. Prior to coming to QA, [REDACTED] was the first determinations specialist to get the Tea Party cases. PAZ took [REDACTED] off the team however, so [REDACTED] ended up assigning [REDACTED] and [REDACTED]. The opening session of the training referred to in the e-mail was where PAZ and NAN MARKS met with agents on how to work cases. MARKS was the Senior Technical Advisor to Commissioner JOE GRANT. MARKS opened with a comment about how the TIGTA investigation was going on and how EO Technical had let the specialists down. She also discussed that this group was created to help start moving inventory and promised guidance and support. [REDACTED] believes that [REDACTED] and several others were there for this meeting. [REDACTED] of EO Technical was one of the main people to provide training. The guidance given made sense to [REDACTED] but did not explain the delay in receiving it.

b6 -2,3
b7C -2,3

[REDACTED] had a meeting with MARKS and PAZ about doing special reviews of bucketing cases. Basically her group was to re-screen advocacy cases that fell into bucket one, merit closures. [REDACTED] had [REDACTED] draft a checklist based on certain criteria and whether the decision was appropriate. These reviews started right after the training. Reports were issued on these bucket one reviews.

b6 -2,3
b7C -2,3

The training was a hands-on reviewing of cases where specialists had a bucketing sheet to work off of. People from EO Technical worked with the specialists. If two people agreed that a case should be in bucket one, it was moved to QA for review. If they disagreed, then it was moved to a reconciliation process between the two specialists. If an agreement could not be made then, it was moved up to [REDACTED] for final review. [REDACTED] group moved through bucket one cases and did not find a lot of problems. She assumed the approval letters went out. [REDACTED] group then started reviewing bucket two cases, which were cases that needed minimal development. Group managers would make selections for random reviews of cases from these buckets two and three and send to QA. [REDACTED] group would have seen all cases in bucket four regardless, as all denials are reviewed by QA. QA started reviewing letters in the case file for appropriateness after the May 2012 bucketing exercise.

b6 -2,3
b7C -2,3

The political advocacy description on the BOLO was changed at some point to significant political campaign intervention. The terminology

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Continuation of FD-302 of Interview of [REDACTED], On 07/09/2013, Page 6 of 7

b6 -2,3
b7C -2,3

probably caused some cases to go into the advocacy bucket that should not have. [REDACTED] felt a lot of lower-level agents did not have training or experience in this.

[REDACTED] was not interviewed by the TIGTA auditors. Some people seemed worried about what to expect in the audit process. [REDACTED] seemed concerned about getting thrown under the bus.

b6 -2,3
b7C -2,3

[REDACTED] was shown a copy of an e-mail from [REDACTED] dated July 26, 2012 (bates 62 to 63). The EO Determinations section of the IRS was big on the chain of command. Since [REDACTED] was on this list of people to be interviewed by the auditors [REDACTED] was on the "Cc:" line since managers were always "Cc:'d" when their employees were included in an e-mail. [REDACTED] told [REDACTED] to tell the truth [REDACTED] did not tell [REDACTED] what to say, nor was [REDACTED] directed on what to say to [REDACTED]

b6 -2,3
b7C -2,3

[REDACTED] was shocked by LERNER's press conference in May 2013 even though she knew about the audit. The TIGTA report was to be issued soon after. [REDACTED] called PAZ from home when employees called her concerned about being portrayed as rogue agents in the news. She asked PAZ if a media person in the IRS would be making a statement. PAZ said LERNER did the press conference before the report to lessen the blow of the report [REDACTED] asked her how to handle the media, as they were showing up at the door steps of employees and calling employees at home.

b6 -2
b7C -2

[REDACTED] staff has a training coordinator [REDACTED] used to conduct new hire training. During this training referred to as Phase 1, new hires are taught about not allowing personal beliefs to affect cases. [REDACTED] recalled a continuing professional education (CPE) training on heightened awareness being given in the summer of 2010 by [REDACTED] and [REDACTED] where Tea Party and Acorn cases were discussed.

b6 -2,3
b7C -2,3

Discussing politics was not part of the office culture in EO. They do not review cases on the views of the organizations, but on the tax law. [REDACTED] is not aware of any targeting of 501(c) applications based on political viewpoints. She does not think anyone was targeted; they were trying to handle inventory. The Tea Party designation looks bad, especially since progressive cases were not included in these categories, as that would show balance since the focus right now is on the Tea Party issue. [REDACTED] did not get the feeling that this was because it was Tea Party as opposed to progressive, but because Tea Party was where the "fire" was. [REDACTED] asked why progressive cases were not segregated similar to the Tea Party cases, but she did not get any satisfactory answers. When QA did the bucket one reviews, they saw all types of cases, not just Tea Party

b6 -2
b7C -2

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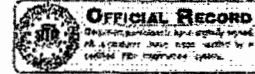
Continuation of FD-302 of Interview of [redacted], On 07/09/2013, Page 7 of 7

cases. [redacted] never heard anybody, including PAZ or LERNER, say anything negative about the Tea Party. [redacted] was surprised that no one has ever contacted her regarding the Tea Party issue before.

b6 -2
b7C -2

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14-cv-1239-FBI-16



FEDERAL BUREAU OF INVESTIGATION

Date of entry 08/01/2013

FEDERAL TAXPAYER INFORMATION

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[redacted] date of birth (DOB) [redacted] Social Security account number [redacted] residence address [redacted]

[redacted] was interviewed at the law firm of Bredhoff and Kaiser P.L.L.C, 801 15th Street NW Washington, DC 20005. [redacted] attorneys, [redacted] [redacted] and [redacted] were present for the interview. Also present (b)(6), (7)(C) for the interview were U.S. Department of Justice Attorneys [redacted] per CRM and [redacted], and Treasury Inspector General for Tax Administration (TIGTA) Special Agent (SA) [redacted] Multiple documents were shown to [redacted] by the interview team during his interview and are identified below by their corresponding bates numbers. After being advised of the identity of the interviewing Agents and the nature of the interview and advised by SA [redacted] that he was authorized to discuss 26 United States Code Section 6103 taxpayer information, [redacted] provided the following information:

b6 -2,3,4
b7C -2,3,4

[redacted] has a management background. He earned a degree from [redacted] [redacted] He is originally from [redacted] He worked as a tax examiner with the Internal Revenue Service (IRS) in Covington, KY from [redacted] through 1996. In 1996 he began working as a Revenue Agent in Exempt Organizations (EO). He became a grade 13 Internal Revenue Agent in April or May of 2010.

b6 -2
b7C -2

[redacted] began in EO working full development cases. He worked on the call site. At times, he worked as Acting Management training new people. He later went to Determinations and did development and screening work. He has been in Group 7823 since May 2010. In approximately July through November of last year, he served 120 days as Group Manager of [redacted] He is one of two to three grade 13 employees in the group. His supervisor is [redacted]

[redacted] first became involved in working Tea Party cases in October 2010 when [redacted] got a new job and her Tea Party cases were reassigned to him. [redacted] was his supervisor. [redacted] Agent assigned to work auto revocation cases. Prior to being assigned the Tea Party

b6 -2,3
b7C -2,3

Investigation on 07/29/2013 at Washington, District Of Columbia, United States (In Person)

File # 282B-WF-2896615 Date drafted 08/01/2013

by [redacted]

b6 -1
b7C -1

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b6 -2
b7C -2

cases, he spent 100% of his time working auto revocation cases. He received a few 100 auto revocation cases per week. When the auto revocation process began, approximately 250,000 cases were immediately revoked. Approximately 50,000 cases per week were revoked after that. [REDACTED] conducted the secondary screening of cases over three years old. He would either close the cases or send them to Development.

b6 -2
b7C -2

[REDACTED] provided the Tea party cases to [REDACTED] and told him they were awaiting guidance from DC on how to conduct the cases. [REDACTED] received between 50 and 100 existing Tea Party cases from [REDACTED]. Approximately 12 of those cases had development letters in them.

b6 -2,3
b7C -2,3

[REDACTED] had been working with [REDACTED] in DC. [REDACTED] was supposed to be providing them guidance on how to work the cases. [REDACTED] sent [REDACTED] a few sample development letters and provided him with a short briefing on the cases. [REDACTED] was told by [REDACTED] to hold the cases and if applicants called for a status update, he should tell them their cases were under review. He received additional new cases over the next year. If a new Tea Party case came in, [REDACTED] would log it on the "Be on the Lookout" (BOLO) list and spreadsheet.

b6 -2,3
b7C -2,3

[REDACTED] called [REDACTED] a few times to see when the guidance for working the Tea Party cases would be issued. After that time, he let his management chain address the issue.

b6 -2,3
b7C -2,3

[REDACTED] was tasked to do one development letter in 2011 or 2012. He wrote this letter a week before TIGTA came in and conducted interviews. The applicant was [REDACTED] from the [REDACTED] group. [REDACTED] was a former IRS employee who had retired from [REDACTED] department and went to work for the Tea Party. [REDACTED] did not consult any guidance when drafting this letter. [REDACTED] believes the letter was approved. The applicant answered the letter and [REDACTED] was able to recommend approval. No other development letters were going out at that time because they were awaiting guidance from DC on whether the Tea Party groups were exempt or not.

b3 -1
b6 -2,3
b7C -2,3

In the 14-month period when [REDACTED] had the cases, he would ask for updates on guidance and was told they were still waiting on DC. He recalls receiving emails with contradictory guidance on whether the 501 (c)(3) or 501 (c)(4) cases should be denied. It was his understanding that a team would come and work the Tea Party cases when the guidance was provided.

When he received the cases and they met the criteria on the BOLO, he would log them in. He received daily or weekly calls from applicants on the status of their applications. [REDACTED] and [REDACTED] both wanted to move the Tea Party cases forward. [REDACTED] was frustrated. Nobody told him directly where the delay was in resolving the Tea Party issue. DC is like a black hole. He does not know who would have made the decision on the Tea

b6 -2,3
b7C -2,3

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b6 -2
b7C -2

Party cases, but [REDACTED] would not have had the final call. [REDACTED] saw similar delays on credit counseling cases.

b6 -2,3
b7C -2,3

Some of the applicants did not do the best job of describing activities and purposes. He did not know how to gauge their political activity.

[REDACTED] was assigned the Tea Party cases until they were assigned to [REDACTED] in 10/2010. While he was assigned the Tea Party cases [REDACTED] spent the entire time working a large number of auto revocation cases. The only work he did on the Tea Party cases was taking telephone calls from applicants seeking status updates. In approximately 09/2010 or 10/2010 [REDACTED] was tasked with completing the BOLO list. [REDACTED] taught him what to do.

b6 -2,3
b7C -2,3

He would cut and paste information onto the list from items that were sent to him by management. It would take him approximately an hour to complete the BOLO list about once a month. BOLOs were only sent out whenever there was something new and a BOLO was sent out to discuss the change.

Management would send him an e-mail with a characterization of the case.

He would take the facts and add them to the issue description on the BOLO.

He would forward the BOLO to [REDACTED] who approved it. [REDACTED] had the BOLO list responsibility until July 2012 when he requested that someone else be given the assignment. He later received the assignment back until the time when the tasking was terminated.

The e-mail from [REDACTED] dated 09/22/2011 and the attached spreadsheet (71-000077 - 71-000080) is an example of how he sent out the BOLOs. He does not know whether [REDACTED] forwarded the BOLOs to anyone else for approval, but at some point, HOLLY PAZ sent out an e-mail that she needed to approve the BOLOs.

b6 -2,3
b7C -2,3

[REDACTED] did not respond to an e-mail from [REDACTED] on 06/08/2011 requesting information on how cases on the screening lists were identified as political. (GOV-EMAILS-000057 - GOV-EMAILS-000059) [REDACTED] followed protocol and went through his management. He forwarded the e-mail to [REDACTED] and said he would let [REDACTED] respond. [REDACTED] has not had conversations with [REDACTED] about this issue since late 2010. He did not have any interaction with [REDACTED] regarding this e-mail. [REDACTED] was surprised when he received the e-mail from [REDACTED] because he had not heard from him in a while. [REDACTED] just followed instructions on the BOLO when working these cases.

b6 -2,3
b7C -2,3

[REDACTED] has heard the name [REDACTED]. She is in DC, but he does not know what she does. [REDACTED] is the manager of the Technical Unit in DC. He may have come to Cincinnati in the early 2000s as a trainer.

b6 -2,3
b7C -2,3

[REDACTED] received an e-mail from [REDACTED] on 07/05/2011 (GOV-EMAILS-000064 - GOV-EMAILS-000065) referencing the change from "tea

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b6 -2
b7C -2

party cases" to "advocacy orgs" on the BOLO list. [REDACTED] was copied on the e-mail, but [REDACTED] does not believe she was his manager at the time. He believes [REDACTED] was his manager. Before [REDACTED] e-mail was sent out, senior management had a meeting during which they changed the language on the BOLO from Tea Party. [REDACTED] does not specifically recall any discussions regarding the change to the BOLO prior to receiving [REDACTED] e-mail. He received an e-mail instructing him not to attend the meeting that was held by senior management a few days prior to 07/05/2011.

b6 -2,3
b7C -2,3

After the BOLO changed, they received more cases. The BOLO was more general, so his group received cases advocating for anything, for example no kill shelters. He advised [REDACTED] of this trend. He would approve these types of cases on merit because he knew they would not put the cases in the advocacy inventory since they did not involve political campaign activities. The advocacy inventory should include organizations who are lobbying for political issues and are involved in potential political campaign activity. The also received more cases that fit what they were trying to capture. They received more cases on less conservative groups.

b6 -2,3
b7C -2,3

They had a workshop in June in which they received more guidance on advocacy issues. Sometime in early 2012, they had a quick stand up meeting to discuss the current criteria for the BOLO with [REDACTED] and [REDACTED]. They brainstormed about the issue and shortly afterward, [REDACTED] received an e-mail from [REDACTED] saying they needed to update the BOLO. The updated BOLO was attached to [REDACTED] e-mail and was ready for dissemination. After the update, [REDACTED] noted a decrease in the volume of cases that were improperly routed to his group.

b6 -2,3
b7C -2,3

It was a happy day when [REDACTED] was transferred to the group and was assigned [REDACTED] advocacy caseload. [REDACTED] had a group of other agents who were going to assist him in processing the cases. [REDACTED] was now working solely on auto revocations and was given no additional responsibilities. [REDACTED] was happy because he had been receiving telephone calls from applicants and could not tell them anything except that their cases were under review. He attended the initial meeting with the group, but then was ready to back away.

b6 -2,3
b7C -2,3

The entire time he was coordinator of the Tea Party cases [REDACTED] did not receive any guidance from DC. Everyone who was a coordinator when the development letters were sent out was later removed from covering those issues, including [REDACTED] was later pulled back to review the cases as a secondary screener. During the period of July 2012 through November 2012, [REDACTED] was an Acting Manager and did not screen.

b6 -2,3
b7C -2,3

[REDACTED] and others were sent an e-mail by [REDACTED] on 04/04/2012

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b6 -2
b7C -2

regarding an extension letter developed by DC to be issued to the advocacy organizations who applied for (c) (3) status. (GOV-EMAILS-000298 - GOV-EMAILS-000302). He does not know why he was copied on this e-mail, because he was not doing any work related to advocacy organizations during this time period.

[REDACTED] attended a meeting before the TIGTA audit in which Tea Party cases and BOLO criteria were discussed. Examples were forwarded to the group and they were asked what they would do to address them. Other attendees were [REDACTED] HOLLY PAZ and others from headquarters. [REDACTED] stated he has not met [REDACTED]

b6 -2,3
b7C -2,3

There was a three week training session in May 2012 after the development letters went out. This training occurred after [REDACTED] and [REDACTED] were no longer involved in the process. He was probably told about the training by [REDACTED] was not really upset about the concerns that were raised regarding the letters. He did not write development letters and did not know where the questions on the letters originated. He was concerned that someone would be blaming him for any problems with the letters, but he was not involved with the letters. He did not read the development letters that went out. He saw something in the news about a letter to Liberty something in Ohio. The report in the news said the letter was asking the applicant about who was on their board of directors. The applicant was complaining that the question was in the letter, but that question is a part of the application.

b6 -2,3
b7C -2,3

After [REDACTED] was pulled off the advocacy cases, [REDACTED] was asked to maintain the spreadsheet. In a 09/12/2012 e-mail to [REDACTED] provided the numbers of total advocacy cases that had been bucketed, per a request that had originated with PAZ (71-000033 - 71-000035). He was not bucketing at this time, but was still maintaining the spreadsheet. People came to him for the statistics. [REDACTED] is aware that a group from DC came to Cincinnati for three weeks to do a bucketing exercise, but that was after [REDACTED] told him he was not to be involved in bucketing anymore. To answer a question posed to him in an e-mail from [REDACTED] about the status of unassigned advocacy cases (71-000061) [REDACTED] would obtain the information from the spreadsheet under a list of 51's. Over time, he received more frequent requests for this information. People on the advocacy team were required to provide him weekly updates after people from DC went to Cincinnati and the bad publicity took place.

b6 -2,3
b7C -2,3

[REDACTED] does not recall ever seeing the "Advocacy Organizations Guide" Sheet (GOV-EMAILS-000099 - GOV-EMAILS-000110), nor the "Triage Worksheet" (GOV-EMAILS-000330), nor the "Script - Phone Calls to Favorable Advocacy Org Cases With Outstanding Development Letter" (GOV-EMAILS-000339). He

b6 -2
b7C -2

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b6 -2
b7C -2

does recall a phone script with instructions for an organization who had applied for either a (c)(3) or (c)(4) exemption, but would fit better under the other section. [REDACTED] would give them the best possible code section to use.

b6 -2
b7C -2

Since the Tea Party issue arose in 2010 [REDACTED] did not witness intentional delays because of an applicant's political affiliation. He did not witness intentional discrimination because of an applicant's political affiliation. He is not aware of anyone being told to lie if asked questions by federal investigators. After the audit report was released in 05/14/2013, he did not witness anyone concealing or destroying documents or covering up information. He received a preservation notice and retained the relevant documentation.

b6 -2
b7C -2

[REDACTED] hopes it is clear that Cincinnati asked for guidance and was awaiting DC's reply. He did not like when LOIS LERNER dropped a bomb on them. He was not surprised that it happened, and that is why he kept his emails. He did not know what kind of leader she was. He never met her.

b6 -2
b7C -2

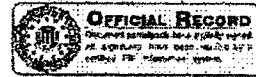
He was upset because she used Cincinnati as a scapegoat and threw them under the bus.

[REDACTED] met PAZ during the TIGTA audit when the group came to Cincinnati from DC. She was present for his interview with TIGTA. He was never interviewed by TIGTA before, but he thought it was strange that PAZ was present for the interview. She did not speak and her presence did not influence what he said. She did not speak to him in advance and he did not know she was going to be there. The auditors did not ask questions about her specifically. She left the room before the last question. She seemed to know the point when she was supposed to leave. The last question was whether anyone outside the IRS had influenced his actions.

b6 -2
b7C -2

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FEDERAL BUREAU OF INVESTIGATION

Date of entry 07/23/2013

FEDERAL TAXPAYER INFORMATION

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(b)(6), (7)(C) per CRM

[redacted] date of birth [redacted] Social Security account number [redacted] residence address [redacted] office telephone [redacted] was interviewed at the Cincinnati FBI office. Also present during the interview were Department of Justice Attorneys [redacted] and [redacted], and Treasury Inspector General for Tax Administration (TIGTA) Special Agent [redacted]. During the interview [redacted] was shown documents which will be referenced by the appropriate bates numbers assigned to them and the documents will be maintained in the 1A section of the case file. After being advised of the identities of the interviewing agents and the nature of the interview, [redacted] provided the following information:

b6 -2,4
b7C -2,4

[redacted] attended [redacted] on a [redacted] scholarship. [redacted]

He eventually got an accounting degree from [redacted]. In [redacted] he was hired by the IRS as a GS 7 revenue agent. He did determinations work for Exempt Organizations (EO). As part of this position he reviewed 1023 and 1024 applications, collected information from organizations, and used it to make determinations. He worked himself up to a GS 11, and then applied to a GS 12 position. He was asked to act as a Group Manager. In 2007 a permanent Group Manager position opened up and he was selected for it. [redacted] who was an acting Area Manager, became the permanent Area Manager in January 2013. Previously one Area Manager position was open and the other was held by [redacted] worked under [redacted]. There are two Area Managers (Area 1 and Area 2) and each is responsible for watching over six groups underneath them. [redacted] is the other Area Manager. Most of the work performed by Area Managers is personnel work, including managing employee tele-work. [redacted] reports to the Program Manager, [redacted].

b6 -2,3
b7C -2,3

[redacted] has six Group Managers underneath him. Two of the managers are in California and their names are [redacted] and [redacted]. Four of the managers are located in Cincinnati and include [redacted] and [redacted].

b6 -2,3
b7C -2,3

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Investigation on 07/09/2013 at Cincinnati, Ohio, United States (In Person)

File # 282B-WF-2896615

Date drafted 07/23/2013

by [redacted]

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[REDACTED] could not remember the names of the other two managers.

All of the groups underneath [REDACTED] work determinations. There are different levels of people in the groups, and some people work specialties such as group rulings. The first group that [REDACTED] managed was Group 7827. He also supervised Group 7822 which was in charge of accelerated processing (AP). AP cases are ones that only need some administrative things, which usually are obtained from the applicant and can be quickly processed. The technical side of these applications looks good, meaning they meet the standards, but they may simply have an administrative issue. An example of an administrative issue would be that the applicant did not sign the form or left something blank.

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The 501(c) application process starts with the application going to Covington, Kentucky where it is scanned into the system. As screeners need work, they will get cases from the system and screen/classify the cases. Screeners used to be in one group which was managed by [REDACTED]. Now screeners are spread throughout the groups, and as such senior screeners are in each group. Cases may be screened out (approved) if they are not sent to "buckets" for development. Buckets are just sub-categories that have developed from experience over time. These development buckets include full development and intermediate processing, the latter of which is a more technical bucket. By sending the cases for development, senior agents direct the cases to the groups to be worked. It is common for groups and the agents in the groups to get moved around in realignments. [REDACTED] a revenue agent, moved into [REDACTED] group in mid to late 2010, and brought with her the BOLO list. The senior person in the group is usually the coordinator for the list.

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Cases are worked in the order of their control date, which is usually their post marked date. Cases are graded as 11, 12 or 13 work. These numbers correspond to the level of the revenue agent that will work them. More complex issues like hospitals are considered Grade 13 work while less complicated entities, like Little League, would be Grade 11 work. There is a spreadsheet tool used by the classifiers/screeners for grading work.

When [REDACTED] started working cases, he worked different types of cases from case inventory. Then a grading system was developed. After the grading system was created, a list was developed to coordinate cases in order to provide consistent treatment for groups of cases like Group Rulings. The coordinator of this list would add items to the list and then send it out to everyone. For instance, the coordinator might add groups based on known criminal cases. This was usually part of the watch list section of the BOLO. [REDACTED] did not review the BOLO before it went out.

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He would get an e-mail from the Area Manager and send it to [REDACTED] or whoever the coordinator was. That person would make the change, and then send out the list. As agents saw cases that they thought should be on the list, they would elevate the issue up the management chain, and then it would be pushed back down his management chain to make the change. The wording on the BOLO was vetted from Washington and pushed down. The BOLO went out to all of EO and to the IRS office in Washington, D.C.

The BOLO was used as a tool for the screeners/classifiers and all revenue agents were expected to know what was on the list. If an item was on the BOLO list, then that case could not be merit closed by the screeners/classifiers. [REDACTED] does not remember having conversations with the screening group about the BOLO. IRM section 7.20 requires the checking of the BOLO list. The BOLO list needed to be checked much like the Office of Foreign Assets Control (OFAC) list. [REDACTED] eventually transferred to Quality Assurance (QA) and [REDACTED] took over as coordinator. [REDACTED] was the coordinator up until two weeks ago when the BOLO list was suspended by the new executive acting for LOIS LERNER. This man is actually located in Cincinnati, whereas LERNER was located in Washington. [REDACTED] did not recall his name.

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[REDACTED] was shown an e-mail blast of the BOLO list (bates 77 to 80). The e-mail went out to 12 groups, managers, everyone in Rulings and Agreements (RA), Determinations, EO Technical and EO Guidance. It might go to Processing as well. This would include a copy of the BOLO and [REDACTED] considers this to be 6103 protected taxpayer material. The list has the issue name, the description of the issue and an issue number. The issue number is used to separate the issues in the spreadsheet. It would also have the year it was put on the spreadsheet and then what to do with the issue (disposition) [REDACTED] is not sure what "Current Status" means, but it would not matter to a screener/classifier. The BOLO is a tool to get cases to groups for consistency and specialty treatment.

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[REDACTED] was shown a description of advocacy groups from a BOLO (bates 72 to 73). There were different descriptions for advocacy. These descriptions changed as more cases were worked and they could refine the information on the spreadsheet. Originally the BOLO listed advocacy as Tea Party. When these cases first came in they did not have precedence on political advocacy and since many of the cases had Tea Party in the name they used that as the description. [REDACTED] remembers Tea Party being added to the BOLO, and it was done by way of the typical process for adding information to the list. There were lots of cases coming into inventory; however there was not much guidance on how to work them [REDACTED] does not remember who told him to add Tea Party to the BOLO list, but it probably would have been by e-mail and the e-mail would have had the language to use

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for the addition to the BOLO. No one said anything at the time or raised any concerns about the Tea Party being added to the list. As mentioned previously, revenue agents were expected to know what was on the BOLO. Their managers may know as well, or the managers may lean on their agents' knowledge for what is on the list. [redacted] does not remember when the Tea Party issue was first raised, but it would have been when it was first put on the BOLO.

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Case Chronology Reports (CCR) are non-disclosable work papers for each case. Checking the BOLO was part of the CCR. Agents could also put checking the BOLO, as required per the Internal Revenue Manual (IRM), as part of the case timeline.

Group 7822 was composed of 12 to 15 people and was simply a place for the Tea Party cases to be held in inventory while the agent waited to receive guidance from the Washington office. There had been no precedence previously on these issues. [redacted] is not sure when the issue was forwarded up the management chain, but he was probably told by his Area Manager, most likely [redacted] to hold the cases. If the case said it supports politics and political activity it would be put into Group 7822. [redacted] and then [redacted] held the cases in their inventory.

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Guidance on how to work the cases did not come down until after [redacted] left Group 7822. He asked his management chain once a month or every other month whether there was guidance or not. Since the Area Manager changed a lot he is not sure who he was communicating this with. He may have off and on had some conversations with [redacted] about when the guidance was expected. In his experience, getting guidance from Washington takes a while; but this seemed to take longer. It was typical for cases to sit and wait until they got guidance on how to apply the tax law.

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[redacted] was shown an e-mail chain dated June 1 to 2, 2011 (bates 92 to 93). [redacted] does not remember the e-mails. HOLLY PAZ was [redacted] manager. [redacted] was one of the Area Managers. [redacted] had heard of [redacted] in general, maybe from the media or work. He would not typically follow up on e-mail exchanges where he was on the "Cc:" line unless it was sent to his employee.

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[redacted] was shown an e-mail dated June 2, 2011 (bates 48 to 49) where four issues are listed as indicators of potential "tea party" cases. Since he was on the "Cc:" line of the e-mail he does not recall it, but this e-mail may have led to a description change for the Tea Party cases. He does not recall discussions about the four topics listed for Tea Party/advocacy identification.

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[redacted] is not aware of any memorandums or e-mails other than the BOLO

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that addressed how to treat Tea Party cases. There may have been a managers meeting where Tea Party was discussed, but it would have been related to the BOLO. [REDACTED] would run staff meetings for area and group managers. She would tell everyone that they were still waiting on guidance. No comments were made regarding the Tea Party and its politics. [REDACTED] has never heard any manager or agent talk about what they personally believed or whether it affected the cases. People are good about putting personal feelings aside and working cases. People need to be unbiased and he would have counseled an employee and raised the issue up the management chain if it was ever an issue. He has never heard of anyone having this issue. The only thing he knows about the Tea Party was that they were upset that the IRS did not give them what they wanted. He does not know what the Tea Party is or does.

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[REDACTED] works in Washington. He was the Washington contact who worked with [REDACTED] in the beginning to develop the Tea Party cases. He would typically ask for a copy of the case to get guidance going in order to work on development letters. After reviewing an e-mail dated June 8, 2011 (bates 47) [REDACTED] stated that [REDACTED] and [REDACTED] both work in Washington. He does not remember the e-mail specifically and is not sure why [REDACTED] was asking [REDACTED] for information about the cases. [REDACTED] does not remember preparing anything for the briefing of LERNER.

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[REDACTED] was shown an e-mail dated July 5, 2011 (bates 50) which he does remember. LERNER had concerns how the BOLO was worded. He did not take any action based on this e-mail. [REDACTED] feels that the intent of the work on the Tea Party cases was right. He guesses that if the name was different there never would have been an issue. It is possible that Tea Party cases were moved to the advocacy group only because they said Tea Party. He is not sure of the number of Tea Party cases. [REDACTED] has not read the TIGTA audit report and has only seen some pieces on the news.

b6 -2
b7C -2

[REDACTED] was shown a copy of the minutes of an EO Determination Managers Meeting dated December 5, 2011 (bates 53 to 54). As noted on item six, [REDACTED] was asked to form a team to get development letters out. [REDACTED] asked him to set the team up. He put [REDACTED] a senior agent, in charge of the team. They were tasked with getting a senior team together to develop these cases. She also asked him if he thought [REDACTED] would be good to handle it, which he did. He had [REDACTED] read guidance provided by Washington. [REDACTED] said the guidance was what was already in the law so it was not helpful. [REDACTED] did not read this guidance. [REDACTED] supervised [REDACTED] and his team which was made up of people from many other groups.

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[REDACTED] was shown a copy of letter sent by the IRS to the [REDACTED] [REDACTED] (a copy will be maintained in the 1A section of the case file) dated

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February 1, 2012. This letter includes a typical cover letter plus an attachment asking for what is needed for development. This would have been from [REDACTED] group. The letter is signed by [REDACTED]. This letter included typical questions like who are the Board members. [REDACTED] did not review the letters before they were sent out. Every application has the same time frame, 21 days, to respond to the requests in the letter. If no response, then the IRS follows up with another letter. The applicant then has 14 days to respond to this follow up request. If the applicant does not respond then the case goes into a 90 day suspense period. If the applicant responds at any point, to include putting the response in the mail on the last day of the 90 day period, the application would remain open. If the applicant does not respond to the development letter in this period then the case is closed for Failure to Establish (FTE). [REDACTED] moved out of Group 7822 to a detail position soon after this time period.

[REDACTED] was shown and e-mail dated February 24, 2012 requesting follow up information for Congressional purposes. [REDACTED] does not remember the e-mail.

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[REDACTED] was shown an e-mail dated May 10, 2012 entitled "FW: Advocacy Cases - Next Steps - UPDATE" (bates 64 to 65). He does not remember the e-mail but does remember that the training it is referring to was held, but he did not participate. This referred to when people from Washington came down to Cincinnati to give training to the listed group of senior agents. [REDACTED] is listed in the Cc: line because she was [REDACTED] supervisor at the time because he was detailed to her group. [REDACTED] worked in Programs and Support, which included working on the IRM. [REDACTED] met [REDACTED] who works in Washington, sometime between December 2011 and May 2012 at a meeting when people from Washington came to Cincinnati. The purpose of this meeting was for Washington to get a timeline regarding the advocacy cases. Washington was going to help on the cases. [REDACTED] explained at this meeting how the BOLO came into his group. He said people from Washington were sorry for the delay in the guidance and how long it took them to get it.

b6 -2,3
b7C -2,3

[REDACTED] was shown an e-mail from July 26, 2012 (bates 62 to 63) where he is providing the schedule for the TIGTA audit interviews. This was [REDACTED] first TIGTA audit interview. [REDACTED] was interviewed by two TIGTA agents. PAZ was also in his interview. He does not remember PAZ asking any questions or taking notes. He is not sure why she was there, but he assumes it was because she was the head of the program. He did not have any conversations with her about the interviews. He did not feel uncomfortable or pressured with her in the room. He did not hear of anyone not wanting to talk to TIGTA. People were nervous as to why TIGTA was

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b6 -2
b7C -2

there. [REDACTED] did not do anything to prepare for the interview. He does not remember reviewing any documents to prepare for the interview. [REDACTED] has no reason to think anyone was pressuring people to lie, cover up, or destroy documents. He has no knowledge of anyone being prejudicial in dealing with 501(c) cases or using political bias.

[REDACTED] was shown an e-mail dated September 13, 2012 (bates 36 to 37) about whether agents have received specific complaints. [REDACTED] does not remember this complaint. Complaints were common, and once complaints hit the media, then everyone started complaining.

b6 -2
b7C -2

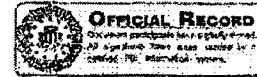
[REDACTED] was shown an e-mail setting up a meeting dated October 30, 2012 (bates 61). [REDACTED] does not remember the meeting. He was listed as an optional attendee, which means he probably did not go.

b6 -2
b7C -2

When LERNER threw Cincinnati under the bus it was a shock. [REDACTED] had his computer and Blackberry copied.

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14-cv-1239-FBI-29



FEDERAL BUREAU OF INVESTIGATION

Date of entry 11/06/2013

FEDERAL TAXPAYER INFORMATION

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[redacted] date of birth [redacted] social security number [redacted] address [redacted] was interviewed at the Federal Bureau of Investigation (FBI) office in Covington, Kentucky. Also present during the interview were U.S. Department of Justice Attorneys [redacted] and [redacted] and Treasury Inspector General Tax Administration (TIGTA) Agent [redacted]. After being advised of the identities of the interviewing Agents and the nature of the interview, [redacted] provided the following information:

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(b)(6), (7)(C)
per CRM

[redacted] joined the Internal Revenue Service (IRS) in [redacted] while living in [redacted] came to Ohio around 2001 as a revenue agent. [redacted] worked from a GS-9 to GS-13 in various groups as a revenue agent developing cases. [redacted] became a GS-13 sometime in 2009. [redacted] was the [redacted] coordinator before becoming [redacted] for [redacted] in November of 2011. From March of 2012 to July of 2012 [redacted] was the acting manager of group 7822. [redacted] was the manager of 7822, but was serving time as the acting area manager. In March of 2013, [redacted] was promoted to his current position as [redacted] of Exempt Organizations (EO) Determinations group 7823. [redacted] group is in area one and he reports to [redacted]. Prior to joining the IRS, [redacted] attended the [redacted] receiving a bachelors degree in accounting [redacted] spent time as [redacted] before becoming a revenue agent with the IRS.

b6 -2,3
b7C -2,3

As the [redacted] duties consisted mainly of administrative functions. These functions included personnel odds and ends, posting available positions, employment issues, managing overtime, recording manager meeting minutes, etcetera. In addition, if taxpayers needed assistance [redacted] would handle some of those telephone calls. [redacted] also maintained the Tea Party or advocacy cases under lock and key close to his office. He would sometimes have to retrieve hard copies of cases when requested.

b6 -2
b7C -2

In or around December of 2011, [redacted] and [redacted] had a

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Investigation on 08/07/2013 at Covington, Kentucky, United States (In Person)

File # 282B-WF-2896615

Date drafted 08/21/2013

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by [redacted]

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b7C -2

meeting with [REDACTED]. In the meeting, [REDACTED] told [REDACTED] he would be assisting [REDACTED] with the advocacy cases. At this time, [REDACTED] was in group 7822 being supervised by [REDACTED] was [REDACTED]. [REDACTED] was surprised he was going to be involved. [REDACTED] was instructed to contact [REDACTED] when he had meetings regarding advocacy issues, but never did. [REDACTED] never followed up with [REDACTED] regarding those meetings. [REDACTED] does not recall having any meetings or conversations with [REDACTED] or [REDACTED] about the development letters sent out in 2012.

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b7C -2,3

Prior to 2011, [REDACTED] worked in group 7830, which was managed by [REDACTED]. [REDACTED] Prior to [REDACTED] handled the fraud and abuse cases, or TAG cases. In 2010, Tea Party became part of the BOLO. The BOLO was distributed to everyone. During this time, the BOLO contained emerging issues and fraud and abuse cases. [REDACTED] is not sure what group the Tea Party fell under. It made sense to [REDACTED] the Tea Party was on the BOLO because [REDACTED] thought any application affiliated with a political party had its own revenue code. [REDACTED] referred to IRM section 1.54.1, which he used when he worked with anti-terrorism and TAG issues which discussed elevating sensitive or high profile issues. [REDACTED] had also taught agents about political issues before the IRS received Tea Party applications. He has also taught modules informing agents they need to be aware of what is in the media and news.

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[REDACTED] was the acting manager of group 7822 during a period when the BOLO was changing. [REDACTED] may have been acting area manager during this time. [REDACTED] or somebody sent an e-mail to [REDACTED] with instructions on changes that needed to be made to the BOLO regarding the Tea Party or advocacy groups. A memo was also sent out stating HOLLY PAZ would need to approve all changes to the BOLO.

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[REDACTED] had several transition meetings with [REDACTED]. He does not remember any specifics about discussing Tea Party issues. [REDACTED] did have to inform [REDACTED] he would no longer be working the advocacy cases. [REDACTED] told [REDACTED] that STEVE MILLER had made the decision. [REDACTED] was concerned how [REDACTED] would take the news. [REDACTED] did not feel [REDACTED] did anything wrong, but asked questions which may have been insensitive, or asked for too much information. [REDACTED] took the news well; he did not seem upset. The meeting lasted approximately thirty minutes.

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While [REDACTED] was acting manager, he also spent time gathering information because the IRS thought MILLER may have to answer questions from congress. This particular hearing never occurred.

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[REDACTED] became the coordinator of the advocacy cases after [REDACTED] was also the BOLO coordinator. [REDACTED] maintained a tracking sheet for advocacy cases. [REDACTED] and [REDACTED] set up files and inventory cabinets for

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the advocacy cases. When new cases came in, [REDACTED] would conduct a secondary screening to ensure there were political advocacy issues. Sometimes screeners would send general advocacy cases which would be refused and sent back.

In the spring of 2012, there was a bucketing exercise. [REDACTED] was aware of the process, but did not participate. [REDACTED] was the area manager during the bucketing exercise. Senior agents would work with [REDACTED] to bucket cases. [REDACTED] had a conversation about the bucketing exercise because [REDACTED] needed to be able to manage the group containing the BOLO coordinator. Bucketing simply means classifying cases based on how much further development they need. After the bucketing exercise, cases were being worked by several agents [REDACTED] and [REDACTED] worked some of the more difficult advocacy cases.

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While [REDACTED] was the acting manager of 7822, he had a conversation with [REDACTED] to discuss the BOLO and the language it contained. The purpose of the meeting was to ensure the correct cases were being sent to the correct groups. Specifically, only political advocacy cases were being sent to the political advocacy group [REDACTED] recalls questioning [REDACTED] on why there was a "\$" (dollar sign) instead of the letter "S" in one of the descriptions [REDACTED] stated it was a subtle indicator. [REDACTED] stated the meeting must have occurred before receiving guidance from Washington D.C. about handling BOLO updates.

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[REDACTED] ph) sometimes would handle BOLO issues when [REDACTED] was busy. [REDACTED] wanted [REDACTED] to handle the BOLO because [REDACTED] was not a GS-13.

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HOLLY PAZ, NAN MARKS, JOE URBAN and others gave a presentation explaining what criteria c(4) advocacy applications needed to receive exemptions.

[REDACTED] also had given a speech to PAZ, MARKS and possibly others. [REDACTED] was given talking points for the speech, but did not write anything down. [REDACTED] may have asked [REDACTED] to give the speech.

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b7C -2,3

[REDACTED] did work some c(3) and c(4) ACORN or successor to ACORN cases back in 2009. The ACORN cases and advocacy cases contained the same issues to an extent. Both groups would tell you they were doing something they were not. [REDACTED] doesn't believe any successor to ACORN cases were being coordinated with Washington D.C., although there were only around a dozen total cases.

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The only time agents were working advocacy cases in his group was when [REDACTED] was working them during the time [REDACTED] was acting group manager.

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Continuation of FD-302 of Interview of [REDACTED], On 08/07/2013, Page 4 of 4

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[REDACTED] did not review the guidance from Washington D.C.

New agents are taught law and procedures during the initial training of becoming a determinations revenue agent. One specific code is section 527 on how to apply the law to political issues. Great lengths are taken not to question the beliefs and motivations of applications. Agents are taught through various CPE's to keep political beliefs out of developing cases.

[REDACTED] was interviewed as part of the TIGTA audit in 2012. There were two or three TIGTA people there plus PAZ. [REDACTED] told [REDACTED] to be truthful and honest. After the TIGTA audit, [REDACTED] did not deal with the correspondence with TIGTA.

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Currently, [REDACTED] looks at all the political advocacy cases, buckets them and assigns them. [REDACTED] (ph) who is believed to be counsel for the IRS or EO, talks with [REDACTED] about the tracking sheet. There is also a fast track process for c(4) applications which allows cases to be approved much faster by checking a box indicating the organization does not have more than 40% political activity. Around 130 to 140 fast track letters have been sent out. The BOLO is no longer being utilized.

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There are around 500 cases in the political advocacy category. [REDACTED] is the acting Director of Exempt Organizations. He replaced LOIS LERNER. [REDACTED] works out of the Cincinnati office.

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[REDACTED] believes the tax law has much to do with why the IRS is in this situation. In addition, EO has seen a decline in the number of agents developing cases over the years.

[REDACTED] was a hardworking supervisor. She wanted all the information to come through her, so she had to stay on top of a lot of details. [REDACTED] was good about following the chain of command. [REDACTED] gave [REDACTED] access to her e-mails when he was [REDACTED] but he never checked them.

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b7C -2,3

Political advocacy was not the first group of cases to receive late guidance from EO Technical. With high profile cases, EO Technical would take longer to give guidance.

[REDACTED] does not believe any of the managers were politically motivated. [REDACTED] was trying to solve the problem when he was manager. [REDACTED] does not believe [REDACTED] was politically motivated.

b6 -2,3
b7C -2,3

At no time during this investigation or the TIGTA audit was [REDACTED] told to lie, nor did he tell anybody to lie. No documents were being shredded or destroyed in an attempt to obstruct the investigation.



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FEDERAL BUREAU OF INVESTIGATION

Date of entry 11/06/2013

FEDERAL TAXPAYER INFORMATION

Do not disseminate or use except as authorized by 26 U.S.C. 6103.

[redacted] date of birth [redacted] Social Security account number [redacted] residence address [redacted] cellular telephone [redacted] was interviewed at the Cincinnati FBI office. Also present during the interview were Department of Justice Attorneys [redacted] and [redacted] and Treasury Inspector General for Tax Administration (TIGTA) Special Agent [redacted]. During the interview, documents were shown to [redacted] and hereafter those documents will be referred to by their respective bates numbers and copies will be maintained in the 1A section of the case file. After being advised of the identities of the interviewing agents and the nature of the interview, [redacted] provided the following information:

(b)(6), (7)(C) per CRM

b6 -2,4
b7C -2,4

[redacted] was the Area 1 Manager for [redacted] from June 2011 until she retired on [redacted]. Prior to that she worked as the [redacted] position in Cincinnati. She worked for the Internal Revenue Service (IRS) for [redacted] years. She has a degree in [redacted] and took some classes in employment policy from [redacted]. She went to [redacted] at the [redacted]. After graduating [redacted] she took her first job with the IRS.

b6 -2
b7C -2

In the position of [redacted] she [redacted] as well as working on outreach. She also worked on complaints, of which she had approximately 130 cases of complaints on the length of the process. Most of these cases were TAG cases, which meant she could not tell them why their cases were delayed. She resubmitted requests every 30 days. She also dealt with complaints regarding the delay in guidance on credit counseling cases since it took a long time to develop. [redacted] did not like working as [redacted] and felt a few unethical people worked there.

b6 -2
b7C -2

[redacted] recruited and hired her into EO even though [redacted] had no EO experience. [redacted] believes [redacted] probably regretted this later. [redacted] wanted someone to develop managers and asked her what she thought

b6 -2,3
b7C -2,3

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Investigation on 07/10/2013 at Cincinnati, Ohio, United States (In Person)

File # 282B-WF-2896615

Date drafted 07/26/2013

by [redacted]

b6 -1
b7C -1

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the role of a senior manager was. When [REDACTED] was done answering, [REDACTED] told her that was the interview for the position. [REDACTED] did not interview other candidates. [REDACTED] had to get HOLLY PAZ, who [REDACTED] did not know well, to hire her.

b6 -2,3
b7C -2,3

[REDACTED] kept a death grip on EO and was the sole funnel to Washington, D.C. People in EO were used to sucking up and complying with [REDACTED]. [REDACTED] spoke up a lot, but was never confrontational. [REDACTED] heard that [REDACTED] was intimidated by her. [REDACTED] oversaw all decisions which was stifling. [REDACTED] could be very mean and [REDACTED] was once brought to tears by [REDACTED]. [REDACTED] felt it was unsafe to complain because if you got on [REDACTED] "shitlist" your career was over. This means that someone would experience a lack of promotion and development opportunities.

b6 -2,3
b7C -2,3

PAZ was the head of Rulings and Agreements. (R&A). [REDACTED] reported directly to PAZ. NAN DOWNING was in charge of Examinations. [REDACTED] never sat in on any meetings with PAZ and LOIS LERNER because she was not allowed to. [REDACTED] wanted to develop people in EO as leaders, not managers. [REDACTED] was a transactional manager. [REDACTED] was in leadership development for 7 years. Unfortunately [REDACTED] had her own mind made up on things [REDACTED] did hold meetings with managers in her area and they did good leadership stuff [REDACTED] remembered all mistakes people made. [REDACTED] felt [REDACTED] did not select people appropriately. She felt there was racial bias that African-American employees were not being picked for development positions. If [REDACTED] did not know someone, or they had not been there long, they would not be picked. She would raise these concerns with [REDACTED] sometimes [REDACTED], the other Area Manager, said that [REDACTED] would make the decisions regardless.

b6 -2,3
b7C -2,3

On one occasion, [REDACTED] told [REDACTED] to pull the cases of case advocates to review their work prior to promotional interviews. [REDACTED] refused, so [REDACTED] did it. [REDACTED] did not feel that cases may be the best representation of their work. [REDACTED] was a manager, not a leader. [REDACTED] was always available by telephone or e-mail. [REDACTED] office was being renovated, so [REDACTED] worked from home a lot when [REDACTED] first got to EO. EO was re-organized three times while [REDACTED] was there. [REDACTED] provided copies of organizational charts. [REDACTED] reviewed the charts and described how the chart would have been when she arrived in EO in June 2011 (these charts will be maintained in the 1A section of the case file).

b6 -2,3
b7C -2,3

[REDACTED] retired at the end of [REDACTED] as the Area 1 Manager. [REDACTED] took over for [REDACTED] although [REDACTED] was the acting Area Manager for a while. [REDACTED] was the other Area Manager; however [REDACTED] only saw her a few times as she was sick for a long period of time and at home often. [REDACTED] retired in [REDACTED]. There was no transition plan in

b6 -2,3
b7C -2,3

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b6 -2,3
b7C -2,3

place when [REDACTED] took over for [REDACTED] [REDACTED] will not spoon feed people; she expects them to figure it out. [REDACTED] was the training officer under [REDACTED] when [REDACTED] first arrived in EO. He then became an assistant to [REDACTED]. He left to go to Dallas six months before [REDACTED] retired, but [REDACTED] delayed it which did not make him happy. [REDACTED] was another staff assistant for [REDACTED].

Around June 2011, [REDACTED] made herself the Area Manager for [REDACTED] [REDACTED] and [REDACTED] groups. [REDACTED] was effectively gone at this point. [REDACTED] moved five groups to [REDACTED] area, giving her nine groups total.

b6 -3
b7C -3

Group specialties were not 100% of their work. Groups would pull the rest of their cases from general inventory. [REDACTED] group had auto revocation which meant his group was very busy. [REDACTED] was a great Group Manager. [REDACTED] explained to [REDACTED] what the Tea Party cases were. [REDACTED] knew what the Tea Party was; she did not know the technical and work issues related to them. [REDACTED] told her the essence was that political parties were in the news and they were sensitive cases, so they were being put together to work consistently. [REDACTED] never had conversations with [REDACTED] about the Tea Party cases, but there would be references to them in meetings.

b6 -2,3
b7C -2,3

BOLO requests had to go through [REDACTED]. It was staggering how comprehensive the BOLO was [REDACTED] was in charge of the BOLO when [REDACTED] retired.

b6 -2,3
b7C -2,3

The EO office in Cincinnati was substantially empty most of the time because of telecommuting. Screeners were in the office more because of the nature of their work. One screener, [REDACTED] was telecommuting a lot after being accused of sexual harassment by some woman in the office who did not like the way he said 'hi'. He got bent out of shape by this. [REDACTED] were in the office most of the time. [REDACTED] was telecommuting some, but he just might not tell [REDACTED] wanted to develop people and liked new ideas. [REDACTED] did not want to rock the boat with [REDACTED] because he could retire at any time. [REDACTED] would not treat people unfairly. [REDACTED] had leadership and military experience. [REDACTED] did not think he developed his employees. [REDACTED] people like him and they were swamped with work from the auto revocation. [REDACTED] was a hands-on manager but had a very laissez-faire attitude towards non-case related stuff. [REDACTED] liked [REDACTED] so he was detailed to other positions to give him development experience. [REDACTED] was someone you erred on the side of caution with by telling her too much rather than too little.

b6 -2,3
b7C -2,3

[REDACTED] was shown a copy of an e-mail dated June 2, 2011 (bates 92 to 93). [REDACTED] was on this e-mail because she was in the chain of command for

b6 -2
b7C -2

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b6 -2,3
b7C -2,3

[REDACTED] She does not remember anything else additional about it. [REDACTED] was shown a copy of another e-mail dated June 2, 2011, (bates 48). This e-mail came when she had been the Area Manager for five days. [REDACTED] would frequently go directly to [REDACTED] since there was no Area Manager and he wrote off [REDACTED] would get about 150 e-mails a day and since she did not have a technical background it took her a while to understand the issues. If [REDACTED] wanted managers involved she would have met with them or held a conference call. [REDACTED] is not sure why she and others were on the "Cc:" on so many e-mails to include an e-mail dated July 5, 2011 (bates 50-52).

[REDACTED] was shown a copy of the minutes from an EO Determinations Managers Meeting dated December 5, 2011 (bates 53 to 54). She remembers the meetings and hearing about [REDACTED] group getting the Tea Party cases but she did not pay attention because it did not directly involve her. She did not make the connection between Tea Party and advocacy. Groups were constantly changing and people were constantly getting pulled off onto other stuff. [REDACTED] group was under [REDACTED] at the time.

b6 -2,3
b7C -2,3

[REDACTED] was shown a copy of an e-mail dated May 10, 2012 (bates 64 to 65) for a training. PAZ was in town and [REDACTED] wanted to meet her because she had never talked to PAZ about work before. [REDACTED] managers were complaining because people were being pulled out of their groups for this training. There was no option to tell [REDACTED] no on personnel moves. [REDACTED] did not attend the training nor did she meet with PAZ.

b6 -2,3
b7C -2,3

[REDACTED] was shown a copy of an e-mail dated September 13, 2012 (bates 36 to 39). [REDACTED] was on the "Cc:" line as a courtesy. She would make sure people responded. She has no recollection of the issue of the cases mentioned. Long wait times in the IRS had always been an issue, but the Tea Party cases had not been specifically addressed before.

b6 -2
b7C -2

[REDACTED] provided a copy of a chart from the inventory management system showing an aging of cases (this copy will be maintained in the 1A section of the case file). The chart is for unassigned work. Case status reports are very informative reports for cases being actively worked [REDACTED] can the reports and worked for [REDACTED] in Programs and Support. EDS and TEDS were the two systems that were used by EO. EDS included the older paper cases while TEDS was newer.

b6 -2,3
b7C -2,3

[REDACTED] got calls from the media when everything hit the news. She ignored the calls at first, but then she saw headlines that were wrong so she gave some interviews to the media before the hearings in May 2013. Some of her interviews were for newspapers and some were televised interviews.

b6 -2
b7C -2

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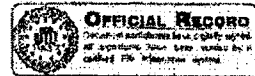
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[REDACTED] does not know of any people in the office talking politics. She does know that [REDACTED] was a conservative and he watches Fox News. This helps show why he especially would never be a part of targeting the Tea Party. EO sorts cases based on criteria; they do not target. Criteria may include groups like hospitals, where technical expertise is needed to address complex issues. The work is sorted and assigned based on this process. [REDACTED] never saw any type of political motivation in how cases were handled. [REDACTED] sees the issue as not aggressively pursuing guidance, which was a performance issue. [REDACTED] could not influence counsel to hurry up. The IRS is a bureaucracy. [REDACTED] did not have any political motivation as she was old school. [REDACTED] does not know of any people who may have had an issue with the Tea Party cases choosing to not bring it up because they were afraid of the repercussions.

b6 -2,3
b7C -2,3

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14-cv-1239-FBI-38



FEDERAL BUREAU OF INVESTIGATION

Date of entry 11/06/2013

FEDERAL TAXPAYER INFORMATION

Do not disseminate or use except as authorized by 26 U.S.C. 6103.

[redacted] date of birth (DOB) [redacted] Social Security account number [redacted] residence address [redacted]

b6 -2,3,4
b7C -2,3,4

[redacted] was interviewed at the law offices of O'Hara, Ruberg, Taylor, Sloan & Sergent, located at 25 Crestview Hills Mall Road, Suite 201, Covington, KY 41017. [redacted] attorneys, [redacted] and [redacted]

(b)(6), (7)(C) per CRM

[redacted] were present for the interview. Also present for the interview were U.S. Department of Justice Attorneys [redacted] and [redacted] and Treasury Inspector General for Tax Administration (TIGTA) Special Agent (SA) [redacted]. After being advised of the identity of the interviewing Agents and the nature of the interview and being advised by TIGTA SA [redacted] that he was authorized to discuss 26 United States Code §6103 taxpayer information, [redacted] provided the following information:

[redacted] grew up in [redacted]. He obtained a Bachelor of Arts degree in Accounting from [redacted] in 1990. From 1990 - 2001, he worked for private firms as a [redacted]. He joined the Internal Revenue Service (IRS) on [redacted].

b6 -2
b7C -2

[redacted] is a GS-13 Revenue Agent in the Exempt Organizations (EO) Determination Unit, [redacted]. His manager is [redacted] transferred to Group [redacted] in 2012. Previously he was in Group 7821 with [redacted] as his manager. He was in Group 7821 from November 2011 through the time he went to [redacted] group in 2012. Prior to November 2011, he was a Supervisory Revenue Agent managing [redacted]. He got into management in 2006 when he managed [redacted]. He does not recall when he switched to Group [redacted]. He does not recall who he reported to as Area Manager, because there were several personnel changes and acting Area Managers while he was there.

b6 -2,3
b7C -2,3

[redacted] was supervisor of the [redacted] for a brief period of time. He was the first Manager of [redacted] in April or May of 2010.

b6 -2
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Normally the EO Determinations Unit handles standard issues which are easy to process. Sometimes new issues arise which have not been seen and they

Investigation on 08/07/2013 at Covington, Kentucky, United States (In Person)

File # 282B-WF-2896615

Date drafted 08/09/2013

by [redacted]

b6 -1
b7C -1

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b6 -2
b7C -2

need to develop the best processes under tax law to handle them. An example of new issues he handled in the EI group in the April or May 2010 timeframe were applications for 501 (c)(2) title holding companies, which was an unusual part of the tax code for exemptions. These cases were identified by screeners when they came in, but anyone could raise a novel issue when working a case. When cases came to EI, Revenue Agent [REDACTED] was the point person in the group. EO Technical helped EI sort out legal issues and provided support. He does not recall who provided support or exactly how they provided support.

b6 -3
b7C -3

In April or May 2010 [REDACTED] returned from vacation and learned he had received an e-mail from the Area Manager, who he believes was [REDACTED] at the time. The e-mail stated the Tea Party had been identified as an EI and was assigned to [REDACTED] group. He was not provided with any direction on how to handle the Tea Party EI. [REDACTED] was the [REDACTED] Coordinator and was assigned a handful of TEA PARTY cases.

b6 -2,3
b7C -2,3

[REDACTED] came into the group around the time he switched from Group 7826 to [REDACTED]. He supervised [REDACTED] on the Tea Party cases for approximately a month. They were told the common denominator for the cases was that a number of similarly named applications came in at once and were grouped together for consistent handling. They were told what to do in general terms. A tax law specialist in EO Technical was assigned to work with [REDACTED]. Not much materialized on these cases when [REDACTED] was manager of the group.

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[REDACTED] group handled the EI component of the "Be on the Lookout" (BOLO) spreadsheet in the April/May 2010 timeframe. The Determinations staff only had informal e-mail communications about EI at the time, and the idea was to formalize their procedures similar to the way the Touch and Go (TAG) group did on their spreadsheet. It was decided that they should group together a spreadsheet with different concepts and call it a BOLO. [REDACTED] tasked [REDACTED] with drafting the EI tab. He does not recall whether he and [REDACTED] discussed the draft. They elevated the tab to the Area Manager for approval. Tea Party cases were placed in draft form on the EI tab of the spreadsheet while he was in the group. At the time, Tea Party cases were the only EI issue. The Tea Party did not seem to be an out of the ordinary example of an EI. For example, they had another group ruling where the parent dissolved and the groups under it had to come in for their own exemptions.

b6 -2,3
b7C -2,3

In May 2010 all of the groups realigned. [REDACTED] became the Manager of [REDACTED] EI was transferred to Manager [REDACTED] in Group [REDACTED] and [REDACTED] was transferred to that group.

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Between the time [REDACTED] left and December 2011 when [REDACTED] joined [REDACTED]

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b6 -2
b7C -2

case advocacy team [REDACTED] does not recall any discussions of how the Tea Party issue was evolving. He became a traveling manager and was assigned to be a [REDACTED] outside of Cincinnati. He also served an acting assignment in [REDACTED] in Chicago. As a traveling manager, he was out on the road roughly 1/4 of his time visiting employees in Atlanta, Richmond, Chicago, and Baltimore.

b6 -2
b7C -2

[REDACTED] joined the advocacy case team in December 2011 after the Area Manager sent an e-mail to [REDACTED] asking whether [REDACTED] would volunteer for the team. Management was too stressful and [REDACTED] decided to join the team and return to the line. Because of the stress [REDACTED] had experienced as a manager, he had previously been [REDACTED] and had to [REDACTED]. He prefers working technical matters and did not want to deal with personnel issues. He enjoys researching issues and thought the advocacy case team would be interesting.

b6 -2,3
b7C -2,3

Tea Party cases came across [REDACTED] desk while he was on the advocacy case team. An initial meeting was held when the team started to discuss development issues and assign cases. [REDACTED] ran the meeting as the [REDACTED] Coordinator. [REDACTED] provided guidance in the form of a list of sample questions from EO Technical and a summary of how to write up a closed case. The cases were difficult. Tax law is gray and the facts and circumstances are intensive. Also, many of the applications lacked detail. The 1024 applications for addressing (c) (4) cases does not probe the necessary information.

b6 -2,3
b7C -2,3

[REDACTED] did not have much of a case inventory at first, so he ordered the most new advocacy cases. He had a few health care cases too. From late 2011 through spring 2012 when the advocacy cases stopped, he spent 75% of his time working on advocacy cases. He developed the cases as he normally would any other type of case. He wrote and sent out development letters and copied [REDACTED]. If he encountered a complex question, he would informally run it past a coworker. He received responses to his development letters from applicant groups. Some responded to the questions in his letters and some complained they were overburdened by the questions. When [REDACTED] received complaint responses, he elevated them to [REDACTED]. He is not sure what [REDACTED] did with the complaints. He assumed [REDACTED] elevated them for guidance. [REDACTED] does not recall receiving guidance, but the project was put on hold at this time. [REDACTED] received telephone calls from applicants wondering why he was asking all of the questions. He told them those are the facts and circumstances needed to make a decision. He dealt with the advocacy applicants the same way he did taxpayers for other issues. For example, he might grant them an extension of time, ask them to answer questions as well as they could, and give them guidance on how to respond.

b6 -2,3
b7C -2,3

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b6 -2
b7C -2

[REDACTED] did not make any determinations during this window of time. He did not close any cases, but he made some assessments about how they could close cases. He provided the assessment write up to [REDACTED]. He received no feedback, because the issue was never resolved at the time. [REDACTED] does not recall interacting with EO Technical during this time period. Political advocacy cases were put on hold approximately one to two months later. EO Technical and people from Rulings and Agreements in DC came to meet with them in Cincinnati. Some people on the case advocacy team moved to different teams. The case advocacy team was provided new procedures. EO Technical had to approve development letters before they were sent out.

b6 -2,3
b7C -2,3

A triage element called bucketing was added to the system. Bucketing is not unique to the advocacy cases. It is also used for auto revocation cases. The triage process started in May 2012 with an intensive bucketing exercise. The advocacy issue had blown up in the media and became a serious problem. A team of executives and technical people came in from DC. They reviewed tax law and did intensive bucketing. NANCY (aka "NAN") MARKS, HOLLY PAZ, [REDACTED] a Quality Assurance program manager, the Cincinnati EI team, and others were there too. They had two to three days of meetings. The tone of the meetings was that there was a problem and they needed to address it. Their motivation was to identify cases ready to be closed and close them.

b6 -3
b7C -3

Four buckets were established for the cases. Bucket 1 was for cases to be approved; bucket 2 was for cases in which additional development was needed; bucket 3 was for cases requiring general development; and bucket 4 was for cases which were not going to be awarded an exemption. During the intensive bucketing process, they spent every day in the conference room for two to three weeks. [REDACTED] was supervising the process. They reviewed cases independently. If the reviewer and his or her reviewing partner agreed with the bucket designation for the case, the decision stood. If they disagreed, a third person weighed in. Occasionally there would be a difference where one person would want to place a case in bucket 1 and one would designate it for bucket 4, such as when there was a different interpretation of tax law. Most of the time, the differences between the two reviewers were minor. For the most part [REDACTED] agreed with his partner. For the intensive bucketing process [REDACTED] was usually partnered with [REDACTED]

b6 -2,3
b7C -2,3

The atmosphere during the intensive bucketing process was collegial. There was some stress because the process needed to be completed quickly due to the limited amount of time the DC representatives were going to be in Cincinnati.

[REDACTED] develops mostly Bucket 4 cases. They are the most difficult type

b6 -2
b7C -2

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b6 -2
b7C -2,3

of cases. He and another Agent, [REDACTED] have been participating in an ongoing bucketing process to this date. [REDACTED] sometimes disagree and go back and forth, but the issues they recognize are the same.

b6 -2,3
b7C -2,3

[REDACTED] does not recall having any other meetings with DC people to discuss advocacy cases. He previously met PAZ at a conference in Chicago around 2006. He met MARKS when she came to Cincinnati immediately before the intensive bucketing process.

b6 -2,3
b7C -2,3

There was a question in the development letters regarding donors. [REDACTED] did not send out any letters containing the donor question because it was not necessitated by the facts and circumstances of the cases he was working. He had to resolve the big upfront issues first. [REDACTED] was given a list of suggested questions, but did not have to ask them all in the letters. He used the applicable questions from the list, modified the questions on the list if necessary, and added his own questions based on the facts and circumstances of each case. The list had a lot of questions, but given the fact that tax law had a lot of details, he needed a lot of information. He met with [REDACTED] to refine questions and come up with the best work processes. He does not recall whether they discussed the donor question. [REDACTED] also used other tools such as articles on the IRS website for background.

b6 -2,3
b7C -2,3

[REDACTED] met with [REDACTED] on a case for the [REDACTED] organization which did a large number of advocacy communications. He drafted a proposed development letter question related to Revenue Ruling 2004-6 and sought feedback from the three in the informal meeting. Essentially [REDACTED] converted the Revenue Ruling into a question.

The meeting was approximately an hour and the participants provided [REDACTED] with their feedback that the question was valid. One concern raised was whether they were over asking for information. The questions they included in development letters needed to be based on tax law. After the meeting there was a general consensus that it was okay to send out the letter with the question and he did. [REDACTED] was the manager in [REDACTED] chain of command for the project. [REDACTED] was the [REDACTED] manager and had dealt with this type of issue before. During this first period, [REDACTED] was writing letters and copying [REDACTED] after they were sent out. After the intensive bucketing process, all of the letters had to be approved before they went out. [REDACTED] was the coordinator for the approval process in DC.

b3 -1
b6 -2,3
b7C -2,3

Immediately after the bucketing process [REDACTED] oversaw tax law issues. They sent questions in the development letters to her before the letters went out. If [REDACTED] received a response back from a letter, he would scan it

b6 -2,3
b7C -2,3

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and send it to [REDACTED] to review. [REDACTED] was the coordinator of the advocacy issues at this time, but he was more of an inventory manager.

b6 -2,3
b7C -2,3

Today, [REDACTED] spends a smaller percentage of his time on advocacy cases. The workload has died down. They developed a fast track process. Most of his cases were transferred to EO Technical to finish. Some (c)(4) cases were gathering dust while they were waiting for procedural guidance.

During the summer of 2012, he had an interview for the TIGTA audit. He, two TIGTA Agents, and PAZ were present. [REDACTED] does not recall meeting with PAZ before or after the interview. He left the interview thinking that it was uneventful. They appeared to be disinterested in him and the interview was short. [REDACTED] never had a TIGTA interview prior to that one, and he did not know whether it was odd for PAZ to be there or not. Nobody told him what to say in the interview. [REDACTED] told him to tell the truth. It was comforting to have PAZ present in the interview, because she was a friendly face. He was not intimidated.

b6 -2,3
b7C -2,3

[REDACTED] still sends all development letters to DC for approval. [REDACTED] left the IRS at the beginning of this week. He is not sure who replaced her. There are a number of new actors involved. One of the primary new people working (c)(4) cases is [REDACTED] (phonetic) from the counsel's office.

b6 -2,3
b7C -2,3

[REDACTED] is not sure what the timeframe is for cases now as opposed to one and one-half years ago. Under the fast track process, the timeframe for all the (c)(4) letters and responses was coordinated. Cases are subject to mandatory review by Quality Assurance. Quality Assurance recently sent back one of his cases because they disagreed with his assessment. They are trying to develop a fast track equivalent for (c)(3) cases.

b6 -2
b7C -2

[REDACTED] is not certain whether any denials have gone out. Under the Determinations process, the organizations have an appeals process. EO Technical operates on a different timescale than Determinations when they are asked for guidance. Determinations people are accountants. In DC, some personnel are in an ivory tower and get wrapped up in tax law without making a practical decision. When EO Technical is involved, the process is slower.

b6 -2
b7C -2

[REDACTED] blames the problems in processing the Tea Party cases on a systemic failure of the whole U.S. government. Congress's language in the 501 (c)(4) subsection is too open. The Regulations state the purpose of the organization must be "primarily" social welfare, while the Code states the purpose should be "exclusively" for social welfare. For the Citizens United case, maybe they should have paused and had Congress revisit the laws. Also, the cutbacks in the number of people working at IRS and the

b6 -2
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increased workload with auto revocations also contributed to the problem.

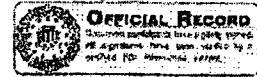
These underlying issues have always been present, but the biggest difference in this instance is that this many taxpayers have not previously come in before to raise an issue. [REDACTED] believes the increase in the number of taxpayers coming forward in this case is a direct connection to Citizens United.

b6 -2
b7C -2

When LOIS LERNER made her public comments, he believes she threw them under the bus, backed over them, and ran over them again. They were following the procedures they had at the time and elevated questions at the time as they should have.

[REDACTED] has followed IRS instructions to preserve documents related to this matter and is not aware of anyone who has not followed the instructions. He is not aware of anyone being told what to say or of any nefarious conduct. He has only been told to tell the truth. He has no knowledge of anyone singling out the Tea Party because of their viewpoint.

b6 -2
b7C -2



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FEDERAL BUREAU OF INVESTIGATION

Date of entry 11/06/2013

FEDERAL TAXPAYER INFORMATION

Do not disseminate or use except as authorized by 26 U.S.C. 6103.

[redacted] date of birth [redacted] Social Security account number [redacted] residence address [redacted] [redacted] work telephone [redacted] was interviewed at the Federal Bureau of Investigation office in Covington, Kentucky. Also present during the interview were Department of Justice Attorneys [redacted] and [redacted] attorney [redacted] and Treasury Inspector General for Tax Administration (TIGTA) Special Agent [redacted]. After being advised of the identities of the interviewing agents and the nature of the interview, [redacted] provided the following information:

b6 -2,3,4
b7C -2,3,4

(b)(6), (7)(C)
per CRM

[redacted] joined the Internal Revenue Service (IRS) in [redacted] as a revenue agent and did case development work. In 2007 or 2008 she worked for [redacted] and then transferred to group 7822 where she worked for [redacted] in 2010. In October 2010 she became a Quality Assurance Specialist which is the position she holds now. [redacted] graduated from [redacted] in [redacted] where she worked in [redacted]. She was in [redacted] until 2004. She worked in [redacted] from 1991 to 1995, and then worked as a [redacted] until [redacted] when she joined the IRS. In 1999 she also received a [redacted] Degree. [redacted] is a native of [redacted].

b6 -2,3
b7C -2,3

When [redacted] was transferred from [redacted] group to [redacted] group, she was stunned even though [redacted] changed the groups frequently. [redacted] group was in charge of accelerated processing and therefore moving cases quickly whereas her group was slower paced. Even though [redacted] had been in charge of emerging issues, they moved with [redacted] to [redacted] group. Emerging issue cases could include things like natural disasters or specifically 501(c)(2) title holding company cases. At that time [redacted] would decide what needed to be worked as an emerging issue and what were just complex cases being dumped on his group by people who did not want to work them. There was usually not a clear precedent for emerging issues and they would need Exempt Organizations (EO) Technical to get involved. Once

b6 -2,3
b7C -2,3

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Investigation on 08/06/2013 at Covington, Kentucky, United States (In Person)

File # 282B-WF-2896615 Date drafted 08/09/2013

by [redacted]

b6 -1
b7C -1

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282B-WF-2896615

Continuation of FD-302 of Interview of [REDACTED], On 08/06/2013, Page 2 of 6

b6 -2,3
b7C -2,3

[REDACTED] moved to [REDACTED] group he made the decisions. [REDACTED] had a good relationship with both [REDACTED] is in the office four days a week.

[REDACTED] told her about Tea Party cases. These cases would be assigned to her for development. They called them "Tea Party cases". She knew they were conservative groups from stuff in the news in April 2010. Initially she was assigned 20 cases. She received instruction from either [REDACTED] or [REDACTED] to contact EO Technical, in particular [REDACTED] who goes by [REDACTED] had been assigned two cases, one 501(c)(3) and one 501(c)(4). [REDACTED] emailed her his development letters to help her work the cases. Most of [REDACTED] cases were 501(c)(4) organizations.

b6 -2,3
b7C -2,3

Once [REDACTED] started to create her own development letters, she would send them to [REDACTED] to review. He would call her with changes and she would not send them out until he reviewed them. [REDACTED] would also ask to see the 1024 application when he reviewed the letters. At first he was very timely in his responses. He would usually get back to her within a week. [REDACTED] had development letters out for all 20 cases within the first six weeks. She would contact [REDACTED] when she got a response and would fax a copy of what she received to him. This was time consuming because the responses could be quite lengthy and her fax machine was not very good. She would review the responses for her own knowledge but waited on [REDACTED] for his changes and approval. She wanted to develop cases in a consistent manner with [REDACTED]. On one occasion [REDACTED] said [REDACTED] wanted her to add something to a letter. It then started to take longer and longer for [REDACTED] to respond to her. He would tell her that the letters were under review. By September 2010 he did not get back to her at all. She found it very unusual to not get a response. [REDACTED] had conversations with [REDACTED] mostly [REDACTED] about this. She viewed [REDACTED] as a supervisor since [REDACTED] told her [REDACTED] had to approve letters before they could go out. Even though [REDACTED] would not respond, she kept sending him letters and responses. If she had been able to work the original 20 cases a few would have been denials as they were 501(c)(3) organizations involved in political activity. Several others would have been approved and several needed more information to confirm that they would probably be a denial.

b6 -2,3
b7C -2,3

There was a constant flow of new Tea Party cases as she worked the original 20 cases. She continued sending letters out. Tea Party cases involved Tea Party like activities such as rallies for conservatives, education on the constitution, limited government, smaller type government and focus on the founding fathers. She would receive advocacy cases that were not Tea Party specific and she would send them to general inventory or back to the revenue agent that sent it to her. [REDACTED] would send narrowly defined cases to her. She would receive cases like [REDACTED] other

b3 -1
b6 -2
b7C -2

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14-cv-1239-FBI-47

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Continuation of FD-302 of Interview of [REDACTED], On 08/06/2013, Page 3 of 6

b6 -2,3
b7C -2,3

conservative groups, gun control groups, but she would send them back because they were not emerging issues. They were issue advocacy as opposed to political activity advocacy. [REDACTED] was instructed on what cases to keep and what cases to look at. [REDACTED] would instruct her in this manner, and decided which cases met the Tea Party specifics and which to give to her. When she would send cases back, sometimes she would get calls from the revenue agents asking why she sent them back. She had lots of conversations with [REDACTED] about the cases. [REDACTED] was one of the agents who called her about getting a case back.

The Tea Party cases started to backlog since [REDACTED] was no longer responding. [REDACTED] cannot remember having a conversation with [REDACTED] after August 15, 2010. She saw this backlog as a "ticking time bomb." She knew the Tea Party was vocal in the news, and could see the perception that big government, the IRS, was holding cases. She expressed her frustration about the delay. She felt every taxpayer deserves a determination, approval or denial. A holding pattern was not a good place to be for her. She equates it to working in lost luggage; no one is happy when they call. [REDACTED] began looking to move to another area. She told [REDACTED] and other co-workers that she wanted out. She did not see the situation getting better. [REDACTED] told her they had to wait for EO Technical.

b6 -2,3
b7C -2,3

Initially when [REDACTED] joined [REDACTED] group, she spent 20%-30% of her time working the Tea Party cases and by the time she left it was about 90%. She would deal with telephone calls from taxpayers and she kept creating development letters and sending them to [REDACTED] as each new case came in. When she transferred out of [REDACTED] group to QA, [REDACTED] took over as the coordinator of the Tea Party cases. She told him he should coordinate with [REDACTED] does not remember if she went into the system and searched for Tea Party cases. She does know that [REDACTED] conducted queries of Tea Party cases. [REDACTED] does not believe the political beliefs of IRS employees were involved in these cases.

b6 -2,3
b7C -2,3

The difficulty with the advocacy cases lies in trying to figure out whether 51% of an organization's activity is political, thus pushing them over the threshold for allowable activity. [REDACTED] opinion is that a lack of communication between EO Technical and EO Determinations at the management level, along with people being afraid to make a decision is what held the cases up.

b6 -2
b7C -2

A year after leaving [REDACTED] group, [REDACTED] received a call from a revenue agent who was working an old case that was one of [REDACTED] Tea Party cases where she had prepared a letter. The agent was calling because the Case Chronology Report (CCR) showed that [REDACTED] had prepared a letter, but the letter was not in file. The agent requested a copy of the letter

b6 -2,3
b7C -2,3

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14-cv-1239-FBI-48

FD-302a (Rev. 05-08-10)

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282B-WF-2896615

Continuation of FD-302 of Interview of [REDACTED], On 08/06/2013, Page 4 of 6

b6 -2
b7C -2

if [REDACTED] still had it. She provided a copy. [REDACTED] found this to be strange, as her letter, even if it had not been sent, should have been in the case file. As a member of QA she is knowledgeable about accuracy statistics for QA reviews. [REDACTED] was guessing, but estimated that 75% of applications for 501(c)(3) status were done right while 85% to 90% were done right for 501(c)(4) status. She keeps a spreadsheet for QA on all statistics. At one point advocacy was tracked separately in QA.

Every application is logged into EDS and TEDS. These systems would show her cases if a query is run with her identification number. [REDACTED] identification number is [REDACTED]. She worked her cases 100% of the time using the hard copy of the case. TEDS is slow and not user friendly for complex cases.

b6 -2
b7C -2

The Tea Party was added to the emerging issues tab of the BOLO list in July or August of 2010. [REDACTED] gave the wording for the Tea Party terminology. She believes [REDACTED] was on the "Cc:" line of that communication. She sent a test run of the spreadsheet first to [REDACTED] and [REDACTED] and then a few days later sent it to [REDACTED]. [REDACTED] had no substantive comment. She tried to send it to EO Technical, but by accident sent it to all personnel in Washington, D.C. She was embarrassed and retracted it, and then resent it to Cincinnati. [REDACTED] from Washington called to ask what the BOLO was, and she told him what it was. Other than that, no one made any comments to her about the content of the BOLO. [REDACTED] was in charge of the other documents in the spreadsheet. [REDACTED] actually came up with the name BOLO (Be On the Look Out). But since he was a manager he could not win a naming contest where the prize was 59 minutes of administrative time. So he gave [REDACTED]. She left [REDACTED] group before she could ever [REDACTED].

b6 -2,3
b7C -2,3

[REDACTED] was shown a copy of a spreadsheet of Tea Party cases (a copy of this spreadsheet will be maintained in the 1A section of the case file). While not the same spreadsheet, she was forwarded one similar by [REDACTED] early on which she used to keep track of the cases and update for her own knowledge.

b6 -2,3
b7C -2,3

In early 2011 [REDACTED] was involved in a meeting with [REDACTED] where new agents had started working the advocacy cases. [REDACTED] was in charge of the advocacy case project, which was hopeful of getting everyone on the same page on working these cases. [REDACTED] had to send a QA reviewer to the meeting since these are mandatory review cases so [REDACTED] went. It was typical of the IRS to create groups like this. The Internal Revenue Manual (IRM) section 7.20.4 defines what are mandatory review cases, which include political activities and all denials. [REDACTED] answered questions about

b6 -2,3
b7C -2,3

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14-cv-1239-FBI-49

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282B-WF-2896615

Continuation of FD-302 of Interview of [REDACTED], On 08/06/2013, Page 5 of 6

development letters. She e-mailed the questions [REDACTED] had developed to [REDACTED] has seen some of the letters that received so much attention in the media and has the opinion that some questions were odd. She thought questions about what people read, reading lists and political affiliations seemed unnecessary. Agents also have bad habits of cutting and pasting old questions. However she also noted that she asked for Facebook pages, and YouTube videos in some of her letters. If using Facebook and YouTube are how groups market themselves and that is how they put forth their face to the public, then they should have to provide that information [REDACTED] stands by the questions she asked.

b6 -2,3
b7C -2,3

[REDACTED] met with people from Washington that included NAN MARKS, HOLLY PAZ and maybe [REDACTED] when they came to Cincinnati in spring of 2012. [REDACTED] sat in on an interview they did with [REDACTED] MARKS wanted to know where [REDACTED] fit into this whole puzzle. It was not adversarial at all. MARKS remarked that [REDACTED] must have been thankful when she left the cases in October 2010.

b6 -2,3
b7C -2,3

In August 2012, [REDACTED] met with the TIGTA auditors. She met with two interviewers from Massachusetts. People have told her that PAZ was in her interview as well, but she does not remember it. The meeting was very short.

b6 -2,3
b7C -2,3

In regards to the bucketing process conducted in May 2012 [REDACTED] likened it to using a "band-aid to fix a sucking chest wound." She did not understand why they had four different buckets as opposed to weighing each case on its individual facts and circumstances. The media and Congress seemed to be driving the train at this point and this was the IRS' response.

b6 -2
b7C -2

[REDACTED] has no knowledge of any document destruction or people being pressured to not tell the truth. She has no knowledge of people discriminating against the Tea Party. The inventory system is so micro-managed that it could not happen. Denials are subjected to three or four levels of reviews. It is not their job to judge the beliefs of others, just to make determinations. During [REDACTED] Phase 1 training in 1999, she was taught to leave her belief system at the door. If a case goes against her beliefs, she could have it reassigned. This was repeated in group meetings. In two or three meetings she had with screeners, she gave examples of advocacy cases and in particular what the Tea Party was and was not. She used a hypothetical example of a Tea Party group in Berkley, California. The screeners did not understand the irony of this example, leading [REDACTED] to conclude that their understanding of the political leanings of the group may have been limited. Every Tea Party case [REDACTED] worked was political. She did not have any "Little Susie's Tea

b6 -2
b7C -2

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Continuation of FD-302 of Interview of [REDACTED], On 08/06/2013, Page 6 of 6

b6 -2
b7C -2

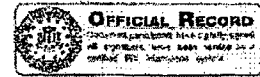
Party," and if she did get something like that, she would send it back to inventory.

[REDACTED] was not prepared for how to deal with the attention after everything came to light in May 2013. Her brother called her at work and asked her if she was involved. She was angry at LOIS LERNER. LERNER went to Europe right after her statement. [REDACTED] felt LERNER should have taken some responsibility but she did not. She saw where STEVE MILLER said two rogue agents were in Cincinnati and then she saw on a website that Congressman ISSA wanted to see her and four others for interviews. The IRS has not been responsive and acts like it is business as usual. She feels betrayed and hung out to dry. She had a casual conversation with [REDACTED] once since this happened.

b6 -2,3
b7C -2,3

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14-cv-1239-FBI-51



FEDERAL BUREAU OF INVESTIGATION

Date of entry 08/01/2013

FEDERAL TAXPAYER INFORMATION

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[redacted] date of birth (DOB [redacted] Social Security account number [redacted] residence address [redacted] [redacted] was interviewed at the law firm of Bredhoff and Kaiser P.L.L.C, 801 15th Street NW, Washington, DC 20005. [redacted] attorneys [redacted] [redacted] and [redacted] were present for the interview. Also present for the interview were U.S. Department of Justice Attorneys [redacted] and [redacted] and Treasury Inspector General for Tax Administration (TIGTA) Special Agent (SA [redacted] Prior to the interview, [redacted] provided a one-page document to the interview team which is maintained in the case file (identified below as [redacted] 0001").

(b)(6), (7)(C) per CRM

b6 -2,3,4
b7C -2,3,4

Multiple documents were shown to [redacted] by the interview team during his interview and are identified below by their corresponding bates numbers. After being advised of the identity of the interviewing Agents and the nature of the interview and advised by SA [redacted] that he was authorized to discuss 26 United States Code 6103 taxpayer information [redacted] provided the following information:

[redacted] earned his B.A. in Accounting from [redacted] in [redacted] He earned a Masters degree in Finance in [redacted] He is originally from [redacted] After graduating from school, he worked as an [redacted] worked for [redacted] as a [redacted] and on the [redacted] for [redacted] from 1985 - 1993. He took a buy out from [redacted] and moved home. He accepted a position with [redacted] for approximately three years and joined the Internal Revenue Service (IRS) in [redacted]

b6 -2
b7C -2

[redacted] is a grade 12 Revenue Agent in the Exempt Organizations (EO) Determinations Group 7826. [redacted] is his manager. During a normal week, they spend two to three days screening and two to three days processing, based upon their inventory. They were initially testing new tools, but that project was shelved. Now they are conducting intermediate processing of inventory that does not require full development. The Screening Group was formed in 2004 and he volunteered to be a member. [redacted]

b6 -2,3
b7C -2,3

Investigation on 07/31/2013 at Washington, District Of Columbia, United States (In Person)

File # 282B-WF-2896615 Date drafted 08/01/2013

by [redacted]

b6 -1
b7C -1

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Continuation of FD-302 of Interview of [REDACTED], On 07/31/2013, Page 2 of 5

b6 -2,3
b7C -2,3

[REDACTED] was the group manager of the Screening Group in 2004. In March 2013, [REDACTED] took over. [REDACTED] teleworks from home. When conducting screening, he worked at home two to three days a week and in the office during the rest of the week. Recently he has been learning how to work different cases, so he works at home approximately one day a week and works the remainder of the week in the office.

Between 1998 and 2004, [REDACTED] was working full development cases. He worked for Group Manager [REDACTED] when he started. There were several Group Managers between [REDACTED]

b6 -2,3
b7C -2,3

[REDACTED] was first exposed to Tea Party cases with the [REDACTED] case. He received the [REDACTED] case as a screening case. He noticed it was a 501 (c)(4) application, but a fair amount of political activity was indicated in the application. At the time, there was media attention regarding the Tea Party. He forwarded the application to his manager because it appeared to be a high profile case. Some issues in the application needed to be developed because of potential political activities involved. [REDACTED] considers a high profile case to be one that would have a lot of media attention or public interest. They were provided guidance that if they had a high profile case, they should send it to their manager. This guidance was probably provided in training they had received. It was unusual to come across high profile cases. He cannot recall whether they were provided a definition of "high profile" or not by their managers.

b3 -1
b6 -2
b7C -2

Prior to sending the e-mail to [REDACTED] on 02/25/2010 (GOV-EMAILS-000019 - 000021) [REDACTED] had a discussion with [REDACTED] told him he had some thoughts that the 501 (c)(4) advocacy case was of a high profile nature. [REDACTED] asked him to send an e-mail with details so [REDACTED] could forward it to his area manager, [REDACTED] was concerned because 501 (c)(4) organizations are social welfare groups and there are limits on the political activity they can conduct. Political activity is not to be the primary activity of the organization. It was unusual for a group involved in political activity to apply for 501 (c)(4) status. After [REDACTED] sent the e-mail to [REDACTED] copied him on the subsequent e-mail chain to [REDACTED] (GOV-EMAILS-000019 - 000021).

b6 -2,3
b7C -2,3

At this point, [REDACTED] was awaiting a decision on where to route the application. [REDACTED] told him a decision had been made to send the case to Washington [REDACTED] prepared a routing slip to forward the case to Washington [REDACTED] 0001). The routing slip, Form 3778, indicated that the case would be sent to Headquarters. The reason checked on the form for forwarding the case was per "e-mail response from Holly Paz on February 26, 2010, this application should be transferred to EO Technical due to the

b6 -2,3
b7C -2,3

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Continuation of FD-302 of Interview of [REDACTED], On 07/31/2013, Page 3 of 5

b6 -2
b7C -2

potential for media interest." He would have learned of HOLLY PAZ's e-mail response from [REDACTED]. The Form 3778 is an online Word document that is used for cases that need to go to EO Technical, per the Internal Revenue Manual (IRM). [REDACTED] does not complete too many routing slips or route cases to EO Technical on a regular basis. He has sent other cases to them in the past, but cannot recall the circumstances. This case is the first time he sent a political case to EO Technical. The application never came back to him after he routed it to EO Technical, but typically he would not see a case again if he routed it there. He never had any follow up discussions with anyone about what was going on with the case. At the time, he handled it per instructions and moved on to other cases.

b6 -2,3
b7C -2,3

The "Be on the Lookout (BOLO)" list provided instructions on what to do when screening Tea Party cases. It said the cases should be sent to Group 7822 for development. He cannot recollect any guidance on Tea Party cases prior to the BOLO. There was a screening workshop in Cincinnati after the BOLO came out. Political Advocacy was one of the topics presented. [REDACTED] was the trainer for this portion.

b6 -3
b7C -3

The BOLO language specifically said "Tea Party" cases. Later the language changed to cases related to the Tea Party movement and eventually changed to more general political advocacy language. He did not frequently see other Tea Party applications after the initial one he received, but occasionally he received one and sent it to Group 7822 per the BOLO instructions.

After the BOLO language was changed to reflect more general political advocacy language, he does not remember seeing many applications which fell under that category. He cannot remember whether he sent more applications to Group 7822 under the broader screening definition in the BOLO than under the more narrow definition. He has not done anything with regard to the political advocacy cases other than what he was instructed to do in the BOLO. He did not go into the IRS computer systems TEDS or EDS (NOTE: Per Agent [REDACTED] TEDS is the Tax Exempt Determination System and EDS is the Exempt Determination System) to find Tea Party cases; however, he was aware that [REDACTED] did.

b6 -3,4
b7C -3,4

He did not hear criticism of the BOLO as far as he can recall. When the language in the BOLO changed from Tea Party to advocacy, there was a sense that they were trying to fix the definition in the BOLO to broaden a description that was narrow before.

[REDACTED] described his attitude toward the Tea Party as straight up. He had no hostility toward the group. Nobody at IRS demonstrated hostility toward the Tea Party as far as he was aware. He cannot recall any office discussions about the Tea Party when a Tea Party case was received. The

b6 -3
b7C -3

14-cv-1239-FBI-54

FD-302a (Rev. 05-08-10)

282B-WF-2896615

Continuation of FD-302 of Interview of [REDACTED] . On 07/31/2013 . Page 4 of 5

b6 -2
b7C -2

office was not a political office. People did not let moral decisions impact their jobs, as far as he knew.

They did not receive specific training directing them not to let their political viewpoints impact their decisions. People did not let their political viewpoints get in the way. They received basic training that each case should stand on its own merits. If someone morally opposed a case, for example a pro choice organization, they could go to a manager to be taken off the case. He has never heard of anyone doing this.

At some point, there was a conversation in the office that the Tea Party cases were being delayed. The timeframe of the conversation was after there was heat approximately a year ago about the Tea Party cases. The cases were old. He did not think this was right because the applicants were waiting so long. He did not know why the cases were being delayed.

[REDACTED] wrote development letters when he first started at the IRS and was working on full development cases.

[REDACTED] has not met NANCY (aka "NAN") MARKS. He has heard her name recently. He met PAZ at his TIGTA interview. She was present at the interview, but he does not recall that she asked any questions during the interview. He does not know whether she said anything. He learned she was going to be there right before the interview. She did not prepare him for the interview or have any discussions with him before the interview. Her presence did not make him less comfortable. He was not horribly uncomfortable during the interview because he knew the nature of his involvement in the [REDACTED] case. TIGTA wanted to find out why there was a delay in the process. He did not feel like fingers were pointed at him.

b3 -1
b6 -2,3
b7C -2,3

When LOIS LERNER recently made public statements about the IRS handling of the Tea Party cases, the "rogue agents" comment did not make any sense to him, because he did not think anyone in Cincinnati did anything wrong. It bothered him. He believes the problem was getting a response from Washington. People developing cases would not receive feedback from Washington for a long time.

b6 -2
b7C -2

[REDACTED] does not know anyone in the IRS who was targeting the Tea Party. His understanding of the Tea Party is that it is a conservative political organization. He did not understand 100% what the Tea Party did when he received their application. At the time he thought it was refreshing that a third political party might be forming that would help freshen up the atmosphere.

[REDACTED] is not aware of anyone destroying or altering documents or telling people to lie about the Tea Party cases.

b6 -2
b7C -2

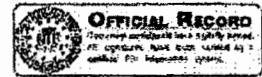
FD-302a (Rev. 05-08-10)

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Continuation of FD-302 of Interview of [REDACTED], On 07/31/2013, Page 5 of 5

b6 -2
b7C -2

When working on Tea Party applications, he was just doing his job per procedures and guidance as he did with every case there.



FEDERAL BUREAU OF INVESTIGATION

Date of entry 08/01/2013

FEDERAL TAXPAYER INFORMATION

Do not disseminate or use except as authorized by 26 U.S.C. 6103.

[redacted] date of birth (DOB) [redacted] Social Security account number [redacted] residence address [redacted]

b6 -2,3,4
b7C -2,3,4

[redacted] was interviewed at the law firm of Bredhoff and Kaiser P.L.L.C, 801 15th Street NW, Washington, DC 20005. [redacted] attorneys, [redacted] and [redacted] were present for the interview. Also present

(b)(6),(7)(C) per CRM

for the interview were U.S. Department of Justice Attorneys [redacted] and [redacted] and Treasury Inspector General for Tax Administration (TIGTA) Special Agent (SA) [redacted] Prior to the interview [redacted] provided copies of a two page e-mail (identified below as [redacted] 0012 [redacted] 0013), which is maintained in the case file.

Multiple documents were shown to [redacted] by the interview team during his interview and are identified below by their corresponding bates numbers. After being advised of the identity of the interviewing Agents and the nature of the interview and advised by SA [redacted] that he was authorized to discuss 26 United States Code Section 6103 taxpayer information, [redacted] provided the following information:

[redacted] earned a Bachelor of Accounting degree from [redacted] He is originally from [redacted] has been working with the Internal Revenue Service (IRS) since he became a new agent in Cincinnati in [redacted] He began in Determinations and later switched to Examinations. He has been performing Exempt Organizations (EO) work since 1985. In approximately 2000, he transferred to the screening group supervised by [redacted] was his supervisor for six to eight years. [redacted] has been a senior agent for five to 10 years. He has been a grade 13 Senior Revenue Agent since 2010. Approximately six months ago, [redacted] began working [redacted] matters. His Supervisor is now [redacted] (phonetic).

b6 -2,3
b7C -2,3

The Tea Party first came to [redacted] attention in March 2010. [redacted] worked at home four days a week and worked in the office one day a week.

b6 -2,3
b7C -2,3

On a day when he was in the office in March 2010, [redacted] told him they had received their first Tea Party application for tax exempt status. [redacted] showed him an e-mail which talked about media attention

Investigation on 07/29/2013 at Washington, District Of Columbia, United States (In Person)

File # 282B-WF-2896615

Date drafted 08/01/2013

by [redacted]

b6 -1
b7C -1

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b6 -2
b7C -2

surrounding the Tea Party. Both [REDACTED] and [REDACTED] were surprised to see a Tea Party application since the Tea Party had been in the news. It is [REDACTED] understanding that the Tea Party is either a social welfare or political organization. Political entities typically do not request tax exemption. He had previously seen the Tea Party on the news protesting in Washington, DC and thought it was a small group of individuals who protested in Washington, DC. He was aware the Tea Party was Republican-based organization which advocated for limited government.

b6 -2,3
b7C -2,3

Within approximately a week, [REDACTED] called [REDACTED] in and asked him to find all of the open and closed Tea Party cases in the office. [REDACTED] asked clerk [REDACTED] to locate all the closed cases on the EDS system. [REDACTED] also searched the IRS computer system TEDS (NOTE: per Agent [REDACTED] TEDS is the Tax Exempt Determination System). for the name "Tea Party". His initial search turned up approximately five cases. Two or three of the cases were closed and two or three were open.

b6 -2,3,4
b7C -2,3,4

Approximately one month later, in an e-mail chain dated 04/05/2010 (71-000020 - 71-000023), [REDACTED] was requested by [REDACTED] to gather information on Tea Party cases. [REDACTED] was asked to complete this task because [REDACTED] was out of the office and [REDACTED] was filling in as Acting Manager for [REDACTED]. On the same date, [REDACTED] provided a list of Tea Party or Possible Tea Party organizations on a spreadsheet (71-000020 - 71-000021) [REDACTED] created the spreadsheet with the results he obtained (71-000044) by typing "Tea Party" into TEDS.

b6 -2,3
b7C -2,3

On his spreadsheet, he lists three cases at numbers 16-18, [REDACTED] [REDACTED] Those three cases are not Tea Party cases, but the box was checked for them on TEDS indicating that they were going to participate in political activity. A few of the cases on the list, number 11 [REDACTED] and number 12 [REDACTED] do not have Tea Party in their names. [REDACTED] does not know why he included those two cases on the list since "Tea Party" was not in their names. He may have picked up their connection to the Tea Party from doing research on web sites of other Tea Party organizations. When [REDACTED] went to Tea Party web sites, he saw terms like [REDACTED] and [REDACTED] and [REDACTED]. At some point, he started to search for terms like [REDACTED] and [REDACTED] in addition to "Tea Parties". He is not sure whether he used the terms [REDACTED] or [REDACTED] on his April 2010 search, but he believes he just used "Tea Party". [REDACTED] listed [REDACTED] on his spreadsheet, but included a notation that the organization needed to be researched further. After researching it at a later date, he learned it was a little girl's cancer fundraising group, and not associated with the Tea Party movement. [REDACTED] believes that after the research was conducted, [REDACTED] would have been granted an exemption. Three to

b3 -1
b6 -2
b7C -2

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b6 -2
b7C -2

five cases on the spreadsheet were paper cases, so he did not look at them. They had already been acted upon and were closed. He did not go to the web sites for those entities.

It was not unusual for [REDACTED] to conduct Internet research. He did not consider the request from [REDACTED] to research the Tea Party be political. He knew the Tea Party was receiving media attention and conducting Internet research in such a situation was not unusual. He did searches every two to three months on various media topics. Cincinnati wanted to let DC know they were working on those issues. [REDACTED] thought the Tea Party would be a political Action Committee (PAC) which would file a 527 application, so he was surprised when they received a tax exempt application from the Tea Party.

b6 -2,3
b7C -2,3

On his spreadsheet (71-000044), [REDACTED] designated numbers six through 18 as being in Status "75". Status 75 meant the cases were unassigned. [REDACTED] was told by [REDACTED] to continue researching these cases and to hold them in a group inventory in the screening group so nobody else would work on them. At some point the cases were moved out of Status 75. He did not move them, but guesses they were moved in approximately May 2010. [REDACTED] stopped doing research toward the end of April 2010. At the end of April [REDACTED] told him the cases were moved from the screening group to the Be On the Lookout (BOLO) group [REDACTED] did not provide guidance about what to look for and just indicated the cases were to be moved to the Emerging Issues group.

b6 -2,3
b7C -2,3

[REDACTED] sent an e-mail on 06/02/2011 requesting the issues which may indicate an organization is involved with the Tea Party movement. [REDACTED] responded that he looked for [REDACTED] or [REDACTED] ([REDACTED] 0012). He came up with those terms because they were on the same web pages as the Tea Party groups. He believes the [REDACTED] has to do with principles and values of Americans. When he was looking at web sites, he agreed with the principles of the groups.

b3 -1
b6 -2,3
b7C -2,3

Up until 06/02/2011, [REDACTED] was provided no guidance or definitions on working Tea Party cases. He conducted weekly searches on their system for Tea Party cases. As a Senior Screener, he had managerial responsibility to assign cases to other screeners. He would often assign cases and run queries on them. He would take the Tea Party cases out of inventory on his own initiative before they were assigned to another screener. He would put them under his own number and send them to the BOLO group. He also ran queries for other topics on the BOLO, such as the Association of Community Organizations for Reform Now (ACORN) cases. He looked for ACORN cases on a weekly basis when he received e-mails with the names of particular organizations related to ACORN that may be filing applications. He would

b6 -2
b7C -2

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Continuation of FD-302 of Interview of [REDACTED], On 07/29/2013, Page 4 of 4

b6 -2
b7C -2

look until he determined whether the organization had filed an application. He would also do searches related to medical marijuana groups since medical marijuana groups were on the BOLO. He would use search terms such as "medical marijuana" or "cannabis".

In July 2010, there was a screening workshop for 30-40 people to discuss new issues. There was a PowerPoint presentation about political activity. He stood up and discussed key words from the PowerPoint presentation related to applications. Screener [REDACTED] put together the PowerPoint presentation. He does not know how the key words were selected for the presentation. The terms may have come from group screening meetings. [REDACTED] wanted the terms and the PowerPoint to be discussed at the training workshop.

b6 -3
b7C -3

[REDACTED] was not aware of a meeting in Cincinnati in April 2012 which was attended by HOLLY PAZ and others. He did not attend.

b6 -2,3
b7C -2,3

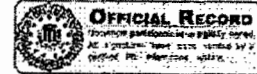
[REDACTED] was copied on a 05/10/2012 e-mail about training run by people from DC (71-000064 - 71-000065). He was not a participant in the training and does not know why he was copied on the e-mail.

[REDACTED] group does not care whether an applicant is liberal or conservative. There is no discrimination. They go strictly by the law in doing their jobs. They have a lot of training, although not about political beliefs. If a person receives a case on a group with whom he or she disagrees, such as PETA or Right to Life, that person can transfer the case to another person. Transfers such as this are rare, but they occur.

[REDACTED] has never witnessed discrimination against a taxpayer group based upon the group's political beliefs.

b6 -2
b7C -2

[REDACTED] stated that you cannot go against the Tea Party, because "it's America". Someone in the IRS just could not make a decision on what to do with them.



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FEDERAL BUREAU OF INVESTIGATION

Date of entry 07/26/2013

FEDERAL TAXPAYER INFORMATION

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[redacted] date of birth [redacted] Social Security account number [redacted] residence address [redacted] [redacted] cellular telephone [redacted] was interviewed at the Cincinnati FBI office. Also present during the interview were Department of Justice attorney [redacted] and Treasury Inspector General for Tax Administration (TIGTA) Special Agent [redacted]. During the interview, [redacted] was shown documents which will be referenced by the appropriate dates numbers assigned to them and the documents will be maintained in the 1A section of the case file. After being advised of the identities of the interviewing agents and the nature of the interview, [redacted] provided the following information:

b6 -2,4
b7C -2,4

(b)(6), (7)(C)
per CRM

[redacted] is a Grade 13 revenue agent for the Internal Revenue Service (IRS). He has worked for the IRS for [redacted] with the [redacted] being in the Determinations section of Exempt Organizations (EO). [redacted] received a degree in management and took additional classes in accounting from [redacted]. He is currently in Group 7822 which has been managed by [redacted] since March 2013. Prior to that, [redacted] was in Group 7838, also known as the screening group, which was managed by [redacted] who recently retired. [redacted] works one or two days a week from home.

b6 -2,3
b7C -2,3

The purpose of the screening group was to get applications out the door quickly if they can be approved, otherwise pass them on for development.

In the past [redacted] looked at paper cases when they came in, but then the IRS moved to the computer system called TEDS, which is much slower. The first thing he looks at in an application is whether it meets the organization test. Then he will check the operational test. He will also check the activities of the applicant. If the description seems vague or if it appears to be for the private benefit of the Board of Directors for the company, he may move it on for development. [redacted] is pretty fast at looking at the applications and averages about three per hour. He probably

b6 -2
b7C -2

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Investigation on 07/10/2013 at Cincinnati, Ohio, United States (In Person)

File # 282B-WF-2896615

Date drafted 07/26/2013

by [redacted]

b6 -1
b7C -1

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Continuation of FD-302 of Interview of [REDACTED], On 07/10/2013, Page 2 of 4

b6 -2
b7C -2

approves 30%-40% of the applications he screens. If a case needs work, he puts it in intermediate process or full development. If there is only minimal work to do, he sends it to accelerated processing (AP).

[REDACTED] would check the BOLO list when screening cases. The BOLO list was for consistency purposes; so that the same group would work the same cases. The BOLO list would tell someone what to do with certain types of cases. It would give recommendations on how to work the case. Some listings in the BOLO would tell the screener to see his/her manager. Items on the BOLO list usually came from revenue agents seeing something that was consistently wrong on incoming applications or something that needed extra scrutiny. [REDACTED] does not know who decided what went on the BOLO list.

b6 -2
b7C -2

[REDACTED] ran screener group meetings to talk about what the screeners were seeing in the applications they were working. These meetings were held monthly and lasted anywhere from one to three hours. In 2010, [REDACTED] identified Tea Party cases. The Tea Party was in the media and things in the media are high profile. It was known that if cases were high profile, for "CYA" (cover your ass) purposes, people would bring them to the attention of their managers. Regardless of whether a case were approved or not approved, it would still make the news.

b6 -2,3
b7C -2,3

[REDACTED] saw a few applications that were Tea Party cases and he sent them to a special group to work. [REDACTED] identified cases by seeing if they had the Tea Party name or had verbiage that lined up with Tea Party beliefs. If he saw this, he sent it for development because he knew he could not approve the case. [REDACTED] does not remember how guidance on the Tea Party was given or labeled. He was not sure whether the Tea Party was initially on the BOLO or not. [REDACTED] did not see the cases after they left screening. [REDACTED] only recalls having seen a few political advocacy cases prior to [REDACTED] bringing the issue up. He would have usually sent them to inventory because of the political aspect.

b6 -2,3
b7C -2,3

[REDACTED] was shown an e-mail dated June 2011 (bates 92 to 93) sent to senior screeners. [REDACTED] does not remember the e-mail specifically; he may have had conversations with [REDACTED] who sat next to him.

b6 -2,3
b7C -2,3

[REDACTED] used his own judgment to decide what should go to development. [REDACTED] has not read the TIGTA audit report. [REDACTED] was shown page six of the audit report and the table in Figure 3 entitled "Criteria for Potential Political Cases (June 2011)". [REDACTED] is not sure what [REDACTED] was. The term [REDACTED] might raise a flag, but he never saw that. These four listings were not provided to him as criteria to use to screen cases. He does not remember receiving any specific guidance for screening Tea Party cases.

b3 -1
b6 -2
b7C -2

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b6 -2
b7C -2

[redacted] remembers the changing of the label from Tea Party to political advocacy. He figured someone raised an issue with the name. [redacted] started to send more than just Tea Party cases to the group responsible for Tea Party cases once the name on the BOLO was changed to advocacy specific groups. It did not strike him as odd that the Tea Party name was used as an identifying name. "Advocacy is advocacy," and he would not treat Tea Party cases different from other types of cases.

In May 2013, [redacted] wife called him and said LOIS LERNER was on the news calling people low level employees and saying they were targeting the Tea Party. [redacted] stated they were not targeting the Tea Party. They were sending the cases to review for consistency purposes. In fact this was the first time he had heard the word 'targeting' related to the Tea Party. He also said that they are not low level employees.

b6 -2
b7C -2

In November 2012, STEVE MILLER, who used to work in EO and had moved to Washington D.C. and became a Commissioner, went to Cincinnati and spoke. [redacted] was not real impressed and wondered if MILLER was part of this issue. No one has told [redacted] not to keep documents or to say certain things in his interviews. He has no knowledge of anyone targeting political groups. The checks and balances in Cincinnati would make it hard for this to even occur. It might be possible for one screener on one case to do it, but not on this scale.

b6 -2,3
b7C -2,3

[redacted] was shown a copy of a spreadsheet (bates 77 to 80) which he identified as the BOLO list. This list would get sent out periodically. He never saw emails soliciting information for the BOLO.

b6 -2
b7C -2

[redacted] was shown minutes from a group meeting (bates 58 to 59), but he does not remember this specific meeting.

[redacted] described that his first impression of HOLLY PAZ was that she was a "stuck-up lawyer from Washington." In November 2012, [redacted] The position is [redacted]

b6 -2,3
b7C -2,3

[redacted] was told that after he did this a media representative from the IRS was looking into his [redacted] at the request of IRS management in Washington. They determined that since it was [redacted] it was okay, however he needed to write an outside employment form since the position had a small stipend. He filled out and submitted the form. He was later told by [redacted] that they were not out of the woods yet as the whole issue was still sitting on PAZ's desk. [redacted]

[redacted] The very next day [redacted] called him into his office and told him he was to be recommended for reprimand for late submission of the employment request. If he had questions he was should ask [redacted] who was the Area Manager. [redacted] went and saw [redacted] who did not reprimand

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b6 -2,3
b7C -2,3

Continuation of FD-302 of Interview of [REDACTED], On 07/10/2013, Page 4 of 4

him, but had him sign a form. He was not sure what it was that he signed.

He wondered if this happened because PAZ "is a [REDACTED] liberal lawyer who donated [REDACTED] to [REDACTED] and he is a conservative Christian."

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14-cv-1239-FBI-64

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Section 552

Section 552a

(b)(1)

(b)(7)(A)

(d)(5)

(b)(2)

(b)(7)(B)

(j)(2)

(b)(3)

(b)(7)(C)

(k)(1)

(b)(4)

(b)(7)(D)

(k)(2)

(b)(5)

(b)(7)(E)

(k)(3)

(b)(6)

(b)(7)(F)

(k)(4)

(b)(8)

(k)(5)

(b)(9)

(k)(6)

(k)(7)

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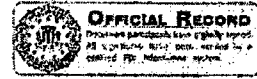
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FEDERAL BUREAU OF INVESTIGATION

Date of entry 07/26/2013

FEDERAL TAXPAYER INFORMATION

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[redacted] date of birth [redacted] Social Security account number [redacted] residence address [redacted] office telephone [redacted] was interviewed at the Cincinnati FBI office. Also present were Department of Justice attorneys [redacted] and [redacted] and Treasury Inspector General for Tax Administration (TIGTA) Special Agent [redacted]. During the interview, [redacted] was shown documents which will be referenced by the appropriate bates numbers assigned to them and the documents will be maintained in the 1A section of the case file. After being advised of the identities of the interviewing agents and the nature of the interview, [redacted] provided the following information:

b6 -2,4
b7C -2,4

(b)(6), (7)(C) per CRM

[redacted] started with the Internal Revenue Service (IRS) in [redacted] then quit, went to work at a [redacted] and then came back to the IRS in [redacted]. When [redacted] returned in [redacted] he was a revenue agent in Exempt Organizations (EO). [redacted] moved around a lot in EO, spending 7.5 years in Quality Assurance (QA) and 2.5 years in Determinations. Since there can only be a set number of Grade 13 revenue agents in each group, people switch groups frequently. [redacted] is [redacted] current group manager and [redacted] is his Area Manager. [redacted] works special projects in addition to doing determinations. He has reviewed adverse rulings, prepared training in response to the audit report and participated in a classification project. [redacted] has a degree in finance and accounting from [redacted] and works from home two or three days a week.

b6 -2,3
b7C -2,3

[redacted] was added to the advocacy project in December 2011. Prior to this time, [redacted] did not have much experience working political groups. His only previous exposure to political advocacy was that he knew they were on the BOLO list. The BOLO list was used to coordinate processing of similar applications. For instance, [redacted] was the only person that worked Green Energy cases and dealt with the complex issue of carbon credits, so all those types of cases would go to him. [redacted] does not know how the BOLO is created. He did have an understanding of what was on the list, and

b6 -2
b7C -2

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Investigation on 07/10/2013 at Cincinnati, Ohio, United States (In Person)

File # 282B-WF-2896615

Date drafted 07/26/2013

by [redacted]

b6 -1
b7C -1

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b6 -2
b7C -2

understood that screeners used it. There was a screening/classification group where all they did was screen cases; however that group no longer exists. Now every group has screeners in it.

[redacted] was the coordinator for the advocacy team. [redacted] attended a meeting with [redacted] who was [redacted] manager, [redacted] and [redacted]. In the meeting they discussed working the cases, coordinating the processing for consistency, and using a template of questions for development letters from EO Technical. These questions would be used to determine political activity. [redacted] received a document dated November 2011 from EO Technical to help shape his determination letters and identify issues to develop. The template seemed reasonable to [redacted]. Every case they would work on would go to QA for a second review.

b6 -2,3
b7C -2,3

In January 2012 [redacted] was assigned cases. For the first cases he was assigned [redacted] came up with his own template for development letters, most of which he cut and pasted from EO Technical's guidance. Initially his letters were approved but he is not sure by whom. He sent them to [redacted]. [redacted] does not remember if there were any approvals or denials of cases during this time period. He does remember several suspensions. He does not remember if he got any responses back to his letters. People soon began complaining in the news about the handling of their cases and how the IRS was asking for too much information.

b6 -2,3
b7C -2,3

[redacted] was shown a copy of a letter sent to the [redacted] a copy will be maintained in the 1A section of the case file. [redacted] stated that the first two pages are a standard opening, and then the rest are the development questions. [redacted] stated that one of his development letters was posted in the public domain, which is how the media obtained his name later on.

b3 -1
b6 -2
b7C -2

In May 2012 [redacted] attended a meeting with several people from both Cincinnati and Washington. Also present were HOLLY PAZ, NAN MARKS, [redacted]. [redacted] is [redacted] maiden name, which [redacted] often used), [redacted] and others. In this meeting, MARKS wanted to know his opinion on what happened and what the problems were with processing the applications. [redacted] noted that most of these organizations were small, and he thought maybe giving them a telephone call could have helped.

b6 -2,3
b7C -2,3

[redacted] also attended what he called a "bucketing" meeting. PAZ was at this meeting. In this meeting people from Cincinnati and Washington discussed putting all of the political advocacy cases in "buckets" for processing. [redacted] recalled that [redacted] was there from EO Technical and that she seemed extremely knowledgeable. [redacted] from EO Technical and [redacted] were present as well. [redacted] argued for three

b6 -2,3
b7C -2,3

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Continuation of FD-302 of Interview of [REDACTED], On 07/10/2013, Page 3 of 4

buckets not four (bucket one were approvals, bucket two was intermediate development, bucket three was full development and bucket four were potential denials.) [REDACTED] thought all cases needing any type of development should be put into one bucket, but this did not occur. Over the next three or four weeks, personnel from both Cincinnati and Washington worked to bucket cases together in Cincinnati. This was the first time [REDACTED] had worked on advocacy cases full time. Previously he had only spent 15%-20% of his time on them.

b6 -2
b7C -2

The case files were on the TEDS system and in paper form; however when the group was split into two teams for the bucketing exercise they only used the paper files to bucket cases. If two people came up with different outcomes for bucketing a case, they would discuss it and come to an agreement on how it should be bucketed. If they could not agree, then [REDACTED] who was from Washington, would make the final determination. Cases would then be sent to agents to work. Once a case was completed by an agent, it would be approved by their manager and then sent to QA for review. These bucketing meetings were used to push through cases that could be completed.

b6 -3
b7C -3

After the several weeks of bucketing, [REDACTED] and [REDACTED] were selected to work the cases placed in bucket four (potential denials) with the assistance of EO Technical [REDACTED] would send the cases to EO Technical for their suggestions and then he would usually use their questions to help further develop the case. [REDACTED] had one case where he remembers sending a denial letter. It was for [REDACTED] which was used to support the candidacy of [REDACTED] for Senate. The group was running advertisements in support of her and therefore their primary purpose was clearly political. This was the first case of a denial to his knowledge. It did not need further development, as it was clear from the application. The group folded eventually because the candidate lost. All denial letters are structured so they include the facts of the case, the tax law, and the application of the law. [REDACTED] and [REDACTED] also bucketed all new cases. [REDACTED] would receive new advocacy cases and send [REDACTED] and [REDACTED] the number of the case. Both of them would look at the case and compare the facts and circumstances.

b3 -1
b6 -2,3
b7C -2,3

[REDACTED] was shown an e-mail from October 2012 with the subject "Advocacy Team" (bates number 61). [REDACTED] does not recall the meeting set forth in the e-mail.

[REDACTED] heard LOIS LERNER'S statement in May 2013, and was surprised by it because it was not true. The idea of rogue agents was not possible. [REDACTED] stopped working bucket four cases because reporters showed up at the door of his house. He felt unsafe and therefore asked to not work the

b6 -2
b7C -2

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Continuation of FD-302 of Interview of [REDACTED], On 07/10/2013, Page 4 of 4

b6 -2
b7C -2

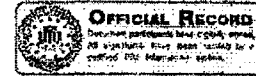
advocacy cases anymore. He did continue to bucket the new cases as they come in [REDACTED] noted that organizations can function as a 501(c)(4) without applying to the IRS for the status as long as they submit a form 990 annually. This is not well known.

[REDACTED] has no knowledge of anyone with a political agenda in this whole process. There is no political atmosphere in the office and he has no knowledge of people making decisions based on political motivations. He does not recall receiving training on political activity. He has no knowledge of other people trying to obstruct any investigation into this issue. [REDACTED] has a friend that he works with who is a conservative Republican who home schools his kids and he has been very upset by the whole idea that people think the IRS targeted Tea Party groups. [REDACTED] considers himself a Republican and has voted Republican since Ronald Reagan and he has never let his affiliations affect his work.

b6 -2
b7C -2

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14-cv-1239-FBI-77



UNCLASSIFIED//FOUO

FEDERAL BUREAU OF INVESTIGATION

Date of entry 07/23/2013

FEDERAL TAXPAYER INFORMATION

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[redacted] date of birth [redacted] Social Security account number [redacted] residence address [redacted] cellular telephone [redacted] was interviewed pursuant to a proffer letter at her attorney's office located at 40 W. Pike St, Covington, Kentucky 41012. [redacted] attorneys, [redacted] and [redacted] were present during the interview. Also present were Department of Justice attorneys [redacted] and [redacted] and Treasury Inspector General for Tax Administration (TIGTA) Special Agent [redacted]

b6 -2,3,4
b7C -2,3,4

(b)(6), (7)(C) per CRM

During the interview [redacted] was shown documents which will be referenced by the appropriate bates numbers assigned to them and the documents will be maintained in the 1A section of the case file. After being advised of the identities of the interviewing agents and the nature of the interview, [redacted] provided the following information:

[redacted] is currently the Program Manager for [redacted] for the Internal Revenue Service (IRS). She has held that position since October 2004. [redacted] has been with the IRS for [redacted] She started in Covington, Kentucky at the processing center and in [redacted] while [redacted] She then went to work for [redacted] but came back to the IRS. She worked in collection for three and half years and in centralized processing for one and a half years in downtown Cincinnati, Ohio. She went to school at night at [redacted] ultimately completing [redacted] She moved to Employer Plans (EP) and EO in April 1983 as a tax auditor. She then converted to a revenue agent and worked for 12 years in Determinations. In 1995 she went into management at the IRS and was detailed as a Grade 12 to manage new hires. After six months as an acting manager in this position, a decision was made to centralize up front processing of applications in Cincinnati. A new unit of screeners was set up to speed the upfront processing of cases. This unit had three revenue agents who would review cases and close what they could. In October 1995 the screening function spread out to all groups. In April 1996 she became a permanent Grade 13. She was detailed to staff assistant in April 1998 for about one and a half years. In July 1999 she became the Branch Chief

b6 -2
b7C -2

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Investigation on 07/11/2013 at Covington, Kentucky, United States (In Person)
 File # 282B-WF-2896615 Date drafted 07/17/2013
 by [redacted]

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(second line management) and had all of the clerical people and the automation unit report to her. In September 2001, she was selected for a Grade 14 analyst as part of a team working on TEDS, the IRS' tax exempt system. She reported to the Director of Rulings and Agreements (R&A). While she was in this position LOIS LERNER was selected as the Director of R&A. A year later, [REDACTED] was selected as an Area Manager and reported to [REDACTED] reported to LERNER.

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b7C -2,3

[REDACTED] performed speaking engagements and traveled with LERNER to conduct liaison meetings. [REDACTED] continued to work on TEDS as well. In October 2004, [REDACTED] became Program Manager. LERNER was still Director of R&A at the time. LERNER did not interview [REDACTED] for the job, but rather LERNER selected her directly for it. [REDACTED] was one of several people who were acting for [REDACTED] after he retired. LERNER was then selected for Director of EO. JOE URBAN was then detailed to Director of R&A for 2005-2006. ROB CHOI, who was the executive assistant for LERNER, was detailed to R&A Director in 2006-2007, and then was selected for the permanent position. CHOI left in December 2010 to become Director of EP and HOLLY PAZ was detailed to R&A Director in January 2011. PAZ then went [REDACTED] was acting for her. PAZ came back and was the permanent Director of R&A until she was recently put on administrative leave. KAREN SCHILLER is currently acting while PAZ in on leave. The manager of EO Technical reports to the Director of R&A.

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b7C -2,3

EO's job in Cincinnati is to review applications and close them out appropriately. EO does not have a mission statement. The processing center in Covington receives the applications, processes the payment, and scans the application into TEDS so that the application can be processed. In December 2008 TEDS crashed, and even though Covington was still scanning the cases, Cincinnati could not look at the files on TEDS. As a result of the issues with TEDS, which also includes slow servers and a cumbersome interface, paper copies of the files are still mailed to each agent working the applications. It is faster to work a paper application than one on TEDS. EDS is the inventory control system for EO applications. EDS only allows people to research information about case inventory. EDS is older than TEDS. TEDS contains the actual work papers and scanned application related to each case. The majority of taxpayers that EO works with are usually small "mom and pop shops", or volunteers for taxpayer organizations. As such, there are frequently issues with the applications that are received.

Screeners, or classifiers as they are now called, check the application to see that it is appropriate. They put the applications into one of four "buckets" or categories. The first bucket is approval (or merit close). The second is intermediate development, which means that the applications

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needs a little information and will probably be approved after that. The third bucket is for full development, which occurs when the case has issues or might be a denial. The last bucket is for applications that are missing administrative informational items, and therefore it will be closed as incomplete and sent back to the taxpayer. Early on there were only two buckets, approval and full development. During the 2010/2011 timeframe, the buckets were called approval, accelerated processing (if there are a few administrative items to clear up but otherwise it is easy to approve), and full development. [REDACTED] is not sure when intermediate development process started. Classifiers try to move the cases quickly as they deal with many applications. Last year EO received 70,000 applications. Classification usually takes about .4 of an hour. Full development cases only take six to twelve minutes on average. Approval cases take longer because of the paperwork required to be filled out by the screener.

b6 -2
b7C -2

When an application is put into TEDS, there are certain blocks on the application that the taxpayer fills out that can create a bypass of screening, but this is very minimal. For example, the system defaults all cases to Grade 11 level. Based on certain boxes on the application which add complexity, the case can be bumped up to a Grade 12 or 13 level. This simply indicates the corresponding Grade level of revenue agent that should be selected to work the case. Since some of these more complex cases will always be sent to agents for development, they would never result in a merit closure at the screening step. So the system has categories that should allow for the bypassing of screening. However, in practical exercise, because of taxpayers filling out forms wrong and cases sometimes being placed in the wrong buckets, most cases go through classifying/screening regardless of initial complexity level.

The Internal Revenue Manual (IRM) provides for timelines for applications in the process. Applications need to be assigned to a classifier within 30 days of the control date of the file. Classifiers then have five days to get the case to their manager, who then has five days to sign off on the application (if approved). Once the case is put into inventory, there is no timeframe. When a case is taken out of inventory and is moved to development, the revenue agent contacts the organization to request additional information. Taxpayers are given 21 days to respond, and they can ask for a 14 day extension. If no response is received, the case is put into administrative suspension and the taxpayer is notified by letter. The taxpayer has 90 days to respond to this letter. If no response is received, the case is classified as Failure to Establish (FTE). The processing section takes cases once they are put into suspense. This section is made up of three units which include records, adjustment and correspondence. As long as the taxpayer responds to the IRS letter, the IRS will continue to give extensions. Agents working

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cases realize that it takes taxpayers time to collect the information requested. Since 2011, cases have not been assigned out of inventory to classifiers in the required 30 day window due to a significant backlog of cases.

Revenue agents are responsible for their own cases, specifically how many they need and when they need them. It is different for each agent as it is based on how they individually manage their own workload. Training coordinators will put on workshops for agents for specialty categories of cases. Controls are built in at the manager level to prevent cherry picking of cases, which includes the use of the control date for assignment. Taxpayers can ask for expedited treatment and this is the only time cases are pulled out of control date order and pushed ahead in the process.

The Be on the Lookout (BOLO) list was created in May 2002. After "9/11", a memo was issued by LERNER to [REDACTED] asking screeners to compare names and addresses to the Office of Foreign Asset Control (OFAC) list. A testing phase for using the list lasted until October 2002. At that time another memo was issued that required all revenue agents to compare their cases to the OFAC list. Each agent would be responsible for their cases. A spreadsheet was developed to have the OFAC information in it so that it could be distributed to all revenue agents, therefore eliminating the need for each individual agent to go to the OFAC website and look up the information. In April 2003 another memo was issued that added additional countries and names to the list.

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A revenue agent named [REDACTED] was put in charge of looking at abusive and fraudulent issues. This included cookie cutter applicants and cases where the information on the application was misleading. [REDACTED] worked for the IRS in information technology, and he was the person who had put the OFAC list into the spreadsheet format. [REDACTED] would conduct research and gather information and look into these issues that were potentially abusive and then add the names of abusive taxpayers to another spreadsheet. She called this spreadsheet Touch and Go (TAG). The cases did not actually go anywhere, they stayed with [REDACTED] and she would search case inventory for similar cases. Once she had established a specific issue was present, she would give a batch of cases to either [REDACTED] or an area manager, and they would assign the cases out to be worked. The cases would be sent to a group, and then worked out of that group.

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In 2005, the number of cases had built up and was consequently backing up the inventory, so specialty groups were created to assign the work out to. This included the TAG group, which had the responsibility for keeping

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the spreadsheet. [REDACTED] took over responsibility for the TAG spreadsheet. A report was written with people from Washington, D.C. on what to do with the cases. The TAG spreadsheet was converted to an Access database. IRM section 7.20.6 was developed to give guidance on when TAG and other cases should be elevated. The TAG database became so large that revenue agents were no longer using it because it had too much information. In 2008 the database was converted back to an excel spreadsheet. Abusive work, which included the TAG cases, was separated out from the consistency work. TAG work included potential fraud, abuse and terrorism. Consistency work includes things like group rulings, where all the applications needed to be treated in a consistent and similar manner. The consistency work was given to [REDACTED] who then moved from the TAG group (managed by [REDACTED] to the consistency group (managed by [REDACTED] [REDACTED] Group 7825.) Classifiers would send what they were seeing to the TAG group, which would then re-screen the cases. Agents in the TAG group would then either close the cases, keep the cases, give them to the consistency group or put them back into inventory.

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b7C -2,3

Initially individual e-mails were used to pass along issues to watch for. It became too hard to track all these individual emails and there needed to be a single place where the information was centralized. [REDACTED] did not believe that agents should be looking in several different places for the information they needed to determine if cases should be worked by one of these groups. Not all of the types of cases the consistency group saw had similar issues to cases like group rulings. They decided to give these other cases the name "emerging issues". The first emerging issues were 501(c)(2) cases, which were tax law issues. [REDACTED] received these cases and worked them with EO Technical. In March 2010, [REDACTED] discussed the centralizing of all these issues with the two Area Managers, [REDACTED] [REDACTED]. The spreadsheet had a historical TAG tab, and a current TAG tab. The historical segment was separated out because many of the TAG issues had been resolved and were no longer relevant to current screening. Additional tabs were added to the spreadsheet to include an emerging issues tab (tax law concerns), coordinated process tab and a watch list tab. [REDACTED] was in charge of the emerging issue tab. If information on the tab was to be changed, group managers could send their changes to [REDACTED] who would give them to [REDACTED]. She was later moved to Group 7822, which was managed by [REDACTED].

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In June or July of 2010, Continuing Professional Education (CPE) training was held to share the concept of this new spreadsheet. A PowerPoint presentation was created to talk about this new centralized spreadsheet. It was no longer the TAG spreadsheet, and therefore it did not have a name. A contest was held during the training for employees to name the spreadsheet. The winner received 59 minutes of administrative

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time. [REDACTED] came up with the BOLO name and won the contest. In August 2010, the first BOLO was sent to everyone (although a July BOLO was sent first, it was only to certain people). Any issues to be added to the emerging issue tab would need to be elevated to [REDACTED] and possibly people in Washington. [REDACTED] might write an issue paper for Washington, but no issue paper was written for the Tea Party cases, as they were discussed in e-mails. Most issues were raised via e-mail. In May 2012, PAZ sent a memo stating that any changes to the BOLO had to go through her.

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b7C -2,3

The 501(c)(2) cases that [REDACTED] worked and the Tea Party cases were the only issues added to the emerging issue tab of the BOLO. The 501(c)(2) cases were taken off when they were resolved. [REDACTED] provided a copy of a detailed timeline documenting the history of the TAG and BOLO spreadsheets which she created in June 2013. This document will be maintained in the 1A section of the case file.

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Every manager could provide issues they were seeing for the BOLO. They would send them to [REDACTED] and he would give them to [REDACTED] who took over for [REDACTED] to update the sheet. [REDACTED] recalled [REDACTED] and another manager arguing over whether stuff should be added to the BOLO spreadsheet. [REDACTED] recalled that [REDACTED] did not want his screeners to follow the routing instructions on the BOLO as it added time to the screening process of the case.

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b7C -2,3

[REDACTED] was shown a copy of an e-mail (bates 11 to 14) from February 2010 where Tea Party cases are brought to her attention. [REDACTED] stated there were no conversations outside of the e-mails. She forwarded all e-mails she received from the screening group regarding high profile issues to Washington. They decided if they wanted the case or not. EO is always in the newspapers, so Washington wants to know if something will blow up. PAZ was the acting manager of EO Technical at the time of this e-mail exchange. EO Technical actually works cases, so [REDACTED] would have sent them to PAZ. IRM 7.20.1 states that certain cases are required to be sent up the management chain. While cases with a lack of precedent might be sent up, if the issue is out in the media Washington will want to know about it because of the high profile nature. If a case is approved or denied it can result in a complaint to a congressman, which will then make its way to the Washington IRS office.

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[REDACTED] did not know what the Tea Party was at this time, did not know what their agenda was, and did not know they were Republicans until much later, probably around 2011 or 2012. [REDACTED] does not consider herself to be political and is a little embarrassed that she does not follow politics. She knew that the Tea Party was in the news, but did not know the details. She understood that it was a political issue. [REDACTED] does

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not know the politics of people in her office. Since it was a high profile case, it was general procedure to elevate the case up the chain of command. [REDACTED] is not aware of anything in the IRM that would require the case to be elevated based on its type. [REDACTED] is unable to remember a time when she did not send up a case issue identified by a screener to EO Technical.

PAZ said EO Technical would take the case. [REDACTED] said several weeks later that he had 10 more cases to send. [REDACTED] did not think it made sense to send all the cases, so she asked PAZ if EO Technical wanted any more cases. PAZ asked her to send one more, but keep the rest. [REDACTED] did not want the other cases to be assigned out to inventory, so [REDACTED] just held the cases in his screening group under his unassigned code, "75." [REDACTED] would often work with the EO Technical manager; however she did not know what they did and therefore would just wait for a response. Usually EO Technical would review the case and if there was a concern they would work and develop the case. If there was no concern, they would send the case back to EO in Cincinnati. EO Technical is made up of all attorneys.

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In an e-mail chain (bates 20 to 23) dated April 5, 2010 where [REDACTED] asks how many cases there are, [REDACTED] stated there were no conversations outside of the e-mails as they went back and forth.

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In an e-mail chain from late April 2010 (bates 45 to 46) [REDACTED] suggested a Sensitive Case Report (SCR) should be written. [REDACTED] agreed. SCRs are usually written by Washington and sent to LERNER and CHOI. [REDACTED] went to her area managers and asked who they thought should be responsible for the cases and therefore have the cases assigned to them. Since [REDACTED] had the consistency group, and they wanted consistent treatment for these cases, they sent them to his group and he assigned them to [REDACTED]. [REDACTED] was chosen because she was a Grade 13 agent. [REDACTED] was another Grade 13 in [REDACTED] group. Washington then decided that [REDACTED] would be the Tax Law Specialist (TLS) handling the cases.

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[REDACTED] did not look at the cases themselves. She has not worked a case in 18 years and was not involved in how to work the cases from a technical aspect. Her role was to move the cases along. [REDACTED] had concerns as to whether the groups met the appropriate criteria. [REDACTED] had conversations with [REDACTED] of EO Technical about the cases. There were disagreements within EO Technical about whether the groups qualified. IRS counsel got involved at some point. [REDACTED] did not know that the revenue agents sent a 501(c)(3) and a 501(c)(4) as the two initial cases. EO

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Technical asked for more cases and EO sent two more up. It appeared that they wanted two more because of a technical issue, not because of the high profile nature.

[REDACTED] complained that every letter that [REDACTED] made for development had to be sent to [REDACTED] to review. On October 10, 2010, [REDACTED] sent an e-mail to PAZ about her concern about the current process. [REDACTED] wanted a template for other revenue agents to use so they could work the cases, but no template was available. She also brought up the fact that every development letter was going to EO Technical. EO Technical was looking at various issues in parts of the application. PAZ said there were differences in each of the cases so they could not give a template. [REDACTED] recalls having a discussion in December 2010 with PAZ or [REDACTED] (she is not sure who) about meeting with [REDACTED] LERNER's Senior Technical Advisor, to go over concerns about over inclusion of cases. At this time [REDACTED] had three groups reporting to her including [REDACTED] group. These groups reported to her even though she was Program Manager due to the fact that an area manager had left.

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Around June 2011, PAZ was going to brief LERNER because of the volume of cases and whether they qualify for exemption or not. At some point LERNER became aware that cases were sitting. She seemed taken aback somewhat by this information. LERNER's view was that EO Technical should be helping EO in Cincinnati, and that this was not taking place. [REDACTED] had the additional concern that a delay of 270 days can mean organizations can take the IRS to court to obtain an order for declaratory action. She had this concern because in January 2011 the Taxpayer Advocacy Service (TAS) got involved. This involvement creates paperwork that requires a response. These requests start out as an Operational Assistance Request (OAR). She does not recall that they ever reached the order level. She contacted PAZ and [REDACTED] because she wanted to know what to say to TAS. They provided her with information to pass along. EO Technical has a TAS liaison.

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b7C -2,3

[REDACTED] was shown an e-mail chain from June 2011 (bates 47 to 49) where there was a discussion about the criteria used to identify Tea Party cases [REDACTED] had been asked by PAZ, and she pushed the question down to [REDACTED] and asked for feedback from the screeners because she did not know the answer. She thought all organizations with political activity were going into this group of cases. That is why she used put the term "tea party cases" in quotes in the e-mail because she thought it represented all cases, not just Tea Party cases. Initial training received by employees of the IRS teaches that you do not make judgments on the organizations, just on the merits of the application. Since the first case was a Tea Party organization, they just used the name. She thought the term represented

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all advocacy cases. As it turned out all kinds of stuff was sent to Group 7822, including lobbying issues. It did not seem that just political advocacy was sent there.

[REDACTED] may have given feedback on the June 2011 briefing memo for LERNER, but she did not prepare it. She just passed along the information from [REDACTED] and the screening group and did not pay attention to the information. She just wanted guidance and a process to work the cases. [REDACTED] did not care about the technical arguments; her goal was to give her office the guidance it needed.

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[REDACTED] called in on the telephone for the June 2011 briefing. She was asked not to bring lower level employees onto the call because there was to be some discussion about personnel issues. On the call LERNER discussed that they should not be calling these cases "Tea Party cases" and that they needed to change the label in the description. LERNER stated that this would not look well to people on the outside even though they are just using the name to process the cases. [REDACTED] recalls that there was an agenda or memo for the briefing. The night before the call PAZ called her and said that [REDACTED] suggested that all the cases be transferred to Washington, but they wanted an actual count of how many cases there were. So [REDACTED] asked [REDACTED] for a count and he came back with 90 cases. PAZ said that they could not take all the cases as that would be too many for Washington to handle. PAZ knew how slow Washington works. [REDACTED] stated it is common knowledge that Washington takes a long time with all of its cases.

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In an e-mail from July 5, 2011 (bates 50), [REDACTED] is telling [REDACTED] that she changed the name from "tea party cases" to "advocacy cases" on the BOLO which is stored on NERD, a shared drive. She does not remember the exact date she changed it or where the exact verbiage used came from, but she changed it based on her briefing with LERNER. There was never any intention to cover up or hide anything; LERNER knew how people outside the IRS would look at the use of the name. [REDACTED] stated that in an e-mail dated June 14, 2011 there is conversation showing the name was changed to reflect the wider net that was cast for these cases.

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In September 2011, PAZ and [REDACTED] wanted to have a town hall meeting with employees in Cincinnati about general stuff. An expedite case was in the Tea Party bucket, and [REDACTED] was asking [REDACTED] about the case. [REDACTED] looked at the case and said it was not a problem case, and could be closed out and approved. [REDACTED] understood how the person working the case could be confused. [REDACTED] was a technical person. Based on this successful interaction with [REDACTED] suggested to [REDACTED] and PAZ that some technical people from Washington should look at the cases and then decide

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what to do. [redacted] sent PAZ a list of cases which she gave to [redacted] and [redacted] sent their comments back to [redacted] on a spreadsheet. [redacted] wanted recommendations on how to bucket or approve them. She did not find what she got back to be helpful. PAZ had a meeting with [redacted] had frustrations with how the cases were being worked. [redacted] had been assigned to these cases, [redacted] had not picked him to work them. There was talk of reassigning [redacted]

[redacted] asked [redacted] to come up with a group of people that included representatives from each of the groups to work these cases. In November or December 2011, [redacted] wanted [redacted] to coordinate the cases. [redacted] felt more comfortable with [redacted]. The other groups provided people to work the cases. Quality Assurance provided [redacted] asked [redacted] for people to work with them. He provided [redacted] and [redacted]. There was a meeting sometime in December 2011.

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b7C -2,3

A guidance sheet was drafted and sent to [redacted] by [redacted] however Tax Exempt and Government Entities (TEGE) counsel had an issue with it. [redacted] is not sure exactly what the issue was, but heard from either [redacted] or [redacted] that it had to do with things being referenced in the guide sheet that might not be from published guidance.

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[redacted] had a meeting with [redacted] and [redacted] was working with the taxpayer organizations to educate them about the qualifications for exempt status. [redacted] had concerns about [redacted] helping them become compliant. [redacted] believed that the determination is made on facts, and if you do not have enough facts to make the determination, get the facts. [redacted] said he would clear this up with [redacted]

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The guidance sheet was eventually given out with a template of questions to the team working the cases in January 2012. In February 2012, Washington became more involved in the cases because either complaints were coming in or there were congressional inquiries; she is not sure which.

She did understand that there were concerns about the questions being asked in development letters. [redacted] did not review the letters that the revenue agents were sending out as she believed they came from the guide sheet. [redacted] met with some people from the advocacy team at the end of January 2012. He came up with his own additional suggestions for questions. This included donor questions and requests for website information. [redacted] verbally counseled [redacted] about using these types of questions. It came to [redacted] attention later that these questions were template questions from working credit counseling cases, which [redacted] used to work.

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[redacted] was told that Washington wanted the advocacy team to stop sending letters. STEVE MILLER was going to have to testify in response to

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the complaints. He asked his advisor, NAN MARKS, to head up the issue and get him the information he needed for his testimony.

A team from Washington that included PAZ, [REDACTED] MARKS, [REDACTED] and JOE URBAN came to Cincinnati twice in April 2012. The first time they came they just wanted to review cases. This first trip is when [REDACTED] mentioned to MARKS that [REDACTED] used to work credit counseling cases. MARKS said that it now made sense as to why [REDACTED] would think it was okay to ask those donor and website questions. Those questions would be more typical of credit counseling cases. [REDACTED] was in Washington from April 16-17 for a team meeting for something else. While she was there she noted that [REDACTED] was looking at cases, specifically [REDACTED] cases where he sent letters requesting donor information. [REDACTED] asked about cases being in TEDS since Washington did not have access to TEDS [REDACTED] and [REDACTED] had a conference call with [REDACTED] so he could help explain TEDS. [REDACTED] was given requests for things that Washington wanted to look at, including information on the BOLO. [REDACTED] preliminary review would start with a lot of cases from [REDACTED]

In late April, the same team from Washington came down and had a big meeting with everyone who had been involved in the cases. [REDACTED] would not describe the tone as fearful on Cincinnati's part, it was just another meeting and not a big deal. She knew that TIGTA was coming in May 2012 to get walked through the case process. She saw it more as a "pain in the ass" than something to worry about. She was also busy with the fact that JOE GRANT wanted to come to Cincinnati and hold a town hall meeting not related to the advocacy cases.

In the big meeting with everyone from Washington, [REDACTED] had the Cincinnati employees walk everyone through what had taken place regarding the Tea Party cases. All the involved employees gave a timeline of their events. This is when [REDACTED] first found out that [REDACTED] had never sent out any development letters on the cases. Instead he spent his time responding to TAS issues and coordinating cases. A smaller meeting was held later with all of the Washington team, [REDACTED] and [REDACTED] [REDACTED] and [REDACTED] talked with the Washington group about personal safety concerns they had because their names were on many of these letters that were out in the public domain. [REDACTED] stated that no one had thought about this potential issue. It was clear to the Washington team that these revenue agents had thought through many of the issues related to the development letters. [REDACTED] suggested that just calling the taxpayers may have been a better approach. [REDACTED] later told [REDACTED] that he appreciated this smaller meeting. [REDACTED] and [REDACTED] because of their thoughtful concerns, were selected for a training workshop with [REDACTED] in May 2012.

b6 -2,3
b7C -2,3b6 -2,3
b7C -2,3b6 -2,3
b7C -2,3b6 -2,3
b7C -2,3

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Continuation of FD-302 of Interview of [REDACTED], On 07/11/2013, Page 12 of 15

b6 -2,3
b7C -2,3

[REDACTED] told [REDACTED] that people should not be trashing Cincinnati. [REDACTED] found it unacceptable that people would be upset with Cincinnati. They had asked for help, but were not getting it. [REDACTED] said that nothing intentional was done, but that everyone was in it together to fix it. [REDACTED] is not sure if [REDACTED] may have shared some of these comments in the smaller meeting. There were no comments made about anything political. [REDACTED] was in the smaller meeting because the Washington team did not want to make the Cincinnati people uncomfortable.

The week after this visit TIGTA was in Covington to look at the timeline of the BOLO and they wanted a demonstration of how to classify cases. On May 1, 2012, GRANT held his town hall meeting. During the meeting, the Tea Party issue came up. GRANT said nobody was going to be thrown under the bus or made a scapegoat by this situation. [REDACTED] found this reassuring for the people working in Cincinnati.

b6 -2,3
b7C -2,3

[REDACTED] was not at the training workshop in May nor did she have any input in the bucketing process that came out of it. PAZ explained to [REDACTED] what would occur. PAZ also told her that they only wanted people physically located in Cincinnati or Washington to handle the cases. PAZ also told her that MILLER did not want [REDACTED] involved with these cases. This bothered [REDACTED] because [REDACTED] had just made a mistake. PAZ seemed to feel bad about asking for his removal from the cases. [REDACTED] suggested not using anyone who had previously been involved so that [REDACTED] did not think he was the only person being held out and therefore punished for his mistake. New people were asked to be on the advocacy team. [REDACTED] was made the acting manager of the team. [REDACTED] continued to track the cases on a spreadsheet. Since [REDACTED] had kept her own spreadsheet on the cases, [REDACTED] merged the two together. Washington prepared letters to send out on case from the bucketing exercise conducted during the training workshop. Nothing regarding the cases really popped up again until May 2013.

b6 -2,3
b7C -2,3

[REDACTED] asked [REDACTED] to forward to her an old e-mail chain (bates 28-32) that had information that she probably needed for TIGTA for their visit in August 2012. [REDACTED] was also shown a copy of an e-mail (bates 62 to 63) where [REDACTED] was sending out the audit schedules for August 2012. TIGTA had left Cincinnati in April after requesting information, and then came back in August. There was also a Freedom of Information Act (FOIA) request so [REDACTED] sent a lot of e-mails that she had kept to PAZ. PAZ was also the point of contact for the audit. [REDACTED] had worked with TIGTA on many audits in Cincinnati before. Usually she would meet with TIGTA in Washington first, then they would go out to Cincinnati and she would point out who was important to them. She would then collect documents from these

b6 -2,3
b7C -2,3

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Continuation of FD-302 of Interview of [REDACTED], On 07/11/2013, Page 13 of 15

employees and give them to TIGTA. In this audit everything went through PAZ, which made [REDACTED] mad. [REDACTED] initially felt that PAZ thought [REDACTED] could not handle it.

b6 -2,3
b7C -2,3

PAZ told [REDACTED] that PAZ would be involved in the audit interviews. PAZ explained that this audit was about a sensitive issue and how could Washington respond to the TIGTA audit and what is said in the interviews if someone from Washington is not there to hear it. [REDACTED] had never sat in on interviews of her employees in previous audits. PAZ was with [REDACTED] during her interview with the TIGTA auditors. PAZ interjected during a question in [REDACTED] audit interview about who told [REDACTED] to stop working cases and stop sending development letters. [REDACTED] felt uncomfortable responding because PAZ was her direct supervisor and was the one who had told her to stop. [REDACTED] is unsure if this was PAZ's first audit.

b6 -2,3
b7C -2,3

[REDACTED] has a good working relationship with PAZ. The only real issue she has with her is that PAZ would not delegate and would often get into the weeds on issues. PAZ never expressed her political views to [REDACTED]

b6 -2,3
b7C -2,3

Nobody that [REDACTED] worked with ever seemed to discuss politics. [REDACTED] never saw anyone act to discriminate because of politics. No one ever expressed to [REDACTED] a desire for cases to sit just because they wanted them to sit. [REDACTED] thought all political activities related cases were in the "tea party"/advocacy group. She did not know which cases were liberal groups.

[REDACTED] continued to work cases back in Washington and development letters for cases were sent to her. However, the revenue agents in Cincinnati were not getting responses back. The development letters were just sitting in Washington. [REDACTED] felt like they were back to where they were in 2011. The response she received from Washington was that the focus was on the fourth bucket which had the potential denials.

b6 -2,3
b7C -2,3

On Friday, May 10, 2013 [REDACTED] was working from home. Her husband, [REDACTED] was working upstairs and came running downstairs and told her to turn on the television. She was stunned and very angry about the comments LERNER had made to the press. She called [REDACTED] at the office. He said people were leaving work. One person walked into their manager's office and said, "...this low level employee is going home." People at the IRS office in Cincinnati were already getting telephone calls from the media and attorneys. [REDACTED] started writing an e-mail when she received a call from PAZ. [REDACTED] started cursing at PAZ. PAZ told [REDACTED] that [REDACTED] had called her to tell her what was going on in the Cincinnati office. PAZ then called LERNER. LERNER asked PAZ to call [REDACTED] and tell her that you cannot believe everything you hear. PAZ said she did not know what to say. [REDACTED] told her she was still going to send this e-mail. PAZ

b6 -2,3
b7C -2,3

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UNCLASSIFIED//FOUO

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Continuation of FD-302 of Interview of [REDACTED], On 07/11/2013, Page 14 of 15

told her to send it. PAZ told [REDACTED] to keep in mind that sometimes people do what their bosses tell them to do. [REDACTED] lost her temper again at this comment. [REDACTED] said she would never do something like that even if she was told to. She then went off about how she had not even seen a draft of the audit report yet. PAZ then sent her the draft after the conversation.

LERNER responded back to [REDACTED] e-mail saying she would contact [REDACTED] later. [REDACTED] responded that she was working from home. LERNER called her later and sounded like she was reading a script of apology. LERNER told [REDACTED] she thought she had said first line workers in her speech. LERNER said she later may have used the term low level employee to a smaller group. LERNER also wanted to talk about expediting an application for [REDACTED] a charity for raising funds for victims of the Boston Marathon bombing. [REDACTED] could not believe that she wanted to talk about work. In fact GRANT and MARKS were with LERNER on the call when they were talking about the [REDACTED] case. LERNER told [REDACTED] to stop sending her e-mails because this stuff will be out there for people to see. LERNER told [REDACTED] other things were going on that she could not talk about. [REDACTED] was much more civil with LERNER than she had been with PAZ. LERNER wanted to send a message to the employees in Cincinnati but did not want to e-mail it. So she and [REDACTED] discussed her options and LERNER decided to leave a voice message on the voicemail for the employees that night. [REDACTED] said the message sounded like LERNER was reading from a script and the message did not address the concerns of the employees. At the end of the conversation between LERNER and [REDACTED] LERNER said, "I'm leaving and never coming back." [REDACTED] took this as a flip comment at the end of their conversation. The following week LERNER was on vacation.

The next week [REDACTED] who was trying to deal with the backlash from LERNER's comments, was constantly being contacted by Washington regarding the [REDACTED] case. They wanted her to track down the Federal Express truck that was delivering the paperwork for the expedited application. [REDACTED] was very frustrated that she was trying to deal with employees' responses to LERNER's comments and Washington was continuing on with business as usual. [REDACTED] held a town hall meeting with the Cincinnati employees on the Monday right after LERNER's statement. [REDACTED] asked PAZ and [REDACTED] at the end of the week if LERNER was coming back. PAZ and [REDACTED] said LERNER had sent out an e-mail that ended in such a way that seemed odd.

[REDACTED] told [REDACTED] that LERNER was back in the office the following week. [REDACTED] then received an e-mail on May 23 that said LERNER was being placed on administrative leave. The following week PAZ told [REDACTED] that the acting TEGE Commissioner had told PAZ that she was okay. IRS employees started getting calls to testify before Congress. PAZ told [REDACTED] to start

b6 -2
b7C -2b3 -1
b6 -2,3
b7C -2,3b3 -1
b6 -2,3
b7C -2,3b6 -2,3
b7C -2,3

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14-cv-1239-FBI-91

UNCLASSIFIED//FOUO

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b6 -2
b7C -2

Continuation of FD-302 of Interview of [REDACTED], On 07/11/2013, Page 15 of 15

printing e-mails because people have to look out for themselves at this point. On May 28, PAZ became the acting EO Director. PAZ was still active in working with [REDACTED] on cases. PAZ talked about how she was wondering if she was going to be cut out of the loop. Then PAZ called [REDACTED] to tell her she was being put on administrative leave and she was saying goodbye.

[REDACTED] overall reaction to the TIGTA audit report is that mistakes were made but the report is incomplete. There were questions that were asked that should not have been asked in the letters, but the report leaves out how Occupy and ACORN cases were delayed as well. These mistakes were not isolated to these (Tea Party) types of cases. [REDACTED] believes that if screeners were just focused on the Tea Party name, then that would be wrong. However, if political activity is involved in the application, then it should get appropriate screening for consistency. She does not want organizations getting approved that should not be. She does not see a problem with the BOLO list. She thinks that to improve the process, there needs to be more structure for elevating issues and setting time frames for Washington to respond. This would be a good result from everything that has happened. She has no real concerns with the recommendations that the report provides. She reiterated that the report left stuff out.

b3 -1
b6 -2
b7C -2

[REDACTED] does not believe that the fallout would have been as bad if the report had been released without anyone making a statement. LERNER's statement about targeting really magnified the issue. She believes one issue is that there are no processes or procedures for handling work in the EO Washington office. One of [REDACTED] employees made the comment that the Washington office is too unorganized to carry out a conspiracy. LERNER was disorganized; [REDACTED] was not sure about PAZ. [REDACTED] does not believe Washington is incompetent, but her frustration was that a bunch of lawyers were trying to be managers and they spent a lot of their time debating and speaking. They were not focused on processes that would facilitate and move the work. [REDACTED] used to have 210 people in Determinations; now she only has 140. She does not feel that it is laziness that caused some of these issues, but rather a lack of resources, a lack of training, and the ability for people in Cincinnati to contact people in Washington directly.

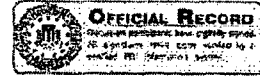
b6 -2,3
b7C -2,3

[REDACTED] is unaware of anyone obstructing any investigations, destroying documents or telling people to lie, nor has she done any of these things.

b6 -2
b7C -2

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14-cv-1239-FBI-92



FEDERAL BUREAU OF INVESTIGATION

Date of entry 08/09/2013

FEDERAL TAXPAYER INFORMATION

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(b)(6), (7)(C) per CRM

[redacted] date of birth [redacted] social security number [redacted] address [redacted] was interviewed at the Federal Bureau of Investigation (FBI) office in Covington, Kentucky. Also present during the interview were U.S. Department of Justice Attorneys [redacted] and [redacted] and Treasury Inspector General Tax Administration (TIGTA) Agent [redacted]. During the interview, [redacted] was shown documents which will be referenced by the appropriate bates numbers assigned to them and the documents will be maintained in the 1A section of the case file. After being advised of the identities of the interviewing Agents and the nature of the interview, [redacted] provided the following information:

b6 -2,4
b7C -2,4

[redacted] began working for the Internal Revenue Service (IRS) as a Revenue Agent around August of [redacted]. In 2002, [redacted] was managing a group of revenue agents in the Exempt Organizations (EO) Determinations Unit. His group was responsible for developing and making determinations on the tax exempt status of 501(c) applications. Most of the applications in [redacted] group were pulled from the general inventory, meaning there were no issues or specialized focus in the applications. In 2004, [redacted] moved to the managing position of the processing unit before moving back to managing a group of revenue agents in 2005. In the summer of 2007, [redacted] managed the group revenue agents involved in developing applications containing abusive and touch and go (TAG) issues. From November 2011 to November 2012, the group focused on international organizations and anti-terrorism groups. In November of 2012 to February 2013, [redacted] served as an acting Area Manager reporting directly to [redacted]. In February 2013, [redacted] became the permanent Area 2 Manager overseeing six working groups.

b6 -2,3
b7C -2,3

The TAG group was formed around 2002 and was coordinated by [redacted]. [redacted] compiled the list from 2002 to 2009 and included over two hundred abusive categories. The categories could have consisted of just one abusive promoter of a scheme, the scheme itself or the actual taxpayer. [redacted] believes this is why there were so many categories. Prior to 2009, abusive schemes and TAG issues were all worked in the same group. Around

b6 -2,3
b7C -2,3

Investigation on 07/12/2013 at Covington, Kentucky, United States (In Person)
File # 282B-WF-2896615 Date drafted 07/22/2013
by [redacted]

b6 -1
b7C -1

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282B-WF-2896615

Continuation of FD-302 of Interview of [REDACTED] . On 07/12/2013 . Page 2 of 4

b6 -2,3
b7C -2,3

November 2009, the two groups split and TAG issues formed a new group 7830, managed by [REDACTED]. Around the same time, the Internal Revenue Manual (IRM) was updated to include TAG issues. Around late 2009 or early 2010 [REDACTED] replaced [REDACTED] as the TAG coordinator. [REDACTED] tasked three senior agents, [REDACTED] to monitor what TAG issues agents were currently seeing. Two months later the TAG list went from around two hundred categories down to around ten. The categories which did not make the list of ten were put on a historical tab, since Agents were not currently seeing the issues anymore. [REDACTED] did recall a progressive category on the historical tab, but it was not included in the updated categories. During this time period, the two lists (historical and current) along with emerging issues all became part of the be on the look out list or BOLO.

The cases which fell into the emerging issue category were not necessarily abusive, but may have a significant impact due to the media attention they were receiving. [REDACTED] recalls the ACORN cases or successor to ACORN cases being elevated through management as emerging issues in Spring of 2010 and eventually being placed on the BOLO in the late summer of 2010. [REDACTED] believed the issue was elevated to Area Managers [REDACTED] and [REDACTED] and then to [REDACTED] and then Acting EO Technical Manager [REDACTED] believed [REDACTED] and [REDACTED] worked the cases. The cases were forwarded to Quality Assurance managed by [REDACTED] after being developed by the agents. This was protocol for cases dealing with political issues.

b6 -2,3
b7C -2,3

(Bates number 36-38 [REDACTED] also recalled a progressive case, [REDACTED] being worked by [REDACTED] who was supervised by [REDACTED] at the time. [REDACTED] proposed a denial of the case and sent it up to Quality Assurance in 2010, which in return sent the case to EO Technical for final determination. The case is still open [REDACTED] became the Area Manager over [REDACTED] group and recalls the case going to the Group Rulings specialist.

b3 -1
b6 -2,3
b7C -2,3

[REDACTED] discussed the screening process and how cases are forwarded to their respective groups. ACORN cases for example, would be listed on the BOLO with instructions to send to [REDACTED] group. Screeners would know if an application dealt with ACORN or a successor to ACORN by looking at the application, not just the name of the organization. [REDACTED] believes while the Tea Party label may have been used to separate the cases, the underlying political advocacy issue was considered when deciding how to develop or to what group to send a 501(c) application.

b6 -2,3
b7C -2,3

In late 2010 [REDACTED] recalls the BOLO having "Tea Party" listed and the instructions were to send those cases to [REDACTED] group. At the

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Continuation of FD-302 of Interview of [REDACTED], On 07/12/2013, Page 3 of 4

b6 -2,3
b7C -2,3

time, [REDACTED] was in [REDACTED] group and she was assigned the advocacy cases or Tea Party cases [REDACTED] was coordinating with [REDACTED] from EO Technical in order to develop and make determinations on the advocacy cases. In August of 2010, [REDACTED] went to [REDACTED] group. Toward the end of 2010 [REDACTED] joined Quality Assurance and [REDACTED] replaced her as the reviewer for advocacy cases [REDACTED] also became the BOLO coordinator. Prior to the TIGTA audit in 2012 [REDACTED] was unsure of exactly how the BOLO was updated. After the audit, the BOLO needed to go to HOLLY PAZ in Washington D.C. to be updated or approved.

In 2010 there was CPE given to agents regarding how to handle emerging issues. [REDACTED] and the EO Determinations Manager were all part of the training [REDACTED] will provide the interviewing Agent with a copy of the training Power Point presentation. [REDACTED] wrote part of the CPE titled Heightened Awareness Issues [REDACTED] would also remind agents to not put feelings and opinions into their work. He has seen employees recuse themselves from working cases if they feel their feelings may get involved in making a determination.

b6 -2,3
b7C -2,3

Cases may be transferred to different groups as they are developed. Sometimes keywords can be used to determine to what groups the application needs to be sent. Screeners do not have time to dissect the entire 501(c) application. Screening is the hardest position to be precise, because abuse is difficult to determine. For example, ACORN cases or successor to ACORN cases had a potential to be abusive, but it could later be determined its a political advocacy issue and be placed in the emerging issues category, or vice-versa. It is up to the specialist to develop the case and make the determination if a case contains abusive issues.

In early 2010, advocacy cases were not as widely known to screeners, but if the case was sent to the wrong bucket or put in the wrong category, the receiving agent would know to elevate the issue. There could be a time period where an issue has not been identified, and applications end up in the wrong group.

One of [REDACTED] agents, [REDACTED] sent [REDACTED] a list of Tea Party cases. [REDACTED] emailed the list to [REDACTED] is not sure how [REDACTED] obtained the list of cases. [REDACTED] has been [REDACTED] [REDACTED] had to [REDACTED] times due to [REDACTED] resigned in early [REDACTED]

b6 -2,3
b7C -2,3

[REDACTED] recalled Cincinnati receiving guidance from Washington D.C. in late 2011 and [REDACTED] began developing cases. In January 2012, [REDACTED] who was the manager of [REDACTED] asked [REDACTED] to review some cases. [REDACTED] recommended [REDACTED] call them current sensitive events. Around this time, [REDACTED] took over as the advocacy coordinator or organizer. [REDACTED] asked

b6 -2,3
b7C -2,3

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282B-WF-2896615

Continuation of FD-302 of Interview of [REDACTED], On 07/12/2013, Page 4 of 4

[REDACTED] to review some of the development letters he had already sent out or was going to send out. [REDACTED] recalled providing some criticism in regard to the length of the letters and the information he was requesting. [REDACTED] was previously working credit counseling cases which required more in depth questioning. [REDACTED] thought [REDACTED] may have carried the same principles to the advocacy cases.

b6 -2,3
b7C -2,3

In the spring of 2012, individuals from Washington D.C. came into town for training and to conduct a bucketing exercise with the advocacy cases. After the bucketing was concluded, [REDACTED] asked for volunteers to work the advocacy cases which had been bucketed. Two agents in [REDACTED] group, [REDACTED] and [REDACTED] were assigned advocacy cases. [REDACTED] from the EO Washington Office would be providing guidance. Once a case was developed the manager would sign off and the case would go to Quality Assurance.

b6 -2,3
b7C -2,3

[REDACTED] attended a town hall style meeting in May of 2012, with JOSEPH GRANT and STEVE MILLER, along with most of the EO Staff in Cincinnati. It was mentioned several times during the meeting that Cincinnati would not be thrown under the bus regarding the advocacy issues. MILLER and GRANT expected to be getting a call from Congress soon regarding the advocacy issues.

b6 -2,3
b7C -2,3

When [REDACTED] was the manager of the TAG group, PAZ was the EO Technical Manager. [REDACTED] did not have too much contact with PAZ, he mainly communicated through [REDACTED] said one of [REDACTED] agents, [REDACTED] did have some issues regarding delays from EO Technical when trying to develop cases, and the issues were elevated.

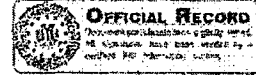
b6 -2,3
b7C -2,3

[REDACTED] did not deal with LOIS LERNER too often. In December of 2012, while [REDACTED] was acting for [REDACTED] he was on a conference call discussing the denial of an advocacy case and how the denial letter should be written. At some point during the conference call, LERNER stated they must remember the Cincinnati folks are not lawyers. [REDACTED] did not think the comment was appropriate.

b6 -2,3
b7C -2,3

[REDACTED] was never told to lie or destroy documents related to this investigation and he did not advise anybody to do so. [REDACTED] was not aware of anybody destroying or hiding documents and he does not feel there was any political motivation behind how advocacy cases were handled in Cincinnati. [REDACTED] believes there is a distortion between targeting groups and screening for consistency and efficiency.

b6 -2
b7C -2



FEDERAL BUREAU OF INVESTIGATION

Date of entry 03/05/2014

[redacted] male, date of birth (DOB) [redacted] social security account number (SSAN) [redacted] office address [redacted] office telephone number [redacted] extension [redacted] was interviewed via telephone conference. [redacted] attorney, [redacted] of Graves Garrett LLC, located at 1100 Main Street, Suite 2700, Kansas City, Missouri 64105, was present for the interview via telephone conference. Also present during the interview, via telephone conference, were U.S. Department of Justice Attorney [redacted] and Treasury Inspector General for Tax Administrator (TIGTA) Special Agent (SA) [redacted]. After being advised of the identity of the interviewing Agents and the nature of the interview, [redacted] provided the following information:

b6 -2,3,4
b7C -2,3,4

(b)(6), (7)(C)
per CRM

[redacted] was a [redacted]. He owned an [redacted]. His clients included [redacted] as well as [redacted] was from [redacted]. Growing up, [redacted] attended [redacted]. He attended [redacted] for his undergraduate degree. He earned a [redacted].

b6 -2
b7C -2

[redacted] became involved with [redacted] because of his former client, [redacted]. [redacted] joined the organization as the executive director sometime in 2012, "long after" the organization applied for tax-exempt status with the Internal Revenue Service (IRS). [redacted] took over for the first executive director, [redacted] after he resigned.

b3 -1
b6 -2,3
b7C -2,3

[redacted] on a volunteer basis. He was not paid, however, he did receive compensation when he rented space in his office to the organization for its national conference. [redacted] did not work full-time for the organization. He described his relationship with the organization as a "light consulting relationship." He considered himself an "administrator of a lightly-organized, lightly-scheduled group." [redacted] sought to pursue social welfare in Ohio and the United States by showing the merit of and advocating for principles of religious freedom and its impact of representative government. [redacted] described the organization

b3 -1
b6 -2
b7C -2

Investigation on 01/31/2014 at Washington, District Of Columbia, United States (Phone)
File # 282B-WF-2896615 Date drafted 02/05/2014
by [redacted]

b6 -1
b7C -1

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Continuation of FD-302 of Interview of [REDACTED], On 01/31/2014, Page 2 of 3

as a "modest" sized group of several hundred members with a "low-visibility" board, with the exception of [REDACTED] described the organization's membership as having "casual interest and support." [REDACTED] never held any public events, media tours, or public debates.

Based on a review of the organization's files [REDACTED] said that the organization incorporated as a non-profit on March 22, 2010. [REDACTED] said that the files showed that the organization filed for tax-exempt status in March 2011. The first correspondence from the IRS was dated February 14, 2012, and signed by [REDACTED] first learned that [REDACTED] applied for tax-exempt status in 2012 when his predecessor, [REDACTED] handed over the organization's files. [REDACTED] told [REDACTED] that the organization's application had been pending for "some time." [REDACTED] said "normally these sorts of applications took a couple of months."

[REDACTED] said that [REDACTED] notes in the file showed that on February 28, 2012, [REDACTED] called the IRS to request an extension to provide the information requested in [REDACTED] letter. The notes showed that the extension was granted. [REDACTED] called the IRS and left a message with [REDACTED] on June 4, 2012, and June 12, 2012, requesting another extension. At some point, [REDACTED] returned [REDACTED] call and granted the requested extension.

[REDACTED] then received two letters from [REDACTED] The first was dated June 19, 2012, and the second was dated June 28, 2012. Both letters requested more information to complete the review of the organization's application for tax-exempt status. [REDACTED] called [REDACTED] on July 10, 2012, and left a message confirming the extension that was granted by [REDACTED] At some point [REDACTED] returned [REDACTED] telephone call and granted the organization an extension to provide the additional requested information. Initially, [REDACTED] granted the organization an extension until July 10, 2012, but [REDACTED] extended the extension until July 24, 2012.

When [REDACTED] spoke to [REDACTED] felt "grateful" that he "acknowledged" the 14-day extension, but was "frustrated" that the case was being handled by a new specialist [REDACTED] did not detect any anger from [REDACTED] when they spoke on the phone and described [REDACTED] as a "bureaucrat doing his job." Thereafter, [REDACTED] corresponded with counsel with regard to how to respond to the IRS' request for additional information, but did not correspond or otherwise discuss the requests with the IRS. [REDACTED] responded to [REDACTED] June 2012 letters requesting more information, not [REDACTED] February 2012 letter, on July 24, 2012.

Initially during the interview [REDACTED] believed [REDACTED] application for tax-exempt status had not been

b3 -1
b6 -2,3
b7C -2,3

b3 -1
b6 -2,3
b7C -2,3

b6 -2,3
b7C -2,3

b6 -2,3
b7C -2,3

b6 -2,3
b7C -2,3

b3 -1
b6 -2
b7C -2

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Continuation of FD-302 of Interview of [redacted], On 01/31/2014, Page 3 of 3

b6 -2
b7C -2

determined.

[redacted] only other interaction with the IRS was that he received a letter from the IRS with regard to the sale of his home. The IRS questioned the taxable income on the sale. [redacted] accountant resolved this issue with the IRS.

b6 -2
b7C -2

[redacted] was unaware of anyone else affiliated with [redacted] [redacted] who had contact with the IRS with regard to the organization's application for tax-exempt status.

b3 -1
b6 -2
b7C -2

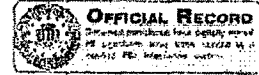
[redacted] explained that with tax-exempt status, it was easier to raise money. Without tax-exempt status, it was difficult for the organization to raise money, which resulted in the organization having less money to execute its mission. If the organization was unable to pay for communications and postage, it cannot communicate effectively. In addition, [redacted] said that without tax-exempt status, it was more difficult to recruit and engage volunteers.

b6 -2
b7C -2

[redacted] was waiting for tax-exempt status to "ramp up" its activities. [redacted] said that even if the IRS granted the organization tax-exempt status in September 2012, it "would have made it difficult at that point to participate in the election in November 2012."

b3 -1
b6 -2
b7C -2

During the course of the interview, [redacted] reviewed his files and found a letter from HOLLY PAZ dated September 17, 2012, approving [redacted] [redacted] tax-exempt status.



FEDERAL BUREAU OF INVESTIGATION

Date of entry 03/05/2014

[redacted] female, date of birth (DOB) [redacted] social security account number (SSAN) [redacted] address [redacted] [redacted] was interviewed via telephone conference. Attending the interview with [redacted] was [redacted] [redacted] attorney, [redacted] of Graves Garrett LLC, located at 1100 Main Street, Suite 2700, Kansas City, Missouri 64105, was present for the interview via telephone conference. Also present during the interview, via telephone conference, were U.S. Department of Justice Attorneys [redacted] and [redacted]. After being advised of the identity of the interviewing Agents and the nature of the interview, [redacted] provided the following information:

b6 -2,3
b7C -2,3

(b)(6), (7)(C)
per CRM

[redacted] moved to [redacted] 12 years ago. She was an accountant with [redacted]. Before that, she worked as a [redacted]

b6 -2
b7C -2

[redacted] started [redacted] after a tea party rally sometime around April 2009. [redacted] became involved with [redacted] in June 2009, approximately two months after [redacted] created the group. At first, [redacted] with the organization, [redacted] work for the organization. She ensured the paperwork was filed with the state corporation commission, published the corporate filing in the newspaper, and built the email database. She also kept track of the organization's expenses. [redacted] worked a few hours per week for [redacted]

b3 -1
b6 -2,3
b7C -2,3

When the organization was initially created, the creators were under the impression that they were forming a corporation, specifically a member-managed limited liability corporation (LLC). The members of the organization went to [redacted] law firm to complete the paperwork to form an LLC. Later, the founding members learned that the organization could not be both a member-managed LLC and a non-profit organization.

b3 -1
b6 -3
b7C -3

[redacted] promoted the following ideas: free market; the Constitution as the rule of law; fiscal responsibility; and that taxation was a problem because the money collected was not spent the way the country

Investigation on 01/24/2014 at Washington, District Of Columbia, United States (Phone)

File # 282B-WF-2896615

Date drafted 01/31/2014

b6 -1
b7C -1

by [redacted]

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Continuation of FD-302 of Interview of [REDACTED], On 01/24/2014, Page 2 of 3

b3 -1
b6 -2
b7C -2

needed it to be spent. [REDACTED] shared these ideas with its members and others in the community. [REDACTED] also identified issues before Congress that may become law and advised its members of the candidates running and their positions on these issues.

In November 2009, [REDACTED] submitted an application on behalf of [REDACTED] to the Internal Revenue Service (IRS) for tax-exempt status. [REDACTED] completed the application by herself. [REDACTED] applied under 501(c)(3) of the Internal Revenue Code (Code) for "educational organizations."

b3 -1
b6 -2,3
b7C -2,3

[REDACTED] received two letters from the IRS. The first letter was dated April 2, 2010, and was from [REDACTED]. In the letter, [REDACTED] advised [REDACTED] that she had identified "issues" and that it would take more time to process the organization's application because she was unsure how to deal with the issues.

[REDACTED] then received a letter from [REDACTED] dated April 14, 2010. In this letter [REDACTED] asked [REDACTED] to change its "corporate structure." Specifically, [REDACTED] requested the organization to amend its articles of incorporation to meet the "organization task requirement." In the letter [REDACTED] also asked the organization to provide more information, including: copies of mail, email, and personal solicitations; copies of emails sent to educate members; copies of flyers; and information about videos, email blasts, protests, and rallies created or arranged by [REDACTED]. [REDACTED] did not respond to [REDACTED] April 14, 2010 letter because it "would have taken too much time and effort to describe every detail of what the organization was doing."

b3 -1
b6 -2,3
b7C -2,3

After [REDACTED] received [REDACTED] letter, [REDACTED] knew that [REDACTED] had to change the corporation's structure. Around this same time, other members of the [REDACTED] "subverted" the organization's "mission" and "stole [REDACTED]." [REDACTED] said that this takeover began sometime in November 2009 when certain members of [REDACTED] held an organization meeting to form another group called [REDACTED]. In January 2010, those same individuals sent an email to members of [REDACTED] stating that the organization was changed over and the current leadership was no longer in charge. Then, in April 2010, someone gave a "false police report" about [REDACTED]. Based on the foregoing [REDACTED] said she was unable to go forward with [REDACTED] and the organization's application for tax-exempt status with the IRS.

b3 -1
b6 -2,3
b7C -2,3

[REDACTED] was still in existence. The organization was an LLC and comprised of the original members. [REDACTED] continued to operate the website, and the organization remained involved in the community.

b3 -1
b6 -2
b7C -2

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Eventually, [redacted] refiled the organization's articles of incorporation once the [redacted] name became available with the Arizona business commission.

[redacted] did not have any conversations with anyone at the IRS, and was unaware of any member of [redacted] who had contact with the IRS. [redacted] husband did not have any contact with the IRS. [redacted] did not experience harassment by the IRS or any other government agency, and was unaware of anyone else who experienced harassment by the IRS.

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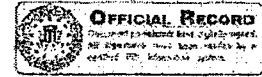
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FEDERAL BUREAU OF INVESTIGATION

Date of entry 03/10/2014

FEDERAL TAXPAYER INFORMATION

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[redacted] female, date of birth (DOB) [redacted] social security account number (SSAN) [redacted] address [redacted] [redacted] was interviewed via telephone conference. [redacted] attorney, [redacted] of Graves Garrett LLC, located at 1100 Main Street, Suite 2700, Kansas City, Missouri 64105, was present for the interview via telephone conference. Also present during the interview, via telephone conference, were U.S. Department of Justice Attorneys [redacted] and [redacted] and Treasury Inspector General for Tax Administrator (TIGTA) Special Agent (SA) [redacted] After being advised of the identity of the interviewing Agents and the nature of the interview, [redacted] provided the following information:

b6 -2,3,4
b7C -2,3,4

(b)(6), (7)(C) per CRM

[redacted] retired in [redacted] Prior to retiring, she [redacted]

[redacted] became involved in the Tea Party in 2009 after attending a tax day rally on April 15, 2009 in Sacramento, California. [redacted]

b3 -1
b6 -2,3
b7C -2,3

Initially, the organization had 27 members. [redacted] and her husband hosted organization meetings in their living room. The organization focused on educating its members on various issues and understanding the Constitution. The organization brought in speakers to attend meetings and teach about the Constitution.

Later, the organization changed its name to [redacted] The organization was still active and had approximately 5,000 members. The organization had a board of directors. Board members shared the workload and responsibilities of the organization.

b3 -1
b6 -2,3
b7C -2,3

[redacted] was [redacted] On the advice of his accountant, [redacted] filed for tax-exempt status. The organization had to incorporate first [redacted] submitted [redacted] application for tax-exempt status once the organization had articles of incorporation. [redacted] applied for

Investigation on 01/30/2014 at Washington, District Of Columbia, United States (Phone)
File # 282B-WF-2896615 Date drafted 02/05/2014
by [redacted]

b6 -1
b7C -1

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tax-exempt status under Section 501(c)(4) of the Internal Revenue Code (Code) because the organization did not want to disclose its donors' names.

b3 -1
b6 -2,3
b7C -2,3

[REDACTED] completed the application on behalf of [REDACTED] and submitted it to the Internal Revenue Service (IRS) in March 2010. In May 2010, [REDACTED] received a letter from the IRS, signed by [REDACTED] asking for more information. This was the first time the IRS requested information from [REDACTED]. At the time [REDACTED] did not think anything of the request because her accountant advised her that requests for more information were often made in connection with setting up a non-profit. In response to this request for information, [REDACTED] sent the IRS two to three inches of material about [REDACTED]. [REDACTED] sent this information sometime in the summer of 2010.

[REDACTED] never heard back from the IRS. She tried to contact the IRS, but was unable to get a "human" to answer her calls. She called five to six times, but never left a message. She called the (877) 829-5500 phone number provided in the May 2010 letter she received from [REDACTED] with no success. Her accountant, [REDACTED] also called and left a message, but no one returned his telephone call. In addition, [REDACTED] and [REDACTED] sent several letters to the IRS.

b6 -2,3
b7C -2,3

[REDACTED] did not hear from the IRS until she received a letter from [REDACTED] in January 2012. By this time [REDACTED] was "irritated with the IRS" because she had not heard anything for such a long time and then when she did, the IRS asked for "97 bits of information" and gave her three weeks to provide the requested information. She "realized that the reason the IRS asked for all of this information in such a short period of time was because they wanted [her] to give up." She then became "mad" and "gave the IRS everything." It took [REDACTED] approximately one week to prepare the materials requested by the IRS and it cost her approximately \$200 to mail the materials to the IRS. [REDACTED] sent the material to the IRS by February 13, 2012.

b6 -2,3
b7C -2,3

[REDACTED] made calls to the (513) 263-5529 telephone number provided in [REDACTED] January 2012 letter, but [REDACTED] did not hear anything back from the IRS. Having not heard anything from the IRS by the summer of 2012, [REDACTED] contacted her congressman, TOM MCCLINTOCK. MCCLINTOCK "made a speech" to JOHN BOEHNER and wrote a letter to Congress.

b6 -2,3
b7C -2,3

[REDACTED] then received a telephone call from a woman at the IRS, advising her that [REDACTED] was being approved for tax-exempt status. During this telephone call, the woman said: "You sure sent a lot of material and I had to read it all." [REDACTED] responded: "I hope you read

b3 -1
b6 -2
b7C -2

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Continuation of FD-302 of Interview of [REDACTED], On 01/30/2014, Page 3 of 4

b6 -2,3
b7C -2,3

the Constitution." Approximately three weeks after [REDACTED] went to her congressman, [REDACTED] received a letter from the IRS, signed by HOLLY PAZ, stating that the organization was approved for tax-exempt status.

[REDACTED] did not believe that [REDACTED] was harassed by the IRS in light of filing for tax-exempt status. However, as a result of her filing the application for [REDACTED] for tax-exempt status, she believed that she and her husband were attacked personally. Specifically, [REDACTED] said that she and her husband have "had issues" with the IRS and the CALIFORNIA STATE FRANCHISE TAX BOARD. For example, [REDACTED] said that her husband's business was audited for tax years 2001, 2002, and 2003. As a result of the audit, an adjustment was made. Her husband failed to notify the State of California of the adjustment. The IRS had one year to notify the State of California of the adjustment, but waited until November 2011 to notify the State of California. California then advised the [REDACTED] that they owed the state more money. [REDACTED] again contacted her congressman, MCCLINTOCK. MCCLINTOCK put her and her husband in contact with someone at the IRS. [REDACTED] husband settled the adjustment issue with the IRS and paid the adjustment. However, the IRS said that he never paid and put a lien on the [REDACTED] personal and business accounts.

b3 -1
b6 -2
b7C -2

[REDACTED] believed that a second example involved the timing of her and her husband's payment of their personal income taxes. Despite her belief that she and her husband paid their personal income taxes for last year on time, the IRS said that they paid late and assessed them late fees in the amount of \$7,000. [REDACTED] found this "harassment" to be "odd." [REDACTED] felt that she had no opportunity to show the IRS the receipt proving that they paid their taxes on time. [REDACTED] never contacted the taxpayer advocate with regard to this issue.

b6 -2
b7C -2

In addition, [REDACTED] said that she received a "handful" of death threats. The threats were made on the [REDACTED] telephone number, which [REDACTED] at some point changed to her cell phone number. The threats were made after [REDACTED] appeared publicly at various press conferences and rallies. [REDACTED] did not remember exactly what was said, but remembered that the threats said something along the lines of: "If you think you can get away with this, think again;" and "You are going to be dead." [REDACTED] believed "this is tyranny." [REDACTED] brought the threats to the attention of the Placer Sheriff's Office, who went to her house twice with regard to the issue. As a result of the threats, [REDACTED] applied for and obtained a concealed weapons permit.

b3 -1
b6 -2
b7C -2

[REDACTED] knew that [REDACTED] was permitted to function as a 501(c)(4) organization as long as she filed an application for such

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Continuation of FD-302 of Interview of [REDACTED], On 01/30/2014, Page 4 of 4

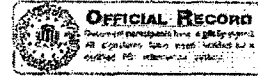
status with the IRS. [REDACTED] filed Form 990s with the IRS during the time period its application for tax-exempt status was pending. [REDACTED] understood that without tax-exempt status, the organization was required to pay tax on its income. The organization did not want to pay income tax.

Recently, the State of California sent [REDACTED] a notice, stating that the organization owed California \$1,900 for the two years the organization was incorporated and failed to pay taxes. [REDACTED] said that the organization was required to pay the tax, plus penalty, to California because the organization had yet to receive a letter from the IRS granting it tax-exempt status.

[REDACTED] also felt that she was being "watched" by the IRS. In this regard, she was advised by [REDACTED] a member of a Tea Party in Southern California, that the IRS asked him if his organization was affiliated with [REDACTED]

b3 -1
b6 -2
b7C -2

b3 -1
b6 -2,3
b7C -2,3



FEDERAL BUREAU OF INVESTIGATION

Date of entry 03/05/2014

FEDERAL TAXPAYER INFORMATION

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[redacted] date of birth [redacted] Social Security Account Number [redacted] home address [redacted]

b6 -2,4
b7C -2,4

(b)(6), (7)(C)
per CRM

[redacted] was interviewed on 09/18/2013 at 1400 New York Ave NW, Washington, DC. Department of Justice Attorney [redacted] and Treasury Inspector General for Tax Administration (TIGTA) Special Agent (SA) [redacted] were also present for the interview. The document shown to [redacted] during the interview is maintained in the 1A section of the file. After being advised of the identity of the interviewing parties and the purpose of the interview [redacted] provided the following information:

[redacted] has worked for the IRS in Washington, DC for [redacted]. She started as a secretary in the Chief Counsel's office. She is now working on the Commissioner's side. She has been working in Exempt Organizations (EO) since 1982. She studied [redacted] at the University of Maryland and has [redacted]. She has an [redacted]

b6 -2,3
b7C -2,3

[redacted] has been a Tax Law Specialist (TLS) since [redacted]. She is an initiator and a reviewer. She was promoted to a GS-14 five to six years ago and became a reviewer. [redacted] (retired) was her supervisor. [redacted] is her current manager. There were Acting Managers before [redacted] assumed the job permanently three to four years ago.

[redacted] works in a group that does not handle political organizations. She would not hear much about the Tea Party issue. She is in Group 3 and works 501(c) (3) cases. If a 501(c) (3) applicant has a political issue, the application goes to another group. Her group works issues like private letter rulings, volunteer employee beneficiary organizations, and credit. Group 1 or Group 2 has specialists who work political issues. The managers are [redacted] and [redacted]. [redacted] Back in 2010 and later, there were many acting managers.

b6 -2,3
b7C -2,3

[redacted] assisted the Technical Processing Unit (TPU) when they received cases from Cincinnati and they did not know which of the four

Investigation on 09/18/2013 at Washington, District Of Columbia, United States (In Person)

File # 282B-WF-2896615

Date drafted 09/18/2013

by [redacted]

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b7C -1

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Continuation of FD-302 of [REDACTED] FD-302 , On 09/18/2013 , Page 2 of 3

b6 -2
b7C -2

groups to send the cases to within Exempt Organizations Technical (EOT). TPU has Grade 5 and 6 employees who do not always have the expertise to determine where cases should go. She assists them and TPU comes to her because she has been there a long time and understands the system. [REDACTED] reviewed an e-mail chain dated 04/05/2010 between her, [REDACTED] describing the receipt of the [REDACTED] [REDACTED] and [REDACTED] cases that will be assigned to Group 2. This was the first time this type of case ever came to her attention. One case was a 501(c)(3) and one was a 501(c)(4). She is knowledgeable about 501(c)(3) cases and can make a decision on them fairly quickly. She thought the 501(c)(3) case looked educational and may have some political activity. If there was political activity, she believed it would not qualify for a 501(c)(3) exemption. The 501(c)(4) had a lot of political activity. [REDACTED] did not know about 501(c)(4) cases, so she had to go to the group who developed the cases for insight.

b3 -1
b6 -2,3
b7C -2,3

[REDACTED] had heard about the Tea Party on the news. Her husband listens to Hannity and Colmes and the Tea Party was always on the news.

b6 -2,3
b7C -2,3

Political cases are hard to work. A 501(c)(3) case is black and white. If there is political activity it does not qualify. She has never worked a 501(c)(4) case and they are more complicated. The files came to her from TPU and she initiated an e-mail to [REDACTED]. She sent the e-mail to him because he was the manager of the group that handled political advocacy. She remembers there was media attention surrounding tea party groups. She did not have any role in preparing the Sensitive Case Report (SCR) mentioned by [REDACTED] in the e-mail. After passing the cases on to [REDACTED] she did not have any more involvement with the cases. She had no further involvement with Tea Party cases.

[REDACTED] and others helped the Cincinnati office with the inventory reduction process (IRP) because Cincinnati was backlogged by approximately 20,000 cases. Cincinnati sent them a batch of approximately 1,000 cases at a time. Five to six TLSs worked quickly on the Cincinnati cases and also did other work. They worked close to 11,000 cases in a year and a half. They could work some of the cases quickly and give the applicants exemptions. Other cases needed development and they sent them back.

b6 -2
b7C -2

In approximately 2010, at least three TLSs worked exclusively on IRP. Other employees worked IRP part-time while working on other cases. In addition to [REDACTED] and [REDACTED] [REDACTED] worked full-time on IRP. Others worked on IRP a few months and then went back to other work. The individuals named above closed out a large number of cases, but the other employees who assisted with IRP did not work cases as quickly. [REDACTED] does not recall political advocacy or Tea

b6 -2,3
b7C -2,3

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Continuation of FD-302 of [redacted] FD-302, On 09/18/2013, Page 3 of 3

b6 -2
b7C -2

Party cases coming in with the IRP. The cases had a certain code when closed and you could tell which cases were closed through IRP.

Cincinnati had the backlog because there were not enough people working the cases. She is not aware of whether a big influx of cases was coming in at that period or not. Applicants were complaining because decisions were not being made. Their Commissioner made it a priority to clear cases.

[redacted] has no reason to believe political or Tea Party applicants were discriminated against because of their viewpoints. She is not aware of this type of discrimination ever occurring during her employment at the IRS.

b6 -2
b7C -2

[redacted] is aware of a litigation hold notice sent out regarding Tea Party and political groups. She has followed the hold and is not aware of anyone who has not complied. She has no knowledge of anyone concealing or destroying documents. Nobody has told her what to say to the FBI or Congress or tried to influence her statements.

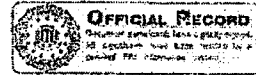
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b7C -2

[redacted] believes her office and the people she worked with for years have always been working cases the way they are supposed to work them. She is not even remotely aware of anything wrong.

b6 -2
b7C -2

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- 1 of 1 -



FEDERAL BUREAU OF INVESTIGATION

Date of entry 03/05/2014

[redacted] male, date of birth (DOB) [redacted] social security account number (SSAN) [redacted] address [redacted] [redacted] was interviewed via telephone conference. Attending the interview with [redacted] was [redacted] [redacted] attorney, [redacted] of Graves Garrett LLC, located at 1100 Main Street, Suite 2700, Kansas City, Missouri 64105, was present for the interview via telephone conference. Also present during the interview, via telephone conference, were U.S. Department of Justice Attorneys [redacted] and [redacted]. After being advised of the identity of the interviewing Agents and the nature of the interview, [redacted] provided the following information:

b6 -2,3
b7C -2,3

(b)(6), (7)(C)
per CRM

[redacted] ran the website for [redacted] stayed away from the paperwork and bookkeeping for the organization. One of the members gave [redacted] the paperwork to file and form the organization after a meeting the members had at a lawyer's office.

b3 -1
b6 -2,3
b7C -2,3

[redacted] had no personal interaction with the Internal Revenue Service (IRS). [redacted] had no personal knowledge of any members of [redacted] being targeted or harassed by the IRS. [redacted] said that he "knows of" other members of tea party organizations within Arizona that were targeted by the IRS.

Investigation on 01/24/2014 at Washington, District Of Columbia, United States (Phone)

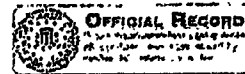
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by [redacted]

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FEDERAL BUREAU OF INVESTIGATION

Date of entry 06/12/2013

[redacted] Manager of Internal Revenue Service (IRS) [redacted] born [redacted] social security account number [redacted] cellular telephone number [redacted] residing at [redacted] was

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interviewed in the offices of Treasury Inspector General for Tax Administration (TIGTA), located at 1401 H Street NW, Washington, D.C. 20005, on May 23, 2013, at approximately 5:30 P.M. EST.

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Those present for the interview were FBI Special Agent [redacted] [redacted] TIGTA Special Agent [redacted] Assistant United States Attorney (AUSA) [redacted] and AUSA [redacted]

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After being advised of the identities of the interviewing Agents and AUSAs, [redacted] was advised that the interview was voluntary and he could stop the interview or leave at any time. [redacted] acknowledged that he understood. SA [redacted] then read aloud TIGTA Form OI 5320, Non-Custodial Advisement of Rights, and provided the form to [redacted] for review. At approximately 5:33 P.M., [redacted] signed and dated the form, as witnessed by Special Agents [redacted] and [redacted]. The original Advisement of Rights will be maintained in a 1A envelope and made part of the FBI case file. [redacted] then voluntarily provided the following information:

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[redacted] started with the IRS in [redacted] In 2005 or 2006 through January of 2011, [redacted] was the [redacted] Group I Manager. From January of 2011 through the summer of 2012, [redacted] was the [redacted] Acting Manager. Since the summer of 2012, [redacted] has been in his current position as [redacted] Manager.

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[redacted] explained that EO Guidance works on guidance items for the public, such as revenue rulings, notices and web page reviews. While the [redacted] Group I Manager, [redacted] had six to seven Tax Law Specialists who reported to him, to include: [redacted]

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[redacted] explained that EO Technical deals with cases, working on "Private Letter Rulings" and application referrals. As the [redacted] Acting Manager, [redacted] had four group managers who reported to him - Group I

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by [redacted]

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Manager [redacted] Group II Manager [redacted] Group III Manager [redacted] and Group IV Manager [redacted] reported to HOLLY PAZ, except when she was out [redacted] in the winter of 2011, when he reported to [redacted]. In January of 2011, [redacted] was made [redacted] Acting Manager since PAZ was made Acting Director of Rulings and Agreements (R&A).

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In the summer of 2012, [redacted] boss was PAZ. At that time [redacted] was "on a detail" and two individuals filled in for him - [redacted]

Regarding his interview by TIGTA auditors concerning the Tax-Exempt Applications audit, [redacted] voluntarily participated in the interview. [redacted] did not have any objections to the interview, and did not have any concerns about the interview. Other than the auditors, [redacted] believes PAZ was present during his interview, and possibly [redacted] who is a Tax Law Specialist that reported to [redacted]. When asked why [redacted] would have been in [redacted] interview, [redacted] stated he was not sure why [redacted] would have been there.

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[redacted] commented that PAZ told him that he had to go talk to the auditors, but he had no concerns in talking to them. PAZ did not tell [redacted] that he would be disciplined or fired if he did not talk to the auditors.

[redacted] stated that he may have had discussions with [redacted] about their respective interviews with the auditors. [redacted] was unclear if these discussions were before or after their respective interviews. [redacted] does not recall the content of their discussions. [redacted] is pretty sure he did not tell [redacted] the content of his [redacted] interview with the auditors. [redacted] has no recollection of what [redacted] may have told [redacted] about [redacted] interview.

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[redacted] stated that the auditors did not tell him about the content of any other IRS employee's interview.

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[redacted] had no role in setting up the auditor interviews for anyone, to include those he managed. [redacted] did not sit in on any of the other IRS employee interviews. [redacted] is not aware of anyone else interviewed by the auditors, other than possibly [redacted]

[redacted] has read the publically available auditor's report, and watched STEVE MILLER's testimony before Congress. He has been following the related media reports.

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[redacted] agreed to be available for follow-up interviews, if needed.

At the conclusion of the interview, SA [redacted] provided [redacted] with a

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signed copy of the Non-Custodial Advisement of Rights.