

**MANAGEMENT AND OPERATIONS OF THE
OKLAHOMA-ARKANSAS IRS DISTRICT**

HEARING
BEFORE THE
SUBCOMMITTEE ON TAXATION AND IRS OVERSIGHT
OF THE
COMMITTEE ON FINANCE
UNITED STATES SENATE
ONE HUNDRED FIFTH CONGRESS
FIRST SESSION

(OKLAHOMA CITY, OK)

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MANAGEMENT AND OPERATIONS OF THE OKLAHOMA-ARKANSAS IRS DISTRICT

WEDNESDAY, DECEMBER 3, 1997

SUBCOMMITTEE ON TAXATION AND IRS OVERSIGHT,
U.S. SENATE,
COMMITTEE ON FINANCE,
Oklahoma, City, OK.

OPENING STATEMENT OF HON. DON NICKLES, U.S. SENATOR FROM OKLAHOMA, CHAIRMAN OF THE SUBCOMMITTEE

Senator NICKLES. The committee will come to order. I want to thank everyone for coming, particularly our witnesses and guests and other individuals that wish to participate in this hearing of the Subcommittee on Taxation and IRS Oversight. Today we're going to hear testimony from taxpayers as well as IRS employees concerning management and operations of the Oklahoma-Arkansas IRS district.

The Internal Revenue Service is one of the Federal agencies that touches the lives of nearly every American. The IRS presently has over 102,000 employees and a budget of over seven billion dollars. That's more money than the Department of Commerce. It's more money than the Department of State. It's bigger than the legislative branch and the judiciary branch combined. It has more employees than the CIA, FBI and DEA combined. These facts combined with the fact that the very nature of the work—collecting taxes, taking money from individuals—means that the IRS should be held at the very highest level of accountability for their actions.

The IRS has extraordinary powers. They can seize homes and paychecks. They can shut down a business. They can put employees and employers out of work. In some instances a taxpayer may not even be aware of any problem until the bank calls to notify them that their funds have been frozen. The IRS can take these actions in many cases without giving the taxpayer notice or the opportunity to be heard.

The mission statement of the IRS says, quote, "The purpose of the Internal Revenue Service is to collect the proper amount of tax revenue at the least cost, serve the public by continually improving the quality of our products and services and perform in a manner warranting the highest degree of public confidence in our integrity, efficiency and fairness." I agree with that entirely.

Most IRS managers and employees are hard-working, committed public servants who take their job very seriously and strive to carry out this mission statement. Most do a very good job. However, it's clear that in some cases IRS managers and employees are

more interested in using intimidation and fear to increase their own power. Unfortunately, I believe that has happened in our state.

In September the Senate Finance Committee held 3 days of hearings which revealed startling information about the current operations of the IRS. Shortly thereafter Newsweek magazine reported specific allegations of taxpayer rights violations in the Oklahoma City IRS office.

Testimony at the Senate hearings revealed an IRS that targets vulnerable taxpayers and frequently treats them with hostility and arrogance. We heard about an agency that uses unethical and even illegal tactics to collect taxes that often were not even owed. And finally we learned the IRS management uses quotas to evaluate employees and retaliates against men and women who work within the IRS but who do not agree with these activities.

I believe it is simply unacceptable for IRS employees, any IRS employees or managers, to operate in this manner. The good news is that the strong majority, the overwhelming majority of IRS employees do not use these tactics. Most of them are upstanding public servants who work very hard to do a difficult job and treat taxpayers quite fairly. Today we're going to hear from some of the public servants. I hope that their testimony and that of some taxpayers will help Congress to develop reforms that are necessary to make IRS work for the taxpayer.

Congress must decide if it is appropriate to give any government agency this much power. More importantly, Congress must create the checks and balances to establish accountability and responsibility within the IRS. Part of our job is oversight. Part of our job in Congress is to make sure that the agencies which we fund do a good job.

Just as taxpayers should not have to fear from a review or audit by the IRS if they're complying with the law, likewise Federal agencies shouldn't have anything to fear with Congress having a review or oversight of their function to make sure that they're doing their job, make sure that they are accountable to taxpayers. And that's what this hearing is about. That's what the hearings that we had in the Finance Committee which I participated on in September also were about.

Finally, let me just mention personally I'm disappointed that the IRS District Director won't testify today —maybe we'll learn a little bit more about this. But Mr. Sawyer who was district director in this area I think for 10, 11, 12 years recently retired. I believe he retired Wednesday last week.

We anticipated him testifying before this committee, and I was disappointed because I think his testimony would have been valuable—particularly in regard to the fact that there has been a lot of allegations concerning the IRS Oklahoma City office. I was hopeful that he would be able to answer some of those questions, and he announced his retirement I guess a week ago Tuesday and—and retired and actually left the office on Wednesday rather abruptly, since we notified the public that we would be having this hearing a week ago Monday. So we announced it a week ago Monday, and I guess on Tuesday he announced his retirement and Wednesday

had cleaned out his office. And I'm not begrudging him that right. I think—that doesn't look good.

Again, there have been some serious allegations made concerning the conduct of the Oklahoma-Arkansas district, and it was my hope that he would testify and shed some light on some of the activities and try to make sure that if there's some abuses that have occurred that they wouldn't be occurring in the future. Instead he's opted for retirement of which he was clearly eligible for, but it disappoints at least this senator that he won't be participating in today's hearing. Maybe at some future point we'll still have his participation.

I would like to call our first panel to come forward, and we will begin. We're going to have a couple of panels. One will be a taxpayer panel consisting of Dr. Jim Highfill from Ponca City; Mrs. Lisa New from Guthrie, Oklahoma; and Mr. Steve Nunno from Edmond, Oklahoma. I understand Mr. Nunno will be here shortly.

So, Dr. Highfill, I called on you first, so if you wish to proceed, go ahead. Welcome to the committee.

STATEMENT OF DR. JIMMY D. HIGHFILL, PONCA CITY, OK

Mr. HIGHFILL. Thank you, Senator. I have elected to use my oral presentation to share some personal thoughts on the way I was treated by the Internal Revenue Service, the current state of the IRS and tax law in this country and the direction that I believe reforms should go in the future. A more detailed account of my experience is given in my written testimony, and I would be happy to answer any questions you have for me regarding my written or oral testimony. I would like to thank you for the opportunity to appear before you.

Although the circumstances under which we are meeting are unfortunate, I view today as an opportunity to influence and encourage reform of the Internal Revenue Service so fellow taxpayers will not have to endure the type of mistreatment my wife and I have recently received from IRS agents. I want to preface my remarks by saying that my thoughts do not come from a partisan political viewpoint, but instead through the eyes of an average, hard-working, taxpaying citizen.

For the last 21 years my wife and I have built a dental practice in Ponca City, Oklahoma, where we have raised our family, met countless payrolls and paid our taxes every single year without fail. I have tried to build a reputation throughout the community as an honest and fair man who is good at what he does and truly cares for his patients. I feel it is necessary to inform you of my background in order to demonstrate the type of person who is a victim of the incredible abuse of power the Internal Revenue Service agents have displayed.

I am a small business owner with five employees and last time I checked, small businesses with less than 500 employees made up 87 percent of the U.S. economy. And of that 87 percent, 75 percent are made up of businesses with 30 employees or less. I feel that it is safe to say that people like me make up the back bone of this country's tax base so, please, listen to what I and other small business owners are saying in regards to tax reform. I have heard horror stories of small businesses being terrorized by the IRS, but I

never thought it would happen to me. I have always used a certified public accountant to comply with tax laws and I would never knowingly violate any tax law or regulation. Recently I experienced one of those horror stories I've always heard about.

Even though I signed a power of attorney over to my CPA and he assured me he had handled hundreds of audits, my IRS agents insisted on interrogating my wife and I personally. When I pointed out that my wife does our daily bookkeeping and unfortunately at that time she had a paralyzed right vocal cord and could only whisper with a lot of strain, these agents grew even bolder about their imagined guilt of mine. We had agreed through my CPA to meet at a time which would allow Judy to honor medical appointments to make sure that this wasn't from a tumor. But they instead came to my office and delivered a summons. I might add that this distressed my patients, my staff and my family unnecessarily.

I place part of the blame on the individual agents who treated us with a lack of common courtesy and seemed to get a cheap thrill out of humiliating and embarrassing my wife and me. I cannot say with any certainty that the typical IRS agent gets his kicks out of making taxpayers feel like common criminals, but one could definitely get that impression after going through an audit.

The real cause of the problem goes deeper than the personality flaws of particular agents. The tax code itself has become more complicated and burdensome every year. Politicians have turned tax law into a method of social and economic engineering instead of just a mechanism to collect the necessary revenue to keep government operational. The laws are so complicated and complex that most educated people cannot even begin to understand them. Although I personally believe the rate at which Americans are paying taxes is too high as most citizens do, I also believe that if asked, many citizens would say that the complication of taxes are as big a problem as the rate at which they are paying.

Our current system is a threat to the American dream. When good and honest people are discouraged from prosperity because of the incredible headaches that accompany economic gain, we need to take a serious look at the direction in which we are heading. Our society encourages hard work, savings, investing and, most of all, a commitment to ensure that our children have a better life than we have all had. Thus passing our country on to the next generation in better condition than we inherited it from our mothers and fathers. Our current tax code does not encourage any of these values, but rather discourages all of them. I challenge the Senators on this committee to take it upon themselves to change this sad fact.

Some suggestions I would make for reform are, first of all, true reform. Our current system needs radical change, not tweaking and tinkering. Subtle change will do nothing to help average citizens. It is time to scrap our current system and start over with a fresh slate. A watered-down piece of legislation will only make things more complicated and pile on red tape instead of reducing it.

If certain special interests lose valuable deductions or windfall loopholes, so be it. Please, give citizens a fairer and flatter system that can be complied with within a matter of hours instead of a matter of months. I can assure you that any pain caused by true

reform will not equal half of the damage caused to middle class taxpayers by our present system.

It is a helpless feeling when you automatically are assumed to be a guilty criminal upon accusation rather than after due process in a court of law. The current attitude of IRS agents seems to make them think that they are the masters of the servant taxpayers when in reality, I am the employer and they are the employees. I pay their salaries along with other taxpayers, but I was treated as though I owed them for allowing me to stay in business. You can imagine the outrage and cynicism this provokes from taxpayers. Government is a service industry, and I see no element of service in the action of certain IRS agents.

There are times as dentists that we have to do things which our patients may not think are great fun. Much is the position in which the IRS sometimes finds itself. However, we do not barge ahead with lack of feelings. We show courtesy and respect. Collections are smoother if our patients feel they receive service worth the money they are spending. We as citizens of America need to be thankful for the government we have, but we need to feel the government is being mindful that these dollars are hard to earn.

Another problem is that the IRS is under no time line to complete an investigation. As a result, taxpayers have burdensome and stressful investigations that go on for months and even years. We are guaranteed a right to a speedy trial in our Court system, and it would be nice if speed was a consideration of tax collectors rather than increasing the harassment and the interest you pay by dragging the audits out.

I want to conclude by saying that I am still idealistic enough to believe that I along with fellow taxpayers and voters still run this country. Citizens still ultimately control the destinies of the employees of the IRS. I believe I speak for others when I say that we are fed up with the IRS's blatant disregard for individual liberties and common courtesy.

As Senators, you have a responsibility to do something about it; and if you do, you will improve this country and leave a legacy that will benefit many generations to come. If you do not, taxpayers will make changes until their views are heard and listened to and results are viable. Thank you for having me here today, and I hope that my testimony will help expedite in a positive change in our country's law.

Senator NICKLES. Dr. Highfill, thank you very much. And I will go through all the panelists and then come back and ask the panel some questions, but I very much appreciate your statement before the committee today. Next we have Lisa New from Guthrie, Oklahoma. Lisa.

STATEMENT OF LISA NEW, GUTHRIE, OK

Ms. NEW. I also am no stranger to the Internal Revenue Service. Myself and my accountant, Mr. Walter Hammert, has dealt with them for the last 10 years. In '87 and '88 I owed the Internal Revenue Service and the State of Oklahoma money due to my former employee who was—employer who was actually paying me contract labor when, in fact, it was not.

Well, at that time I was very young, very uneducated, wasn't really—didn't really know what contract labor meant at that time. And to my surprise, I owed the Internal Revenue Service and the State of Oklahoma money for 1987 and '88.

My husband and I were just engaged, waiting to be married; and we knew this was going to be a problem in the future. So I had gone down on my own to the Internal Revenue Service and had asked them to set me up a payment plan for this money that I did not know—or was not expecting to pay. We did not have all the money up front to pay it.

So I went down to set up a payment plan with them. I talked to a gentleman there. He went to his computer; and to my surprise and to his surprise I wasn't even in the compute, but he did tell me that I was now. I wasn't then, but I am now. And so I had asked him if he could set up a payment plan for me to pay these—these taxes that were owed. And he told me the only way I was going to resolve this matter was to pay it in full, that there was no—no other way to do this.

So at that time I had left and contacted Mr. Walter Hammert, which is my CPA which I had given power of attorney over my—my Internal Revenue Service—given him power of attorney over me. And he has done everything in the last 10 years to try to help me, and we have just run to ends—no way of—no way out. I feel like I'm a victim. I feel like I'm a criminal. I feel like once you're in their system there's no way out.

And my husband and I have purchased a small home in Guthrie, Oklahoma. And they have put a lien on my home. So it's—you know, it's just a matter of time that they won't end up with that because the interest and penalties on such a small amount exceed more than what my home really even is worth. There's no way that I could ever pay a payment that would—would ever knock off the principal. It would be all interest. That's how—how they work.

I feel like once you're in the system, you're in there forever, and you're never going to be able to get out. I have been doing this for 10 years now. We've tried every way possible to resolve this, and it just feels like—it's really hard to go to work every day and know that just at any given time they can take your home away from you.

Mr. Walter Hammert has done everything in his power to help me on this. He has been my inspiration. He has been my—he has been there for me thick and thin.

I went to the State of Oklahoma, and to this day I owe them nothing. They did work out a payment plan for me and did work with me on that, and I don't owe them anything. I have been an honest taxpayer since then. I was an honest taxpayer before then. I just felt like I was treated as a criminal.

My goal to be here today is to help somebody not have to go through the torment, the embarrassment, the—just the overwhelming effect that I feel like I'm a criminal, and I'm not. I'm an honest taxpayer that honestly had gone down on my own to try to resolve this problem, and 10 years later we're still where we're at.

So if we can do something to give—give the Internal Revenue Service some compassion and not to treat everybody as a criminal, to treat us all individually, look at our case and find out why we're

in this mess. A lot of people aren't in this because of fraud. They're in there because there has been a mistake of a former employer or just flat ignorance, not knowing, uneducated. I would like to see there be a way to educate some of these people not only as employees, but as employers and the Internal Revenue Service, people there, the employees and employers of them.

Thank you. And I appreciate you letting me be here and telling my statement.

Senator NICKLES. Ms. New, thank you very much for your statement before the Committee, as well. Next we have Steve Nunno. Mr. Nunno, thank you for participating as well.

STATEMENT OF STEVE NUNNO, EDMOND, OK

Mr. NUNNO. Thank you, Senator Nickles. First of all, I can't tell you how many of my friends warned me about coming here today and testifying so—but I just want to thank the Senate Finance Subcommittee and its chairman, Senator Don Nickles for inviting me to testify and present my views today.

As I previously stated publicly, I'm not interested in bashing the system. I am interested in helping the Subcommittee make some changes that will be positive for the—for the country.

Many of you know me as the U.S.A. Olympic coach for women's gymnastics for the past two Olympic games in 1992 and 1996. But I also run a number of successful gymnastics schools in the area, in Oklahoma and in Texas where many of my students are developed to become—represent the U.S.A. internationally and also on a recreational basis.

As you can imagine, I travel extensively and sometimes for months at a time. I'm on call for the U.S.A. as a volunteer, basically. The Olympic coaches are not paid. You're called in, and you go and do your duty. And it's difficult at times to keep things running smoothly, and occasionally mistakes are made with my companies because of my absence. However we try to learn from them and keep on growing and trying to continue to grow.

One thing that I've learned as a coach in 18 years is that ruling by fear and intimidation only creates animosity and hatred. It only works with—not just human beings, but certainly with most companies, as well. And almost always I've found in coaching it produces low results.

In 1992 I returned from the Olympic games in Barcelona, Spain, my company was at an all-time high. Income was up; but, of course, along with that expenses were up and payroll went up, as well. I currently employ about 80 people. My company was used to paying payroll taxes quarterly where—and somewhere along the line while I was gone for that two-month period, the IRS had sent a notice to us for us to pay monthly. We had surpassed a certain amount of payroll that would require us to pay our taxes monthly rather than quarterly.

We continued—as I was gone for almost—almost 3 months, we continued our quarterly payments, but were assessed severe penalties and interests during that time because we did not pay the monthly; and they were assessed until we got back on track. I remember receiving these outrageous bills from the IRS for just penalties and interest for amounts that were paid supposedly late.

I asked for help. I tried to call the IRS for numerous times. It took me almost a week before I could finally get through to a person who could help me; and each time I called—I called back to the IRS, it was like starting over. You start back into the system, and you have to go through a series of qualifications to find out which department you're actually after. And then when you get there, the number is usually busy.

Finally I was transferred from Austin, Texas, back to a collection officer in Oklahoma City; but I was warned if I did do that, that I would be registered as a person that needed collection procedures. And that was—that bothered me because basically I just wanted to find out if there was a way that we could figure this out where we could make the payment. Paying the amount was not a problem for our company. It was doing well. It was that I was confused about how much was actually owed because I had felt that the penalties and interests were—were on a first-time basis, we just didn't know about it.

The collection officer assigned in Oklahoma City—I'll call him Mr. T. Mr. T was—I don't want him involved either. But he was very knowledgeable about getting penalties abated. That was a word that I was not familiar with, penalties abated. But it sounded good. And so that's exactly what I was after was trying to find a way that we could not really get out of the penalties, but just find a way that we could stop them so we could come up with a collection procedure that I could actually make and satisfy both parties.

I wanted to set up a payment plan, and he—he found a way to freeze the penalties that were currently due on the amount owed and set up a payment plan that was going to allow my company to get back on track within three to 4 months. And I thought that was fair, and we worked out the arrangement.

After 2 months, Mr. T was transferred and Ms. L took over. Ms. L had a whole different point of view. Ms. L sent a notice of intent to levy to my company. Even though nothing was ever given to me in writing about the actual payment plan, it was just, I guess, a handshake agreement. At one point when we got back on track, I did request it in writing, they did allow me; but they didn't say that it would satisfy all of the penalties and interests. They basically just stated this was what I had decided to do.

I called her directly, Ms. L; and she stated that she was going to file a Federal lien on my company if the total amount wasn't paid within 25 days. She then threatened to—I said, well, that was going to be difficult because I was then going to go out on an international trip and that was going to be difficult. She then threatened to come and lock the doors and take all the property of my company. Now, I didn't realize that this was the severity of this penalty and interest charge, but—because I had never really been involved prior to that time.

Ms. L's threats infuriated me, as I was currently making all the monthly payments plus catching up on the past penalties and interests as agreed upon by Mr. T. It didn't make sense to me to threaten a business that was making the effort.

I was fortunate to have other resources to turn to so I could stop the daily continuous penalties and interests and threats of seizure of my company's property by just taking money from another

source and paying it off. But I can see where many small business owners would have nowhere to turn. I'm sure I'm not alone in this circumstance. Try getting a loan from any bank to pay your company's back taxes. Not going to happen.

My company's most recent encounter was last year while I was out of the country again. My secretary had left while I was away and not notified our CPA—our new CPA that she had not made our payroll tax deposits. Again, the IRS threatened to seize the property and our bank accounts. At this time I asked our CPA to handle the situation who is in the audience, Barbara Lay. Initially, I was given only 10 days myself to—by the collection agent to make full payment, and only by involving my CPA was I able to gain additional time to attempt to determine the validity of the IRS claims.

Once again, I was fortunate to have access to assets from other sources to allow me to pay the exorbitant penalties and interest assessed; however, I still can't believe that after I paid the amount of money, my accountant came up with that it calculated out to be 41 percent over and above what was originally owed in just 1 year, just over a year period. Just as unfair to her was the belligerent and unyielding attitude that the IRS took in dealing with my CPA directly.

So what's the solution? Obviously, there should not be rewards for delinquencies. However, I do believe that there should be some help provided by the IRS itself. After all, the "S" in IRS does stand for service. The Internal Revenue Service could save companies thousands of dollars by simply answering its telephone and answering a few questions. Most businesses can't get through for days and the penalty and interest meter just keeps on running.

Small business seminars could be offered to make sure that owners—business owners know and understand the rules at their level of business and as the businesses grow, what their responsibilities are. More time could be spent educating and less time penalizing companies, and that would help bridge the gap between the government and businesses.

There is still that ever-present chilling fear of the IRS, as my friends warned me today, that seems to run through the veins of the American people. I believe this fear is caused by the exorbitant penalties and interest charged by the IRS and their senseless threats of property seizures. We small businesses believe in the U.S.A. We take pride in our system, and we're proud to pay our fair share of the taxes to this government of America. We just need America to believe in us and help assist us so that we can all succeed together. Thank you.

Senator NICKLES. Mr. Nunno, thank you very much for your statement. I think since the microphone is there, I'll start with you and work backwards so we won't have to do a shuffle of the microphones. But I very much appreciate your statement, and I would concur it sounds to me like in your case—and I wasn't familiar with your case as far as the details are concerned, but it looked like in your case the IRS was quick to draw out the seizure card. "We're going to come in and seize your assets. You're gone, we're going to lock the doors if some type of settlement isn't made immediately."

One of the concerns I have about the Oklahoma City office and, frankly nationally, is that the IRS had the authority and the power to do that. We do have some good news, and I'm sure that later this will be brought out, but we did receive a press release from the IRS dated yesterday that said the IRS has established interim procedures requiring higher level management approval of seizures of property for non-payment of Federal taxes.

So I just want you to know and our other witnesses to know I think we're making some headway. I think we're getting their attention. It shouldn't be at the sole discretion of a revenue officer to be able to go in and say, "Well, wait a minute we're closing your business." And maybe in your case—and you pointed out an excellent case where actually you had two different revenue officers. You had one that you worked out a settlement that you were agreeable with and you were going to be caught up in 3 months. That sounds like that was the proper way to go. And then another revenue officer comes in and says, "No. We're going to lock the doors if you don't make immediate payment."

Part of that may have been instigated because we had a very aggressive effort—at least according to news reports, we had a very aggressive effort in the Oklahoma City office—out of the Oklahoma-Arkansas division that indicated seizures were the appropriate action, take them, take them now. I've got some memos that indicate that they leaned in the direction of either filing liens or seizure activities. But I did want to give you maybe that good news.

The next paragraph says, "This high level of approval is a prudent step to ensure that collection and enforcement tools such as seizures are only used in appropriate cases," said IRS Commissioner Charles Rossotti. Mr. Rossotti, for your information, was just confirmed by the Senate a couple weeks ago. But during the confirmation process we did bring to his attention some of the abuses caused by IRS activities, particularly dealing with seizures. And I could see the anxiety that you would have if you're traveling as often as you certainly do in your business, if someone says, "Wait a minute. We're going to seize your assets while you're gone in international competition." I think that's is very incorrect.

I also would share—I think your statement saying you're getting the—I'm not going to say the runaround, but every time you would get through and you would have to start all over in talking to different people is something—I imagine if we had 100 taxpayers that have gone through trying to get a resolution of a problem with the IRS, that probably a significant percentage of those would say the same thing. "I'm talking to different people or different people are giving me different answers." And that's—can be very frustrating in a lot of—a high degree of anxiety, as well. So I very much appreciate your statement.

Mr. NUNNO. Senator Nickles, I would like to add, in this first instance when Ms. L actually came up with her payment plan that was a deviation from the agreed-upon one, I—basically scared to death, scared the death out of me and I basically wanted to—scared the life out of me, I'm sorry. I was already feeling that I was threatened, and I felt that what I should do is just pay it and not

really try to work something out here. I was just going to—I'm going to go get the money and pay it. So I did that.

And I actually hand delivered the check to the woman on the day before it was due, what she was saying and I told her I was going to do it. We were in communication because I did return from a trip, handed her the check. And a Federal lien was placed on my bank account the next day after the check was already received.

And I called her—my bank called and said, "Steve, what's going on?" I said, "Geez, you know, I thought everything was fine. Let me find out." I called her; and she said, "Oh, we made a mistake," you know, and so they removed it immediately. However, it's still on my company's report that it was filed for a zero amount.

And it was—it was just very strange and very frustrating, and they wouldn't remove it. I mean, once it's on there, it's a difficult process to remove it. And I always felt that, you know, that was unfair and it was just an unfair situation. But that's the attitude that I felt that these people were taking and they basically didn't care as long as, you know—"Well, the seizure isn't going to happen" is basically what her response was.

Senator NICKLES. But you still had a lien on your bank account?

Mr. NUNNO. For no amount, but it was—the fact was—it was for a zero amount. The—it shows that it was paid. But on my company's credit report at that time—that was 8 years ago, 7 years ago. At this time it still shows up. And it was—it was just really strange that that would happen at all. And it just goes to show that she said that it was placed and she forgot to remove it out of the computer when I—when it did get paid in the process.

Senator NICKLES. Well, it would show that, one, she was using the—I'm going to say a quick draw to use the lien—you have different enforcement tools, heavy enforcement tools. One is a lien on your bank account, and another one would be a seizure of your assets. And she already had implemented the lien. You just happened to pay it off.

You also used a couple of words that I find interesting, and—because, one, I know you, but you said having this type of a case brings out a certain amount of fear, animosity, hatred. Other people have used words, intimidation. Those aren't words that taxpayers who are trying to pay their taxes, trying to make ends meet but also trying to be in compliance with the law, those are not words that law-abiding citizens should feel when they're dealing with the government that they're paying for. And we're going to try and change that.

You also mentioned that you didn't feel like service was important—the "S" word was in the Internal Revenue Service. We're going to try and change that, as well. So I very much appreciate your statement.

Next, Lisa New. Let me ask you a couple of questions. You mentioned—what business were you in that—in the pet grooming business?

Ms. NEW. Uh-huh. Professional dog groomer, uh-huh.

Senator NICKLES. Professional dog groomer?

Ms. NEW. Uh-huh.

Senator NICKLES. And so you worked for a company, but they were treating you as an independent contractor? They would pay you so much per animal or something like that?

Ms. NEW. Right.

Senator NICKLES. So they considered you as an independent contractor and were relying on you to pay the taxes, and you were thinking they were paying the taxes?

Ms. NEW. That is correct.

Senator NICKLES. And at that time you were pretty young. What is that, 10 years ago?

Ms. NEW. Uh-huh.

Senator NICKLES. And so, anyway, so there's non-payment of taxes for 2 years, which you recognized. How did this come about? Did the company say, "Whoops, we've got a problem."

Ms. NEW. No. I had taken all of my tax—well, you know, you get a 1099 at the end of the year, and so I had taken it to Mr. Walter Hammert my CPA.

Senator NICKLES. Pull one of these microphones up closer. I'm not sure which one. That one probably.

Ms. NEW. I had taken—

Senator NICKLES. No. The one—blue cable. Try that one. Yeah, that's it.

Ms. NEW. I had taken my 1099 to Mr. Hammert which is my CPA to prepare my taxes, and that's when it was to my surprise I had owed money for both years.

Senator NICKLES. So you had 2 years of—and the company gave you a 1099 and said, "Here's money," and then your accountant says, "Whoops, we haven't paid taxes on this." So you had a tax liability of how much? Do you mind me asking?

Ms. NEW. For both years it was under 5,000.

Senator NICKLES. For both years, 5,000 each year or 5,000—

Ms. NEW. No. Both years.

Senator NICKLES. 5,000 combined? You owed \$5,000, part of that state, part of that federal?

Ms. NEW. I believe that was all federal.

Senator NICKLES. All federal?

Ms. NEW. Uh-huh.

Senator NICKLES. So with your accountant you went to the IRS or he went to the IRS and said, "Let's work this out."

Ms. NEW. I had gone myself and gone down and said I need to set up payments to pay this lien.

Senator NICKLES. So you could stretch it out over—

Ms. NEW. Right. I would like to pay, you know, \$100 a month or whatever it would take. You know, I wasn't in any position to pay a lot; but if we could do, like, \$100 a month payment, could we possibly do that. Which I—you know, from everybody I talked to, that shouldn't have been a problem. And I had gone down there on my own.

And the gentleman there just had said, "Just a minute," and had gone back to the computers. And when he had went back, he come back and told me I wasn't even on the computers. I said, "Well, how was that?" He said because sometimes at any given time the computers can go on a blitz and can blitz people out. And I hap-

pened to be one of those people that was blitzed out, but that I was on there now.

Senator NICKLES. So you got yourself on there.

Ms. NEW. I sure did.

Senator NICKLES. But you're trying to comply.

Ms. NEW. Right. I wanted to take care of this. My husband and I were just getting married; and we were just trying to buy a little farm house out in Guthrie, a little frame house; and we didn't want this hovering over our head like it is right now.

Senator NICKLES. You also did the same thing with the state. You worked it out with the state and paid the state what you owed?

Ms. NEW. After the state had put a warrant out for me. I had—I had the same problems as this gentleman did because I had talked to different people. And just when I thought it was resolved, somebody else would take it over. And I think the gentleman that I was working with had to go to the—the Desert Storm, and he was gone for a while. And somebody else took over my case and put a warrant out for me. And I had to pay everything including interest and penalties at—they gave me, like, 30 days to pay it.

Senator NICKLES. To the state?

Ms. NEW. Uh-huh. And so I paid that.

Senator NICKLES. So you paid the state amount, but you still had a 5,000 bill to the Federal Government of which interest and penalties were accumulating?

Ms. NEW. That's correct.

Senator NICKLES. Continue to accumulate?

Ms. NEW. Excuse me?

Senator NICKLES. Are interest and penalties continuing to accumulate today?

Ms. NEW. Oh, I'm probably worth about 30,000.

Senator NICKLES. The total liability from 5,000 in '87 or '88 is how much now?

Ms. NEW. Probably close to 30,000.

Senator NICKLES. Do they have a lien on your home?

Ms. NEW. Yes, they do.

Senator NICKLES. And that's probably the net value of your home.

Ms. NEW. Maybe a little less.

Senator NICKLES. I mean, after you deduct your mortgage and so on.

Ms. NEW. Right. That's correct.

Senator NICKLES. And really what you were seeking when you went to the IRS was, "Whoops, we messed up. Two years we didn't make payments. We're wanting to work this out, maybe over a 3- or 4-year period of time make this—get caught up." They wouldn't agree to freeze the liability, to stop the accumulation of interest and penalties. So now you have a \$5,000 bill that's grown in nine or 10 years to almost six times that amount, about \$30,000.

Ms. NEW. That is correct.

Senator NICKLES. And you still are looking at a lien against your home.

Ms. NEW. Right.

Senator NICKLES. So if you tried to sell—you couldn't sell your home; or if you did, the IRS would be the principal beneficiary.

Ms. NEW. On the lien, you know, it says for, like, I think it was 6 years it would be taken off. But they've got it in the computer to where the day before the expiration date on my lien, it kicked out me another lien that extends until 2,000 something.

Senator NICKLES. Yeah.

Ms. NEW. It's never going to go away. And even to this day, I mean I was—I'm willing to do anything to resolve this matter and have the lien taken off my house so I can go on with my life. It's just right now, if I tried to set up any kind of payment plan at this point, I would have to pay such a large amount of the payment a month where hardly any of it—I would still be going into debt every month. There would never be an out. It would be forever.

Senator NICKLES. Have you had any—so this happened back in '87 and '88. Subsequent to that have you had recurrent meetings with them in an effort to try to get it resolved?

Ms. NEW. Yes, I have. Mr. Hammert which is my CPA, my attorney—I gave him power of attorney over me. He has taken care of it. Three or four times a year I get letters sent to me saying that it has to—all of it has to be paid by a certain date or. We've tried several times—and like I said, right now it's to the point to where I haven't tried to set up a payment plan with them because if I do, the interest and penalties are going to be so—so much that I would never get it paid off. I would just be giving them money for nothing. Nothing would ever come out of it.

I'm willing to pay exactly what I owe today. I'm willing to give them what I—my liability is, which is close to \$5,000, I'm willing to pay that if they would waive the interest and penalties. I know that at one time they were willing to abide—abate the penalties, but the interest is what—the penalties wasn't as much as the interest. The interest is what's really high.

Senator NICKLES. Are you still in the pet grooming business?

Ms. NEW. Right now I'm working—I'm part-time on pet grooming which now shortly after that, the Internal Revenue Service had realized the problem with these employers paying dog groomers—paying them as a self—an independent contractor. And now they all take out taxes for all of us. But I also work for the VA Hospital 2 days a week, and I'm a full-time bus driver for Logan County.

Senator NICKLES. So you have three jobs?

Ms. NEW. Uh-huh.

Senator NICKLES. And you still have this lien staring you—

Ms. NEW. Uh-huh.

Senator NICKLES. Does that cause you a lot of anxiety over the last—

Ms. NEW. It's caused a lot of anxiety on myself. It's caused a lot of stress. It caused my husband and I marital stress. I mean, it has been a problem on our marriage because we would like to resolve this.

I had gone through some surgeries, I had some abnormal cells in my cervix which would have been cancer. So basically it was like a cervical cancer. I went through four different treatments on that, and they never even—I had a bunch of medical bills and stuff, and there was no remorse or no—they didn't care. It didn't matter what

I owed. They wanted their money now. And, like I said, I was willing to pay them their money. I owed it, and I honestly do owe it, and I am willing to pay that.

Senator NICKLES. I appreciate your statement. You also made a statement that you felt like you were being treated as a criminal.

Ms. NEW. Uh-huh, I do. Because I honestly went in on my own. Nobody told me to go in. I could have—I could have just let that—until they started haunting me or calling me. They never sent me anything before that time. I went on my own wanting to resolve this problem. I owed it. I honestly owed it. We wanted to pay it in whatever way we could that would, you know, accommodate our finances, we were willing to pay.

Senator NICKLES. I appreciate your statement. Dr. Highfill, let me ask you a couple of questions. Why don't you move that one microphone. So, Mrs. New, your case has been going on now for 10, 11 years?

Ms. NEW. Huh-uh.

Senator NICKLES. Dr. Highfill, you mentioned your case. What year was that?

Dr. HIGHFILL. Okay. Let's see. They came about and wanted to audit 1993. So this was a couple of years ago. And I certainly didn't mind—I think it just came up on a computer, and it was my time, and I didn't mind an audit. I knew I didn't have anything to hide or be afraid of anyway.

Although I do want to immediately say that—that the—the power that the IRS has as soon as—as soon as they show up in any way, everybody seems to just be afraid. And I don't think that's right. I appreciate what you said.

But I had no problem with being audited. I thought it would be very quick and easy because we have kept good records on a computer, and my accountant was very competent. But somehow they—and it wasn't even close to true, but they began to think that I had \$45,000 of unreported income.

Senator NICKLES. Did an agent ask you if you had \$45,000 stashed somewhere?

Dr. HIGHFILL. Well, he—he started talking to my accountant about that; and he said, "You know, I don't think that could be true at all." And so that's what they used to say that they had to talk to me. And, again, I didn't even mind that. I just kind of wanted to get—I knew I knew dentistry and I didn't know taxes as well as my wife and my accountant, and I was depending on my wife a lot. She has a degree in that.

And so when she couldn't speak, I was just saying, "Well, you can ask me, but I'm not going to be able to tell you as much as they are." And so we set up what I thought was a good time. And even though they told my accountant one thing right in his office, said, "Okay, you check and we'll—we'll get back and we'll meet on such and such a time," they went straight from his office and seemed to be kind of lying to him because they already had a typed-out summons already dated and signed and everything and just came straight from his office to my office and scared my receptionist to death.

Senator NICKLES. What—so they worked out a meeting or a time with your accountant and you or your wife to try and reconcile the

discrepancies, but instead they went into your office with a summons. Did they announce that—

Dr. HIGHFILL. Yes.

Senator NICKLES. How was that? How did you find out about that?

Dr. HIGHFILL. I was in the back working with patients, and they—in their black suits just like we all seem to hear—and by the way, ever since I had my name out, a lot of my friends—like Steve, a lot of friends have called me, a lot of people that I didn't know. I have had letters put underneath my door. And they all have this same theme of how the IRS has treated them as criminals when they weren't and—I know they have a job to do, and I don't think any of us that are here to argue that. It's just—mine wasn't a collection thing. It was the audit part. I don't mind an audit, but I don't like them treating my wife in a way that I wouldn't treat their wife and so I got mad.

Senator NICKLES. Did they announce in your reception room that they—

Dr. HIGHFILL. Yes. There were patients there waiting and my—they said, "We're from the IRS and we want to see Dr. Highfill right this—right now." And I don't think they can go into a hospital and pull someone out of an operating room, and I was in the middle of a procedure and—so I said, well, tell them to take a seat and—I called my accountant because I had just talked to him earlier on determining when we were going to meet. And I was confused and—and he was confused and mad because they had just told him one thing and then came in there.

So, yes, they—I had never had a summons issued to me, and it's not a—it's not a pleasant feeling. And so it—it bothered my patients; it bothered my receptionist. I've never seen her look so frightened. And I just didn't think it was necessary.

And then it went downhill from there. They—they were rude and—they never did—later they said all this, and so I had a lawyer and my accountant there because I knew that was quite a—if they thought I hadn't reported \$45,000 that's—I mean, a deduction is one thing, but fraud is another. And I knew I hadn't done it, but that gets your attention.

But then they just asked me about whether I had cash buried in my home or—you know, whether I had a cash hoard at home. And when I said, "What?" Because I really couldn't believe they asked that question, they said, "Do you know what the word 'hoard' means?" And I said, "Yes. I have a good vocabulary. I just didn't—I just couldn't believe you asked that question."

And that was just typical. It was just—they—they just really had some mission and just wouldn't turn loose. They talked to my wife till well into the afternoon until she just—you couldn't hear her. I mean—and she was better by then than she was the week or two earlier.

Senator NICKLES. She had a medical problem with her throat or something?

Dr. HIGHFILL. Yes. It was very strange, and it's not something you can fake. It wasn't because the IRS was wanting to talk to her. She lost her voice, and for a while I thought it was just laryngitis and everyone was asking me how I could be so lucky that my wife

couldn't talk; but after a while it wasn't funny anymore because she would have to whistle or clap if I was facing the other way because she couldn't get my attention. She couldn't speak. And so she would whistle, and I would turn around and then kind of read her lips.

The ear, nose and throat specialist that we consulted even let me look with fiberoptics down at the vocal cord. And one was vibrating, and one was just paralyzed. And it's not something you can fake, and it's—it's documented. This was before, and we were in the process of trying to get it cured, and—but that didn't seem—like her, that—you know, I said, "Well, talk to the ear, nose and throat person," but they wouldn't bother to do that. They said, "No, we're going to talk to her."

Senator NICKLES. So you had a summons.

Dr. HIGHFILL. Yes.

Senator NICKLES. You eventually met with attorneys and—

Dr. HIGHFILL. Yes.

Senator NICKLES [continuing]. And your accountant. And they were alleging a lot of unreported income, and how long did it take before you settled your case.

Dr. HIGHFILL. It was, what, another 6 months or—it was at least another 6 months, which once they finally—you know, they threw out a deduction or two and—but they were adding their penalties and interest all this time. And—in fact, they were so unhappy that they couldn't find much with 1 year, they said, "Okay, we want to audit 1994." And my—my wife said, "What?" And so they made—we got all of our records out and went through it again. You know, they went through a complete long audit because they didn't like they couldn't find anything on that year. So they audited the next year, too.

Again, they have the right to do that, and I don't mind; but I don't think they need to treat people with a—like a criminal when you're not.

Senator NICKLES. Well, you're not the first person to say that out of the panel, and we don't want that to happen. We want the IRS to have the authority to go after people that are not paying their taxes, that are trying to circumvent the system, but not law abiding citizens that are trying to pay their taxes.

Dr. HIGHFILL. I don't mind that, but they need to start out—there's no reason to start out—once it warranted it, that might be one thing; but when it doesn't even warrant it, I just don't think it's necessary.

Senator NICKLES. I want to thank all of our panel. Mr. Nunno, did you have something you wanted to add?

Mr. NUNNO. No.

Senator NICKLES. Mr. Nunno and Mrs. New and Dr. Highfill, I appreciate very much your statements today. I want to also echo this is not—I did not try to say this is representative of all taxpayers in Oklahoma because I know that we have had thousands of people that have not had any problems, but I do know in some cases the IRS has not worked and it has been abusive or it hasn't tried to work out things with taxpayers and has used the threat of liens, in your case actually imposed a lien even though the payment had already been made or used the threat of seizures or in

some cases just show no common sense whatsoever and so turned a small problem that should have been worked out over a short period of time, particularly since you had the initiative, Ms. New, to take the case to them and say, "Let's try and work this out." But for whatever reason it wasn't, and now you have a much bigger problem, and you still have that big problem.

And like Mr. Nunno and Dr. Highfill they have been able to get their problems behind us. Your business in grooming animals maybe you didn't have the resources to be able to reach into other pockets and be able to solve that. And there's a lot of people in your—in your situation, and those interests and penalties continue to accumulate, aggravating a very real problem.

So anyway, I appreciate all of you. Let me just say one other thing. I don't doubt that some people probably said you probably shouldn't testify because, look out, you're going to be audited for the next 20 years. You haven't seen any harassment yet.

We made the statement—when we started these hearings in September and we had the acting commissioner acting director of the IRS Mr. Dolan, we asked him a question. I said, "Will there be any retribution whatsoever against anybody that participates in these hearings, whether they be IRS employees or whether they be taxpayers?" And he said, "Absolutely, totally, completely not." And I expect that that will be the case. And I want to know if it's not the case. So, again, thank you very much for your participation before the hearing.

I'll now ask for our next panel to come forward. This will be a panel consisting of current and former IRS employees: Ms. Mona Meier, IRS employee from Oklahoma City; Larry Lakey, IRS employee from Edmond, Oklahoma; and Jerry Quisenberry, former IRS employee from Owasso, Oklahoma.

Mona Meier, thank you for your willingness to participate before the hearing; and I called on you first, so I'll let you be first.

Mr. MEIER. Okay. Thank you. Good morning. My name is Mona Meier, and I'm a collection—

Senator NICKLES. Pull the microphone really close because it's kind of hard, I think, for some of the people out there to hear.

Mr. MEIER. That better?

Senator NICKLES. Yeah. Thank you.

STATEMENT OF MONA MAIER, IRS EMPLOYEE, OKLAHOMA CITY, OK

Mr. MEIER. I have been with the Internal Revenue Service for 19 years with seven of those years being in management. I would like to start with reading excerpts from policy statement P-120 as I will be referring to it throughout the course of this statement.

"Records of tax enforcement results shall not be used to evaluate enforcement officers or impose or suggest production quotas or goals. This prohibition is necessary not only to protect the employees from adverse impact of quantitative goals, but also to protect taxpayers against possible inequities. Forecasts and monitoring aspects of work planning and control programs shall not be used as quotas, allegations or as specific amounts of work that must be completed."

While I was in the district and since Mr. James the division chief took over, he has repeatedly advised employees that they have not made enough seizures. Along with that, he let them know that 20 percent of them were not doing their jobs. He, then, told them that they would be losing their jobs because of this. Employees also have reported to me receiving confirmation of this directive from group managers Court Kragebrink and Diane Morrow who told them seizures would be emphasized and must be conducted in order to receive a favorable rating.

As directed by James, his staff assistant reviewed the employee appraisals and compared their ratings to the list of seizures for the prior fiscal year. I advised my employees of what Mr. Wallace had done after they asked me what he had done. I was later told by the branch chief Dave Edgington to go back and tell my employees that he had not done this. So, in effect, he was asking me to lie to my employees. I followed his direction, as I'm required to do, and then reported the incident to the Inspector General's office as well as local inspectors.

P-120 violations were never investigated until after the Newsweek article was published and we got notoriety for that. The allegations that the branch chief advised me to make false statements to my employees was never investigated and to this date has not been investigated, and that was reported in March of this year.

I was repeatedly advised that employees would be removed from the offering compromise program for not meeting an undisclosed goal set by Mr. James of the average number of hours spent closing cases. I then watched as those who had fewer closures were harassed because of this.

I provided evidence consisting of date-stamped documents which prove the special procedure branch was falsifying a report by utilizing incorrect receive dates in order to show a more favorable statistic. Upper management supported this behavior by submitting this as a best practice, as a role model for other districts to use. This no doubt contributed to the appraisals which was likely sufficient to get them awards.

It was clear to many of us that as long as you presented positive statistical results, the method would be endorsed at a higher level regardless of any violations that were made to achieve them. To date dozens of referrals have been made to the Inspector General's office. They were obviously never investigated. Many believed that they had finally been heard upon hearing that Mr. James had been placed on administrative leave.

Shortly after that, they also learned that a well respected first line manager with over 30 years of experience was also suspended. Many believe this to be an attempt by upper management to divert blame for their violations. Having worked for this manager myself, I view him to be a very ethical and very dedicated employee.

David Edgington, Diane Morrow and Court Kragebrink have continued in their positions with full authority. In fact, each one of them has acted in a level—at a level at least one step above their own position since these allegations came out. This is despite numerous allegations by employees they—who believe that they not only participated in P-120 violations, but that they also failed to report the direction that Mr. James gave them to commit them.

After national attention, the IRS responded by issuing press releases implying no wrongdoing, and they provided a very different definition of what the full range of collection tools meant. Certainly different than what I and my co-workers had been told that it meant.

In addition, a manager in the region with close ties to both our district director and the regional commissioner submitted a letter to the editor in the Oklahoma City and Tulsa newspapers saying that the problems that were being reported were only those of a few disgruntled employees. The district director supported this statement by having it printed in our local newsletter, and it was distributed to all employees while Internal Audit was still investigating the P-120 violations. Many employees in the office considered this to be a message that there was nothing to fight and that if they presented anything to the contrary, that they would be considered as one of these disgruntled employees; and they had already seen what had happened to them.

Another response to allegation of charges of pressure from the division chief to seize was to issue a letter raising the approval authority on seizures to the division chief and the district director. These are the very people who are accused of violations and allowing violations in the district. So I didn't share in your joy that they had made that statement.

Internal Audit, who is an arm of the Service, advised me that when they did their investigation, they were not going to weigh the employee statements very heavily. They could not respond to me when I asked them why they didn't take sworn statements which would have certainly given the statements more credibility.

Because these hearings today do not have the capability of concealing identity of witnesses, in addition to my own statement, I have also received a number of statements from other employees who were afraid to reveal their identities for fear of reprisal for doing so. I will act as a conduit for them to be heard. These statements will be read in third person regardless of the source so as not to imply their identity. Because of the limited time frame allotted today I will only have time to read excerpts of the employee statements; however, I would encourage you to read each of the statements fully as there is very important information contained in these statements.

Senator NICKLES. Will we have the names of the individuals if we wish to pursue it. They wish to be totally anonymous?

Mr. MEIER. They wish to be totally anonymous. There was a couple of employees who stated that if you wanted to talk with them, they would talk with you personally. But for the most part the fear is so great of reprisal that they know they would risk their jobs if their name was known. And I think Mr. Lakey can attest to that.

Employee 1 is a—states that: I am aware Court Kragenbrink has established his own policy of refusing to sign all abatement of penalty requests based upon reasonable cause although the manual does, in fact, allow for this. While the internal audit investigation was still in process, Mr. Kragenbrink let his group know in a group meeting that he was told over half of his employees reported he was numbers driven and that this was not true and that he was

clearing this statement up. The group sensed it was having verbally chastised for making that report to the investigators.

Employee statement 2: Showing disdain for the very constitution that he's sworn to uphold, Ron James violated employees' rights by attempting to control who they spoke to or associated with. Mr. James made it very clear that if they failed to follow his direction, that they were not going up, not going down, not going lateral, they were going out.

Dave Edgington told a revenue officer to levy a large corporation that owed less than \$100,000 even though the revenue officer explained to him that this taxpayer had a credit in excess of three million dollars available to him. The revenue officer did not take the action as directed.

Managers suspected that Edgington used a list—a seizure list to determine whether revenue officers were overrated by their group managers. The suspicions were confirmed by Court Kragenbrink who said he actually saw the list when Edgington attempted to lower a revenue officer's evaluation. Kragenbrink failed to report the violation as required and was rewarded for failing to uphold this charge.

Employee statement 3: In a town hall meeting James said that if ROs weren't using all of their collection tools including seizures, then they were not going to have a job for long. He said revenue officers are the only ones in IRS that have the authority to do seizures and if seizures weren't going to be done, then Congress would get rid of revenue officers. An employee was told by upper management that they're currently not to collect accounts which includes hardship cases and developed corporations. They told them that the rate of these type of cases was much too high.

Employee statement 4: We were told by James that revenue officer inventories will consist of primarily in-business taxpayers. These taxpayers should be given no more than 30 days to pay their balances in full. If they were unable to do that, then we were to proceed with immediate enforcement action such as seizure of the business.

A group manager took cases that had pending seizures from one employee and resigned them to two other employees who had not done seizures that year. These employees had appraisals coming up and that was the indication as to why the transfers were being made. Employees who did not have any seizures were targeted by upper management.

Employee statement 5: Ron James stated that it was our mission to conduct as many seizures as possible. Nowhere in our mission statement does it state that seizures are a priority. During the time that James and Edgington have been in Oklahoma City, revenue officers became aware that yearly evaluations of their cases would include whether they had completed a seizure of a taxpayer's assets during the year being reviewed. The phrase "full range of collection tools" came to be known as primarily the actual number of seizures completed by the revenue officer.

Edgington reviewed one case and stated that as a repeat tax offender the business needed to be seized and put out of business. The revenue officer at that time had been working with the tax-

payer to secure payment which would have allowed the taxpayer to continue to operate.

The business was a family-operated business in the state for over 40 years and was currently being run by a paraplegic. If the seizure had been conducted, the government would have recognized approximately \$10,000 from that sale. By working with the business owner, the government recognized full payment of almost 58,000 and closed the case on an agreeable note.

Employee statement 6: An attorney who was making a modest living that had a farm that was encumbered with no seizure potential and had liquidated all other assets as he had been instructed to do by the revenue officer. Revenue officer was going to close the account out as a hardship showing no ability to pay. When Kragenbrink reviewed the case, he said absolutely not. The attorney would be left with nothing because he was an attorney. It appeared that he was being—basing his decision solely on what the taxpayer did and nothing more.

Employee statement 7: Seizures, levies and related enforcement tools are necessary components of tax collection. An amazing number of in-business individuals thumb their noses at Federal taxes believing that everyone else can pay for the benefits and services a civilized society provides. It is an issue of fairness that everyone pay their share of taxes. A high profile person with adequate funds to hire a prominent tax attorney should not be allowed to pay one penny less than he or she owes; nor should an individual who trusts the IRS to treat them fairly be saddled with additional convenient assessments as a result of that trust.

IRS collection local upper management has taken to heart directives from Congress to be more accountable through production. Congress's behavior to continue to demand higher, more efficient collection of tax debt while siding with the taxpayers during the election year has led to conflicts in trying to meet with disparate demands. These demands confuse revenue officers in carrying out of their duties. These conflicts can be illustrated in topics in a recent IRS education seminar.

Collection Division Chief Ron James welcomed the revenue officers to CPE by telling them that while an earlier policy defined seizure action as a last resort, now they would be one of the first options to be considered. This is in direct conflict with the Internal Revenue manual.

James went on to say that ROs who did not perform enough seizures would be placed in clerical jobs since that's all they were really doing anyway. Group Manager Kragenbrink confirmed for the class that he does not approve any installment agreements for going businesses. This is in direct conflict with our standard operating procedures.

A training case study which outlined a situation of a business that owed taxes was reviewed and discussed by the class. The consensus based upon local enforcement posture was to seize everything and close the business down. The book answer was to grant an installment agreement.

ROs want to do their job correctly, fairly and efficiently, but they are being torn between appropriate collection action in one situation and pressure to deliver statistics.

Returning to my own statement now. Unless upper management is investigated and punished as rigorously as those front-line employers accused of wrongdoing, there will be no clear deterrent not to repeat offenses. If they believe the worst thing that will happen to them as a result of violations is that they will be retired early or transferred, then they will—other managers and employees that are watching may determine that the risks—the benefits far outweigh the risks.

It's important to remember that the P-120 violations could have had much more severe impacts on the taxpaying public had it not been for the ethics and dedication of the front-line employees who risked their positions by refusing to follow directions to seize on cases when they thought it was inappropriate, although it would have been much easier on them to simply succumb to pressure for the loss of their positions.

Upper management determines the climate and policies for applying tactics and tax laws, therefore it is at this level that the greatest impact on the taxpaying public is affected. There must be an independent body assigned to investigate ethical misconduct of IRS employees, particularly upper management. This body must be one that has not risen from the ranks of Internal Revenue Service so as not to establish a network with internal management and therefore will not be influenced by the power of those individuals.

I would like to thank you for allowing me to speak here today and strongly encourage you to continue to monitor the situation here in Oklahoma City until the employees and the taxpaying public can be assured that this situation is appropriately resolved.

Senator NICKLES. Ms. Meier, thank you very much. Next we have Larry Lakey who is an IRS employee from Edmond, Oklahoma. Mr. Lakey.

Mr. LAKEY. Thank you.

Senator NICKLES. If you would grab one of these—yeah, that one, I believe. Pull it pretty close because I think some of the people in the back might have a hard time hearing.

STATEMENT OF LARRY LAKEY, IRS EMPLOYEE, EDMOND, OK

Mr. LAKEY. My name is Larry Lakey. I have been a revenue officer with the Internal Revenue Service since 1985. I've worked in collections all that time. I am currently an Offer-in-Compromise specialist. My service with the government includes 3 years that I spent in the Army. I served honorably in Vietnam for a year as a combat medic with the First Infantry Division. My tenure with the Internal Revenue Service has been honorable and meritorious. I have received numerous awards for excellence, and my annual appraisals are repeatedly high enough to earn me special recognition. I'm a GS-12 which is the highest level of revenue officer series. I am 52 years old and would like to think that I have a career at my present job. However, in the last 2 years it has become increasingly difficult to be proud of this organization.

The integrity of the Internal Revenue Service is more suspect by the employees than it is either by Congress or the public that we serve. At once the job of collecting tax and treating the public with congruency and fairness is being hampered with constant pressure to close more and more cases regardless of how many dollars that

go uncollected. In a meeting we were told by our mid-level or branch chief manager that our performance ratings for the year will be in direct relationship to the number of seizures that we make. This is in direct contradiction to Public Policy P-120 which prohibits evaluation on the basis of enforced collection statistics. This is but the latest in a 2-year long effort to pressure employees to close cases. We have been told by mid-level and upper management that if we don't do seizures of property we better look for another job. During our opening session of our annual continuing professional education meeting, our division chief, Ron James, warned us that 80 percent of the employees are not doing their job and the other 20 percent—excuse me—only 80 percent of the employees are doing their job. The other 20 percent better start looking for employment elsewhere.

There are secret files being kept on collection statistics by revenue officers in the Special Procedures function. The number of suits and the number of seizures by revenue officers are on computer files. I know that they exist or at least they did exist. What is often forgotten in dealing with statistics is that statistics are people's lives. Revenue officers' lives, but particularly the lives of the taxpayers that we are hired to serve.

We are discouraged from doing our job if that involves more than just a cursory attempt to collect the returns and the money. The pressure is not coming from our first-line management. The pressure is coming from management in policy making decisions and positions. We are told to ignore the law and do what we are told to do. We are encouraged to ignore any issues that might slow down the collection process. I was told by my branch manager David Edgington recently that I should ignore the tax fraud issues of a case and close it immediately.

Over and over again someone I work with is told they don't know how to do their job and better look for something else to do. These are seasoned, career employees, people I know and respect. The hostility in the workplace is becoming unbearable. The instances of stress-related illnesses is alarming and increasing.

Recently an employee with 15 years of experience was hospitalized with a variety of medical problems. He eventually had his leg amputated. During the extended stay in the hospital he asked for some advance sick leave, but was denied. Only through intervention of Senator Inhoffe was the leave issue resolved. Advance sick leave requests normally require a simple written memo, but for some reason the division chief decided to change a part of the NORD IV labor agreement which allows for such leave because this employee had not—had fallen from favor. The employee is still experiencing difficulties with his leave requests and pay. During the time when he is least able to care for himself, upper management continually places obstacles in his way to make a difficult situation even more so.

One of the finest employees that we've ever had, a 34-year veteran of the Internal Revenue Service, is now retired. His integrity is impeccable. His ethics are as unquestionable as his knowledge of the job. Now after all these years he has been pressured into retiring. He was treated like a criminal and finally retired. This act of barbarity is unthinkable. But nonetheless his number of seizures

was not at an acceptable level. After a lifetime of public service and at a time when he is most vulnerable, he was forced out of the workplace.

Another 25-year veteran of the Service is now on sick leave. While ill, the division chief ordered that all of her cases be brought to him for personal review. This is another employee that appears to have been targeted to be removed for not closing cases fast enough.

One of the best of our employees was assigned a particularly difficult case that involved blatant tax fraud and income tax evasion. When this employee took the appropriate action to collect the tax, the division chief stepped in and halted the proceedings because he had been contacted by one of his former IRS managers who sought relief from the actions. The division chief, Ron James, did everything to intimidate the employee including lowering her performance. Internal Inspection was notified, but nothing was done.

We have been given training on ethics. We are treated like we are the problem. Increasingly we have tighter controls placed on us. At the same time upper management is held to a different set of standards. For example, at a recent meeting the division chief admonished an employee when she actually told the hotel where she was staying that her daughter was staying with her. The division chief told her she should never have mentioned that her daughter had accompanied her, it only caused her to pay more room rate.

We are told that we can report ethics violations to the Office of Government Ethics. When we do, nothing happens. We are told that we can report Code of Conduct violations to Internal Inspection or to the Inspector General. We do file reports, and nothing happens. There is absolutely no one within the IRS in a position to effect change that is paying attention.

I'm so thankful that after all these years someone somewhere is listening. No one agrees more than the people I work with that changes need to be made. However, the changes that are being made involve reducing the number of front-line employees and allowing people in positions of power to maintain their jobs. Thank you, Senator Nickles, for taking the time to listen and make sure that the business of government is in the hands of the trustworthy.

It is very popular to treat government employees as though we are the problem. In fact, we are trying very hard to do a difficult job and do an excellent job in spite of the fact that what upper management really wants is more statistics with less people. We all agree we need to be as productive as possible. We are capable and resourceful employees. We know the mission of the Service. It's very clear in our minds: To collect the correct amount of tax at the least cost to the government.

My suggestion to Congress and to the Internal Revenue Service is to remove all—to remove all of the people in leadership positions that, first of all, cooperated in allowing the IRS to get so out of touch with the intentions of the law and the general public, starting with Mike Dolan who first denied that there was a problem all the way down to first-line managers that are still in place that still rate their employees on the basis of seizures and suits. Only a very clear signal from Washington will solve the problem. I'm not talk-

ing about just finding them another position somewhere to reward them for their actions, but firing them and taking their retirement. Only then will the message be clear. Integrity is a matter of leadership and not following blindly. Someone of sparkling integrity must be placed at the helm who knows the pitfalls, but also knows the law and by example is willing to set a climate of fairness to both the taxpayers and the employees.

This is not a new problem. This atmosphere has been in place since 1986 when Ken Sawyer first became district director. In 1989 and 1990 another similar scenario took place and a similar cover-up was achieved. During that period the internal investigation was conducted similar to the one that's going on now, but it turned out the investigation was to find out what the employees knew strictly for damage control. It worked. The problem went away, swept under the carpet again.

This time we have a perfect opportunity to clean up the entire operation; but if Congress is serious, you must not abdicate your responsibility. Don't pass more laws telling the IRS to do more with less. Establish an oversight committee that consists of a front-line employee on the committee. And whatever you do, don't allow the bureaucrats to mind the store. There has to be supervision and accountability by people of integrity and conscience in charge of the IRS and someone they can report directly to with problems and suggestions. Allowing the chain of commands to handle a problem will never work. Direct contact between the governed and the governing and between the policymakers and the first-line government employees is the only way of assuring compliance with the spirit as well as the letter the of laws passed by Congress.

As long as the people remain who are part of the problem, things are not going to change. The message is going to be clear, the whitewash continues, the status quo remains alive and well at the IRS.

Senator NICKLES. Mr. Lakey, thank you very much for your statement. Next we'll hear from Jerry Quisenberry from Owasso, Oklahoma, former IRS employee. Mr. Quisenberry, welcome. Thank you for coming over, too.

**STATEMENT OF JAMES D. QUISENBERRY, FORMER IRS
EMPLOYEE, OWASSO, OK**

Mr. QUISENBERRY. Senator Nickles, I'm very happy to appear before you today and I want you to know that you are keeping the spark of our republic alive by holding these hearings. I was beginning to believe that the apathy in Congress and the White House concerning the situation at the IRS and the Treasury Department would continue to allow the will of a few top officials to guide the course of this great nation.

You are just beginning to look into the vortex of fear that the employees at IRS and the taxpaying public having living in for years. All of the rhetoric and promises for reform at the tax code will not attain what is wanted by and needed by the American public even if Congress actually follows through with a new revolutionary tax system as long as the current structure is in place to enforce the new code. It would be like placing new wine in an old skin, and we've known for 2,000 years that simply won't work.

I have been speaking out about fraud and waste and abuse at IRS since 1989 in hopes of exposing the deep-seated root—corruption in a system that has been driven by personal greed and agendas for over a decade that I'm aware of. From the numerous radio talks shows that I have had that I have been on that dealt with the corruption of IRS top officials and the adulterated system that they've created, I am certain the American taxpayers are glad to finally see some motion by Congress.

I tried to tell the President, Ross Perot, Jerry Brown and members of Congress, Gordon Liddy, and, yes, even Rush Limbaugh what I had witnessed firsthand while working as an inspector with the Internal Security Division of the IRS. The information apparently fell on deaf ears or did not fit tightly into their agendas.

We would not be sitting here today rehashing these terrible actions that have been recently reported if someone, or for that matter anyone, had worked as hard to correct the system as they did to sell their books or get re-elected.

I told you what I saw in my little book, "IRS, the Beast From Within" because there was no other way to make it known public. I promised the honest taxpayers that risked their careers to report the mismanagement and corrupt policies and procedures at IRS that I would do everything I could to make it known publicly. I wanted to bring it before a grand jury and IRS inspection failed to get it to that level. This is my second option, and thank God after 8 years the system does work and I'm here.

I took my book off the shelf—I wrote it in '94. I took it off the shelves in the Oklahoma City area—the few book stores it was in—after the Oklahoma City bombing incident; and, Senator, I want you to know in all sincerity that there are a lot of very angry, misguided people out there that—it does not surprise me what happened at all, and I'm just—I thank God it hasn't happened on a more recurrent basis.

The American people are absolutely sick and tired of the bureaucrats, both inside the IRS and inside Congress, of giving us empty promises and then failing to come through with it. And I—I'll make a prediction that I made similar to my little book here, that if Congress does not act with diligence on this—this time after the elections, don't be surprised if the American public start failing to file their tax returns on large scale numbers on April 15th. And then you and Congress will have a hard time justifying your positions when the country that you have been hired to—to protect no longer exists. And without money, as you know, sir, our country will not continue to operate.

Now, sir, I hate to bring this on a personal matter and I trust you and I respect you and your position more than anything in the world because you epitomize what our Nation's made of and for, but I need your personal guarantee that before I give out the names and some information, that you'll do what you can to protect those employees. And these employees have given me the okay to do it if you told me personally that you would do what you could to protect them. Is that okay or improper to ask you that?

Senator NICKLES. I will try to make sure that there's no retaliation on behalf of any employee for sharing information.

Mr. QUISENBERRY. Yes, sir. And I know you've said that before, but they asked me to ask you personally and that's what I've done now.

In support of Mona's statement about statistical charts, here is a blatant example of—in my investigation in 1989 through '91 where an employee was specifically given statistics and compared to not only themselves but other employees. This employee was later drummed out of the service. Some of this information has been sanitized for my protection as well as the people involved, but I will be willing to provide you any information and leads if this—if this is to be pursued any further.

Now, I understand that what I was involved with—and basically what I'll tell the people is I was involved in a high-level internal security—or internal conspiracy to defraud the United States government by inflating the use of statistics so that high-level ranking—and high level—high-ranking officials throughout this region—not just this district, but throughout this region—could receive their merit awards. They got their awards, and they threatened the employees that if they did not comply with their wishes, then they—the employees could be certain that they wouldn't get their promotions and their awards either.

Now, the difference between what happened in my investigation which was ultimately covered up and whitewashed—and I'm going to give you two names now before I forget them. And you can ask Charles Winn with the Inspection Division in Internal Audit Compliance Team. He was a member of my integrity team and the compliance team and also has been involved with the current investigation or the lack of investigation within this district.

Also the other name was David Brown; and while I'm on that topic, I need to tell that you Mr. Brown was given the recent assignment to validate the recent investigation, if you want to call it that, by the compliance team out of regional office. He told his superiors that it was a bogus report, it did not come close to the accepted standards of accounting principles; and he was removed from that audit, the validation process and replaced by another employee.

Also there's one third person that—with the Internal Audit division of the inspection, his name is Bill Amos. And he's now retired, but he was also involved with my integrity investigation which was ultimately covered up and whitewashed. And he substantiated with his integrity team that multiple allegations of criminal misconduct had been purposely perpetrated by IRS management and were subsequently whitewashed.

I need to tell the people that are here and wherever, that I left the Service in 1991. There has been a recent request for Freedom of the Information Act out of the regional office and they've also requested my personnel file. I found out yesterday my personnel file is now in the Washington D.C. office of the chief investigator. I'm calling on you and everyone that's here as witnesses that I'm aware that this has happened so if anything bad happens to my family from this point on as far as my retirement, hopefully I'll have some recourse.

I have done this because I've promised the employees that came forward in that investigation that I would do everything I could to

make sure that they were protected and that the corruption was made public. I wrote the book. It didn't go anywhere. Now I've always promised that if—I wanted to get this to Congress and, by God, I got it here, and I'm happy. But in the process, I suffered from major depression and anxiety disorder because I personally felt very responsible for the nearly 15 people who have lost their careers since my investigation. And I have proof in the form—and I will submit all this for the record.

I have the proof of one employee is here where management went out of their way to drum her out of the service. The reason I have access to that is it happened to be my sister. The reason why they ultimately took this case from me was because there was a perception of conflict of interest.

The conflict of interest arose when I opened the investigation, if there was one; and I maintained that investigation for a year and a half after my sister's involvement. But only once I proved with Internal Audit support that there was, in fact, a cover-up, there was a conspiracy to defraud the government did they remove me from that case which was filtered down and whitewashed. I won't bore you with the details there. I've written a lot of documents here that I'll present. But I would like to move on because there's—the issues that you're dealing with now you have to understand historically that this has happened in the past to understand what's going on now. I'm trying to get with this.

Recently there was a letter to the editor printed in the Tulsa World and The Daily Oklahoman that was written by an IRS group manager. And don't get me wrong. I like this group manager, and I feel that she is of the highest ethical standards. However, her career and mine went down two different paths and we saw two different sets of circumstances.

One of the things that she said in that that the employees report fraud, waste and abuse are seen as disgruntled employees. Now, folks, I'm going to ask you right now who but a disgruntled employee is going to speak out? If they're not disgruntled and they're part of the system they're not going to speak out about it.

And the second thing is that the employees had axes to grind. Well, yes, they probably do have axes to grind, but I have been a criminal investigator since working at the Shawnee Police Department prior to going to the IRS; and every crime that I ever worked as a detective and as an inspector that have been reported by a third party always had a motive or an ax to grind. Revenge, jealousy, money or whatever, something always spurs people on to report a crime or acts of misconduct. Why the act was reported should be a consideration, but it should not alter the fact of whether or not the act was committed or an investigation is conducted.

And that's—it was blatantly clear from her letter that this is the mind-set that permeates IRS management. If an employee complains about corruption, they're disgruntled, they've got an ax to grind. Okay. Let's review that. Let's understand it, but let's move on. Is there something to the allegation?

One of the reasons why what has happened now—I can shed a little light on in that. In my investigation the employees were told and it was reported to me, that if management didn't receive their promotions and awards, then the employees shouldn't expect their

promotions and awards either. Well, there's a big brouhaha over my investigation, and they became a little more subtle.

Mr. Ron James told me 2 months ago, I believe, in Arkansas that he had read my book three times and that he would—I would never have caught him doing any of those actions. I thought, "Great man, you know, I got the word out to somebody, and they're an honest guy." Well, now he's on suspension, and I don't know what to think. But I don't want my book to be used as a manual, as a go-by on how not to get caught. But now I found out that since then that the IRS—in this region in particular, they have gone through and they have placed even more—it's more subtle, but it's even more threatening of a threat on the employees' heads. The employees in the collection division have been told that the very job that they hold is in imminent danger of being considered obsolete and done away with.

They're told that the—the service center employees are collecting far more dollars with far less expense out of the Austin Service Center. So, I mean—in—that's even more dangerous to the employees. If the only way they can avoid that is if they go out and they use the tools that separates them from the employees down in Austin Service Center or the other service centers, those tools are enforcement tools, summons, levies, seizures and sales. Those are basically the ones—the characteristics that sets them off. Well, so the employees go out and do their job.

That brings us to another point. The statistical importance of this—wrap it up. Okay. The statistical importance of the number of seizures in this district versus the rest of the country, I believe you're going to find in their audit report that 3.9 percent for every hundred cases a revenue officer closes is used—closed and used in the seizure. 3.9 percent of 100 cases is not really that high if you consider that revenue officers only get this job—get the cases after numerous contacts have been made by written warning and telephone. All it tells me is the rest of the country is doing a half a seizure per year, and perhaps maybe they're too low. So I want you to look at that with that understanding that, you know, if there was two sides to this coin—and I've written 10 suggestions that I would like to see the revenue—IRS implement on your changes. I've added an eleventh. And these were printed in the Orange County Register with the help of Mr. Lan Bock. And number 11 is to ensure that taxpayer advocates that you all—that Congress wants to have, that they are promoted from outside the region that they work in as an advocate, otherwise you're going to have the same oversight as you have with inspection. Someone that's came up in this district, they know the people around them; and it's going to be hard for them to be objective and unbiased to the taxpayer. And I personally think that you should have a panel rather than the strength of one person.

Senator NICKLES. Let me ask a couple quick questions. We have another panelist that I want to spend some "me with, as well, and so let me—if you don't mind.

Mr. QUISENBERRY. Oh, that's fine.

Senator NICKLES. I will kind of go through a couple quick questions for our panelists, and I was trying to be lenient on my 10-

minute rule, but I let all of you violate a little bit. You worked for the IRS for, what, 10, 12 years?

Mr. QUISENBERRY. Approximately 10 years.

Senator NICKLES. After working as a police officer?

Mr. QUISENBERRY. Police detective, yes, sir.

Senator NICKLES. And part of your job was to investigate alleged improprieties by IRS collection officers?

Mr. QUISENBERRY. IRS employees in general.

Senator NICKLES. Employees in general?

Mr. QUISENBERRY. Across the board, yes, sir.

Senator NICKLES. So you had an investigation. Was it statewide; was it regionwide?

Mr. QUISENBERRY. It primarily focused on the Oklahoma City district, at that time comprised of Oklahoma.

Senator NICKLES. And this investigation happened throughout those 10 years, concluded—

Mr. QUISENBERRY. No. It happened in '89 to '91.

Senator NICKLES. And you felt basically the investigation which pointed out some similar problems that we're looking at today.

Mr. QUISENBERRY. The exact problems you're looking at today. Even more so intensified than today.

Senator NICKLES. You mentioned three or four people that worked with you on the investigation. The net result was you felt like the investigation was covered up and there was no results?

Mr. QUISENBERRY. Sir, there wasn't—it's not my feeling. Normally, Inspection will issue a cover letter and it will either be a green sheet or a blue sheet. After the integrity team substantiated the claims of the 40 informants that came forward and approximately 200 criminal allegations, they substantiate it with a report. Rather than giving the report from the integrity team, the compliance team was issued much like it's come into the district here recently. They wrote a diluted report which I'm providing a copy of that—that did whitewash the findings.

Senator NICKLES. Okay. Thank you. I'm going to move on kind of quick because, again, I have another witness that I want to—Mr. Lakey, you worked for the IRS for how many years?

Mr. LAKEY. 12 years.

Senator NICKLES. You might move that one mike over, that one—yeah.

In your statement you mentioned that you were told by a mid-level manager that your performance ratings for the year would have a direct relationship with the number of seizures?

Mr. LAKEY. That's correct.

Senator NICKLES. Isn't that in violation of the law?

Mr. LAKEY. Definitely.

Senator NICKLES. Is that the PL-120 or—

Mr. LAKEY. P-120.

Senator NICKLES. P-120?. That says we're not supposed to have quotas and—

Mr. LAKEY. That's correct.

Senator NICKLES. P-120, is that out of the Taxpayer Bill of Rights of '88?

Mr. LAKEY. Yes, sir.

Senator NICKLES. Have you been told or did you hear personally that if you don't do seizures of property, you better look for another job?

Mr. LAKEY. Yes.

Senator NICKLES. You heard that personally?

Mr. LAKEY. Yes, sir.

Senator NICKLES. And what about the statement that Ron James made—I'm looking at your statement said 80 percent of the employees are doing their job. The other 20 percent better start looking for employment.

Mr. LAKEY. That's correct.

Senator NICKLES. And that's based on seizures and liens in this—

Mr. LAKEY. Yes. Enforcement.

Senator NICKLES. You also mention you thought there were secret computer files on each revenue officer. Again, is that to rank on how much money they were raising?

Mr. LAKEY. No. It's based on the number of seizures and suit recommendations that each revenue officer was making.

Senator NICKLES. You mentioned one other thing that was pretty strong. You said, "We are told to ignore the law and we are told what"—let's see. Here's your statement. "We are told to ignore the law and do what we are told to do. We're encouraged to ignore any issues that might slow down the collection process."

Mr. LAKEY. That's correct.

Senator NICKLES. Even if it's in violation of the law?

Mr. LAKEY. Such as filing a lien, you know. Banks when they loan you money, they file a mortgage. We're supposed to file a lien. We were told not to. We have a requirement in the manual to do a Credit Bureau check on people that owe \$100,000 or more. We were ordered not to do Credit Bureau checks. That's in violation of what is written, but this is local policy.

Senator NICKLES. Why would you not do a credit check? Seems to me like if somebody owed \$100,000, it would be nice to know if they could pay it.

Mr. LAKEY. You know, that's the logical thing, but I was ordered and denied several times personally from doing a Credit Bureau check on people who owed a large sum of money who were trying to get us to accept a lesser amount. And my branch chief at the time, Gary Collins, refused to let me do a Credit Bureau check. Now, a prudent—any kind of a prudent lender would do a cursory check, at least.

Senator NICKLES. The idea is so that you wouldn't do one so you would just go ahead and close the case, have another case marked closed?

Mr. LAKEY. It's a cost, too. There's a cost to government for doing a Credit Bureau check. But it also turns—if you've ever looked at a Credit Bureau check, either yours or someone else's, there's a lot of dynamite information on there if you're trying to look for assets.

And part of my charge as a revenue officer is to collect the money if it's owed, and one of the most helpful tools is the Credit Bureau check.

Now, since all of this attention has been focused on the IRS, the light of day is that now we're required to do them again. But for

the last 2 years we haven't been able to do it. In fact, it was pointed out in the recent meeting—

Senator NICKLES. Is this costing the government money, you think, in the long run?

Mr. LAKEY. Oh, absolutely. We're not finding money to collect. Now, for the—in most instances people are—want to pay their tax. That's a given. But there are those people who try and hide assets, and those people leave a trail. And it's very—it's much easier to follow the trail from a Credit Bureau check than anywhere else because they're providing information to the lenders that they want them to know. So it's a—

Senator NICKLES. Okay.

Mr. LAKEY. I wouldn't even venture a guess as to how many millions we're leaving on the table in lieu of saving \$25 for a Credit Bureau check.

Senator NICKLES. Let me ask Mona Meier just a real quick question. You mentioned that there's ongoing IG investigations, and I think somebody else on the panel also mentioned it. But basically past IGs were getting nowhere, Inspector General investigation on complaints of abuses by some employees, the net result was those IG investigations, nothing happened?

Mr. MEIER. Nothing happened. No investigations were initiated. When we tried to trace back—and there were dozens of them in the last 2 years. We tried to trace back what would happen to them, and they could not find anything.

Senator NICKLES. So you just don't think they were done?

Mr. MEIER. No. I think they were just buried.

Senator NICKLES. So there weren't dozens. There was dozens of requests, but not dozens of investigations.

Mr. MEIER. Right. We made the report thorough, but they didn't do anything with them.

Senator NICKLES. Is the Inspector General now conducting an investigation?

Mr. MEIER. Not to my knowledge. In fact, I believe a Treasury contact has told us that there is no current investigation on Mr. James, and many of those referrals were against Mr. James.

Senator NICKLES. Okay. I understand. Ms. Quisenberry, you wanted to make a quick comment. I need to get to our next panel.

Mr. QUISENBERRY. Yes. Senator Nickles, I referred all the information of my investigation and the cover up to the White House and to the Justice Department. They referred it to Treasury IG who referred it to the very people I was investigating. And here's a trail where I've sent it through, and here's a letter saying that it was a management problem and they'll deal with it. Well, they did, sir. Nothing. They whitewashed and covered up the entire facts.

Senator NICKLES. I think I heard some commonality in the statements that investigations should be done by people independent and outside of—

Mr. QUISENBERRY. Oh, definitely. Inspection has no business—well, we have had an inspection, IB, Treasury IG, it's like three-tier level of the fox guarding the hen house. It needs to be independent.

Senator NICKLES. I understand. I want to thank all of our panelists. I would like to have more questions, but I also want to show some time and respect for our next panelist, as well. So thank you very much for your participation before the committee. Let me ask you one final question, Mr. Lakey and Ms. Meier, before you leave.

Both of you are still current IRS employees. Both still working in the IRS office in Oklahoma City. Do you have apprehensions or anxiety about retributions for testifying before the committee today?

Mr. MEIER. Absolutely.

Mr. LAKEY. What Dr. Highfill said, he was afraid of the IRS. He ought to work there.

Senator NICKLES. I'm understanding what you said, but this is on the record. Is that a yes?

Mr. LAKEY. That's a yes.

Senator NICKLES. A strong yes.

Mr. LAKEY. An absolute yes.

Senator NICKLES. One, I appreciate both of you—all three of you, frankly, but both of you since you're still current employees and you're critical of the system and you're critical of supervisors. And so I appreciate your willingness to share this information with the committee, and I'm also very cognizant of the fact that that's not easily done.

And I will tell you what we told other IRS employees who testified before the Senate. We think they have a right to express their view. We have a challenge. We have a governmental agency that is very large, that has 102,000 employees, most of whom I think do an outstanding job. I think there's some cases in some areas where some employees haven't been doing a good job and/or they haven't had as good a leadership as they should have. And I think it's very important that they have the courage to at least say, "Look at some of these areas that our government is not being served very well." I don't think that they should be punished for speaking out, and I'll reiterate that today. And so thank you very much for testifying.

Our next witness, final witness, will be Ms. Dale Hart, Chief Compliance Officer, the IRS Midstates Region in Dallas, Texas.

Ms. Hart, thank you very much for coming up from warm Dallas and to a little chilly Oklahoma today, but we appreciate your participation before us, and I—I'm guessing since—you had somewhat short notice for this would be my guess.

Ms. HART. Yes, sir.

Senator NICKLES. But I do appreciate your appearance before the committee today.

Ms. HART. Thank you very much, Senator. It's a pleasure to be here and have an opportunity to testify before you today and bring you up to date on some of the ongoing activities at the IRS as well as some recent—

Senator NICKLES. You need to really get that one microphone right in front of you. No, the other one, I think.

Ms. HART. The other one?

Senator NICKLES. The blue cable, yeah. Just pull it—put it right in front of you. Thank you.

**STATEMENT OF DALE HART, CHIEF COMPLIANCE OFFICER,
MIDSTATES REGION, IRS, DALLAS, TX**

Ms. HART. All right. It is a pleasure to be here today, and it gives me an opportunity to bring you up to date on some of the ongoing activities of the IRS as well as some of the recent changes that have been implemented in Oklahoma City and nationwide.

Before I begin, though, let me tell you a little bit about myself. I've served as the Chief Compliance Officer from Midstates Region since July of '95; and as Chief Compliance Officer, I provide oversight and direction to examination, collection, electronic tax administration and taxpayer education activities throughout the 12-state—throughout a 12-state area comprising the Midstates Region which includes Arkansas and Oklahoma. In this capacity, I have responsibility for tax administration involving approximately 60 million taxpayers and 8,300 employees.

Now, during the Senate Finance Committee hearing this September in Washington, IRS Deputy Commissioner Mike Dolan apologized to the taxpayers whose cases were mishandled. I, too, would like to apologize to those taxpayers whose cases were improperly handled here in Oklahoma City. Cases that are badly handled can cause taxpayers significant distress and disruption in their lives. This is wrong. There is no excuse for it, and we want to do everything we can to prevent other such cases. As Regional Compliance Officer for the Midstates Region, I am personally committed to making sure we avoid mistakes in the future.

The taxpayers we heard from around the country and those here today in Oklahoma were legitimately frustrated by the way the IRS dealt with them. They did not receive the treatment they deserved, and for that I am sorry. In all fairness to the work force of the IRS who succeed at doing a very complex job well, these—this session today and the hearings in Washington should be placed in the larger context of the millions of successful tax interactions that the IRS has every year. Notwithstanding that fact, we must take and are taking specific actions to prevent the recurrence of these kinds of situations.

As you know, the Deputy Commissioner announced a number of changes in the way the IRS does business when he testified before the full Finance Committee. Changes already underway at the IRS are: A halt to the ranking of the 33 district offices on results. A suspension of the distribution of any goals relating to revenue production to our field offices. A halt to including the penalty amounts in measuring the results of examination proposed assessment. Direction to each of our 43 district and service center directors to immediately review all recent complaint correspondence and to confirm with the Taxpayer Advocate that cases have been resolved properly and that the taxpayer has no outstanding issues. The requirement for each of our 33 districts to hold problem-solving days. An initiative to capture customer satisfaction feedback on collection actions following the model that has been recently implemented in the Examination general program. And a request to the General Accounting Office to validate the effectiveness of the agency's self certification program.

While steps are underway nationwide to implement all of these commitments, today I want to discuss the significant actions taken

here in Oklahoma as a result of the hearings and the ensuing media reports. First, on September 24th all seizure actions were halted until districts management met personally with all compliance employees. Additionally, management imposed a requirement that all levy action required managerial approval. These actions were taken to enable the correction of any miscommunication regarding the responsibilities of compliance employees in dealings with taxpayers. This, then, led to a series of town hall meetings.

The following week, the district director, including the former district—I mean the district management including the former district director along with the assistant director and the Taxpayer Advocate, held 15 of these town hall meetings in Tulsa, Oklahoma City and Little Rock. Approximately 800 district employees were convened to attend these meetings.

These key messages concerning the issue of taxpayer rights were stressed: All case decisions must be based on the correct application of law to the facts of the particular case. IRS compliance employees must be courteous, efficient and professional in all contacts with taxpayers. An enforcement action has a serious personal effect on the taxpayer involved; consequently, we must consider all factors before we make an enforcement decision. At the conclusion of each meeting, the director lifted the seizure and levy action stand-down for the field employees in attendance.

Third, an internal audit review began in the district on October 2nd. This audit was undertaken because of concerns about the district's use of collection enforcement statistics and related concerns raised during the September hearings. We expect that the audit will be completed December 8th, and a copy will be provided to the chairman and the ranking minority member of the Finance Committee.

Preliminary analysis thus far indicates an environment without an appropriate emphasis on quality and customer service issues. IRS' chief inspector has also initiated a nationally coordinated audit to evaluate the use of statistics in the collection activity nation wide. This audit will cover 12 districts, including Arkansas-Oklahoma and will be completed by the end of December. Commissioner Rossotti will provide a complete copy of the report to the chairman and the ranking minority member of the Finance Committee.

Senator NICKLES. Is that being done by the Inspector General?

Ms. HART. That one is being done by Inspection within the IRS.

We have undertaken a second audit focusing on collection management practices deployed to protect taxpayer rights and the use of enforcement tools. This one is scheduled to be completed by the end of February with a report issued by the end of March, 1998. This audit will also cover multiple districts including Arkansas-Oklahoma; and, again, a copy of the report will be provided to the Finance Committee.

Pending the outcome of these reviews, the minimum approval level of seizure action was raised to the district Collection chief with seizures of residences, household and perishable goods now needing the approval of the district director. This action was taken on November 24th and publicly announced yesterday.

At this point I would like to discuss employee issues and administrative actions in general terms. If the facts gathered on a case indicate potential misconduct, which includes improper verifications, Taxpayer Bill of Rights violations or actions inconsistent with the prohibition on improper use of statistics, Inspection will investigate. When individuals being investigated are GM-15s or above, Treasury's Inspector General will also be involved. An appropriate personnel action will be taken.

Fourth, a review of all complaint correspondence received after July 1st is currently underway. The primary purpose of the review is to detect any unresolved problems that may still be in our inventories. We're also reviewing cases involving taxpayer complaints that have not been properly reported and cases that meet problem resolution criteria, but may not have been referred to the program. Any cases that need additional attention are immediately referred to the district's Taxpayer Advocate for resolution. This review of complaint correspondence will be completed by December 15th.

Fifth, On November 15th the first problem-solving day was held here in Oklahoma City and in 32 other cities throughout the country. This was a day in which taxpayers were invited to bring their tax problems to our employees for resolution. Our offer was well received, and taxpayers' reactions were positive. Nationwide over 6,200 people received assistance on their cases including approximately 2,500 walk-ins and 3,700 scheduled appointments. Another 700 cases were resolved on the phone. Locally, 182 taxpayers were assisted that day.

We plan to hold more of these days in the upcoming months around the country. The next five for Arkansas-Oklahoma district have been scheduled and will be held in Little Rock in December, Tulsa in January, Jonesboro in February, Lawton in March and Fayetteville in April. I'm confident that our commitment to improving service and helping taxpayers on their cases will continue to show positive results.

In conclusion, Senator Nickles, I know we have heard some compelling testimony today about some of the things that have not gone right here in Oklahoma City. But I can assure you that actions are being taken to correct those wrongs. What I covered briefly and did not talk about at great length are the thousands of cases that get resolved properly. As a career IRS employee, I know my IRS colleagues understand and take seriously the responsibility of administering the tax system set forth by Congress. IRS employees including those in the Arkansas-Oklahoma district do a very challenging, complex job exceedingly well day in and day out. My understanding is that our local staffs have an excellent relationship. Together we have resolved many, many problems.

I'm attaching for the record a profile of the Arkansas-Oklahoma district which will give you an overview of the work our employees do in resolving hundreds of thousands of contacts and cases. Yes, we do make mistakes. However, I pledge to you on behalf of the men and women of the IRS and specifically those of the Arkansas-Oklahoma district that we will redouble our efforts to improve in areas where we have stumbled. Nothing is more important to the health of our tax system than a sense that it is administered pro-

professionally and fairly. I will be very happy now to address any questions that you have.

Senator NICKLES. Well, first, Ms. Hart, one, I appreciate your testimony. Your statement rightfully states many of the things that the Internal Revenue Service is doing both nationally and in this district to alleviate some of the things that came out as a result of the hearings.

Sometimes people ask questions, "Well, do oversight hearings have an impact?" And, again, I think it's one of the responsibilities of Congress to have oversight hearings to see how agencies are working. And we can see just as a result of—I think you enumerated at least a half dozen things that have happened as a result—or it may be in relationship to the hearings that we had in September and maybe even as a result of this hearing, so I'm grateful for that. And I appreciate, again, your statement.

Could I ask you a question, and I don't know if you have this authority, but I'm going to ask it anyway. Will you pledge to me today that no one from the Internal Revenue Service will pursue any type of retribution against any taxpayer or employees of the Internal Revenue Service that have testified here today?

Ms. HART. Yes, sir. I will do that without hesitation I'm confident and I know that the new commissioner and Mike Dolan would want me to do that, and I give you their assurances as well as my own personally.

Senator NICKLES. Well, I have had their assurances, and I wanted to have yours, as well. Because as you can hear, the witnesses were a little squeamish on—

Ms. HART. Yes, sir.

Senator NICKLES. And I understand that. Because, you know, if you have an individual that's testifying, hey, they felt like they weren't treated fairly or they felt like that the IRS was harassing them or if they're an employee that felt like their supervisors were not following the law and all of a sudden the individual gets a request to transfer or doesn't get a promotion or doesn't get a week off or whatever that normal employees would get, that type of retribution in my opinion would be harassment; and it's not acceptable. And we have had a strong statement from the commissioner and Mr. Dolan, and I wanted to hear that from you today.

You mentioned problem-solving days. That was one of the things that's happened. We've already had one in Oklahoma. In our first panel we had two people that indicated real problems. They were eventually able to solve those problems. We had one constituent still has a problem.

Ms. HART. Yes, sir.

Senator NICKLES. Is that the type of problem that can be resolved? On problem-solving days do the officers have the latitude to fix a problem that—or a case like in Ms. New's case has been going on for 10 or 11 years?

Ms. HART. Yes, Senator Nickles. We went to great lengths to make sure that the people who staff those sites and who will staff them as we continue to hold them each month have the necessary authorities and the skills to resolve those kinds of complaints and problems. And we very much would want to have them come in.

I might add that rather than even having them wait to the next problem-solving day or some other time, we would—we have here today the Taxpayer Advocate for the district of Arkansas-Oklahoma, Jennifer Bowan who would be happy to talk to all three of those individuals, specifically Ms. New who has the current problem.

Senator NICKLES. Who is the Taxpayer Advocate?

Ms. HART. Her name is Jennifer Bowan.

Senator NICKLES. Jennifer Bowan.

Ms. HART. Yes.

Senator NICKLES. Could she identify herself? Could she wave if she's in the room. Thank you.

Ms. HART. And Jennifer Bowan is accessible on a daily basis, every day of the year with staff from her office. So anyone who has that kind of a situation should get in touch with us without even waiting for the next problem-solving day.

Senator NICKLES. I would think in the Internal Revenue Service almost every day is a problem-solving day.

Ms. HART. Well, to some extent that's true, sir, yes. I would like to say one other thing, too. Commissioner Rossotti has also said that he expects us to have the same standard that we had on that particular day, November 15th, as far as problem solving every single day and to, in fact, move to become a world-class service organization. And inside the IRS I think what you would find is a lot of—all of us who are committed to making that happen.

Senator NICKLES. I appreciate that. I can tell you that when Mr. Rossotti was nominated, and I met with him personally, and I will also say that I know other committee members did. When he made his statement before our committee, we emphasized service and he emphasized service. And we've heard some cases today where we didn't feel like it was very good service and maybe abusive power.

The IRS unlike any other agency has enormous power. Now, some steps have been taken. A higher level of approval is now required before somebody's property can be seized. That would possibly stop the case Mr. Nunno was referring to. I think it probably would.

So I'm going to compliment you. I'm not one to just sit back and throw stones, and that is not my intent. I think the IRS has taken some steps. I am concerned, though, when I think of the second panel when they're talking about investigations conducted in the past didn't have results, allegations that have been made to the Inspector General evidently haven't been investigated and it seems that it's taken forever to get results—and I'll fault the Senate. The Senate had its first oversight hearing of the IRS in our history this year, and this is probably the first field oversight hearing of the IRS in the country. I'm not sure. And that's—that's something that Congress hasn't done very well on.

And so you have had a very large, very powerful agency that has not really had a great deal of oversight. The oversight has just been really lacking from Congress. But I am concerned, and now there's tension. We have Newsweek articles that are very damning, very critical; and I heard you state—and I was looking at your statement in regards to the personnel issues, and I'm not going to go into a lot of specifics, but it did state that employee issues and

administrative actions, facts—if the facts gathered on a case indicate potential misconduct, which includes improper verification, Taxpayers Bill of Rights or action inconsistent with prohibition and improper use of statistics, Inspection will investigate. When individuals being investigated are GM-15s or above, Treasury's Inspector General is also involved. Appropriate personnel action will be taken. I'm taking your word on that.

Ms. HART. Thank you. And I meant it.

Senator NICKLES. I expect you did and I—I'm troubled when I read in magazines and elsewhere about some real improper actions. And when I have people say we have had investigations before and nothing happened or we have had requests or complaints have been made to the Inspector General or to higher ups and nothing happens. That's what I don't want to have happen. I don't want to have a flurry of activity while Congress is giving it some exposure, do a few things like problem-solving days and not really go in and try to solve the problems.

I think you have outstanding personnel, as I said before. You've got outstanding employees. I know a lot of IRS employees that do very good jobs, they're very conscientious; but I think in some cases some employees have abused their power and they need to be investigated. And I'm not saying that every statement that anybody has made is all perfect. It needs to be investigated from both sides. We didn't hear from both sides.

And I will say again, and I mentioned this to you privately, but I'm disappointed that Mr. Sawyer is not here today. Because we had a lot of complaints today about the Oklahoma City office, it would have been nice to hear from the district manager who was in charge of the place for the last 10 or 12 years.

And so to me his retirement—and I'm not trying to cast any negative connotation whatsoever on his retirement. He's entitled to retire. But the coincidence of his retiring right before this hearing has—has denied at least the committee for the—the opportunity to ask some legitimate questions about the operation of the Oklahoma City office; and that disappoints me. And, quite frankly, it may be denying him the opportunity to be able to defend himself and others in his operation.

Maybe he didn't want that opportunity. I don't know. And, again, I don't want to cast any negative thing on him in any way, shape or form. I'm just disappointed that we were expecting him to testify, and all of a sudden I find that he retires very quickly and is not testifying today and not able to answer questions that have been raised by myself and by other people. And so for that, I'm—I'm disappointed, but that doesn't mean that we won't keep asking these questions and trying to get them resolved.

Ms. HART. Well, as I mentioned to you, he had 36 years of service and did exercise his right for voluntary retirement after 36 years of dedicated service as a public employee. And I mentioned I was a little disappointed he wasn't here because I would much rather him be here than me. Having said that, I'm going to do my very best to answer all of your questions and make sure that you're satisfied. And if I can't answer a question today, I'm sincere about making sure that you get the answer at a later date.

Senator NICKLES. Ms. Hart, I appreciate that very much, and I appreciate your participation before this committee and for coming up from Dallas. And we will follow up with you on some additional things that we want to make sure happen here. We're interested in working together. Incidentally, the Oklahoma City office—do you remember how many employees we have?

Ms. HART. About 800.

Senator NICKLES. About 800 employees. Most of them do a super job, and I want to make sure that that's well understood. And we want to make sure, too, that if we have cases of abuse, that those are not going to reoccur and if some people have really abused the system, that they should be disciplined for it. And so, again, I thank you for your participation.

I also want to make just a couple other comments. One, I want to thank Oklahoma City Community College for allowing us to use the facility for this hearing. They've allowed us to use it in the past. I want to recognize Hazen Marshall, of my staff, who is my legislative assistant in my Assistant Majority Leader's office dealing with tax and budget issues who is working on most of this.

If other people have statements that they wish to insert in the record, they can do so. We need to have additional copies provided for the committee, both the majority and minority, and so that request is made. We would love to have you participate, but you have to meet that request. And we'll include your statement in the record. And we'll keep the record open for a couple of days for additional comments from others.

With that, I'm going to thank all of those who testified today. Ms. Hart, thank you very much for your participation in our hearing. I thank our witnesses and also thank our guests. Committee is adjourned.

[Whereupon, the hearing was adjourned at 12:20 p.m.]



APPENDIX

ADDITIONAL MATERIAL SUBMITTED FOR THE RECORD

STATEMENT OF
DALE HART
CHIEF COMPLIANCE OFFICER
MIDSTATES REGION

BEFORE THE
SUBCOMMITTEE ON TAXATION AND IRS OVERSIGHT
FIELD HEARING
OKLAHOMA CITY, OKLAHOMA
DECEMBER 3, 1997

Senator Nickles:

I appreciate the opportunity to testify today and to bring you up-to-date on some of the ongoing activities at the Internal Revenue Service (IRS) as well as some recent changes that have been implemented here in Oklahoma City and nationwide.

During the Senate Finance Committee hearing this September in Washington, D.C, IRS Deputy Commissioner Mike Dolan apologized to taxpayers whose cases were mishandled. I too would like to apologize to those taxpayers whose cases were improperly handled here in Oklahoma City. Cases that are badly handled can cause taxpayers significant distress and disruption of their lives. This is wrong — there is no excuse for it and we want to do everything we can to prevent other such cases. As Regional Compliance Officer for the Midstates Region, which includes the Arkansas-Oklahoma District, I am personally committed to making sure we avoid mistakes in the future.

The taxpayers we heard from around the country, and those here today in Oklahoma, were legitimately frustrated by the way IRS dealt with them. They did not receive the treatment they deserved and for that I am sorry. In all fairness to the

workforce of the IRS who succeed at doing a very complex job well, these hearings should be placed in the larger context of the millions of successful tax interactions that IRS has each year. Notwithstanding that fact, we must take and are taking specific actions to prevent the recurrence of these kind of situations.

RESPONSE TO SENATE FINANCE COMMITTEE HEARINGS

As you know, Senator Nickles, the IRS Deputy Commissioner Mike Dolan announced a number of changes in the way the IRS does business when he testified before the full Finance Committee on September 25, 1997. Changes already underway by the IRS are:

- A halt in ranking 33 District offices on results. (Done immediately)
- A suspension of the distribution of any goals relating to revenue production to our field offices. (Done immediately)
- A halt to including penalty amounts in measuring the results of examination proposed assessments. (Effective January 5, 1998)
- Direction to each of our 43 District and Service Center Directors to immediately review all recent complaint correspondence and to confirm, with the Taxpayer Advocate, that the cases have been resolved properly and that the taxpayer has no outstanding issues. (Task force formed to review complaints received in past 90 days; To be completed mid-December, 1997)
- The requirement for each of our 33 Districts to hold Problem Solving Days. (First Problem Solving Day held November 15, 1997. Will be held monthly)

-- An initiative to capture customer satisfaction feedback on Collection actions following the model that has been recently implemented in the Examination general program. (Scheduled for implementation for IRS functions: Customer Service, Exam, Collection, Appeals, and Employee Plans/Exempt Organizations)

-- A request to the General Accounting Office (GAO) to validate the effectiveness of the agency's self-certification program. (Request made to GAO by Deputy Commissioner on September 30, 1997)

ARKANSAS-OKLAHOMA DISTRICT ACTIONS

While steps are underway, nationwide, to implement all of these commitments, today I want to discuss the significant actions taken here, in Oklahoma, as a result of the Senate Finance Hearings and the ensuing media reports.

1. **Levy Action "Stand Down"**

On September 24, 1997, all seizure actions were halted until the district management met personally with all Compliance employees. Additionally, management imposed a requirement that all levy action required managerial approval. These actions were taken to enable the correction of any miscommunication regarding the responsibilities of Compliance employees in dealings with taxpayers. This led to a series of town meetings.

2. **Town Hall Meetings**

The following week, district management, including the former district director, along with the assistant director and the Taxpayer Advocate, held 15 town hall

meetings in Tulsa, Oklahoma City, and Little Rock. Approximately 800 District employees were convened to attend these meetings.

These key messages concerning the issue of taxpayer rights were stressed:

-- All case decisions must be based on the correct application of law to the facts of the particular case;

-- IRS Compliance employees must be courteous, efficient, and professional in all contacts with taxpayers; and

-- Enforcement action has a serious personal effect on the taxpayer involved; consequently, we must consider all factors before we make an enforcement decision.

At the conclusion of each meeting the director lifted the seizure and levy action "stand-down" for the field employees in attendance.

3. Internal Audit Activity with respect to Collection

An Internal Audit review began in the Arkansas-Oklahoma District on October 2, 1997. This audit was undertaken at the request of the Deputy Commissioner. It was initiated because of concerns about the District's use of Collection enforcement statistics and related concerns raised during the September hearings. We expect this audit will be completed by December 8, 1997, and a copy will be provided to the Chairman and Ranking Minority Member of the Finance Committee. Preliminary analysis thus far indicates an environment without an appropriate emphasis on quality and customer service issues. The IRS' Chief Inspector has also initiated a Nationally Coordinated Audit to evaluate the use of statistics in the Collection Activity nationwide. This audit will cover twelve districts, including Arkansas-Oklahoma and will be

completed by the end of December. Commissioner Rossotti will provide a complete copy of the report to the Chairman and Ranking Minority Member of the Finance Committee.

We have undertaken a second audit focusing on Collection management practices deployed to protect taxpayers' rights and the use of enforcement tools, which is scheduled to be completed by the end of February 1998, with a report issued by the end of March 1998. This audit will cover multiple districts, including Arkansas-Oklahoma. A copy of this report will also be provided to the Chairman and Ranking Minority Member of the Finance Committee.

Pending the outcome of these reviews, the minimum approval level for seizure action was raised to the district Collection chief, with seizures of residences, household, and perishable goods needing the approval of the district director. This action was taken on November 24, 1997, and publicly announced yesterday.

At this point, I would like to discuss employee issues and administrative actions in general terms. If the facts gathered on a case indicate potential misconduct, which includes improper verifications, Taxpayer Bill of Rights violations, or actions inconsistent with the prohibition on the improper use of statistics, Inspection will investigate. When individuals being investigated are GM-15s or above, Treasury's Inspector General is also involved. Appropriate personnel action will be taken.

4. Review of Complaint Correspondence

A review of all complaint correspondence received after July 1, 1997, is currently underway. The primary purpose of the review is to detect any unresolved problems that

may still be in our inventories. We are also reviewing cases involving taxpayer complaints that have not been properly reported and cases that meet Problem Resolution Program (PRP) criteria but have not been referred to the program. Any cases needing additional attention are immediately referred to the District's Taxpayer Advocate for resolution. This review of complaint correspondence will be completed by December 15, 1997.

5. Problem Solving Days.

On November 15, 1997, the first Problem Solving Day was held here in Oklahoma City and in 32 other cities throughout the country. This was a day in which taxpayers were invited to bring their tax problems to our employees for resolution. Our offer was well received and taxpayers' reactions were positive. Nationwide, over 6,200 people received assistance on their cases, including approximately 2,500 walk-ins and 3,700 scheduled appointments. Another 700 cases were resolved on the telephone. Locally, 182 taxpayers were assisted.

We plan to hold more of these days in the upcoming months around the country. The next five for Arkansas-Oklahoma District have been scheduled and will be held in Little Rock, Arkansas in December; Tulsa, Oklahoma in January; Jonesboro, Arkansas in February; Lawton, Oklahoma in March; and Fayetteville, Arkansas in April. I am confident that our commitment to improving service and helping taxpayers on their cases will continue to show positive results.

CONCLUSION

Senator Nickles, I know we have heard compelling testimony today about some of the things that did not go right here in Oklahoma City. But I can assure you that actions are being taken to correct those wrongs. What I covered briefly and did not talk at great length about are the thousands of cases that do get resolved properly. As a career IRS employee, I know my IRS colleagues understand and take seriously the responsibility of administering the tax system set forth by Congress. IRS employees, including those in the Arkansas-Oklahoma District, do a very challenging, complex job exceedingly well, day in and day out. My understanding is that our local staffs have an excellent relationship. Together we have resolved many, many problems.

I am attaching for the record, a profile of the Arkansas-Oklahoma District which will give you an overview of the work our employees do in resolving hundreds of thousands of contacts and cases. Yes, we do make mistakes. However, I pledge to you on behalf of the men and women of the IRS, and specifically those in the Arkansas-Oklahoma District, that we will redouble our efforts and improve in areas where we have stumbled. Nothing is more important to the health of our tax system than a sense that it is administered professionally and fairly. I will be happy to address any questions you may have.

PROFILE OF THE ARKANSAS-OKLAHOMA DISTRICT

In May of 1995, the IRS undertook a series of organizational changes to strengthen the Service's ability to accomplish its mission. The IRS consolidated from seven regions to four, and from sixty-three districts to thirty-three. These changes were made to streamline the management and management support of field operations, to reduce overhead, to provide the flexibility to make better use of IRS resources, and to better serve Americans. As a result of this reorganization, the IRS has moved more people and resources to work in "front-line" tax administration activities. Additionally, broader district boundaries allow more consistent approaches to common economic and demographic grouping of taxpayers.

Oklahoma City was selected as the headquarters office for the new Arkansas-Oklahoma District which began its operation on February 9, 1996. The Arkansas-Oklahoma District headquarters office is located in Oklahoma City with seven outlying offices throughout the state and eleven offices in Arkansas.

The district director is responsible for managing nine primary functions within the Arkansas-Oklahoma operation. These include Examination Division, Collection Division, Criminal Investigation Division, Communications Staff, District Office Research and Analysis, District Taxpayer Advocate, Controller's Staff, Equal Employment Opportunity Staff, and Quality Office. Eight hundred five employees currently work in the district.

Arkansas-Oklahoma District serves a population base of approximately 5,660,000 people. Total returns filed for the district include approximately 2,700,000 individual returns; 95,000 corporate returns; and 31,000 partnership returns.

During FY 97, 108,796 taxpayers were assisted at our various walk-in locations; 22,055 account cases were resolved; 12,023 pieces of taxpayer correspondence were worked; and 6,480 practitioner hot line calls answered. Skilled IRS personnel conducted 212 lectures or seminars on various aspects of tax law which touched 11,503 citizens, including monthly small business tax workshops for small business owners. Through a network of IRS trained volunteers, the district assisted a total of 108,654 elderly, handicapped, non-English speaking, or lower income Americans with the preparation of their tax forms through the Volunteer Income Tax Assistance Program and the Tax Counseling for the Elderly Program. The purpose of these services is to assist taxpayers, resolve tax problems, educate taxpayers, and ease taxpayer burden.

Over 501,000 tax returns were filed electronically this fiscal year. This represents more than a 21% increase in standard electronic filing and on-line receipts, and a 61% increase in telefile receipts compared to last year. These methods of filing result in more accurate returns and faster refunds for the taxpayers.

The Examination resource plan for Fiscal Year 1997 included 308 revenue agent and 42 tax auditor staff years. Over 20,000 examinations were conducted. The total amount of the deficiencies proposed on all examinations was \$571.3 million.

Approximately 130 revenue officers worked more than 11,500 cases. Thirty-four percent (34%) of these cases were closed as currently not collectible because of the taxpayers' financial circumstances. An additional 14% were closed with an installment payment plan. The remaining cases were closed through some other means such as

full payment or adjustment to the account.

Criminal Investigation consists of 81 employees whose primary focus is to make criminal prosecution recommendations to the United States Attorney's Office. Three major categories of investigations are worked, including tax cases, narcotics, and money laundering cases, and other emerging issues such as pension fraud, health care fraud, foreign and domestic trusts, and other fraud issues.

The District Taxpayer Advocate's (DTA) Staff handles problems that are not promptly or fully resolved to the taxpayers' satisfaction. In FY 97, Arkansas-Oklahoma District received 1,442 Problem Resolution Program (PRP) inquiries and closed 1,736 cases. The DTA is also responsible for the Application for Taxpayer Assistance Orders (ATAO) Program. These cases involve taxpayers who are suffering or about to suffer a significant hardship because of the way the Service laws are administered. The Arkansas-Oklahoma District received 747 ATAO inquiries in FY 97. Six hundred fifty-seven (657) were deemed hardship cases and of those 501 had relief provided. The DTA staff also worked 844 Congressional inquiries in FY '97.

STATEMENT OF DR. JIM D. HIGHFILL, DDS
SUBCOMMITTEE ON TAXATION & IRS OVERSIGHT
DECEMBER 3, 1997

I have chosen to use my oral presentation to share some personal thoughts on the way I was treated by the Internal Revenue Service, the current state of the IRS and tax law in this country, and the direction that I believe reforms should go in the future. A more detailed account of my experience is given in my written testimony, and I would be happy to answer any questions you have for me regarding my written or oral testimony. I would like to thank you for the opportunity to appear before you. Although the circumstances under which we are meeting are unfortunate, I view today as an opportunity to influence and encourage reform of the Internal Revenue Service so fellow taxpayers will not have to endure the type of mistreatment my wife and I have recently received from IRS agents. I want to preface my remarks by saying that my thoughts do not come from a partisan political viewpoint, but instead through the eyes of an average hard-working taxpaying citizen.

For the last twenty-one years, my wife and I have built a dental practice in Ponca City, Oklahoma, where we have raised our family, met countless payrolls, and paid our taxes every single year without fail. I have tried to build a reputation throughout the community as an honest and fair man who is good at what he does and truly cares for his patients. I feel it is necessary to inform you of my background in order to demonstrate the type of person who

is a victim of the incredible abuse of power Internal Revenue agents have displayed. I am a small business owner with five employees and last time I checked small businesses with less than 500 employees made up 87% of the U.S. economy and of that 87%, 75% are made up of businesses with 30 employees or less. I feel that it is safe to say that people like me make up the backbone of this country's tax base, so please listen to what I and other small business owners are saying in regards to tax reform. I have heard horror stories of small businesses being terrorized by the IRS, but I never thought it would happen to me. I have always used a Certified Public Accountant to comply with tax laws, and I would never knowingly violate any tax law or regulation. Recently, I experienced one of those horror stories I had always heard about.

Even though I signed a Power of Attorney over to my CPA and he assured me he had handled hundreds of audits, my IRS agents insisted on interrogating my wife and I personally. When I pointed out that my wife does our daily bookkeeping and unfortunately at that time she had a paralyzed right vocal cord and could only whisper with a lot of strain, these agents grew even bolder about their imagined guilt of mine. We had agreed through my CPA to meet at a time which would allow Judy to honor medical appointments to make sure this wasn't from a tumor, but they instead came to my office and delivered a summons. I might add that this distressed my patients, my staff, and my family unnecessarily.

I place part of the blame on the individual agents who treated us with a lack of common

courtesy and seemed to get a cheap thrill out of humiliating and embarrassing my wife and me. I can not say with any certainty that the typical IRS agent gets his kicks out of making taxpayers feel like common criminals, but one could definitely get that impression after going through an audit. The real cause of the problem goes deeper than the personality flaws of particular agents. The tax code itself has become more complicated and burdensome every year. Politicians have turned tax law into a method of social and economic engineering instead of just a mechanism to collect the necessary revenue to keep government operational. The laws are so complicated and complex that most EDUCATED people can not even begin to understand them. Although I personally believe the rate at which Americans are paying taxes is too high as most citizens do, I also believe that if asked, many citizens would say that the complication of taxes are as big a problem as the rate at which they are paying. Our current system is a threat to the American dream. When good and honest people are discouraged from prosperity because of the incredible headaches that accompany economic gain, we need to take a serious look at the direction in which we are heading. Our society encourages hard work, savings, investing, and most of all a commitment to ensure that our children have a better life than we have all had, thus passing our country onto the next generation in better condition than we inherited it from our mothers and fathers. Our current tax code does not encourage any of these values, but rather discourage all of them. I challenge the Senators on this committee to take it upon

themselves to change this sad fact.

Some suggestions I would make for reform are, first of all, true reform. Our current system needs radical change, not tweaking or tinkering. Subtle change will do nothing to help average citizens. It is time to scrap our current system and start over with a fresh slate. A watered-down piece of legislation will only make things more complicated and pile-on red tape instead of reducing it. If certain special interests lose valuable deductions or windfall loopholes, so be it. Please give citizens a fairer and flatter system that can be complied with within a matter of hours instead of a matter of months. I can assure you that any pain caused by true reform will not equal half of the damage caused to middle class taxpayers by our present system. It is a helpless feeling when you are automatically assumed to be a guilty criminal upon accusation rather than after due process in a court of law. The current attitude of IRS agents seems to make them think they are the masters of servant taxpayers. When in reality I am the employer and they are the employees. I pay their salaries along with other taxpayers, but I was treated as though I owed them for allowing me to stay in business. You can imagine the outrage and cynicism this provokes from taxpayers. Government is a service industry and I see no element of service in the actions of certain IRS agents. There are times as dentists we have to do things which our patients may not think are great fun, much as the position in which the IRS sometimes finds itself.

However, we do not barge ahead with lack of feelings. We show courtesy and respect.

STATEMENT OF LARRY LAKEY
SUBCOMMITTEE ON TAXATION & IRS OVERSIGHT
DECEMBER 3, 1997

My name is Larry Lakey. I have been a Revenue Officer with the Internal Revenue Service since 1985. I worked in collections for 10 years. I am currently an Offer-In-Compromise Specialist. My service with the government includes three years I spent in the Army. I served honorably in Vietnam for one year as a combat medic with the First Infantry Division. My tenure with the Internal Revenue Service has been honorable and meritorious. I have received numerous awards for excellence and my annual appraisals are repeatedly high enough to earn me special recognition. I am a GS-12, which is the highest level of the revenue officer series. I am 52 years old and would like to think that I have a career at my present job. However, in the last two years it has become increasingly difficult to be proud of this organization.

The integrity of the Internal Revenue Service is even more suspect by the employees than it is to either congress or the public that we serve. At once, the job of collecting tax and treating the public with congruency and fairness is being hampered with constant pressure to close more and more cases regardless of how many dollars that go uncollected. In a meeting, we were told by our mid-level manager that our performance ratings for the year will be in direct relationship to the number of seizures (and other enforced actions) that we

make. This is in direct contradiction to Public Policy P-120, which prohibits evaluation on the basis of enforced collection statistics. This is but the latest in a two year long effort to pressure employees to close cases regardless. We have been told by mid-level and upper management that if we don't do seizures of property we "better look for another job". During our opening session of our annual CONTINUING PROFESSIONAL EDUCATION, our Division Chief Ron James (he is in charge of all collections in Arkansas and Oklahoma) warned us that only 80% of the employees are doing their job and the other 20% better start looking for employment elsewhere.

There are statistics being kept in Special Procedures on secret computer files on each Revenue Officer. These statistics show how many seizures and suits each employee is doing. This is strictly prohibited, but it appears that these statistics are the basis for upper management's appraisal of employees. I have seen these files and know for a fact that they are being provided to upper management. I advised management of this practice.

We are discouraged from doing our jobs if that involves more than just a cursory attempt to collect the returns and money. The pressure is not coming from our first line management, the pressure is coming from management in policy making positions. We are told to ignore the law and do what we are told to do. We are encouraged to ignore any issues that might slow down the

collection process. I was told by my mid-level manager recently that I should "ignore the tax fraud issues of a case and close it immediately".

Dave Edgington, who is the branch chief of collection in Oklahoma City, told me the "...the Offer-In-Compromise program is dead in the water"-meaning that they are going to do away with my job. During CPE the District Director of the Arkansas-Oklahoma District, Ken Sawyer, congratulated the offer specialists like me for the outstanding job we have done in the past year. He further notified us that our program was going to be exported to the rest of the nation.

In July of 1996 the Offer-In-Compromise program was dismantled and reorganized. The difficult and large dollar cases became the responsibility of a manager that had been marked for removal. This manager was told in a meeting that she was going to be removed from management, and to justify the decision, the manager was placed in a position where she could easily fail. This particular manager has resisted all attempts to discredit her and though many obstacles have been placed in her way, it has not thwarted her professional demeanor and performance. But because she has questioned the integrity of her superiors, her performance ratings are below acceptable. She has been told she is "...on (her)your way out". This is the very best manager I have ever seen and she is being harassed because she is not "...a team player".

Over and over again , someone I work with is told that they don't know how to do their job and better look for something else to do. These are seasoned career employees. People I know and respect. The hostility in the work place is becoming unbearable. The instances of stress related illnesses is alarming and increasing .

Recently an employee with 15 years experience was hospitalized with a variety of medical problems. He eventually had his left leg amputated . During the extended hospital stay, he asked for some advanced sick leave but was denied . Only through intervention by Senator Inhofe was the leave issue resolved. Advanced sick leave requests normally requires a simple written memo, but for some reason the Division Chief decided to change a part of the NORD IV agreement which allows such action, because this employee had fallen from favor.. The employee is still experiencing difficulties with his leave requests and pay. During a time when he is least able to care for himself, upper management continually places obstacles in his way to make a difficult situation, even more so.

Every day there is another example of special treatment . Upper management selects someone for a special assignment based on whether that person is liked . There are numerous employees targeted for removal or reduction in grade.

simply because upper management has decided that employee is not doing the jobs.

One of the finest employee that we had was a 34 year veteran of the Internal Revenue Service. His integrity is impeccable. His ethics are as unquestionable as his knowledge of the job. Now, after all these years, he has been pressured into retiring. He was treated like a criminal and finally retired. This act of barbarity is unthinkable. But, nonetheless, his number of seizures was not at an acceptable level. After a lifetime of public service, and at a time when he is the most vulnerable, he was forced out of the workplace.

Another 25 year employee is now on sick leave. While ill, the same Division Chief ordered that all of her cases be brought to him for his personal review. This is another employee that appears to have been targeted to be removed from her job, for not closing cases fast enough.

One of our best employees was assigned a particularly difficult case that involved blatant tax fraud and income tax evasion. When this employee took the appropriate action to collect the tax, the Division Chief stepped in and halted the proceedings because he had been contacted by one of his former IRS managers who sought relief from the actions. The Division chief did everything to intimidate this employee, including lowering her performance rating. Internal Inspection was notified but they did nothing.

We have been given training on the subject of ethics. We are treated like we are the problem. Increasingly, we have tighter controls placed on us. At the same time, upper management is held to a much different set of standards. For example, at a recent meeting the Division Chief admonished an employee because she actually told the hotel where she was staying that her daughter was staying with her. The Division Chief told her she should have never mentioned that her daughter had accompanied her.

We hear repeatedly that Vice-President Gore wants to reinvent the government? It is being reinvented all right--in the image of the bureaucrats that screwed it up in the first place. We are told that we can report ethics violations to the OFFICE OF GOVERNMENT ETHICS! When we do, nothing happens. We are told to report Code of Conduct violations to Internal Inspection or the Inspector General. We do file reports, and nothing happens. There is absolutely no one within the IRS, in a position to effect change, that is paying any attention.

I am so thankful that after all of these years, someone somewhere is listening. No one agrees more than the people I work with that drastic changes need to be made. However, the changes that are being made involve reducing the number of front line employees, and allowing the people at the positions of power to maintain the status quo.

Thank you Senator Nickles for taking the time out of your busy schedule to listen, and make sure the business of government is the hands of the trustworthy.

It is very popular to treat government employees as though we are the problem. In fact, we are trying very hard to do an excellent job in spite of the fact that what upper management wants is more statistics, with less people. We all agree that we need to be as productive as possible. We are capable and resourceful employees. The MISSION OF THE INTERNAL REVENUE SERVICE is now and always has been: TO COLLECT THE CORRECT AMOUNT OF MONEY AT THE LEAST COST TO THE GOVERNMENT.

My suggestion to Congress and the Internal Revenue Service is to remove all of the people in leadership positions, that first of all, cooperated in allowing the IRS to get so out of touch with the intentions of the law and the general public. Starting with Mike Dolan, who first denied that there was a problem all the way down to the first line managers that are still in place that rate their employees on the basis of seizures and suits. Only a very clear signal from Washington will solve the problem. I am not talking about just finding them another position somewhere to reward them for their actions, but firing them and taking their retirement. Only then, will the message be clear: Integrity is a matter of leadership and not following blindly. Someone of sparkling integrity must be placed at the helm who knows the pitfalls, but also knows the law and by

example is willing to set a climate of fairness to both the taxpayers and the employees.

This is not a new problem, this atmosphere has been in place since 1986 when Ken Sawyer became district director. In 1989 and 1990 another similar scenario took place and a similar cover-up was achieved. During that period an internal investigation was conducted(similar to the one that is going on now), but as it turned out the investigation was to find out what the employees knew strictly for damage control. It worked. The problems went away, swept under the carpet, again.

This time we have a perfect opportunity to clean up the entire operation, but if Congress is serious, you must not abdicate your responsibility. Don't just pass more laws telling the IRS to do more with less. Establish an oversight committee that consists of a front line employee on the committee. And, whatever you do, don't allow the bureaucrats to mind the store. There has to be supervision and accountability by people of integrity and conscience in charge of the IRS and someone they can report directly to with problems and suggestions. Allowing the chain of command to handle the problems will never work. Direct contact between the governed and the governing: and between the policy makers and first line government employees is the only way of assuring compliance with the spirit as well as the letter of the laws passed by congress.

PEOPLE LIKE:

KEN SAWYER, DISTRICT DIRECTOR

RON JAMES, DIVISION CHIEF

DAVE EDGINGTON, BRANCH CHIEF

GARY COLLINS, CHIEF, SPECIAL PROCEDURES

COURT KRAGENBRINK, GROUP MANAGER

DIANE MORROW, GROUP MANAGER

THEY ARE THE PROBLEM. As long as they remain on the job the message is clear. The 'WHITEWASH CONTINUES'. The status quo remains alive and well at the IRS.

STATEMENT OF MONA MEIER
 SUBCOMMITTEE ON TAXATION & IRS OVERSIGHT
 DECEMBER 3, 1997

My name is Mona Meier and I been an employee of the Internal Revenue Service for 19 years with the majority of the time spent in the Collection Division and seven of the years spent in management. I have always received good appraisals and have been recognized for trying to improve work processes as evidenced by awards received for participating in the suggestion program and the systemic referral programs. I have received a letter of appreciation which commended me for my integrity from the Commissioner of the IRS for participating in an attempted bribe case. I also received a letter of appreciation from the Regional Inspector for my participation in the making of an IRS training film regarding my experience with the attempted bribe. I am currently on extended sick leave due to the situations in the local office and have also filed a lawsuit against the Service for violation of my civil rights. I tell you this in the interest of disclosing all information so that you may consider all factors. However, I assure you the information I am about to provide regarding some of the practices and violations of our local office is a separate issue and has been substantiated by others in the division by statements they have made to Newsweek Reporters as well as to Internal Auditors who have recently visited our office.

Because this hearing did not have the capability of concealing the identify of witnesses, in addition to my own statements, I also have received a number of statements from other employees in the Collection Division who are afraid to reveal their identities due to their fear of reprisal for doing so. However, they would like to be heard without risking their careers. I would, therefore, like to act as a conduit for these individuals and read statements provided by them without disclosing their identity. Although some of the statements were made by those with first hand knowledge while others were made by individuals who witnessed events, all statements will be made in third person so as not to imply the identity of these conscientious employees.

First, however, I would like to make some brief statements regarding incidents of my own.

Policy Statement P-120 states that "records of tax enforcement results shall not be used to evaluate enforcement officer or impose or suggest production quotas or goals". It further states, "This prohibition is necessary not only to protect employees from any adverse impact of quantitative goals, but also to protect taxpayers against possible inequities". Another part of the policy statement also states, "forecasts and monitoring aspects of work planning and control programs shall not be used as quotas, allocations or as specific amounts of work that must be completed".

It was obvious to many employees in the division that they were being measured according to their posture with respect to enforcement statistics, primarily seizures. They have reported to me that they received this impression from the many statements made by the division chief, Ron James, regarding his concern that the Oklahoma City employees have not made enough seizures and that 20% of them were not doing their job and would be removed from their positions. I was present in several meetings when Mr. James repeated these statements. In addition, employees report receiving additional confirmation of this from group managers, Court Kragebrink and Diane Morrow who told them

seizures were to be emphasized and must be conducted in order to receive a favorable appraisal.

Mr. James directed the staff assistant to review the employees appraisals and compare their ratings to a list of their seizures for the prior fiscal year. The staff assistant confirmed this to me verbally during the time he requested my group documents for review. Due to prior experience with the management officials involved in these violations, I recorded this conversation and have provided transcripts to numerous sources as means of verification. When my employees queried me as to the reviews being conducted by the staff assistant, I advised them of the comparison of appraisals to seizures as stated by the staff assistant. I was later instructed by the Branch Chief, Dave Edgington, to advise the employees that this statement was incorrect. In effect, I was being told to lie to my employees. I was told I must not state that I was told to make the statement but must make it as though it were my own. I made the changes as directed and reported the incident to the Inspector General's Office and to local Inspectors in March of this year. However, the P-120 allegations began to be investigated only after Newsweek focused National attention to the local office. The report made of the branch chief advising me to intentionally make false statements to my employees by saying we were not comparing seizures to appraisal ratings was never investigated. Mr. Edgington also directed employees to make seizures of businesses when the taxpayers were cooperating fully or when we were already collecting from another short term method of collection.

I was repeatedly advised employees would be removed from the Offer in Compromise (OIC) program for not meeting an undisclosed goal of the average number of hours spent to close a case. Reports were prepared and given to me specifying the number of closures made by employee. I then witnessed considerable harassment of employees not closing a specific number of cases.

It was obvious to me that hours were routinely being reported incorrectly by our Special Procedures Branch in order to manipulate statistics which would later be a factor which contributed to manager's monetary awards. I questioned the statistics and was met with hostility but never answered. I was also aware of reports being falsified by showing incorrect received dates in order to achieve a specific goal. I provided indisputable evidence consisting of dated documents which showed late actions were being taken in order to again falsify statistics in the Offer in Compromise Program. Although this is one of the only incidents reported to Inspection and the Inspector General's Office over the last year which was actually investigated, the documents were ignored and the group making these violations was given a clean bill of health with no explanations as to why the dated documents were not considered. Upper management continued with this manipulation which was supported as a "best practice" to serve as a model for other districts which was no doubt also used to give them appraisals sufficient to gain them awards. It was clear to many of us that as long as you presented positive statistical results, the methods would be endorsed at higher levels without regard to the ethical violations being committed in order to achieve them. Employees' production was also

compared to each other, which is also a violation of Policy Statement P-120. Employees performance is to be measured to the standard to determine the level of that performance.

I am aware of numerous incidents which have been reported by employees, other managers and myself detailing incidents of fraud, waste and abuse as well as code of conduct violations. During the past 1 1/2 to 2 years, these incidents have been reported to the local Inspection Office, the Inspector General, Treasury Dept., the Inspector General, IRS and the District Director. They were frequently told by upper management and officials that they should stop complaining and just be glad they had jobs. When the local Inspector attempted to address these issues, she was told she would no longer be assigned to the Collection Division and another, less aggressive Inspector who shared a mutual friend with the division chief was assigned to be responsible for those investigations. It's my understanding that this was done after Mr. James complained to the Inspector's supervisor. To date, there are dozens of referrals made to the Inspector General's office that were obviously never investigated.

Frustration levels of Collection Division employees rose steadily until after the Senate Finance Committee hearings regarding the IRS were conducted and the Newsweek articles were released. Many employees believed they had finally been heard upon learning Mr. James being placed on administrative leave. Then, they learned a well respected first-line manager with over 30 years experience was also suspended. Many believed this to be an attempt by upper management to divert blame although an unknown source quickly spread rumors that another employee and myself had accused the manager by supplying a training tape of him to the Washington office. I firmly believe that this was upper management's attempt to punish me for raising allegations of wrong doing on national TV. When Ron James was then returned to his position in Collection, many employees feared the allegations would be covered up and they would receive swift and severe retaliation. Based on conversations with the employees and my own experiences while in the office, I would consider the environment to be hostile and dangerous to the health of the employees of the Collection Division. A treasury contact has advised that there are no open Inspector General Investigations opened on him. David Edgington, Diane Morrow, and Court Kragenbrink have continue in their positions with full authority. In fact, each has acted in a position of authority at least one level above their own since the allegations were publicized nationally. This is also despite numerous employees allegations of wrongdoing against them. We believe these managers not only participated in the P-120 violations, but also failed to report the violations by Mr. James when he provided them with this direction.

Many of us were also frustrated by the Public Affairs Officer being directed to issue press releases which implied no wrongdoing and provided a different definition of "full range of collection tools" than I and my co-workers had received. In addition, a manager at the Region with close ties to the Regional Commissioner and the District Director's office submitted a letter to the editor of both OKC and Tulsa newspapers stating that the problem was only that of a few disgruntled employees. The support of this statement was further evidenced when the local office reprinted the letter in their internal newsletter and

distributed this to all employees while Internal Audit was still interrogating employees regarding the P-120 violations. I and many employees in the office considered this to be a message to employees that there was nothing to find and if they provided information stating otherwise, they would be considered as one of the disgruntled employees. In fact, their recent statements to Internal Audit were not even secured as sworn statements or affidavits. Internal Auditors advised me they were not weighing the statements of the employees very heavily and they would primarily be concerned with written documents, although they did acknowledge affidavits were usually weighed more heavily in court and in other investigations. They could not explain why the decision not to take sworn statements was made and stated they did sometimes take sworn statements on other investigations.

The Service's response to allegations of the charges of increased seizures to meet statistical goals is to raise the level of authority to the very people who can personally benefit by misusing their enforcement authority.

Although employees are routinely being bombarded with training films and sessions addressing the code of conduct and told they must strictly adhere to this code, it was clear that there was disparate treatment with respect to the application of the code of conduct between employees and upper management. Unless upper management is investigated and punished as rigorously as those front line employees accused of wrongdoing, there will be no clear deterrent not to repeat offenses. If they believe the worst consequences that they will experience as the result of violations this serious is to be retired a little earlier or reassigned to another office with no loss of pay or status yet they received monetary rewards for the results of such violations, other employees and managers may also determine that the benefits far outweigh the risks.

It's important to remember that the P-120 violations could have had much more severe impact on the taxpaying public had it not been for the ethics and dedication of the front line employees who risked their positions by refusing to follow direction to seize on cases when they thought it was inappropriate for their cases. It would have been easier on them if they had simply succumbed to the pressure to such threats as reduced evaluations and the ultimate loss of their positions.

Upper management determines the climate and the policies for applying collection techniques and tax laws. Therefore, it is at this level that the greatest impact on the taxpaying public is affected the most. There must be an independent body assigned to investigate ethical misconduct of IRS employees, particularly upper management. This body must be one that has not risen from the ranks of the Service so as not to have established a network with internal management and will, therefore, not be influenced by the power of those individuals.

Employees and managers including myself have been aware of ethical misconduct such as the P-120 violations and other code of conduct violations for quite some time. We were aware of the dangers of such violations to the public and we continually reported these

actions as we have been trained. We were never heard until the media attention received during and after the hearings. Evidence of the duration of such violations is offered in the form of a newsletter from the Washington DC union which was printed after the Newsweek article. This article outlines similar abuses by Mr. James and how such actions are routinely rewarded with transfers and promotions. Had we had the benefit of reporting to an outside body, we could have been more secure that there would be privacy to the employees reporting and could avoid retaliation and we could have also seen this matter addressed years earlier.

I would like to thank you for allowing me to speak here today and encourage you to continue to monitor the situation here in Oklahoma City until the employees and the taxpaying public can be assured that this situation has been appropriately resolved.

INTERNAL REVENUE HEARING - OKC

I am aware Group Manager Court Kragenbrink has his own established policy of refusing to sign all abatements of penalty based on reasonable cause, although the manual allows this practice to be established. While the investigation was still in process Mr. Kragenbrink let the group know (in a group meeting setting) that he was told that over half of his employees reported that he was numbers driven and that this was not true now or ever and he was clearing that statement up. The group sensed it was being verbally chastised for making that report to the investigators. It is obvious employees are treated differently based on who they know and who they associate with inside and outside the office. Stress has been very high in the office and I am aware that when employees call to request sick leave the joke is that they are on STRESS leave. This is not a funny matter and IT IS a violation of privacy as Mr. Kragenbrink is aware.

Senator Nichols, some employees would like nothing more than to appear openly before you - unafraid of retaliation or retribution. Unfortunately, they would be naive. Showing disdain for the very constitution that he is sworn to uphold, Ron James violated employees' rights by attempting to control who they spoke to or associated with. Mr. James made it very clear that if they failed to follow his direction that they were "... not going up, not going down, not going lateral, that [they] were going out".

Two managers read a document under Dave Edgington's signature, directed by Ron James, that compared the production statistics of two revenue officers. The memo was a clear violation of policy statement P-12).

Dave Edgington told a revenue officer to levy a large corporation that owed less than \$100,000, even though the revenue officer explained that the corporation had a credit in excess of 3 million dollars available. The employee did not levy on the account. Both Exam and District Counsel said they would intercede with the branch chief, if necessary.

Managers suspected that Dave Edgington used a seizure list to determine whether revenue officers were overrated by group managers. Their suspicions were confirmed by Court Kragenbrink, who said he actually saw the list, when Edgington attempted to lower a revenue officer's evaluation. Not only did Kragenbrink fail to report the violation as required, but he was rewarded for failing to uphold his charge.

Ron James used every opportunity to make it clear that revenue officers would be evaluated based on the number of cases they closed. Again - a violation of P-1-20.

In the interest of time I have severely limited this statement. I would be willing to speak to you in a private forum to provide many other examples of the violations of the rules of conduct, the ethical failings and utter lack of integrity of senior management which permeates this district.

In the December 1996 Town Hall meeting, the Division Chief kept saying that if the ROs weren't using all of their collection tools, and this included seizures, then they were not going to have a job for very long. He just kept stressing seizures, saying that ROs are the only ones in IRS that have the authority to do seizures, and if seizures weren't going to be done, then Congress would get rid of the ROs. When asked by an RO if seizures weren't suppose to be used as a last resort, the Division Chief said that a seizure should be the first thing considered as a collection tool, and he appeared to be upset with that employee and later it was perceived that he was retaliating against that employee.

Another employee was told by upper management that their currently uncollectible case rate was too high.

The Branch Chief made the statement at CPE that production was the big issue and if employees were not producing, then they were not going to have a job.

Threats were made by higher management officials against an employee who appeared to disagree with the Division Chief's stand on seizures and other issues.

We have been told repeatedly by Collection Division Chief that if you weren't doing seizures you weren't doing your job.

We were told by Collection Division Chief that Revenue Officer inventories will consist of primarily in-business taxpayers. These taxpayers should be given no more than 30 days to pay their balances in full. If they were unable to do that then we are to proceed with immediate enforcement action such as seizure of the business.

An employee who was applying for a promotion to a GS-11 Revenue Officer, was advised by her immediate supervisor that she needed to do a seizure because it would look good for the promotion.

A group manager took cases that had pending seizures from one employee and reassigned them to employees who had not done any seizures that year. These employees appraisals were coming up.

Collection Division Chief advised employees during a CPE that although seizures were up in the district, we still weren't doing enough. He stated that from now on, seizures shouldn't be considered as a last action on the case, but the first thing you do when you get the case.

Employees who did not have any seizures were "targeted" by upper management.

A list was maintained of Revenue Officers and the number of seizures each one had done by the Special Procedures Branch.

At the first town hall meeting held by the Collection Division Chief, Ron James, he informed the group of attendees of the number of seizures for the district and for Oklahoma City. That at that time the Okla. City branch was averaging about six (6) times the national average. OKC had about three (3) seizures per Revenue Officer, and the National average was .5 seizures per RO. Ron James told those in the room that Arkansas was only averaging .1 seizure per RO. He felt this was not acceptable and planned to have them conduct 24 seizures per RO in the future. But upon meeting with management(?) there, had decided that only 12 seizures per RO in Arkansas would be acceptable. A rate of 24 times the national average. In the same meeting/town hall meeting, Ron James stated that it was our (IRS'S) Mission to conduct as many seizures as possible. That current management would not stand in the ROs way or interfere when conducting future seizures. No where in our mission statement does it state that seizures are a priority. Unbeknownst to many ROs in the town hall meeting was a case where a RO had made a legitimate seizure of a taxpayer's personal assets of approximately \$40,000 to \$50,000 value to pay on their tax liabilities. The POA for the taxpayers contacted Ron James concerning the matter and Mr. James subsequently contacted the RO and instructed that RO to release the seizure and report the tax liability as "uncollectable due to hardship". The RO refused to release the seizure and contacted Legal Counsel who also agreed with the RO and informed the RO that the seizure was appropriate and not to release the seized assets. The RO eventually filed a grievance against Ron James concerning his conduct and involvement in the case.

The Oklahoma City Branch underwent a complete 100% review of cases by the Branch Chief, Dave Edgington. On several cases he reviewed his most pressing comments concerned why no seizure had been made on the particular business or individual. On in-business taxpayers, little or no time was spent reviewing financial information of the taxpayer, where it was shown that current assets were encumbered by bank or other financial institutions loans and filed loan documents. The push and only issue was for seizure possibilities.

The Branch Chief reviewed one case on a delinquent taxpayer who was not aware of the tax liability because the information was secreted away by an employee of the taxpayer who was responsible for the tax returns and federal tax deposits. When contacted by an RO, the taxpayer immediately took actions to correct and pay the liabilities as quickly as possible. All of their assets were encumbered to their bank under a large loan agreement. When reviewed by the Branch Chief, Dave Edgington, his comments concerned the issue of why we (IRS) had not seized the assets of the business to full pay the tax liabilities, regardless of the bank's financial involvement. Mr. Edgington was informed that the bulk of the tax liability was penalties and interest and not taxes, because the TP had made payments on the tax liabilities and the penalties and interest were assessed later. He still wanted the RO to take seizure actions against the taxpayer, even though an installment agreement had been agreed to and was accepted by current management of the group.

OVER During the time that Ron James and Dave Edgington have been in the Oklahoma City Branch and Division, there was constant pressure upon the Revenue Officer corp to conduct themselves with intended seizure actions as a primary/enforcement collection tool to be used as often as possible. Revenue officers became aware that yearly evaluations of their cases would include whether they had completed a seizure of a taxpayer's assets during the year being reviewed. The phrase "full range of collection tools" came to be known as primarily the actual number of seizures completed by the RO. When management was challenged on the number of other "collection tools" such as levies, Notice of Federal Tax Liens, suits, judgements, etc., upper management (Ron James, Dave Edgington) could never give the number of actions taken by the District, but could always tell anyone the number of seizures for the current year.

At one point in early 1997, Ken James sent Kent Wallace into the collection division to review the Revenue Officers personnel file and record the number of seizures each RO had performed. This report was distributed to the groups and showed the Revenue Officer's number and the number of seizures. Later when confronted with this information, upper management claimed that these figures were not being used for evaluative purposes against the ROs. However, the only information gathered by Kent Wallace was the number of seizures, and not the other forms of collection tools available, such as levies, liens, suits, and judgements, only seizures and how many by which RO.

One manager who is still in his management position routinely informed or directed his ROs to take immediate seizure enforcement actions against any in-business taxpayers. His directives were for full pay by the taxpayer within 30 days or the IRS would seize and sell the business' assets.

Another manager is so bad that she is constantly given detail assignments because she is so incompetent that she has no perception as to the requirements of the job and the work performed by the ROs, that she is repeatedly having grievance actions filed against her by the ROs and the NTEU union. Yet, instead of correcting this manager, she is constantly given continuing detail assignments which only leads to additional disruption within the OKC office.



The Branch Chief, Dave Edgington, also reviewed one case and stated that as a repeater tax offender, the business needed to be seized and put out of business. The RO at the time was working with the TP to secure payment which would have allowed the taxpayer to continue to operate. This business was a family operated business which has operated in the OKC area over 40 years and is currently run by a paraplegic in a wheel chair and is the son of the founding parents. If the seizure had been conducted, the government would have recognized approx. \$10,000.00 from the assets not encumbered by bank and lending agreements. By working with the business owner, the government recognized full payment of almost \$38,000.00 and closed the case on an agreeable note.

— BACK TO 79 !

Third: Attorney in western Oklahoma who was making a modest living had a farm that was encumbered with no seizure potential and had liquidated all of the other assets as he had been instructed by the revenue officer(RO). The RO was going to close the account as a hardship. When Mr. Kragenbrink reviewed the case, he said, "absolutely not" that the attorney would be left with nothing because he was an attorney. It appeared he was basing the decision on what the tp did for a living - nothing else.

Fourth: During a group meeting approximately in October, there was an open discussion with Mr. Kragenbrink present as to how the evaluations were being reviewed with Dave and that Dave would call Special Procedures Branch and find out if that RO had done any seizures before he would approve an evaluation.

Fifth: During a town hall meeting in April of 1995 an employee recalled Mr. James said (no and's, if's or but's about it) that HIS RO's would be evaluated on how many seizures they did period.

Regarding the referral to the IG's office, the employee definitely felt that they were retaliated against for making the referral and they have continued to suffer from the effects of it with a much lower evaluation and removal of their option to work at home on Flexplace.

As the employee had personally advised their supervisor of the referral which the employee felt was the basis for lowering of ratings (which have always, prior to this, been rated Exceeds). This is why IRS employees are bullied into keeping quiet and not reporting violations.

Employees understand that testimony may be required or identify revealed. So be it. What more can they do employee. Welllll, I'm sure they could/would think of something - like deny employees promotions and leaving them out of promotion packages which they then declare as completely unrelated.

Seizures, levies and related enforcement tools are necessary components of tax collection.

An amazing number of businesses and individuals thumb their noses at Federal Taxes, believing that everyone else can pay for the benefits and services a civilized society provides.

It is an issue of fairness that everyone pay their share of taxes. A high profile person with adequate funds to hire a prominent tax attorney should not be allowed to pay one penny less than he/she owes, nor should an individual who trusts the IRS to treat them fairly be saddled with additional convenient assessments as a result of that trust.

IRS collection local upper management has taken to heart directives from congress to be more accountable through production. Congress's schizophrenic behavior to continue to demand higher, more efficient collection of the tax debt, while siding with the taxpayers during the election years has lead to conflicts in trying to meet the disparate demands.

These demands confuse Revenue Officers in the carrying out of their duties. These conflicts can best be illustrated in topics of a recent IRS Education Seminar, Continuing Professional Education (CPE).

Collection Division Chief Ron W. James welcomed the Revenue Officers to the CPE by telling them that while an earlier policy defined seizure action as a last resort, now they are one of the first options to consider. This is in direct conflict with the Internal Revenue Manual. James went on to say that RO's who do not perform enough seizures would be placed in clerical jobs, since that was all they were doing anyway.

Group Manager Court Kragenbrink confirmed for the class that he does not approve any ~~IRM~~ installment agreements for going businesses. This is in direct conflict with the Standard Operating Procedure.

A training case study which outlined a situation of a business that owed taxes was reviewed and discussed by the class. The content was ~~IRMX~~ based upon local enforcement posture was to seize everything and close the business down. The "book" answer was to grant an installment agreement.

RO's want to do the job correctly, fairly and efficiently, but they are being torn ~~IRMX~~ between appropriate collection action in warranted situations, and pressure to deliver statistics.

When the new Standard Operating Procedure (SOP) came out in June of 1996 and was presented at Court Kragebrink's group meeting (even Court said that the Group Manager's had protested and said it was violating Taxpayer Bill Of Rights I) - and after one employee thought it over for a while, in early July they called the Inspector General in Washington D.C. and spoke with a lady there who answered the phone - She asked if the employee had any documentation at which time they faxed her the SOP memo's and the manual section that James wanted us to violate.

She advised that she would have the information forwarded to the proper people

Approximately 2 weeks after that when Mr. Kragebrink was reviewing/evaluation an employee's in-business cases, he was starting to give the employee an error for not giving the waiver to the Taxpayer to have them waive their 30-day letter. The employee advised him that a referral regarding this had been made to the IG's office in Washington and they were sure he didn't want to get involved in that. He didn't at the time give the employee an error, but 2 weeks later the employee's evaluation's cratered and continued to show the employee was doing inferior work for the next 18 months.

At the end of the July the employee making the (Inspector General) IO referral rec'd a letter from Houston Inspection advising they were sending the referral to Dallas who could properly work the case.

After approximately 6 months and no word and no change in the use of the waiver, The employee saw an Inspector in the hall and asked her how the referral was going and she said that she didn't know anything about a referral but that she would check with Dallas.

About a week later she asked the employee if they had any documents and she was faxed the letter the employee received from Houston. About 2 months after that the Inspector called me and said that some guys were here from Dallas and wanted any additional documents that the employee might have and the information was faxed to them as well.

About six months later the Inspector was again asked about the progress of the referral and she said it was still active. This was 1 year after the telephone call was made. Yes the practise had stopped in April but what was done about the person who started it? Nothing we believe.

Second: When Dave Edgington, the branch chief, was doing his 100% reviews of RO cases, one of the cases he looked at was a case on an out of business sole proprietorship where the owners had some property that was free and clear (they owed an interest in the property) and he asked why the employee hadn't seized the property from them and the employee explained it was because the taxpayers were in their 80's and he said "SO?" The employee advised they didn't seize property (residences) from 80 year old taxpayers. Mr. Kragebrink asked, "What difference does that make?" and the employee advised we didn't do that in this District.

FORMER INTERNATIONAL COLLECTION CHIEF RON JAMES SUSPENDED

Two recent issues of MEMORIEK had stories on the Senate Finance Committee's IRS hearings. No IRS exec was vilified more than Ron James, who was International's collection division chief from 1983 to 1987. Ron, now the collection chief for the Oklahoma-Arkansas (OK-ARKY) District, was suspended for, among other things, allegedly issuing memos saying that revenue officers (ROs) in OK-ARKY would be evaluated by the number of seizures, liens and levies they performed. If true, this is a clear violation of the Taxpayer Bill of Rights.

For MEMORIEK, OK-ARKY seizures were 7 times the national average. To most IRS workers this would be cause for concern but not for IRS execs. MEMORIEK noted that Ron's supervisor got a \$10,000 Presidential award partly because IRS deems high seizure numbers to be a sign of good tax law administration. However, when these figures became public IRS execs acted shocked that this could happen. This "shock" seemed as genuine as the "shock" of Inspector Renault when he "learned" that gambling was going on in Rick's Cafe in the movie CASABLANCA. Subsequently, IRS is rounding up the usual suspects (e.g. James) and suspending them for doing nothing more than IRS execs wanted.

This comes as no surprise to those who knew Ron when he was at International. Soon after arriving here he informed his ROs that the key to his (until then) meteoric career was that as an RO he did more seizures than any other RO in his native Oklahoma. He attributed his success to a branch chief in NY to the fact that his ROs did more seizures than any other branch in NY. Hence his promotion to International division chief.

Soon after his arrival Ron announced that his predecessor, Lou Hobbie, had been running a "country club". Ron announced that the country club was over. Ron inspired one RO to file his first grievance in a 9 year IRS career when Ron decided that an IRS - NTEU Chapter 83 agreement governing the length of overseas details did not apply to Ron. The grievance won his case, became an NTEU steward and started taking accounting courses 3 nights a week.

This disgruntled RO won his first grievance as a steward when Ron inexplicably refused to approve an employee's routine request for outside employment. It happened that shortly after we moved from Y Street to L'Enfant Plaza one of our GS-4/3 tax examiners saw a sign posted in the elevator by the company which had the janitorial contract for L'Enfant Plaza. The contractor was looking for people to work a couple of hours each evening to empty waste baskets, etc. When Ron refused the employee's request to work for the cleaning contractor the employee filed a grievance. Not long afterward, the grievant was granted permission by Ron's supervisor to work for the cleaning contractor. Who was Ron's boss you ask? Former "Country Club" Chief Lou Hobbie.

After a while Ron managed to annoy other people in management besides Lou Hobbie. So IRS dealt with this problem in their typically elliptical way. One day IRS announced that Ron's position would be moved to our San Juan office. Then they told Ron that they couldn't reasonably ask Ron to move to San Juan. So IRS waved its magic wand and found Ron a job in San Francisco as a staff assistant to the AHC-Collection in Western Region. IRS then selected Larry Leder as the new division chief and Larry moved to Puerto Rico.

NTEU reps groaned that this was just a transparent ruse which wasn't doing anything to fix bad behavior. NTEU reps predicted that the COLL DIV CHIEF's job would be moved back to Washington as soon as Ron unpacked his suitcase in San Francisco. IRS, of course, vehemently denied this. Suffice it to say that the division chief position was brought back to Washington 2 years later. Ron, after a few years in SF, became COLL DIV CHIEF in OK-ARKY.

ED NOTE: The rest, as they say, is history. The 10/13 MEMORIEK article is on our bulletin board in the 2nd floor breakroom. The RO who Ron inspired to become a steward is now Chapter 83 president and DATELINE editor. Ron has likely provided similar inspiration to many other IRS employees.

237 d. 7.1.1.1

Letter re: redirecting seizure authority

O'Brien Michael J

From: Fighting Blot 0
Sent: Tuesday, November 25, 1997 9:21 AM
To: SAI Regional Counsel; SAI District Counsel; SAI General Litigation Assistant Regional Counsel; SAI Asset District Counsel; Eastern Virginia E
Cc: Sanchez Joyce E; Brown Stuart L; Gross Marlene; Paine Michael L; ANO-M GL
Subject: PW: Changes In Approval Level For Seizures

I spoke briefly this morning with John Delrymple about the Nov 24 memo referred to below. Based on our conversation you should expect to see further clarification issued by the AC (Collection) around three points.

1. The approval level for 'seizures' applies only to physical seizures, not notices of levy served to reach delinquent cash, cash equivalents, etc.
2. All seizures of personal residences must be approved in writing by the District Director or Assistant Director as per IRC 6334(b).
3. These procedures apply to all cases in inventory including cases now pending in District Court, the US Attorney, and the Department of Justice. Each office should immediately take steps to retrieve and return to the District Director all writs of entry cases pending in Court, DOJ, or the US Attorney. Writs that were previously approved in writing by the Director need not be returned, however, in light of these new guidelines I would strongly recommend that you personally contact the director to reconcile his/her desire to proceed.

Any questions about this matter should be directed to the General Litigation Division, Branch 3, (552) 822 3828.

From: Sanchez Joyce E
Sent: Monday, November 24, 1997 4:38 PM
To: Brown Stuart L; Gross Marlene; SAI Regional Counsel; SAI Deputy Reg Counsel; SAI General Litigation Assistant Regional Counsel; Eastern Virginia E; Fighting Blot 0; Paine Michael L; SAI District Counsel; SAI Asset District Counsel
Cc: ANO-M GL
Subject: Changes In Approval Level For Seizures

This morning the Assistant Commissioner(Collection) issued a memorandum to all Regional Commissioners, Regional Chief Compliance Officers and District Directors indicating the reviews of our current seizure and sale procedure program are being completed across the country. According to the memorandum, until these reviews are complete and until further notice from the Assistant Commissioner(Collection), all seizures will require a minimum approval of the Collection Division Chief. Head of Office will approve all seizure assets involving residences, the assets of a household, or portable goods. The Assistant Commissioner(Collection) informed me that head of office refers to the District Director. I have had a copy of this memorandum sent by fax to all ARC(31).

PERSONAL STATEMENT OF LISA NEW

To Whom it May Concern:

In 1987 and 1988, I owed the Internal Revenue Services and the State of Oklahoma money due to my former employer who was paying me as contract labor when in fact it was not contract labor. I did not understand what contract labor meant at that time, but to my surprise, I owed the Internal Revenue Service and the State of Oklahoma money for 1987 and 1988. I went to the State of Oklahoma and asked them to set me up a payment plan that would suit my finances and they did. They were very helpful and at this time, I owe them nothing. At the same time, I went to the Internal Revenue Service located off of N.W. Expressway and talked to a gentlemen about my problem and that I would need to be set up on an installment payment plan. He went to his computer and said that I was not in there, but that I was now!

I explained to him what had happened to me and could we resolve this in some manner, and he said the only way to resolve this matter was to pay it in full now. I explained to him my finances would not let me pay in full but could I please pay in payments. He said no I could not.

I left there and contacted Mr. Walter Hammert and he has tried to help me in every way and 10 years later it is still not resolved. The Internal Revenue Service has put a lien on my house now. The interest and penalties are so much that there is no way I will ever be able to pay all of it.

It is hard to go to work everyday and know that the IRS can come and take my home from me at any given time. This has to be a lot of stress for my husband and I for the past 10 years.

We would love to resolve the matter in some way.

Thank you,

Lisa New
December 1, 1997

Submitted as a Narrative Statement accompanying the testimony of Ms. Lisa New of Guthrie, OK concerning her complexities surrounding a tax issue relating to the years 1987 and 1988.

Lisa New had been working as a "dog groomer" for several years (prior to 1987 and 1988) for an organization in the Northwest part of Oklahoma City, Oklahoma. In 1987, because of a cash flow problem, the business decided to treat Ms. New as a self-employed individual in order to avoid paying the employer portion of FICA taxes on the funds that she earned in her work as an employee for the facility. There were some 18 to 20 dog groomers employed on a more or less full time basis for the organization.

When Lisa New filed her 1987 and 1988 Federal income tax returns, she owed something greater than \$2,000 per annum for the self-employment taxes and the income taxes. She owed the entire amount each year as there were no withholdings on the payments. As a self-employed individual, the employer was not withholding any Federal or State income taxes or Social Security taxes which constituted a change from the prior years. The employer was ultimately contacted by the Internal Revenue Service and was forced to terminate her activity as a business here in this area. At a later time she reopened the facility with her father being the owner of record on the facility. It is believed that the reason for the closing was because she was unable to settle with the Internal Revenue Service for the under withheld payroll and Federal income taxes on each of those approximate 20 employees.

Lisa New was one of the unfortunate few that the Internal Revenue Service did not provide any relief to along with the others that the Internal Revenue Service focused in on relating to the misclassification as independent contractors. Lisa New did meet the tests as prescribed by the Internal Revenue Service in their 20 criteria and had been treated as an employee for years prior to 1987 and 1988 and years subsequent to 1987 and 1988.

Efforts to establish an installment arrangement on the payoff were to no avail. Lisa New's income level was not such that she could realistically be expected to make even a nominal payment under the Collection Division's criteria at that time.

From time to time Lisa New would receive notifications from the Internal Revenue Service with the interest and penalties increasing at a dramatic level until, at this time, liabilities are astronomical. At the present time the liability attributable to 1987 approximates \$7,000.00 and the amount attributable to 1988 approximates \$8,000.00. This is on an initial liability for 1987 of some \$2,400.00 and 1988 of \$2,600.00. Because of the extreme punitive nature of the interest and penalties calculations, she is unable to do anything to assist in the resolution of this.

Taxpayer's Proposal:

The taxpayer does have family members who would be willing to lend her monies to take care of the tax liabilities as reflected on the 1987 and 1988 Forms 1040 if the Revenue Service is in a position to abate the penalties and the interest attributable to the amounts.

Prior conversations with the Collection Division personnel have been to no avail.

Lisa A. New
December 1, 1997

Specific names for individuals and documentation in support of the above statement will be made available to interested parties.

**UNITED STATE SENATE
COMMITTEE ON FINANCE****Field Hearing on Reforming the Internal Revenue Service****Wednesday, December 3, 1997; 10:00 a.m.****Testimony of Stephen A. Nunno**

First of all, I would like to thank the Senate Finance Committee and Senator Don Nickles for inviting me to testify and present my views today. As I previously stated, I am not interested in bashing the system. I am interested in helping the Committee make changes that will be positive for the country.

Many of you know me as the USA Olympic coach for women's gymnastics for the past two Olympic Games in 1992 and 1996. I also run a number of successful gymnastic schools here in Oklahoma and Texas where many of my students are developed to represent the USA internationally. As you can imagine, I travel extensively, sometimes for months at a time. It is difficult at times to keep things running smoothly and occasionally mistakes are made, however, we learn from them and continue to grow. One thing that I have learned as a coach in 18 years is that ruling by fear and intimidation only creates animosity and hatred and almost always produces low results.

In 1992, after I returned from the Olympic games in Barcelona, Spain, my company was at an all-time high. Income was up, expenses were up and of course payroll went up. My company was used to paying payroll taxes quarterly and somewhere along the line the IRS had sent a notice for us to pay monthly. We continued our quarterly payments but were assessed severe penalties and interest until we got back on track. I remember receiving these outrageous bills from the IRS for just penalties and interest on amounts that were paid supposedly late. I asked for help. I called the IRS continuously for a week before I could finally get through to a person who could help me. Each time I called the IRS it was like starting over. Finally, I was transferred from Austin, Texas back to a collection officer in Oklahoma City. We'll call him Mr. "T". Mr. T was very knowledgeable about getting penalties abated and setting-up a payment plan that would freeze future penalties and allow my company to get back on track by paying off what was owed within three to four months. After two months Mr. T was transferred and Ms. "L" took over. Ms. L sent a notice of intent to levy to my company. I called her directly and she stated she was going to file a federal lien on my company if the total amount wasn't paid in twenty-five days. She then threatened to come lock the doors and take all of the property. Ms. L's threats infuriated me as I was currently making all the monthly payments plus catching up on past penalties and interest as agreed upon with Mr. T. It didn't make sense to me to threaten a business that was making the effort to fully comply.

I was fortunate to have other resources to turn to so I could stop the daily continuous penalties and interest and threats of seizure of the company's property. But I can see where many small

business owner's would have nowhere to turn. Try getting a loan from any bank to pay your company's back taxes.

My company's most recent encounter was last year while I was out of the country again. My secretary had left while I was away and not notified our CPA she had not made our payroll tax deposits. Again, the IRS threatened to seize property and bank accounts. This time I asked our CPA to handle the situation. Initially I was given only ten days by the collection agent to make full payment. Only by involving my CPA was I able to gain additional time to attempt to determine the validity of the IRS claims.

Again, I was fortunate to have access to assets from other sources to allow me to pay the exorbitant penalties and interest assessed. However, I still can not believe that the assessment was fair in that it calculated out to be 41% of what was originally owed. Just as unfair was the belligerent and unyielding attitude the IRS took in dealing with my CPA and me. What's the solution?

Obviously there should not be rewards for delinquencies, however, I believe there should be some help provided by the IRS itself. After all, the "S" in IRS does stand for "SERVICE". The Internal Revenue Service could save companies thousands of dollars by simply answering its telephone and answering a few questions. Most businesses can't get through for days and the penalty and interest meter just keeps on running. Small business seminars should be offered to make sure owners know and understand the rules at their level of business. More time spent educating and less time penalizing companies would help bridge the gap between government and businesses. There is still that ever-present chilling fear of the IRS that seems to run through the veins of the American people. I believe this fear is caused by the exorbitant penalties and interest charged by the IRS and their senseless threats of property seizures.

We small businesses believe in the USA. We take pride in our system and we are proud to pay our fair share of taxes to this government of America. We just need America to believe in us and help assist us so we all can succeed together.

Thank you,

Stephen A. Nunno

STATEMENT OF J.D. QUISENBERRY
 SUBCOMMITTEE ON TAXATION & IRS OVERSIGHT
 DECEMBER 3, 1997

Senator Roth, Senator Nickles,

I am very happy to appear before you today and I want you to know that you are keeping the spark of our Republic alive by holding these hearings. I was beginning to believe that the spathy in Congress and the White House concerning the situation at the IRS and the Treasury Department, would continue to allow the will of a few top officials to guide the course of this great nation.

You are just beginning to look into the vortex of fear that the employees at IRS and the taxpaying public have been living in for years. All of the rhetoric and promises for reform of the tax code will not attain what is wanted and needed by the American public even if Congress actually follows through with a new revolutionary tax system as long as the current structure is in place to enforce the new code. It would be like placing new wine in an old skin and we have know for two thousand years that this simply will not work.

I have been speaking out about the fraud, waste and abuse at the IRS since 1989 in hopes of exposing the deep seated corruption in a system that has been driven by personal greed and agendas for over a decade. From the numerous radio talk shows that I have been on that dealt with the corruption of IRS top management officials and the adulterated system that they have created, I am certain the American taxpayers are glad to finally see some motion by Congress. I tried to tell the President, Ross Perot, Jerry Brown, members of congress, Gordon Liddy, and yes even Mr Rush Limbaugh what I had witnessed first hand while working as an Inspector with Internal Security Division in the IRS. The information apparently fell on deaf ears or did not fit into their agendas.

We would not be sitting here today rehashing terrible actions that have been recently reported if someone or for that matter anyone had worked as hard to correct the system as they did to sell their books and to get reelected

I told what I saw in my little book IRS THE BEAST FROM WITHIN because there was no other way to make it known to the public. I promised the honest employees that risked their careers to report the mismanagement and corrupt policies and procedures at IRS that I would do everything that I could to make it known publicly. I have had to helplessly watch as the careers of some employees were ruined after they reported the very types of IRS mismanagement you are reviewing today.

Since the OKC bombing I have been leery to make it known just how bad the system has become due to the extremists, so I removed my book from the few stores that I had it in. I have spent nearly six years studying the conspiracy, how it formed, what caused it to be formed, and what systemic factors allowed it to flourish. I have drawn some conclusions that point to the systemic issues that allowed the corruption to take root and flourish.

One glaring example that graphically illustrates that the system is broken is the length of time for the corruption to be exposed. It has taken me over six years and nearly \$10,000 my children's college money to have this opportunity to expose the corruption and to shed light on the systemic issues that allowed it to happen in the first place. It was my primary job as an Inspector to protect the integrity of perhaps the most important agency in America. Without money it can't operate. One would think that in America when corruption is discovered by an official whose primary mission is to safeguard the public's trust, and it is reported, someone would listen. Obviously that has not been the case. It

has taken six years and a repeat occurrence to finally come to the public's attention on a wide scale. There has certainly been far more going on at the IRS than what a historian can expose but I am grateful that she got the ear of the powers that be so that I can finally fulfill my obligation to the dedicated employees that have been screaming about this for so long.

The only thing that has kept me going is the infrequent opportunities to speak on radio talks shows such as the one that is hosted by Randy Johnson on the Talk Radio Network. The radio listeners have encouraged me to continue the fight to expose it but I must tell you after my heart attack I was running out of steam.

I have seen the problems at the IRS literally ruin the financial lives of hundreds if not thousands of taxpayers due to top management officials' pursuit of personal agendas that were illegal from the onset and everyone has looked the other way. Tax protest groups have sprung up all across this nation due in part to the unlevelled playing field of our current system and the inequitable enforcement of the tax code. Unethical tax attorneys and CPA's have found out that if they stall long enough an account may simply be wiped off the books at IRS because they become an embarrassment to the top officials. The actions or inactions by Congress and the White House have been deplorable and shame on you collectively. If you want to insure that you have a position in this government then you should strive to insure that this government survives.

Mr. Whithurst at the FBI spoke out about bad management practices at the FBI lab and the whole country jumped to get the issues investigated and resolved. One man, one career.

I have witnessed the destruction of approximately 15 careers, mine included, of good honest and loyal IRS employees, that did nothing more than to speak out against corruption, fraud, waste and abuse. If this system of government is to survive then honesty must be rewarded and dishonesty must be punished.

Recently a letter to the editor was published in two prominent Oklahoma newspapers that was written by a IRS Group Manager. The letter was typical of the mindset and the philosophy that permeates the ranks of IRS management. Employees that report fraud, waste and abuse are seen as "disgruntled employees" and their complaints are ignored. Now I ask you, who will speak out against corruption anywhere if they are not disgruntled? Certainly not those that are reaping the benefits of the improper actions! IRS will simply discount an employee's allegation of impropriety against a superior as being someone with an "ax to grind". Every crime that I ever worked as a detective and as an Inspector that had been reported by a third party always had a motive, or an "ax to grind". Revenge, jealousy, money, or whatever, something always spurs people on to report a crime or acts of misconduct. Why the act was reported should be a consideration but it will not alter the fact of whether or not the act was committed. The motive for why the crime was committed should not determine if a crime is investigated. At IRS and with Inspection it does.

As a result of the last Senate Hearings the focus of the IRS has been primarily aimed at the front line employees and first line managers. We cannot allow the mere violation of policy by a few employees and the lower managers to overshadow the willful acts by IRS

upper management that conspired to violate federal laws, as was done before. The actions that have been taken by a front line manager was well known by the upper management and he was told to do his job as he did it. Now he is being used as a scapegoat to hide the shameful acts by those that directed him to do it. Does anyone here remember L.F. Calley and the Me li incident in Vietnam? Though the actions taken are not as severe, the circumstances are very similar, a front line employee following orders and given the choice of either leaving their job or taking the action with the promise of reward. A bad real life choice to replaced in, I know from personal experience. The employees were told during the time of my investigation that if upper management did not get their merit pay bonuses then the employees should not expect any awards or promotions either. The recent situation was more subtle but much more threatening. The Collection employees have been allegedly told that their positions are considered as being obsolete. Other collection areas such as taxpayer service has been collecting a lot more money with far less cost.

They were allegedly told that they needed to use the tools that separates them from the lesser paid taxpayer service representatives and those tools are basically the enforcement tools of summons and seizure and sale. These require personal service and actions that cannot be taken care of over the phone. Currently, I would be very surprised to hear that a manager has specifically forced an employee to make an inappropriate seizure. We previously had specific cases in which managers told employees to close cases improperly and when they refused the managers gave the case to another employee that would close it. One employee stated that they would get their entire group an award... and he did. The verbal requests nearly got several managers caught and would have blown the conspiracy wide open had the Inspection Division officials allowed a proper investigation. Some new managers have been brought into the district that might not have been aware of the earlier mess, so I will reserve any conclusion about the directions until after these hearings.

If the numbers of seizures are really eight times the national average as have been stated in print then I would say that the threat of losing their jobs has been productive (for statistical purposes and awards to management)

Another reason for the high rate can be explained in part by making multiple seizures on just one case. An example would be on say five parcels of land owned by one taxpayer. Rather than doing just one seizure and lumping all the seized property on one seizure five separate seizures might have been made. The fact that multiple seizures are made may facilitate a more efficient sale as each large item can have a minimum bid rather than working with an aggregate minimum bid. This may mean the difference between having a successful sale or not. If the seizures were warranted and justified then the only real effect would be on the number rather than the quality. If on the other hand the pressure to produce caused a seizure to be made that other wise wouldn't have then a serious problem arises.

Charles Winn of the Internal Audit Division of Inspection has reviewed many of the closed seizure files and he would be a great source of information concerning the validity of the seizures that he has reviewed. Mr Winn was involved in with my investigation and he certainly has the expertise in the Collection Division process and the knowledge of the historical significance of p-120 violations.

The actions that have or will be exposed here today have occurred before and many by the same top officials that were the focus of my criminal investigation in the early 1990's. I

was contacted by an employee of Inspection recently and I was told that the exact same procedure to white wash and cover up the criminal acts are being used today, as were used after my investigation. I was advised to instruct you to go the closed files on the Offers in compromise, and Taxpayer Delinquency Accounts (TDA'S). Identify cases that were closed during the last quarter of the fiscal year if you want to see evidence of criminal acts such as falsification of official documents. IRS Inspection has focused on the seizures that have been done that might demonstrate taxpayer abuse and little attention has been given to the two areas. The numbers of 53'd cases (closed currently not collectible) and accepted offers in compromise can drastically inflate the closure rate and skew a districts statistics. The taxpayers whose cases might have been improperly purged from the system certainly won't complain. But we the people are paying for the lost revenue. I find it disgusting that some may get out of paying their legitimate tax burden simply due to their files having a designation on it as an o= coverage, or a p= potentially coverage. These designations are being generated by the National office on Revenue Officers DAILS, or inventory control sheets.

On the point of the numbers of seizures that this district has made let me state, that I have been told the average number of seizures by employee in this district per 100 cases worked is 3.9%. If it is true that this district is indeed 8 times the national average then I would have to conclude that the rest of the nations Revenue Officers may be holding off on cases that warrant seizure activities and need to get on the stick. This may seem as a contradiction to what I have been saying but you must understand that Revenue Officers are only assigned cases after several attempts to collect via a telephone and the mail. They may have a disproportionately high number of cases that seizures are necessary due to a wide range of reasons. The economic condition in the area they work as well as the numbers of illegal tax protesters may significantly affect the numbers of seizures they perform. These factors must be weighed in order to get a clear picture of the circumstances that cause the seizures to be higher in one region versus another. It may be that the revenue officers in this district are doing their jobs as they should be more so than the other areas. Only a case by case review will identify a problem. If a seizure and sale is the only recourse that the IRS has to force my neighbor to pay his fair share then I certainly don't want to tie the hands of the IRS when they need to perform the actions that are appropriate.

You need to know that a report by the Internal Audit Integrity team that substantiated the employees allegations of falsifying documents and other p-120 violations by management was never put out yet it was generated by Bill Aims, the group manager of the Integrity Team. A compliance audit was used to replace the integrity audit and you must know that the Director had direct input in the final product. The internal audit by the compliance team diluted and omitted very critical facts that could have lead to some criminal prosecutions, had they been pursued properly by Inspection. We had developed a very clear case of a criminal conspiracy by IRS management to defraud the US government by using inflated statistics and their motive was personal gain in the form of merit pay bonuses, which I understand now are at the 10,000.00 level annually. Certainly a strong motive for just shuffling around some paperwork and skewing a few statistics. But the ramifications are far reaching and severe. Ironically it was Bill Aims that was given the

duty to respond to my referral to the White House and Treasury I.G. He was told how to respond to my allegations, and the whole matter was once again quashed.

Certified documents were falsified to cover up the reported allegations that were made by the employees. The reporting employees were drummed out of the service or chastised and the perpetrators were given awards and promotions.

I have been advised that a man that worked on the Integrity team and with the compliance team with Internal Audit during my investigation has also been assigned to review the recent audit that has been conducted in the Ar/Ok District. David Brown has reportedly been removed from his assignment of validating the recent report because he stated the report was bogus and did not meet the generally accepted auditing standards.

Mr Brown is knowledgeable about the past investigation and what the ultimate outcome was concerning the substantiated criminal violations, and p-120 violations, and he appears to have a great deal of insight as to the allegations that you are currently investigating.

Sirs, I cannot stress the importance in not only looking into what has currently happened in the AR/Ok District but also through out the IRS because many of those previous perpetrators have been promoted to higher levels in other regions of the country. The cancer has metastasized. They now may be sitting in policy making positions where they have likely repeated what got them to where they are now. One such person is Gary Dyer. Two employees told me that they personally reported a potential P-120 violation to Mr Dyer yet I could find no evidence that he had in turn reported it to his superiors. I found a certified document that he prepared that indicated that no violations had been reported to him. To my knowledge Inspection not the Inspector that was given the case after it was reassigned from me ever pursued the issue. I was told that Mr Dyer was promoted out of the Region and is now a Division Chief, which is the same position that is held by Ron James.

Inspection has historically proven that it cannot be trusted to objectively investigate allegations of impropriety by IRS officials. They can investigate instances of employees snooping in taxpayer accounts, dual payment certified check schemes and occasionally even a bribery case, but then so could the Criminal Investigation Division. It is a total waste of money to have the Inspection Division, the Investigations Branch and Treasury IG, all in place to investigate officials with whom they routinely go to lunch and coffee.

It is just a three tier example of the fox guarding the hen house. Representative Bernard's investigation in 1989 clearly identified the problems associated with an agency policing itself, as did my investigation and now the current mess. I sent a very lengthy report to the White House that told of specific violations of Federal laws by top ranking IRS officials and the report went from the White House to the Justice Department and they said it was an Treasury matter so they sent it to Treasury IG. Treasury IG said it was a IRS management problem and sent it to the very people that were the subjects of my investigation to handle. They did, not one criminal investigator has ever tried to contact me about the violation of laws that I reported and that were reported to me. The very foundation of our Republic was based on a three branch system of government, to avoid any one of the two other branches of becoming too powerful or corrupt due to the oversight from the other two. Serious breaches of integrity and allegations of corruption

within the agency should be investigated by the Justice Department or another external agency but certainly outside the Treasury Department. How this structure was allowed to come into being is beyond me but it must be eradicated. We have all seen how reliable the Treasury Department is when it investigates itself as recently as in the Waco fiasco.

I have compiled a top eleven list that was published as a top ten list by the Orange County Register on Nov 9th of this year in an article that was written by Lan Bock. Due to the time constraints of these hearings I would like to just read them without discussion for the official record and answer any questions that you might have after I read my statement.

1. Rescind IRS 6103, the privacy protection laws
2. Remove the Inspection (Internal Security Division) from the IRS and from the Treasury Department
3. Provide a strong and safe conduit for the employees to file complaints with an outside investigative agency.
4. Make it a felony for IRS Management officials to willfully disregard IRS rules and procedures
5. Make it a felony for managers to take reprisals against employees who report fraud waste and abuse.
6. Stop all substitute for returns done by the IRS without contact with the taxpayer
7. Allow a reasonable interchange of information between IRS and other government agencies. (have strict rules governing the use and have suitable penalties for violations)
8. Make it a felony -or at least a serious misdemeanor -for anyone who has unpaid back taxes (undisputed cases) or unfiled tax returns in his/hers own record to represent taxpayers or to file taxpayer returns.
9. Develop legislation hold had accountants or tax preparers accountable to their clients- something similar To a tax preparer malpractice
10. Provide for frequent rotation of IRS executives from Division chiefs on up.
11. Insure that taxpayer advocates are promoted from outside the region in which they are to work as an advocatc.

I have a seventeen year old son that has witnessed the grief and anguish that I have had to endure over the loss of the careers of my coworkers and my own over these issues. I hope to live to see him witness first hand, that if you are really persistent and you are doing what is right even though it may be painful, the system can be corrected when it goes astray.

I want you and the public to know that the vast majority of IRS employees, managers included, are of the highest caliber of people. They have had lead honest lives before entering the service and they have extensive background investigations performed before they are hired. Incidentally, performing background checks on potential new hires is one function that Inspection seems to carry out well. Most IRS employees will extend courtesy and compassion whenever it is warranted and they are only enforcing the code as Congress has dictated.

In closing I would like to reiterate how proud I am of you for taking the time to do what is so desperately needed by the employees at IRS and the Taxpaying public. I want you and the other members of Congress to thoughtfully seek solutions to these problems while being mindful of the consequences if the IRS is hampered from collecting from the dead beats and the crooks that will be eager to exploit any tax system that you develop. Lets seek efficient and courteous service to the law abiding taxpayers that may occasionally have tax difficulty, but lets not hamper Revenue Officers from collecting from the repeat offenders and especially the businesses that embezzle Trust Fund money from our treasury.

Soon hopefully we will all more willing to pay our taxes and at least be more confident that everyone else is paying their fair share.

J.D. Quisenberry



COMMUNICATIONS

To: Editorial Section
United States Senate
Committee on Finance
Washington, D.C. 20510

Date: December 5th, 1997

Re: Senator Nickles Oklahoma City Hearing on IRS Reform
Wednesday, December 3, 1997

Dear Sir:

It is with great appreciation to see one of our elected officials finally stepping forth, to investigate this (GESTAPO) Internal Revenue Service, which operates by deception, fraud, coercion, and fear.

The United States Congress authorized a "voluntary" income tax in 1913, for corporate persons. Congress did not make the income tax mandatory until World War II, when a Victory tax was imposed on wages as an emergency measure to help pay for the war. Before the World War II, "wages" were not subject to an income tax.

After 1944, when the Victory tax was *repealed*, not one of our elected officials made that information available to the public. Since most Americans, love God, our homes, and Country, we were lead to believe, the tax was still needed, and we kept right on sending in our money. Congress transformed the Victory tax into a modern version of the income tax after World War II to finance the cold war.

Because the American people, were asleep then, as some still are, we did not realize the federal government could not constitutionally impose any direct income taxes on their wages and property. The American people assumed that wages were income and could then be taxed. Once again, we swallowed a fraud and a hoax.

"The Congress shall have the power to lay and collect taxes, duties, impost and excises to pay the debts and provide for the common defense and general welfare of the United States; but all duties, impost and excises shall be uniform throughout the United States;..."

Constitution for the usA [1:8:1]

"Any direct tax that is not apportioned is unlawful."

Commissioner v. Obear-Nester, 349 U.S. 948 (1954)

The primary taxing authority of the federal United States involves duties, imposts and excises. These are not direct taxes, but taxes built into the consumer price index of everything we buy, sell, trade, import or export. They are levies on everything that is imported, exported or manufactured. These are legitimate taxes within the authority of the Constitution for the usA. Thus, the IRS has to somehow involve the individual in an excise taxable activity to be able to assess and collect taxes legitimately. The IRS has assigned activity codes to all U.S. citizens to justify their assessment activities, although the activities assigned are usually irrelevant to the individuals actual commercial activity.

It has been seriously debated whether or not the Reorganization Act (1950) abolished the Bureau of Internal Revenue and created the IRS as a private corporation, or agency of the federal United States government under the U.S. Treasury Department. Regardless of its corporate status, the IRS acts as a collection agency for the Federal Reserve Bank, which is a private corporation.

"The Commissioner shall, to the extent of authority vested in him, provide for the administration of the United States Internal Revenue laws in the Panama Canal Zone, Puerto Rico, and the Virgin Islands."

Treasury Order 150-42, 7/27/56, 21 Fed Reg 5852

"The Commissioner shall, to the extent of authority otherwise vested in him, provide for the administration of the United States Internal Revenue laws in the U.S. territories and insular possessions and other authorized areas of the world."

Treasury Order 150-01, 2/27/86, 51 Fed Reg 9571

A review of the Federal Register, pertinent regulations and manual provisions reveal that TDO's 150-37 dated March 15, 1955, and 150-10 dated July 10, 1986, are exclusively relied upon by the IRS for the grant of authority to issue notice of deficiency, notwithstanding the fact that these two TDO's are not published in the Federal Register. This implies that the only lawful subjects of deficiency are individuals and entities who are not protected by the Federal Register Act and/or who have foreign earned income or residence.

The IRS does not have any legitimate (delegation of authority) at the federal level from Congress. USC Title 26 of the Internal Revenue Code, is often cited as their authority to assess and collect income taxes from the citizens of the union of 50 states.

Title 26 was never passed as positive law and the implementing regulations are missing. So they apply the regulations of Title 27 which are regulations for excise activity income, after they fraudulently assign us an excise taxable activity code, on individual master files.

"The authority of public officers to proceed in a particular way and only upon specific conditions as to such matters implies a duty not to proceed in any manner other than that which is authorized by law."

First Nat. Bank v. Filer, 107 Fla. 526, 145 So 204, 87 ALR 267

I do not believe I am a person liable to file a 1040 tax form and/or pay a tax on my wages. (Supreme Court decisions attached)

Enclosed please find a synopsis of the facts and truth concerning my personal problems with the IRS agency, Commissioner, and Directors. Enclosed also, a copy of Notice of Violations of Regulations and Trespass of Property, a copy of an unlawful assessment and notice of deficiency, a copy of Notice of Levy (which is not a valid levy), a copy of the amended section of my individual master file where I have been coded under excise activity code 532 which is manufacturer of pistols and revolvers for which I can guarantee you, I have no involvement. Also, a copy of illegal seizure of my wages without a valid levy or court order and a copy of the UCC 4 to verify there is no federal lien filed at the court house in Oklahoma City.

Since April of 1996, I have responded to all of the notices sent by the IRS, to file a 1040 tax return. I rebutted their assumption with proof that I am not required to file and I have repeatedly asked for the delegation of authority. Now I am putting them on Notice of all of the violations, deception and theft.

There is extensive research available to validate the corruption within the IRS and the deception of the USC codes and regulations used against the citizens domiciled within the union of several states.

It is very disturbing to know that the Congress voted to approve \$729 million in the budget reform to be allocated to the IRS. What I would like to know is why you have allocated money to a agency that has been proven to be corrupt in its application of the USC codes and regulations. The IRS (as pertaining to the income tax on compensation for labor (wages)) needs to be abolished, not reformed. We do not need a continuation of the criminal activities that has taken place within the IRS and the IRS needs to be stopped from forcing the American people to file a 1040 form when there is no law, statute or regulation requiring citizens of the union of several states to do so.

Please include these statements and records to your hearing record. I hope and pray your efforts will correct the abuses the IRS has created by misapplying USC codes and regulations. Plenty of people that I have talked to, are sick and tired of the IRS (GESTAPO) activities. And I repeat the IRS is not a government agency under the Treasury Department or registered to do business in any of the several states. They are only a collection agency for the Federal Reserve, a private corporation.

I am not a tax protestor. I pay all lawful taxes allowed by the constitution. We the people are in urgent need of a thorough and complete investigation of the IRS fraud.

May God bless you and your staff in you effort to find and understand the truth.

Respectfully submitted

Dorothy Lucille; Borum
c/o 7828 South Youngs Blvd.
Oklahoma City, Oklahoma (73159)

- Fact:** THE INCOME TAX IS VOLUNTARY
Law: Supreme Court, *Flora v. U.S.* 362 U.S. 145
- Fact:** COMPENSATION IS A DIRECT ITEM OF INCOME NOT TAXABLE BY THE FEDERAL GOVERNMENT
Law: 26 CFR(1939)9.22(b)-1 Exemptions and Exclusions from Gross Income Constitution for the United States of America, Art.1.§2.C1.3. Art.1§9.C1.4.
Pollock v. Farmers Loan & Trust co. 158. U.S.601at637
Knowlton v. Moore, 178 U.S. 41
- Fact:** THE 16TH AMENDMENT AND THE INCOME TAX IS LIMITED TO INDIRECT EXCISE TAXES.
Law: *Brushaber v. Union Pacific RR co.* 240 US.1at10,11,12,19
Eisner v. Macomber, 252.U.S.189at205
Peck v. Love, 247 U.S. 165
Stanton v. Baltic Mining Co. 240 U.S.103
Flint v. Stone Tracy Co. 220 U.S.107at pg 154,165
- Fact:** INCOME IS PROFITS AND GAINS MADE THROUGH THE SALE OR CONVERSION OF A CAPITAL ASSET
Law: *Eisner v. Macomber*, 252. U.S.189
Conner v. United States, 303 F.Supp.1187(1968) pg.1191
Doyle v. Mitchell Brother, 247 U.S.330
Merchants Loan & Trust co. v. Smitanka, 255 U.S.509
Oliver v. Harstead, 86 S.E. Rep.2d 859
Blacks Law Dictionary: Compensation: "Giving an equivalent or substitute of equal value.."
26 U.S.C.A. '54§61(a)
- Fact:** THE RIGHT TO LABOR IN AN UNREGULATED OCCUPATION IS A FUNDAMENTAL RIGHT AND NOT A TAXABLE PRIVILEGE
Law: *Murdock v. Pennsylvania*, 319 U.S.105at113
Butchers Union Co. v. Crescent City Co. 111 U.S. 746 at 756-757
Coppage v. Kansas 262 U.S.1at14
Meyer v. Nebraska 262 U.S.390,399,400
48 Am Jur 2d.§2 Page 80

**NOTICE OF VIOLATIONS OF REGULATIONS AND TRESPASS OF
- PROPERTY**

Date 12-10-99Certified Mail # PA 99 016 000

To: Charles Rossotti
Commissioner of Internal Revenue Service
1111 Constitution Avenue
Washington, DC 20221

From: Dorothy Lucille Borum
7828 South Youngs Blvd
Oklahoma City, Oklahoma (73159)
Number assigned to me - 343-22-4055

RE: 4549-CG (4-96), CP-515 (6-96), Form 4089 (7-96), CP-518 (8-96), CP-504 (1-97), 668-W(c) (5-97), 2050 letter (5-97), CP-22E (6-97), 2050 letter (10-97)

I, Dorothy Lucille Borum, hereby serve notice to the Internal Revenue Service of Notice of Violations of Regulations and Trespass of Property and the following absolute facts and truth in the forgoing matter:

1. I am a non-immigrant, non-resident alien, American, having been born to natural born free Citizen parents one of the fifty states of the united states of America and still maintain my domicile in one of the fifty united states of America, not subject to the venue and jurisdiction of the Federal District United States nor its Internal Revenue Codes, as per 26 CFR §1.871-7(a)(1).
2. I have never lived, worked, nor had any source of income from within the Federal District United States, District of Columbia, Puerto Rico, Virgin Islands, Guam, American Samoa, nor any other territories within the Federal District United States which has its origin and jurisdiction from Article 1 Section 8 Clause 17 of the U.S. Constitution, nor am I what is known as a "14th Amendment" citizen.
3. I am not now, nor have I ever been involved in the manufacture, sale, or conduct of business relating to the Alcohol, Tobacco and Firearms industries which are excise (Direct) taxable privileged industries.
4. As a non-resident alien, and not a Federal Government employee, I am exempt from the Subtitle A §1 graduated income tax. This is made very clear at 26 CFR §871-7(a)(1). As a non-resident alien I only receive Compensation for my labor which is my personal property and as such is not taxable. This is proven in the table of OMB control numbers on page #552 of the 1996 addition of 26 CFR §602.101 at 1.871 which does not exhibit the form 1040 control #1545-0074 or 1040A control #1545-0085. This proves that the form 1040 control #1545-0074 or 1040A control # 1545-0085 can not be required to be filed by a non-resident alien since there is no statute or regulation that requires a non-resident alien to file a tax return nor have any tax withheld at the source of compensation for labor. Therefore, it follows, that since the form 1040 or 1040A is the basis for this artificial justification of moneys due you, neither does your unauthorized forms you have presented apply to me as a nonresident alien, making it fraudulent also.

I have researched your contention that some how under a classification of myself, you have been able to insert me into your "voluntary" system without my consent or knowledge. As you no doubt are aware fraud violates all time limits. However, I noticed some interesting things about your notice presentment letters you sent me. The first thing I noticed is that it refers back to the form number 1040 or 1040A, which does not apply to a non-resident alien as mentioned above. The second thing I noticed is your presentments numbered 4549-CG (4-96), CP-515 (6-96), Notice of Deficiency/Waiver (7-96), CP-518 (8-96), CP-504 (intent to levy) (1-97), 2050 letter (5-97), CP-22E (6-97) and 2050 letter (10-97) all concerning alleged tax for 1994, none have the required OMB control numbers or expiration dates which makes them unauthorized for any usage and a clear violation of the Paperwork Reduction Act of 1980. Therefore, these forms are in violation of OMB regulations at 26 CFR 602.101.

Also, in an attempt to circumvent the Constitutional requirements of apportionment, you have misapplied Title 27 §6601, §6651 and §6654 as your authority to issue your form 4549 CG. The Title 27 Codes are for the explicit authority to administer the excise taxes in the Privileged Alcohol, Tobacco Products and Firearms Industries. The Parallel Table of Authorities, 26 CFR to 26 USCS, do not support your contention of authority as it lists no authority for any assessments, notice of deficiency, levy and distraint, collections authority, and no

surrender of property, as applicable to Title 26 USC Part 1 income tax.

After reviewing my Individual Master File, sent to me from a FOIA request, in the AMDISA section I am listed as having the activity code of 532 which is erroneous and fraudulent, code 532 (*manufacturer of pistols and revolvers*) as listed under the 500 series as an excise tax 'revenue taxable activity'.

I am *not* involved in any type of 'revenue taxable activities' that would cause me to become indebted or a person made liable to file any returns related to §6651, or pay an estimated tax as per §6654 or subject me to any liability for underpayment interest, non-payment, or any other penalties (under §6601), since I am in no way involved in the manufacturing of pistols and revolvers.

I call your attention to the back of Form 668W(c) - Notice of Levy - top left hand corner, the (a) designation in any section of the IRS code is what gives that section its authority, where is §6331(a) §6331 - Levy and distraint - (a) Authority of Secretary - This is the one section which the Internal Revenue Service, Inc. deliberately left off the "Levy form" which was the authority provision statute. Example copy of §6331(a) enclosed.

This is a firm request that you return my property of \$5,826.30 taken through a unlawful notice of levy via my employer, Seagate Technologies, done without due process of law, which means you have committed a felony.

Since the Commissioner of Internal Revenue was divested of his authority to administer the 1939 Internal Revenue Code in the 1950 Reorganization Plan number 26, your IRM 1100 confirms that plan number 26 did not create any exceptions as far as the IRS and its officers and employees were concerned. Pursuant to various tax treaties, and to acts of Congress relating to the government of the District United States enclaves, territories, and possessions, to the Internal Revenue Codes of 1954 and 1986 and, pursuant to the Federal Register Act and Paperwork Reduction Act, the Secretary has delegated authority to the Commissioner to enforce and administer the internal revenue laws of the District United States in the U.S. Territories and Possessions and other authorized areas of the world. This delegation was made through Treasury Department Orders and by regulations, whereby the Secretary has not re-delegated to the Commissioner certain functions and authority.

In order for Treasury Department Orders to have legal effect upon citizens living in the several states, such orders are required by 44 USC 1501 et seq. to be published in the Federal Register. Regulation promulgated pursuant to the Federal Register Act explain that unpublished orders such as IDO 150-37 (1955) and 150-10 (1996) are valid only in areas governed by treaties and tax conventions, they have no validity within the several states of the Union when directed at a State Citizen domiciled therein and having no foreign income or residence. Therefore, absent of publication in the Federal Register, Orders 150-37 and 150-10 are not public notices and have no legal effect upon citizens in the several states of the Union. See United States v. \$200,000 in United States Currency, 590 F. Supp 866 (1984) and Rowell v Andrus, 631 F. 2d 699 (CA 10 1980).

As a matter of fact and law, all powers, duties and authority of the Commissioner of Internal Revenue are delegated to his office from the Secretary of the Treasury. The delegation of such authority from the Secretary of the Treasury to the Commissioner of Internal Revenue is jurisdictional. You, Sir, are limited to the authority defined in 44 USC 3502(11) concerning information collection requests, and, therefore, you are limited to compliance within the jurisdictional boundaries and Treasury Department Orders delegated to the Commissioner of Internal Revenue Service.

Had you read and followed your own regulations, you would have known that 26 CFR 1.871 designates a non-resident alien citizenship status and the same in Title 1 and as such earn only compensation for labor which is nontaxable by the IRS, the Federal District United States, or any other government entity except through indirect taxes.

The Treasury Department has not to date issued and published in the Federal Register any Treasury

Department Orders (TDO) providing authorization for the Commissioner or his delegate to summons persons to testify, to summons books and records to determine the correctness of any return, to make a return where none has been made, or to make determinations of deficiencies for any internal revenue tax for and against citizens of the several states.

There is no power delegated, nor can reference be found to any authority, statutory or otherwise, empowering the IRS to file a Form 1040 tax return under color of Section 6020(b). The "dummy return" which has been filed is not a return within the meaning of Section 6020(b). See Phillips v. Commissioner, supra.

§3-401:1 - No one is liable on an instrument unless and until he has signed it.

Absent specific publicized delegation of authority from the Secretary of the Treasury, the Commissioner or his delegate lacks the authority to act, e.g. in this case, to administer certain United States internal revenue laws within the several states of the Union; to assess State Citizens, to issue notices of deficiencies to citizens, thereof, and to levy and seize private property.

Without delegated authority any deficiency determination made by the IRS against me and any determination that I am deficient in payment of a 1040 tax is erroneous in fact and law. The Commissioner or his delegate clearly lacks the authority to make deficiency determinations under 26 USC §6211 against citizens living within the several states who have no foreign earned income or residence, and to issue to such citizen a notice of deficiency under 26 USC §6212. Thus, the issuance of any such notice to a State Citizen is in direct violation of 26 USC §6213. Due to lack of delegated authority as set forth above, the alleged tax liability which gave rise to the notice of levy in question was determined in violation of the deficiency procedures set out in 26 USC §6213. Your Notice of Deficiency is not a lawful Notice of Deficiency mandated by 26 USC §6212.

A deficiency is based upon a return which is filed by a taxpayer. If, for whatever reason, there is no return, there can be no deficiency. The Laing court case made this clear when it stated:

"In this case, there was no return filed by the taxpayer and so there could be no deficiency. Since there was no deficiency, there could be no deficiency assessment..."

Laing v. U.S., 364 F. Supp 469, 473.

I did not choose to take this before the United States tax court because in my case it has already been decided and is a matter of record in the U.S. supreme Court records, recorded in Eisner v. Macomber 252 U.S. 189 at 205, that my compensation for labor is nontaxable by the federal government and is excludable under 26 CFR 9.22(b)-1. Also I did not choose to sign your waiver since I would be waiving my constitutional rights to the protection of the constitution of the United States of America, Art. 1 §2, Cl. 3, Art. 1 §9, Cl. 4. And standing U. S. supreme Court ruling in the case of Pollock v. Farmers Loan and Trust Company 158 U.S. 601 (1895) stated, "The taxes imposed by sections twenty-seven to thirty-seven, inclusive, [relating to non-apportioned direct taxes] or the act of 1894, so far as it falls on the income of real estate and personal property, being a direct tax within the meaning of the Constitution, and therefore, unconstitutional and void because not apportioned according to representation, all these sections, consisting of one entire scheme of [DIRECT] taxation are necessarily invalid."

Furthermore, the supreme Court ruled in 1970: "Waivers of constitutional rights not only must be voluntary, they must be knowingly intelligent acts done with sufficient awareness of the relevant circumstances and consequences." Brady v. U.S. 742 at 748. Also, "A state [or the United States] may not impose a charge for the enjoyment of a right granted by the federal constitution." Murdock v. Pennsylvania, 319 U.S. 105, at 113.

Your presentments beginning April 1996 is an obvious attempt of the Internal Revenue Service Agency, Commissioner, Directors, Assistants and Agents to place a direct tax on my compensation for labor in violation of the aforementioned constitutional requirements of apportionment. The Internal Revenue Service Agency, Commissioner, Directors, Assistant and Agents are attempting to classify my compensation for labor as "income".

For Citizen under the Constitution and Law, compensation for labor is exempt from "gross income". Because Title 26 is a situs based tax, (meaning, before any income can be taxed, it must be earned in or from a particular area) the income must either be:

1. Received in one of the 50 sovereign states from the District of Columbia or a territory or possession under the exclusive sovereignty of the United States.
2. Received in the District of Columbia from one of the 50 sovereign states or a territory or possession under the exclusive sovereignty of the United States.

The Pollock decision has never been overturned. It confirms Congress cannot impose a direct, non-apportioned tax on any Citizen of the 50 states, except those employed by the federal government.

"Congress has taxed income (profits and gains) not compensation." As quoted in Conner v. United States, 303 F. Supp. 1187 (1969) pg. 1191, "Whatever may constitute income, therefore, must have the essential feature of gain to the recipient. This was true when the sixteenth amendment became effective, it was true at the time of the decision in Eisner v. Macomber (supra), it was true under section 22(a) of the Internal Revenue Code of 1939, and it is likewise true under section 61(a) of the Internal Revenue Code of 1954. If there is no gain, there is no income." Since Conner v. United States (Supra) has not been overturned, it is still true under the Internal Revenue Code of 1986.

"Compensation for labor (wages) can not be regdred as profit within the meaning of the law. The word "profit" ...means the gain made upon any business or investment - a different thing altogether from mere compensation for labor (wages). Oliver v. Halstead, 88 S E Rep. 2d 859 (1955)

"The IRS taxes only income "derived" from many different [U.S.] sources; one does not 'derive income' by rendering services and charging for them." Edwards v. Keith, 231 Fed Rep. 113

I have furnished the information above to refute any/all uncertainties implied or any other undisclosed contracts and any/all rules of presumption concerning my citizenship status as a non-resident alien in regard to the presentments listed below:

4549-CG (4-96)	
CP-515 (8-96)	#001495
Form 4089 (7-96)	
CP-516 (8-96)	#011370
CP-5C4 (1-97)	#001054
668-W(c) (5-97)	
2050 letter (5-97)	L1-99
CP-22E (6-97)	#18247-753-00116-6 9652
2050 letter (10-97)	L1-16

1. In absence of any statutes and regulations to refute the above, I request that you issue a non-liability letter stating that I am not required to file a 1040 tax return.
2. If you disagree with the above analysis you must within 10 days furnish documented proof as follows:
 - a) Provide official documentation of my birth within the District United States or one of it's insular possessions as listed in #2 on page 1.
 - b) Provide a contract containing my signature that obligates me to file a U.S. INDIVIDUAL INCOME TAX RETURN 1040 or have withholding tax withheld at source of compensation for labor.
 - c) Provide official documentation of source of income from within the District United States or one of it's insular possessions as listed in #2 on page 1.
 - d) Provide official documentation of my involvement in any of the activities in #3 on page 1.

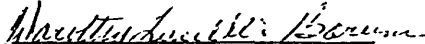
"It is a well established principle of law that all federal legislation applies only within the territorial jurisdiction of the United States unless a contrary intent appears " Foley Brothers v. Filardo, 336 U.S. 281.

Failure to respond within 10 days will mean you have acquiesced to this Notice of Violations of Regulations and Trespass on Property in its entirety and the doctrine of "estoppel by acquiescence" will prevail.

In all issues broached herein, and from this date forward, you have been properly noticed as to the regulations and facts of this case. Should you continue in this realm you are willfully, knowingly and intentionally continuing to defraud me and to deprive me of my fundamental, procedural, administrative, Constitutional and God given right of rights and all other rights directed by supreme court rulings that effect this case.

Any statements or claims in this document, properly rebutted by facts of law, or overriding Article III supreme court rulings, such shall not prejudice the lawful validity of other claims not properly rebutted or invalidated by facts of law.

Respectfully submitted,


Dorothy Lucile Borum

- | | |
|---|---|
| <p>CC: Robert Rubin, Secretary of the Treasury
 Janet Reno, Attorney General
 F. Whitaker, District Director
 Fred Bonds, Automated Collections Director
 K.J. Sawyer, Director Oklahoma District
 Rep. Frank Lucas, Oklahoma</p> | <p>Senator Don Nickles, Oklahoma
 Lee Morris, IRS Investigator
 Senator William Roth,
 Senate Investigating Committee</p> |
|---|---|

Department of the Treasury - Internal Revenue Service
Income Tax Examination Changes

Name and Address of Taxpayer	SS or EI Number:		Return Form No.
	343-22-4055		1040
Person with whom examination changes were discussed		Name and Title	
BORN, DOROTHY L. 7328 S. YOUNG BLVD. OKLAHOMA CITY OK 73159-			
1. Adjustments to Income	Tax Year End 12/31/94	Tax Year End	Tax Year End
A. STANDARD DEDUCTION	\$ (3,000.00)	\$	\$
B. EXEMPTIONS	(2,450.00)		
C. W-2 WAGES	34,913.00		
D. STATE TAX REFUND	605.00		
E.			
F.			
G.			
H.			
I.			
J.			
K.			
L.			
M.			
N.			
O.			
P.			
Q.			
R.			
S.			
2. Total Adjustments	29,268.00		
3. Taxable Income Per Return or as Previously Adjusted	0.00		
4. Corrected Taxable Income	29,268.00		
Tax Method	TAX TABLE		
Filing Status	SINGLE		
5. Tax	5,240.00		
6. Additional Taxes			
7. Corrected Tax Liability	5,240.00		
8. Less			
Credits	A.		
	B.		
	C.		
	D.		
9. Balance (Line 7 less total of lines 8A through 8D)	5,240.00		
10. Plus			
Other	A.		
Taxes	B.		
	C.		
	D.		
11. Total Corrected Tax Liability (Line 9 + lines 10A to 10D)	5,240.00		
12. Total Tax Shown on Return or as Previously Adjusted	0.00		
13. Adjustments to A. Special Fuels Credit			
B.			
14. Deficiency - Increase in Tax or (Overassessment - Decrease in Tax) (Line 11 less Line 12 adjusted by Line 13)	5,240.00		
15. Adjustments to Prepayment Credits	413.00		
16. Balance Due or Overpayment (Line 14 adjusted by Line 15) (Excluding interest and penalties)	\$ 4,825.00	\$	\$

The Internal Revenue Service has agreements with State tax agencies under which information about Federal tax, including increases or decreases, is exchanged with the States. If this change affects the amount of your State income tax, you should file the State form.

You may be subject to backup withholding if you underreport your interest, dividend, or patronage dividend income and do not pay the required tax. The IRS may order backup withholding at 31 percent after four notices have been issued to you over a 120-day period and the tax has been assessed and remains unpaid.

Department of the Treasury - Internal Revenue Service
Income Tax Examination Changes

Name of Taxpayer: BORNE, DOBOTHY L.		SS or EI Number: 343-22-4055	Return Form No. 1040
17. Penalties		Tax Year End 12/31/94	Tax Year End
			Tax Year End
A. DELINQUENCY		\$ 1,206.25	\$
B. ESTIMATED TAX		217.98	\$
C.			
D.			
E.			
F.			
G.			
H.			
I.			
J.			
K.			
L.			
M.			
N.			
18. Total Penalties		1,424.23	
19. Underpayment attributable to negligence: (1941 - 1947) An addition to the tax of 50 percent of the interest due on this underpayment will accrue until paid or assessed.			
20. Underpayment attributable to fraud: (1942 - 1947) An addition to the tax of 50 percent of the interest due on this underpayment will accrue until paid or assessed.			
21. Underpayment attributable to Tax Motivated Transactions: The interest will accrue and be assessed at 120 percent of the underpayment rate in accordance with IRC §622(c).			
Summary of Taxes, Penalties and Interest:			
A. Balance due or Overpayment of Taxes (line 16, page 1)		4,825.00	
B. Penalties (line 18, page 2) (computed to 05/16/96)		1,424.23	
C. Interest (IRC 6601) (computed to 05/16/96)		683.77	
D. The interest (computed to 05/16/96 on the underpayment)			
E. Amount due or refund (sum of lines A, B, C, and D.)		6,933.00	

Other Information:

Examiner's Signature SOWA YOUNG		District Oklahoma City	Date 04/16/96
Consent to Assessment and Collection - I do not wish to exercise my appeal rights with the Internal Revenue Service or to contest in United States Tax Court the findings in this report. Therefore, I give my consent to the immediate assessment and collection of any increase in tax and penalties, and accept any decrease in tax and penalties shown above, plus additional interest as provided by law. It is understood that this report is subject to acceptance by the District Director.			
PLEASE NOTE: if a joint return was filed, BOTH taxpayers must sign	Signature of Taxpayer	Date	Signature of Taxpayer
By	Title	Date	Date

FORM 4089	Department of the Treasury - Internal Revenue Service NOTICE OF DEFICIENCY - WAIVER	Symbols E:PSP:ESP:4060
Name, SSN or EIN, and Address of Taxpayer(s) Dorothy L. Borum 7828 South Youngs Boulevard Oklahoma City, Oklahoma 73159-5155		343-22-4055

Kind of Tax INCOME	<input type="checkbox"/> Copy to Authorized Representative
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DEFICIENCY - Increase in Tax and Penalties	
Tax Year Ended:	December 31, 1994
Deficiency:	
Increase in tax	\$ 5,240
Penalties	
IRC 6651(a)(1)	\$ 1,206
IRC 6654	\$ 248
Statutory Deficiency	\$ 5,240
Less Adjustments	
Federal Tax Withheld	(415)
Net Additional Tax	<u>\$ 4,825</u>

<u>See the attached explanation for the above deficiencies</u>	
I consent to the immediate assessment and collection of the deficiencies (increase in tax and penalties) shown above, plus any interest provided by law.	
Your Signature	Date signed
Spouse's Signature, If A Joint Return Was Filed	Date signed
Taxpayer's Representative Sign Here	Date signed
Corporate Name:	
Corporate Officers Sign Below	
Signature	Title
	Date signed
Signature	Title
	Date signed
(For instructions, see next page)	
If you agree, please sign one copy and return it. Keep the other copy for your records.	

Department of the Treasury
Internal Revenue Service
District Director

Date of This Notice: JUL 03 1996
Letter Number 511
Taxpayer Identifying Number:
343-22-4055
Form: 1040
Person to Contact:
90-Day Unit
Telephone Number:
(405) 297-4087

Dorothy L. Borum
7828 South Youngs Boulevard
Oklahoma City, Oklahoma 73159-5155

CERTIFIED MAIL

Tax Year Ended: December 31, 1994

Deficiency:		
Increase in tax	\$	5,240
Penalties		
IRC 6651(a) (1)	\$	1,206
IRC 6654	\$	248

Dear Taxpayer:

--NOTICE OF DEFICIENCY--

We have determined that you owe additional tax or other amounts, or both as shown for the tax year(s) identified above. This letter is your NOTICE OF DEFICIENCY, as required by law. The enclosed statement shows how we figured the deficiency.

If you want to contest this determination in court before making any payment, you have 90 days from the date of this letter (150 days if addressed to you outside of the United States) to file a petition with the United States Tax Court for a redetermination of the deficiency. For a petition form, write to:

United States Tax Court
400 Second Street, NW
Washington, DC 20217

Send the completed petition form, a copy of this letter, and all relevant statements or schedules that accompanied this letter to the Tax Court at the same address. The petition must be timely filed with the court within 90 days from the above mailing date (150 days if addressed to you outside of the United States). However, if the petition is filed after the 90 day (or 150 day) period, it is considered timely filed if the postmark date falls within the prescribed period and the envelope containing the petition is properly addressed with the correct postage.

The time for filing a petition with the Court (90 or 150 days as the case may be) is set by law and cannot be extended or suspended. Thus, contacting the

(continued next page)

55 North Robinson
Oklahoma City, OK 73102

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Service for more information or receiving other correspondence from the Service will not change the period for filing a petition with the Tax Court. The court cannot consider your case if the petition is filed late.

If this letter is addressed to both a husband and wife, and both want to petition the Tax Court, both must sign and file the petition or each must file a separate, signed petition. If more than one year is shown above, you only need to file one petition form showing the years you are contesting.

The Tax Court has a simplified procedure for small tax cases, when the dispute is for \$10,000 or less for any one tax year. You can get information about this procedure, as well as a petition form you can use, by writing to:

Clerk of the United States Tax Court
400 Second Street, NW
Washington, DC 20217

Do this promptly if you intend to file a petition with the Tax Court.

You may represent yourself before the Tax Court, or you may be represented by anyone admitted to practice before the court.

If you decide not to file a petition with the Tax Court, please sign and return the enclosed waiver form. This will permit us to assess the deficiency quickly and can help limit the accumulation of interest. The enclosed envelope is for your convenience.

If you decide not to sign and return the waiver and you do not file a petition with the Tax Court within the time limit, the law requires us to assess and bill you for the deficiency after 90 days from the above mailing date of this letter (150 days if this letter is addressed to you outside the United States).

If you have any questions about this letter, please write to the person whose name and address are shown on this letter. If you write, please attach this letter to help us identify your account. Keep the copy for your records. Also, please include your telephone number and the most convenient time to call, so we can contact you if we need additional information.

If you prefer, you may call the IRS contact person at the telephone number shown above. If this number is outside your local calling area, there will be a

(continued next page)

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long distance charge to you. You may call the IRS telephone number listed in your directory. An IRS employee there may be able to help you, but the contact person at the address shown on this letter is most familiar with your case.

Thank you for your cooperation.

Sincerely,

Commissioner
By


K. J. Sawyer
District Director

Enclosures:
Copy of this letter
Waiver
Envelope

CONTINUATION SHEET

Dorothy L. Borum	Page TIN: 343-22-4055
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Interest on Deficiencies

Interest on deficiencies will accrue from the due date of the return until paid.

Failure to File Penalty IRC section 6651(a)(1) and 6601(e)(2)

Since your income tax return(s) for the taxable year(s) ended December 31, 1994 were not filed within the time prescribed by law, and you have not shown that such failure to timely file your return(s) was due to reasonable cause, a penalty of five (5) percent is added to the tax for each month or part of a month (but not to exceed a total of twenty-five (25) percent) for which your return was late. If your return was filed after December 31, 1982 and was more than 60 days late, the minimum penalty is the lesser of \$100 or the tax due. In addition, interest is figured on this penalty from the later of the due date of the return (including any extensions) or July 18, 1984.

Estimated Tax Penalty IRC section 6654

Since you underpaid your estimated tax for the taxable year(s) ended December 31, 1994 the addition to the tax provided by section 6654 of the Internal Revenue Code is asserted.

CONTINUATION SHEET

Dorothy L. Borum	Page TIN: 343-22-4055
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Interest on Deficiencies

Interest on deficiencies will accrue from the due date of the return until paid.

Failure to File Penalty IRC section 6651(a) (1) and 6601(e) (2)

Since your income tax return(s) for the taxable year(s) ended December 31, 1994 were not filed within the time prescribed by law, and you have not shown that such failure to timely file your return(s) was due to reasonable cause, a penalty of five (5) percent is added to the tax for each month or part of a month (but not to exceed a total of twenty-five (25) percent) for which your return was late. If your return was filed after December 31, 1982 and was more than 60 days late, the minimum penalty is the lesser of \$100 or the tax due. In addition, interest is figured on this penalty from the later of the due date of the return (including any extensions) or July 18, 1984.

Estimated Tax Penalty IRC section 6654

Since you underpaid your estimated tax for the taxable year(s) ended December 31, 1994 the addition to the tax provided by section 6654 of the Internal Revenue Code is asserted.

FORM 886-A	EXPLANATION OF ITEMS	SCHEDULE/EXHIBIT PAGE ____ OF ____
NAME OF TAXPAYER BORUM, DOROTHY L.	343-22-4055	YEAR/PERIOD ENDED 9412

STANDARD PARAGRAPHS:

	PER RETURN	PER EXAM	ADJUSTMENT
FILING STATUS	0.00	1.00	0.00
You are allowed the filing status of single and the standard deduction at the single rate, since you have not substantiated you are eligible to file as married filing joint returns or as head of household.			

	PER RETURN	PER EXAM	ADJUSTMENT
STANDARD DEDUCTION	-0-	\$3,800.00	(\$3,800.00)

You are allowed the standard deduction at the single rate since you have not verified if you are eligible to file as married filing joint returns or as head of household.

	PER RETURN	PER EXAM	ADJUSTMENT
PERSONAL EXEMPTION	0.00	1.00	(1.00)
You are allowed a deduction for your personal exemption in the amount shown.			

EXEMPTION	PER RETURN	PER EXAM	ADJUSTMENT
	-0-	\$2,450.00	(\$2,450.00)

You are allowed a deduction for your personal exemption in the amount shown above.

Form 668-W(c) (Rev. August 1994) Department of the Treasury - Internal Revenue Service
Notice of Levy on Wages, Salary, and Other Income

DATE: 05/15/97 DISTRICT: ARKANSAS-OKLAHOMA TELEPHONE NUMBER/SEQUENCE: 00008
 IRS ADDRESS: OF IRS OFFICE: DALLAS 760-8343
 TOLL FREE 1-800-829-8343
 INTERNAL REVENUE SERVICE/ACS
 P.O. BOX 149047
 AUSTIN, TEXAS 78714

NAME AND ADDRESS OF TAXPAYER:

TO: P 94-2612933 DPC05

SEAGATE TECHNOLOGY
 928 DISC DR
 SCOTTS VALLEY CA 95066-4544000

DOROTHY L BORUM
 7828 S YOUNGS BLVD
 OKLAHOMA CITY OK 73159-5155289
 IDENTIFYING NUMBER(S):

BORU Y 03 343-22-4055

Kind of Tax	Tax Period Ended	Unpaid Balance of Assessment	Statutory Additions	Total
1040A	12-31-94	\$ 7,291.32	\$ 519.83	\$ 7,811.15
<p>ACCEPTANCE REFUSED FOR CAUSE WITHOUT DISHONOR UCC 3-501</p> <p><i>Dorothy Lucille Borum</i> Dorothy Lucille Borum June 3, 1997</p>				
Total Amount Due				\$ 7,811.15

We figured the interest and late payment penalty to 06-10-97

Although we have told you to pay the amount you owe, it is still not paid.

This is your copy of a Notice of Levy we have sent to collect this unpaid amount. We will send other levies if we don't get enough with this one.

This levy requires the person who received it to turn over to us: (1) your wages and salary that have been earned but not paid yet, as well as wages and salary you earn in the future until this levy is released, and (2) your other income that the person has now or is obligated to pay you. These are levied to the extent they are not exempt, as explained on the back of Part 5 of this form.

If you decide to pay the amount you owe now, please bring a guaranteed payment (cash, cashier's check, certified check, or money order) to the nearest IRS office with this form, so we can tell the person who received this levy not to send us your money. If you mail your payment instead of bringing it to us, we may not have time to stop the person who received this levy from sending us your money.

If you have any questions, or want to arrange payment before other levies are issued, please call or write us. If you write to us, please include your telephone number and the best time to call.

Please see the back of Part 5 for instructions.

Signature of Service Representative *[Signature]* Title CHIEF, COLLECTION BRANCH

Excerpts from the Internal Revenue Code

Sec. 6321. Levy and Distraint.

(a) **Seizure and Sale of Property.**—The term "levy" as used in this title includes the power of distraint and seizure by any means. Except as otherwise provided in subsection (a), a levy shall extend only to property possessed and obligations existing at the time thereof. In any case in which the Secretary may levy upon property or rights in property, he may seize and sell such property or rights to property (whether real or personal, tangible or intangible).

(b) **Successive Seizures.**—Whenever any property or rights to property upon which levy has been made by virtue of subsection (a) is not sufficient to satisfy the claim of the United States for which levy is made, the Secretary may, thereafter, and as often as may be necessary, proceed to levy in the like manner upon any other property liable to levy of the person against whom such claim exists, until the amount due from him, together with all expenses, is fully paid.

(c) **Continuing Levy on Salary and Wages.**—The effect of a levy on salary or wages payable to or received by a taxpayer shall be continuous from the date such levy is first made until such levy is released under Section 6343.

Sec. 6322. Surrender of Property Subject to Levy.

(a) **Requirement.**—Exempt as otherwise provided in subsection (b) and (c), any person in possession of (or obligated with respect to) property or rights to property subject to levy upon which a levy has been made shall, upon demand of the Secretary, surrender such property or rights (or discharge such obligation) to the Secretary, except such part of the property or rights as is, at the time of such demand, subject to an attachment or execution under any judicial process.

(d) **Enforcement of Levy.**

(1) **Extent of personal liability.**—Any person who fails or refuses to surrender any property or rights of property, subject to levy, upon demand by the Secretary, shall be liable in his own person and estate to the United States in an amount equal to the value of the property or rights not so surrendered, but not exceeding the amount of taxes for the collection of which such levy has been made, together with costs and interest on such sum of the underpayment rate established under section 6621 from the date of such levy for, in the case of a levy described in section 6321 (a)(2), from the date such person would otherwise have been obligated to pay over such amounts to the taxpayer. Any amount (other than costs) recovered under this paragraph shall be credited against the tax liability for the collection of which such levy was made.

(2) **Penalty for non-compliance.**—In addition to the personal liability imposed by paragraph (1), if any person required to surrender property or rights to property fails or refuses to surrender such property without reasonable cause, such person shall be liable for a penalty equal to 30 percent of the amount recoverable under paragraph (1). The part of such penalty shall be credited against the tax liability for the collection of which such levy was made.

(3) **Effect of honoring levy.**—Any person in possession of (or obligated with respect to) property or rights to property subject to levy upon which a levy has been made who, upon demand by the Secretary, surrenders such property or rights to property (or discharges such obligation) to the Secretary (or who pays a liability under subsection (a)(1)) shall be discharged from any obligation or liability to the delinquent taxpayer and any other person with respect to such property or rights to property arising from such surrender or payment.

Sec. 6323. Production of Books.

If a levy has been made or is about to be made on any property, or right to property, any person having custody or control of any books or records, containing evidence or statements relating to the property or right to property subject to levy, shall, upon demand of the Secretary, exhibit such books or records to the Secretary.

Sec. 6324. Property Exempt From Levy.

(a) **Exemption.**—There shall be exempt from levy:

(1) **Unemployment benefits.**—Any amount payable to an individual with respect to his unemployment (including any portion thereof payable with respect to dependents) under an unemployment compensation law of the United States, of any State, or of the District of Columbia or the Commonwealth of Puerto Rico.

(2) **Certain annuity and pension payments.**—Annuity or pension payments under the Railroad Retirement Act, benefits under the Railroad Unemployment Insurance Act, special pension payments received by a person whose name has been entered on the Army, Navy, Air Force, and Coast Guard Medal of Honor Roll (28 U.S.C. 562), and annuities based on retired or retainer pay under chapter 73 of title 10 of the United States Code.

(3) **Workman's compensation.**—Any amount payable to an individual as workman's compensation (including any portion thereof payable with respect to dependents) under a workman's compensation law of the United States, any State, the District of Columbia, or the Commonwealth of Puerto Rico.

(4) **Judgments for support of minor children.**—If the taxpayer is required by judgment of a court of competent jurisdiction, entered prior to the date of levy, to contribute to the support of his minor children, so much of his salary, wages, or other income as is necessary to comply with such judgment.

(5) **Minimum exemption for wages, salary, and other income.**—Any amount payable to or received by an individual as wages or salary for personal services or as income derived from other sources, during any period, to the extent that the total of such amounts payable to or received by him during such period does not exceed the applicable exempt amount determined under subsection (d).

(6) **Certain services connected disability payments.**—Any amount payable to an individual as a services-connected disability benefit under—

(A) subchapter B, title IV, V or VI of chapter 11 of such title 38, or

(B) Chapter 13, 21, 31, 32, 34, 35, 37, or 39 of such title 38.

(7) **Certain Public Assistance Payments.**—Any amount payable to an individual as a recipient of public assistance under—

(A) title IV (relating to aid to families with dependent children) or title XIV (relating to supplemental security income for the aged, blind, and disabled) of the Social Security Act;

(B) State or local government public assistance or public welfare programs for which eligibility is determined by a needs or income test.

(8) **Assistance Under Job Training Partnership Act.**—Any amount payable to a participant under the Job Training Partnership Act (29 U.S.C. 1501 et seq.) from funds appropriated pursuant to such Act.

(9) **Exempt Amounts: Wages, Salary, or Other Income.**—

(1) **Individuals on a weekly basis.**—In the case of an individual who is paid or receives all of his wages, salary, and other income on a weekly basis, the amount of the wages, salary, and other income payable to or received by him during any week which is exempt from levy under subsection (a)(9) shall be the exempt amount.

(2) **Exempt Amount.**—For purposes of paragraph (1), the term "exempt amount" means an amount equal to—

(A) the sum of—

(i) the standard deduction, and

(ii) the aggregate amount of the deductions for personal exemptions allowed the taxpayer under section 131 in the taxable year in which such levy occurs, divided by

(B) 52.

Unless the taxpayer submits to the Secretary a written and properly verified statement specifying the facts necessary to determine the proper amount under subparagraph (A), subparagraph (A) shall be applied as if the taxpayer were a married individual filing a separate return with only 1 personal exemption.

(3) **Individuals on basis other than weekly.**—In case of any individual not described in paragraph (1), the amount of the wages, salary, and other income payable to or received by him during any applicable pay period or other fiscal period (as determined under such regulations prescribed by the Secretary) which is exempt from levy under subsection (a)(9) shall be an amount—determined under such regulations which as nearly as possible will result in the same total exemption from levy for such individual over a period of time as he would have under paragraph (1) if (during such period of time) he were paid or received such wages, salary and other income on a regular weekly basis.

Sec. 6343. Authority to Release Levy and Return Property.

(a) **Release of Levy and Return of Property.**—

(1) **In general.**—Under regulations prescribed by the Secretary, the Secretary shall release the levy upon all, or part of, the property or rights to property levied upon and shall promptly notify the person upon whom such levy was made (if any) if that such levy has been released.

(A) The liability for which such levy was made is satisfied or becomes unenforceable by reason of lapse of time.

(B) Release of such levy is to facilitate the collection of such liability.

(C) The taxpayer has entered into an agreement under section 6159 to satisfy such liability by means of installment payments, unless such agreement provides otherwise.

(D) The Secretary has determined that such levy is creating an economic hardship due to the financial condition of the taxpayer or

(E) The fair market value of the property exceeds such liability and release of the levy on a part of such property could be made without hindering the collection of such liability.

For purposes of subparagraph (C), the Secretary is not required to release such levy if such release would jeopardize the secured creditor status of the Secretary.

(2) **Expedited Determination on Certain Personal Property.**—In the case of any tangible personal property essential in carrying on the trade or business of the taxpayer, the Secretary shall provide for an expedited determination under paragraph (1) if levy on such tangible personal property would prevent the taxpayer from carrying on such trade or business.

(3) **Subsequent Levy.**—The release of levy on any property under paragraph (1) shall not prevent any subsequent levy on such property.

(4) **Return of Property.**—If the Secretary determines that property has been wrongfully levied upon, it shall be lawful for the Secretary to return—

(1) The specific property levied upon;

(2) an amount of money equal to the amount of money levied upon or

(3) an amount of money equal to the amount of money received by the United States from a sale of such property.

Property may be returned at any time. An amount equal to the amount of money levied upon or received from such sale may be returned at any time before the expiration of 6 months from the date of such levy. For purposes of paragraph (2), if property is declared purchased by the United States at a sale pursuant to section 6333 (relating to manner and conditions of sale), the United States shall be treated as having received an amount of money equal to the minimum price determined pursuant to such section or (if larger) the amount received by the United States from the resale of such property.

Applicable Sections of Internal Revenue Code

1321. Lien for taxes.

6322. Release of lien or discharge of property.

6321. Levy and distraint.

6322. Surrender of property subject to levy.

6323. Production of books.

6324. Property exempt from levy.

6343. Authority to release levy and return property.

7426. Civil actions by persons other than taxpayers.

7429. Review of Jeopardy Levy or Assessment Procedures.

For more information about this notice, please call the phone number on the front of this form.

BEST AVAILABLE COPY

§ 6331. Levy and distraint

(a) **Authority of Secretary.**—If any person liable to pay any tax neglects or refuses to pay the same within 10 days after notice and demand, it shall be lawful for the Secretary to collect such tax (and such further sum as shall be sufficient to cover the expenses of the levy) by levy upon all property and rights to property (except such property as is exempt under section 6334) belonging to such person or on which there is a lien provided in this chapter for the payment of such tax. Levy may be made upon the accrued salary or wages of any officer, employee, or elected official, of the United States, the District of Columbia, or any agency or instrumentality of the United States or the District of Columbia, by serving a notice of levy on the employer (as defined in section 3401(d)) of such officer, employee, or elected official. If the Secretary makes a finding that the collection of such tax is in jeopardy, notice and demand for immediate payment of such tax may be made by the Secretary and, upon failure or refusal to pay such tax, collection thereof by levy shall be lawful without regard to the 10-day period provided in this section.

Wed, 16 Jul 1997, 6:56 am

AMD1E9343-22-4055 MFT:30 TX-FRD>9412 IM-CTFL>BOPU
PRIMARY-NAME>EBRUM,DOROTHY L JULIAN-DT>7197
ASSED>01/06/00Y CPNSG-CRTH-TRANSFER-DT>07/05/96
SOURCE-CD:24 REFUSAL TO FILE TDI EYAN-START-CYC>9604

REF-REASON-CODE>R
CDT>CD>532

STATUTE-XTFCTN-IND>0 PARTIAL-AGREMT-IND>0 TC-300-IND:1
CO/SC>73 RCD>08
CURRENT-STATUS-CD/DT FR-STATUS-CD/DT
90 CLOSED 12/17/96 S6 LOCAL DEFINITION 12/09/96
2973<ORG-CD 1952<FR-ORG-CD RPT-EX-CYC/CD>9612/1 UFDT-CD'S FR-UPDT-CD'0
PROJ-CD>085 RET-NOT-FED PICE-CD>0
DISP-CD/DT>10 12/17/96 CLS-DO-CD>73 YSER-CLN:12247352000006
RETCFN-RECVD-DT.06/19/96 DELQ-RET-IND 1 RET-POSTNG-YR.96
AAMS-SER-NUM 73090724

NN-LN>0094 PRIMARY-NN-LN>BOPUM,DOROTHY L
CONTINUATION-OF-PRIMARY-NAME>
STREET>7828 S YOUNGS BLVD
CITY>OKLAHOMA CITY STATE>OK ZIP>731575153

Dorothy Lucille Borum,
Sui Juris
7828 South Youngs Blvd
OKC, OK 73159

Dorothy Lucille Borum, Sui Juris
7828 South Youngs Blvd
OKC, OK 73159

Debtor(s) (Last Name First) and address(es):

Party requesting information or copies (Name and Address)

STATE EXAMINER
 OKLAHOMA COUNTY
 RECEIVED FOR FILING
 JUL 30 1997 4:46 AM
 COUNTY CLERK

- Filing officer please furnish certificate showing whether there is on file as of _____ 19____ of _____, any presently effective financing statement naming the above named debtor(s) and any statement of assignment thereof, and if there is giving the date and hour of filing of such statement and the name(s) and address(es) of each secured party(ies) thereon. Enclosed is uniform fee of \$3.00
- INFORMATION REQUEST:**
- COPY REQUEST:** Filing officer please furnish exact copies of each page of financing statements and statements of assignment listed below at the rate of \$1.00 each which are on file with your office. Enclosed is \$_____ for copies requested. In case any of said statements contain more than one page the undersigned agrees to pay the sum of \$1.00 for each additional page.
- CERTIFICATION REQUEST:** Fee is \$1.00 per certification regardless of number of pages.

For Filing Officer Use

File No.	Date and Hour of Filing	Name(s) and Address(es) of Secured Party(ies)
clear	clear	clear

CERTIFICATE: The undersigned filing officer hereby certifies that:

- the above listing is a record of all presently effective financing statements and statements of assignment which name the above debtor(s) and which are on file in my office as of July 31, 1997 at 4:45 P.M.
- the attached _____ pages are true and exact copies of all available financing statements or statements of assignment listed in above request.
 Additional fee requested \$ _____ August 1, 1997 Carolynn Caudill by [Signature]
 Date Signature of Filing Officer

TO BE RETURNED WITH
COPIES OR INFORMATION

STANDARD FORM — UNIFORM COMMERCIAL CODE —
(Form UCC-4 Approved by State Examiner and Inspector)

REQUEST FOR COPY OF VALID CERTIFIED LIENSCertified Mail # 2-006-985-518

July 28, 1997

ATTN: COUNTY CLERK
OKLAHOMA COUNTY
320 ROBERT S KERR
OKLAHOMA CITY, OKLAHOMA
73102

Dorothy Lucille, Borum, Sul juris
C/O 7828 South Youngs Blvd.
Oklahoma City, Oklahoma
Non-domestic
(p z. 73159)
SS# 343-22-4055

Dear Sirs:

It is my understanding that a "Federal Tax Lien" and/or a "Notice of Federal Tax Lien" against me or my property may be recorded or filed in your office pursuant only to the Federal Lien Registration Act, Oklahoma Statute §68-3402. I also understand that Oklahoma Statute §68-3402(A)(1) requires such notice, "to be marked, held, and indexed in accordance with the provisions of subsection 4 of Section 9-403 of Title 12A of the Oklahoma Statutes as if the notice were a financing statement within the meaning of the Uniform Commercial Code," in order to be perfected as a secured instrument.

I also understand that the Oklahoma Statutes expressly state in plain language, at §68-3404, the qualifying actions constituting avoidance of any "other attestation, certification, or acknowledgement...", required in order to perfect, for filing purposes, the security interest of any otherwise alleged "Federal Tax Lien" or alleged "Notice of Federal Tax Lien" as being solely through "Certification...by the Secretary of the Treasury of the United States or his delegate (as in written delegation Orders), or by any official or entity of the United States responsible for filing or certifying of notice of any other lien," and thereby, through such construction of the statute under the doctrine of *Expressio unius est exclusio alterius*, indicates that the Federal Tax Liens that are "Certified" by "the Secretary of the Treasury of the United States or his delegate, or by any official or entity of the United States responsible for filing or certifying of notice of any other lien, entitles them to be filed..." without any "other attestation, certification or acknowledgment" being necessary.

Consequently, and with the understanding that such "Federal Tax Liens" and/or "Notice of Federal Tax Liens", under Oklahoma Statute §68-3405(A)(2) are required in part, to be "immediately filed" showing "the title and address of the official or entity certifying the lien," please provide me, pursuant to Oklahoma Statute §68-3405(d), a certificate showing all aspects of any and all such valid, certified and perfected "Federal Tax Liens" or "Notice of Federal Tax Liens", which may be recorded or filed in your office against me, along with copies of each of the required financing statements (Oklahoma Statute §68-3405(A)(1)), bearing my bona fide signature, in accordance with Oklahoma Statute §12A-9-402(1), and copies of the required certificates, along with the titles and address' of the officials or entities certifying said lien(s), or any other required validating attestation, certification, or acknowledgment necessary for authorization associated with each of same.

If no such valid, certified or perfected "Federal Tax Lien" or "Notice of Federal Tax Lien" should exist, please state so and identify same clearly. Please be sure to certify your response so that it will be admissible as evidence in a court proceeding.

Enclosed is a money order for \$5.00 to cover any associated costs. In the event this request should exhaust the enclosed amount, please provide me with a complete order billing statement itemizing all costs that may be incurred by me.

Sincerely,


Dorothy Lucille, Borum, Sul juris

Attachments:

Oklahoma Statute §68-3402.
Oklahoma Statute §68-3405(A)(1).
Oklahoma Statute §12A-9-403(4).
Oklahoma Statute §68-3404.
Oklahoma Statute §68-3405(A)(2).
Oklahoma Statute §68-3405(D).
Oklahoma Statute §12A-9-402(1).

P.O.Box 45795
Tinker AFB, OK 73145
Phone: 405 945-1934
December 4, 1997

Senator Don Nickles
100 N. Broadway, Suite 1820
Okla. City, OK 73102

Dear Senator Nickles,

SUBJECT: IRS REFORM

Please submit this additional data to the Sub-Committee on IRS Reform.

1. During the period 1980-95 I was repeatedly audited by the Okla. City, and Enid, OK IRS offices although their net additional tax on me amounted to about zero. I was out a large amount of money hiring CPA's to represent me on these audits.

On each audit particularly the later audits the IRS auditor assured me they would enter a code into the computer that would stop me from being audited again. This was not true on the part of the IRS.

During the period of these above mentioned audits my gross income from all sources was never over \$30,000.00 per year, so even if the IRS would have found all my deductions were incorrect they could not have raised enough additional tax from me to pay their help for the audits.

After my wife died in 1981 leaving me with a eight year old Daughter to raise alone, the IRS auditors also required me to bring a notarized statement from my Daughter that she lived with me and that I supported Her. This seemed bizarre.

2. After reporting two different individuals to IRS Criminal Division, Okla. City, OK for under-reporting their income, etc., I learned the IRS had revealed my identity to at least one of the individuals I had reported, and been given a small reward for reporting. Also my audits started after my making these reports to the IRS criminal division in Okla. City.

3. at the audit conducted in the Enid, OK IRS office in 1994, the auditor had me and all my tax records, and receipts set up in the public hallway where anyone passing by could see and hear what was happening to me, and at that time I was a newly elected City Commissioner (councilman) for the city of Enid, OK. Finally after several hours of my protesting being in the hallway the auditor took me to a private room for the remainder of the four hour audit that produced no additional tax.

Sincerely,



Gerald Paul Dulaney
SSN : 448-28-6376

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BERNARD DEAN SHARP
INTERNAL REVENUE SERVICE
ARKANSAS-OKLAHOMA DISTRICT
COLLECTION DIVISION, FIELD BRANCH 1
REVENUE OFFICER

WRITTEN STATEMENT
FOR THE U.S. SENATE
FIELD HEARINGS
3 DECEMBER, 1997

STATEMENT FOR HEARING RECORD.

I AM A REVENUE OFFICER/ REVENUE OFFICER EXAMINER EMPLOYED BY THE INTERNAL REVENUE SERVICE FOR THE LAST 15 AND ¼ YEARS. I HAVE RESIGNED FROM THE SERVICE EFFECTIVE 5 DECEMBER, 1997, DUE TO ILLEGAL AND UNETHICAL PRACTICES WHICH I CAN NO LONGER TOLLERATE. ATTACHED IS A LETTER TO THE OFFICE OF SPECIAL COUNCIL, DETAILING MY COMPLAINTS THROUGH MAY OF 1997. OSC HAS YET TO ACT ON ANY PORTION OF THE COMPLAINT. THIS COVER LETTER UPDATES THE SITUATION THROUGH THE CURRENT DATE OF 3 DECEMBER, 1997.

ON JUNE 1, 1997, I WAS INTERVIEWED ABOUT THE "BRIBERY" ACCUSATIONS, AND I HAVE YET TO HEAR OF ANY DECISION HAVING BEEN MADE IN THIS MATTER. I WAS GIVEN ONE HOUR TO PREPARE FOR THE INTERVIEW AFTER HAVING BEEN GIVEN THE SUBJECT MATTER OF THE INVESTIGATION.

AT THE BEGINNING OF THE INTERVIEW, INSPECTOR DAVID HILL ADMITTED THAT THE SERVICE HAD LOST THE CASE FILE INVOLVED(FOR THE SECOND TIME), THUS LEAVING ME NO WAY TO GIVE THEM SPECIFIC INFORMATION AS TO MY ACTIONS IN THAT MATTER. THE NEXT DAY I BECAME ILL AND REMAINED AT HOME. ON JUNE 18TH I WAS ADMITTED TO OKLAHOMA CITY'S COLUMBIA - PRESBYTERIAN HOSPITAL WITH A BLOOD INFECTION AND A 103+ DEGREE TEMPERATURE. I WAS LATER TOLD THAT I WAS 3 TO 5 DAYS AWAY FROM DYING.

DUE TO MY ILLNESS, I ENTERED THE HOSPITAL WITH NO SICK OR ANNUAL LEAVE AVAILABLE. ON 21 JUNE, 1997, SURGERY WAS PERFORMED, AND I WAS ADVISED THAT I WOULD HAVE TO HAVE MY LEFT FOOT AMPUTATED. GROUP MANAGER CP:11 JESSICA HARRISON REQUESTED ADVANCED SICK LEAVE FOR ME IN ORDER THAT I NOT LOSE MY APARTMENT NOR MY HOSPITALIZATION DUE TO THE LEAVE WITHOUT PAY STATUS. DIVISION CHIEF RON JAMES DENIED THE REQUEST, AS I HAD NOT PERSONALLY WRITTEN THE MEMORANDUM (WHILE BEDRIDDEN AND ON MORPHINE). A MEMORANDUM WAS THEN WRITTEN FOR ME, WHICH I SIGNED, AND WAS SUBMITTED TO HIM; HE DID NOT ACT ON THE MEMORANDUM.

ON 30 JUNE, 1997, A BELOW THE KNEE AMPUTATION WAS PERFORMED ON MY LEFT LEG. THAT AFTERNOON I SPOKE TO U.S. SENATOR JAMES M. INHOFE BY PHONE ABOUT THE SITUATION, AS I STILL HAD NO RESPONSE FROM MR. JAMES. DURING THE NEXT TWO DAYS, SENATOR INHOFE SPOKE TO MY MANAGER, JESSICA HARRISON, AND MR. JAMES, ABOUT THE SITUATION. IN THE PROCESS MR. JAMES DENIED EVEN KNOWING ABOUT MY REQUEST, LYING TO SENATOR INHOFE. AFTER THE SENATOR'S INTERVENTION, THE ADVANCED SICK LEAVE WAS APPROVED.

FROM THAT POINT UNTIL LATE SEPTEMBER, I HAVE BEEN IN REHABILITATION, AND THE HOSPITAL (AGAIN) FOR A REVISION TO MY STUMP. I RECEIVED MY TEMPORARY PROSTHESIS SIX WEEKS AGO, AND HAVE NO IDEA AS TO WHEN I WILL BE ABLE TO PERFORM ANY WORK OF ANY NATURE. IN LATE SEPTEMBER, ALL LEAVE BANK, ADVANCED SICK LEAVE, AND DONATED LEAVE WERE EXHAUSTED. I ADVISED

MANAGEMENT OF THE SITUATION, AND HAVE FINALLY BEEN ADVISED THAT NO ADVANCED SICK LEAVE CAN BE ADVANCED TO ME DUE TO FEDERAL PERSONNEL REGULATIONS. MY MANAGER WAS MISINFORMED, I FEEL DELIBERATELY, BY BRANCH CHIEF I DAVID EDGINGTON, THAT NO LEAVE BANK TIME COULD BE APPLIED FOR. THIS LIE CAME TO LIGHT LAST WEEK.

DUE TO THE ACTS OF MANAGEMENT, I AM SOON TO BE HOMELESS, PENNILESS, UNABLE TO WORK, AND LOSE EVERYTHING I OWN, AS I HAVE HAD NO PAY FOR A TOTAL OF TWO MONTHS DUE TO Mr. JAMES' AND MR. EDGINGTON'S ANIMOSITY, AND THE BENIGN (AND DELIBERATE) IGNORING OF THE MATTER BY FORMER DISTRICT DIRECTOR KENNETH J. SAWYER. I WOULD HOPE THAT THE SENATE HEARINGS WOULD ESTABLISH THAT IF ONE MANAGES IN FEDERAL SERVICE, THAT THE MANAGER BE HELD RESPONSIBLE FOR THE SUCCESSES AND FAILURES OF THEIR AREAS OF RESPONSIBILITY, NOT JUST THE SUCCESSES, WITH THE FAILURES BEING SOMEONE ELSE'S FAULT, OR BURIED AND IGNORED.

ALSO, MY EXPERIENCE SHOWS THAT THE SUPPORT STRUCTURE FOR SITUATIONS SUCH AS MINE ARE INADEQUATE, AND AT BEST, INDIFFERENT. THE FEDERAL EMPLOYEE GROUP LIFE INSURANCE CO. HAS DENIED THE CLAIM FOR THE LOSS OF THE LEG, AS I AM A DIABETIC. MY DOCTORS, IN SWORN STATEMENTS, STATE THE DIABETES HAD NOTHING TO DO WITH THE LOSS - THE GLASS I STEPPED-ON DID. THE POLICY WAS WRITTEN BY OPM IN THE 1950's, AND HAS NOT BEEN REVISED SINCE. I WILL HAVE TO SUE FEGLI UNDER THE AUSPICES OF THE AMERICANS WITH DISABILITY ACT IN ORDER TO TRY TO COLLECT ON THE POLICY. SINCE 1 AUGUST, OPM HAS DONE NOTHING TO RESOLVE MY CLAIM FOR DISABILITY. I HAVE NOT EVEN HEARD FROM THE WORKMAN'S COMPENSATION UNIT. AND I HAVE NO LEAVE AS MY MANAGER WAS LIED TO BY THE BRANCH CHIEF. IT IS NECESSARY FOR LEGISLATION TO BE INTRODUCED TO GUARANTEE THAT AN EMPLOYEE IN MY SITUATION BE CARED FOR FINANCIALLY, AS THE CUTBACKS BY THE CLINTON ADMINISTRATION HAVE CAUSED THE AMOUNT OF TIME FOR THESE PROCESSES TO OCCUR TO MORE THAN DOUBLE, MAKING IT NEARLY IMPOSSIBLE FOR MANY FEDERAL EMPLOYEES TO MAKE

USE OF BENEFITS TO WHICH THEY ARE LEGALLY ENTITLED. THE AGENCIES ARE UNABLE (OR UNWILLING) TO HELP THEIR EMPLOYEES DUE TO OUTDATED LAWS WHICH ARE BASED ON TIMES IN WHICH THE U.S. GOVERNMENT ACTUALLY WORKED. I HOPE YOUR COMMITTEE WILL MAKE THESE RECOMMENDATIONS.

ON A PERSONAL NOTE, I REGRET EVER HAVING GONE TO WORK FOR THE FEDERAL GOVERNMENT. WHEN MY UNCLES SERVED IN THE ARMY, NAVY, AND FAA, GOVERNMENT SERVICE WAS HONORABLE, AND THE PEOPLE THE JOB WAS DONE FOR MATTERED. NOW ONLY THE STATISTICS, AND THE PROCESS, MATTER - NOT THE PEOPLE THEY SUPPOSEDLY SERVE. HAVING WORKED UNDER FORMER SENATOR BOB DOLE WHILE IN GRADUATE SCHOOL AT GEORGE WASHINGTON UNIVERSITY AS A WOLCOTT FELLOW, I HAD GREAT ADMIRATION AND BELIEF IN THE AMERICAN GOVERNMENTAL AND POLITICAL SYSTEM, AND WISHED TO DO MY PART. NOW I SIMPLY FEEL BETRAYED AND DISCARDED, DUE TO THE FACTS THAT I DID MY JOB IN A PROFESSIONAL MANNER (INSTEAD OF AS A PROFESSIONAL EXECUTIONER), AND DIDN'T SIMPLY MOUTH THE THE LIES THAT IRS MANAGEMENT WANTED TO HEAR.

THANK YOU FOR THE OPPORTUNITY TO SUBMIT THIS INFORMATION DIRECTLY TO THE COMMITTEE. FURTHER DOCUMENTATION MAY BE OBTAINED FROM THE OFFICE OF SPECIAL COUNCIL, AND ANITA TATE OF SENATOR INHOPE'S OFFICE.

December 4, 1997

SUBJ: IRS Hearing--December 3, 1997

Editorial Section
United States Finance Committee
Washington, DC 20510

Dear Sir:

I attended the hearing at the Oklahoma City Community College yesterday. It was disappointing to see a Senator of the United States act and talk in the way Senator Nickles did at the hearing. In his opening remarks it was clear he had decided to attack the Internal Revenue Service in the attempt to gain a few votes.

While listening to the statements I compared the IRS to a private business. In the case of owing the \$5000 for the past ten years and it is now up to \$30,000, a private business or bank would have taken her to court years ago and collected the \$5000 plus interest, penalties and court cost. The State of Oklahoma took aggressive action against the taxpayer and the amount was paid in full. I noticed you didn't have any comments about the State being cruel to a taxpayer but yet she is testifying against the IRS who has not received one penny from her. The taxpayer has paid the State of Oklahoma she should be required to pay the IRS.

In Steve Nunno testimony he stated the IRS should have monthly workshops to educate the public. Monthly workshops are held. Did your office do your homework? If so, why did you not inform the public of this fact at the hearing?

Mona Meier and Larry Lakey made many statements that I know personally are not true. They were not under oath, therefore, could tell as many lies as the time allowed. Larry Lakey stated the Revenue Officers were not allowed to do Credit Bureau checks, this is not true. I am responsible for the locator service budget and we most certainly paid invoices for Credit Bureau checks.

When are you going to be responsible and hear the other side of the IRS? A good starting point would be to obtain waivers from all taxpayers and employees who testified. Look at the taxpayer case files to see how many times they were contacted and sent letters, review the employees Official Personnel Folder and Employee Personnel Folder. Employees who would love to tell the other side are scared of you and your powers, after all the media reports three managers were suspended. Mona Meier and Larry Lakey are protected as whistle blowers. The other employee are restricted from speaking out because of the Privacy Act.

It shocked me that you believe what you read in the Newsweek, other magazines and the papers. Do your homework and you will find many erroneous information in the articles. One is that the Arkansas-Oklahoma District has been referred to as the Oklahoma-Arkansas District.

I called your office on Wednesday prior to Thanksgiving to give you some food for thought. The lady could not answer my simple questions and said someone would return my call. No one called

me by late afternoon so I called again. I was transferred to a man who stated he did not get the message but he could answer my questions. In the end he could not answer my questions so he stated he would have someone call me. The following Monday I had a message on my answering machine when I returned home from work from a Lee Morris in Senator Nickles Washington D.C. Office with his phone number. I called and left a message for Mr. Morris Tuesday morning at 6AM central standard time. I told him my work schedule and work phone number. I called again Thursday morning at 6AM. Mr. Morris phoned me at work Thursday morning. He provided me with the information to have a statement on record on the hearing. I then asked him if he could answer any of my questions that I had previously asked. He started out by explaining that the hearings were not a court of law just a fact finding hearing, therefore, the people testifying did not have to be under the oath. I responded to him that lies are not facts. I suggested he talk to other employees and Mr. Morris told me he didn't need to because he had extensively interviewed Mr. Lahey and Ms. Meier. He then started laughing at me and when I asked him if he was laughing at me he said yes and that I needed a reality check because I am the only person that feels IRS is doing their job. Mr. Morris started telling me how mean the IRS employees are to taxpayers by using the various collection tools. I told Mr. Morris that the IRS employees follow the law that was written by congress. Mr. Morris stated the IRS is following the IRS legal law but not the moral law. The manner in which Mr. Morris spoke to me was very unprofessional. Mr. Morris has double standards in regards to expectations of how the IRS treats customers and how Mr. Morris treats customers.

Congress created the laws requiring the IRS to track numbers, collect taxes by doing seizures, and filing liens. The IRS operated under the rules Congress established. I want to see the congressmen stand up and take responsibility.

I would greatly appreciate a sincere response.

Sincerely,

Jane Lovitt

Jane Lovitt

