

Q Sir, in this period in the beginning of 2010, the early part of 2010, was there a time at which you became aware of a case involving an application for tax-exempt status involving a Tea Party group?

A I believe the instance you're talking about was at the latter part, if I recall, of February 2010.

[Screening Group Manager] Exhibit No. 1

was marked for identification.]

BY Counsel

Q Okay. I want to show you a document, sir. We'll mark this as Exhibit 1. This has been produced to the committee by [REDACTED] The Bates number for the record is [REDACTED] 1 through 5, and I made 10 copies. I hope we have enough for the table.

And, [Screening Group Manager] I will give you a few minutes to review the document.

[REDACTED] Yeah, if we could just have a minute.

[Screening Group Manager] Okay.

BY Counsel

Q [Screening Group Manager] I want to turn your attention to [REDACTED] 4, page 4 of this document, and in particular to the email. It starts on this page from [REDACTED] to you, dated February 25, 2010. Do you recall this email coming in?

A Yes, I do.

Q And to your knowledge, sir, to your recollection, is this the email in which you first became aware of the Tea Party application?

A Actually I became aware of it earlier than this email

because [REDACTED] was an agent who worked for me, and he came to my office. And he was asking guidance concerning a case that had been assigned to him, and I believe his comment at that point in time to me was that, I can't really close this case. I'm going to send it to inventory. But because of media attention that he had seen, he had concerns about this being a high-profile case.

And I might mention here is that part of our effort with EO Determinations is to be very consistent about applications. So it was normal business for us to look at a situation that may be defined as a high-profile application, and that there was a lot of concerns about making sure that any cases that had, you know, similar-type activities or items included, that they would be worked by the same agent and the same group.

What I'm talking here is that if we end up with four applications coming into the group that are pretty similar, and we assign them to four different agents, we don't want four different determinations. It's just not good business. It's not good customer service.

So, you know, when we get into why we -- and this was normal business, by the way -- why this was brought to my attention was for consistency. And so when he had this concern about this case -- and the basic concern that he's looking at here is that, you know, we're talking about an organization, and this one was applying for (c)(4), and they were a social welfare organization. But part of these -- it ended up to be mentioned of potential political activity. And so in itself, on a (c)(4), that's not prohibited, but it's not real clear

as to how much political activity a (c)(4) public organization can participate in.

So immediately, my agents -- because their job was to review cases and make a determination about if they could be closed. That's what our big interest was. If not, then we send it to inventory for someone else to develop whatever issues were in the case.

And in this particular case, it was apparent that there was not enough information that was allowing [REDACTED] to make -- [REDACTED] to make the proper determination, so he appropriately was going to put this into inventory. But because of the consistency situation, he also raised the question of a high-profile case. So I told him at that point in time I agreed with his thinking, and to give me the particulars of the case, and that I would elevate that issue to my area manager. And at that time that was [REDACTED]

Counsel [REDACTED] Okay.

BY Counsel [REDACTED]

Q So you said one purpose was the consistency, right?

A Correct. I mean, he had -- he had made his assessment that -- maybe I should backtrack just a little bit, because I think it might be helpful to understand our process.

Q Well, let me just ask one first before you do that.

But at this point this was the first application that came in, right?

A Not that I am aware of. I mean, this was the first case that came in that was brought to my attention.

Q Okay. That was brought to your attention. So do you know if [REDACTED] had seen other Tea Party applications?

A I do not.

Counsel [REDACTED] Okay.

[REDACTED] But go ahead and explain the process. I think it would be helpful.

Screening Group Manager [REDACTED] But basically, you know -- and I don't know if you know the scope of what our Cincinnati office does, but I was in charge of the review of all applications that were sent to Cincinnati. Cincinnati was designated as the centralized site, and all applications are mailed to our office. On an annual basis we receive upwards to 70,000 applications each year. On a monthly basis there would be 4,000 to 5,000 applications that would go through my group for a review.

Now, what we're looking at first off is is the application as submitted complete. In other words, are all the pages there or the things that are required as part of this application.

Second, we would look at what code section they're applying for. And a majority of our work is resolving around 501(c)(3) organizations. 501(c)(3) organizations really have a lot more scrutiny, and the reason being is that contributions made to a 501(c)(3) are deductible on individual tax returns, so there are specific tests that must be met, organizational tests, operational tests. Their organizing documents must have specific language in them.

So as the agent is reviewing through these cases, first they're seeing if the application is complete. Second, they're seeing if it's

procedurally up to snuff. So the (c)(3), is the org doc correct, et cetera, from that standpoint.

The other thing that we would then look at are their activities. And we want to make sure -- and like a (c)(3), are their activities exclusively religious, charitable, educational or scientific? And that's pretty easy to see in most cases. But if you can't really determine by looking at this application if these activities fall within that realm, then you can't make a determination, and this should be a closure. And at that time, it's moved to someone who has additional time to look at a case.

My agents would typically look at 20 to 25 cases daily. So when we look at it, it's less than a half-hour on the average of what we're looking at. And so they really didn't have time to be doing a whole lot of other things other than saying, yes, yes, yes, yes. No, this isn't here. Or this needs further -- like I don't see enough information here. And they would make their decision on what bucket to put it in.

So when we got through the end of the line, we ended up with like four buckets, the first bucket being the ones that were incomplete, and those would be returned. The bucket that we always looked at were the closures, because at that point in time, we were to merit closed 35 percent of all applications that come in the door.

Q And that means they are approved?

A Yes.

Q Everything that's closed goes to you for your approval; is