IRS COMMISSIONER UNDER INVESTIGATION BY HOUSE COMMITTEE

MAX ROBINSON: Eyewitness News has learned that Internal Revenue Service Commissioner Donald Alexander is under investigation by the House Ways and Means Committee. Correspondent Clarence Jones has this exclusive report. (FILM CLIP)

CLARENCE JONES: The House Ways and Means Committee is investigating allegations that IRS Commissioner Donald Alexander has deliberately sabotaged a massive tax evasion investigation. The IRS case involves more than 100 top executives in scores of major corporations across the country. There is evidence that those corporations hid hundreds of millions of dollars in banks in the Bahamas to evade U. S. income taxes.

Alexander, the nation's top tax enforcement official, was appointed by Richard Nixon in the spring of 1973. The congressional committee wants to know whether Alexander took the job with the understanding he would protect the corporations and the executives who helped elect Republicans in 1972.

Before he took the IRS Commissioner's job, Alexander moved in the highest levels of corporate business. His Cincinnati law firm represented some of the nation's largest corporations. The committee is searching for secret bank or trust accounts in the Bahamas that Alexander or his associates might have used to evade taxes or to hide illegal campaign contributions.

Extremely reliable sources inside two branches of the federal government say the committee has notified Treasury Secretary William Simon that the IRS Commissioner is under investigation. The committee has suggested, according to our sources, that Simon ought to find out why an internal IRS investigation of Alexander was short-circuited.

Investigators to the House Ways and Means Committee have talked to IRS agents, who gave them this story. The intelligence division received a tip that a meeting was to take place between Commissioner Alexander and a major security swindler who has ties to organized crime. According to their information, the
meeting was set up in Miami shortly after the swindler was released from the federal prison in Atlanta. Their information says that the meeting was designed to dispose of a tax lien then pending against the underworld figure. The amount of that IRS claim was more than $100,000.

IRS regulations require all allegations of suspected corruption be reported immediately to the IRS inspection division. This was done, but instead of putting surveillance on the Commissioner, the inspection division went to Alexander and told him about the allegation. The meeting never took place, and the accuracy of the information could not be confirmed.

In addition to the Bahamian bank accounts and the Florida meeting allegation, the committee is investigating a Seattle customs case, and Alexander's role in it. We'll have more tomorrow on how the IRS discovered corporations hiding money in the Bahamas.

The investigation that turned up tax evasion in the Bahamas may have also discovered hidden campaign contributions there. The House Ways and Means Committee is investigating allegations that Commissioner Alexander has used his power to prevent his agents from telling grand juries all they know. I'm Clarence Jones, Eyewitness News, at Internal Revenue Service headquarters.

ROBINSON: A spokesman for IRS Commissioner Alexander would not deny that an investigation of Alexander was in progress. However, that spokesman said the allegations against Alexander are untrue and unfounded. He said that Alexander did not move to block any IRS investigation. He said some of the cases rising out of Project Haven are presently being considered for prosecution. Others, however, might be jeopardized by improper procedure used by IRS agents. The spokesman said Alexander never met improperly, secretly or otherwise, with any individuals involved in a tax case, and finally, the spokesman said, Alexander denied that he had any role in the dismissal of the customs case.

GORDON PETERSON: IRS Commissioner Alexander was in New Haven, Connecticut, today. There, David Ropik, our Eyewitness News correspondent in Hartford, asked him about the allegations. What did he say, David, when you asked him if he believed the House Ways and Means Committee was investigating him?

DAVID ROPIK: The first time I asked him, Gordon, he kind of hedged a bit, and didn't really say one way or the other. The second time, the same thing; but when I asked him a third time, he did say that he had read in a paper somewhere--and he wouldn't say where--that he was aware that allegations to that effect are being made against him, and he said that he knew of two committees that are interested in the alleged operation--apparently pretty
much what he said in the official statement from his office.

PETERSON: I see. Did you ask him if he ever talked to former President Nixon about blocking tax investigations?

ROPIK: Yes, I did, and he said that he had only talked with the President about tax administration, at which time Nixon met him on a receiving line at the White House. Alexander said that the President told him, oh, you’re the new Commissioner. Do your job well and do it honestly. And Alexander, of course, said today that he has been doing it well, and he claims he has been doing it honestly.

PETERSON: What about these operations and the meeting with the so-called Mafia mobsters and so forth?

ROPIK: Well, he denied outright that he ever had any such meeting in Miami, that he ever planned any such meeting in Miami, and that he ever even cancelled any such meeting.

PETERSON: Uh-huh. And how about the business of his— the knowledge gained from the Cincinnati law contacts and so forth?

ROPIK: Well, he said that he has absolutely no knowledge whether his former law firm, which does represent many major corporations, as I understand— he says he has no knowledge whether that former law firm has any out-of-the-country bank accounts, and he said he’d be very surprised to learn that they did.

PETERSON: All right. Thank you very much, David.
HOUSE SUBCOMMITTEE INVESTIGATES COMMISSIONER ALEXANDER

HARRY REASONER: There are reports tonight in Washington of a new investigation, this one involving Donald Alexander, Commissioner of the Internal Revenue Service. ABC's Sam Donaldson has details.

SAM DONALDSON: What is described as a very serious investigation of IRS Commissioner Donald Alexander, who has been commissioner since his appointment by President Nixon in 1973, was confirmed today by the Chairman of the House Ways and Means Subcommittee.

CHAIRMAN OF SUBCOMMITTEE: The Subcommittee of Oversight of the Ways and Means Committee received a number of allegations concerning Commissioner Alexander, the Commissioner of the Internal Revenue Service. These allegations were unverified.

DONALDSON: What kind of allegations?

CHAIRMAN: Well, the allegations reflected --had to do with the administration of his office, and some others that came to the subcommittee.

DONALDSON: The investigation is being conducted by top Treasury Department officials and the FBI. Sources says the allegations charge Alexander with a whole grab bag of official misdeeds, in the areas of quashing tax fraud investigations, decisions to audit or not to audit certain returns, and favorable rulings in tax cases. Clarence Jones, of ABC affiliate WPLG in Miami, quotes sources as telling him that one of the allegations has it that more than 100 top executives in the United States hid hundreds of millions of dollars in the Bahamas in order to evade U.S. tax returns, and that Alexander sabotaged the IRS investigation of the case. Jones reports that it is even suggested that Alexander may have taken the job in 1973 on the understanding that he would protect the executives involved.
Congressman Vanik stresses that none of the allegations his subcommittee received have been verified at all. Late today the IRS issued a statement that said it may be that some improper investigative procedures within the IRS have been used in the past, in some cases. But Alexander categorically denies that he has done anything wrong, and he welcomes an investigation. Sam Donaldson, ABC News, Washington.
Wash., D.C.—Untrue and unfounded allegations have been made to the news media about inappropriate interference by Internal Revenue Commissioner Donald C. Alexander with tax investigations by IRS.

The Commissioner categorically denied these allegations and called for a complete investigation of these accusations by the proper Congressional oversight committees.

One of the allegations appears to refer to an information gathering operation called "Operation Tradewinds" and sometimes "Project Haven."

Several cases arising out of this investigation are presently under consideration for prosecution by attorneys of the Office of Chief Counsel and the Department of Justice. Other cases are under active audit and investigation in the field by the IRS. An internal audit made by IRS indicated that some improper investigative procedures may have been used in that operation. As a consequence, these cases are under review and no new cases will be initiated, pending a determination as to the effect, if any, on such cases of any improper procedures.

The Commissioner also categorically denied the allegation that he had planned to meet improperly, secretly or otherwise, with an individual involved in a tax case and that the Internal Security or any other branch of the IRS had informed him of any discovery of any such allegation.

Finally, the Commissioner categorically denied that he had any role in the dismissal of any Customs case.
OPENING REMARKS
By Commissioner of Internal Revenue Donald C. Alexander
At News Conference 10:30 AM EDT, 9/29/75

Since I became Commissioner, one of my most important objectives has been to ensure that the Internal Revenue Service respects individual rights, that its employees always operate within the law in conducting investigations, and that the Service confine its activities to those appropriate to a tax administration and enforcement agency.

These objectives have not been shared by some members of the law enforcement community, including, I believe, a few present and former IRS employees. These individuals have reacted by criticizing me personally, by attempting to block efforts to uncover and eliminate inappropriate activities by IRS employees and informers, and by circulating scurrilous rumors about my personal character. WTOP's program televised Friday and Saturday evenings are examples of such allegations, which I have categorically denied.

I intend to continue my efforts to see to it that IRS powers, information and resources are properly used in the administration and enforcement of the tax laws. I intend to see to it that IRS follows President Ford's directive to conduct itself with decency, honesty and adherence to the law at all levels. If those who disagree with this approach persist in efforts to discredit me, this is the price that I will have to pay for attempting to guarantee that law enforcement people always obey the law.
Did IRS Chief Block Probe To Protect His Friends?

By SAUL FRIEDMAN
Harold Washington Bureau

WASHINGTON — Congressional investigators grilled the nation’s top tax collectors Monday on why they did not follow up on information that 300 Americans, including prominent businessmen, organized crime figures and possibly public officials, may have sent money to the Bahamas to avoid or evade taxes.

Edward Mezvinsky (D., Iowa), a member of the House Government Operations Subcommittee on monetary affairs, told the Herald Washington Bureau that the names of the Bahamas bank depositors on a list obtained by the IRS include “some very, very prominent people.”

THE LIST, which a paid informant gave to an IRS agent in Miami in January 1973, was the focus of the probing questioning aimed at Donald Alexander, commissioner of Internal Revenue, and seven of his top assistants.

In addition, the hearing room was packed with about 250 IRS officials who were in Washington for a conference and were ordered to attend the session by Alexander. Several were plucked out of the audience to answer committee questions.

The committee, headed by Rep. Benjamin Rosenthal (D., N.Y.), is investigating charges by lower echelon IRS officials and agents that Alexander, for personal motives and perhaps to protect friends and former law clients, has crippled intelligence investigations by the IRS.

Alexander repeatedly said, “I categorically deny these charges.” And, as he has in the past, he charged that some agents “have let their zeal outrun their judgment” and have used illegal techniques in gathering information.

A CASE in point was what was called “the briefcase incident,” which occurred during a broad investigation “Operation Tradewinds” — into the use of banks in the Bahamas by Americans to hide assets and profits made in this country from U.S. tax collectors.

One part of “Operation Tradewinds” was “Project Haven,” an in-

vestigation of the accounts in the Castle Bank in Nassau.

An IRS informant procured a woman for an official of the bank during a visit to Miami. And while the official was out of his room with his date, the informant lifted the contents of his briefcase, which IRS agents photographed before they were returned. The contents included the list of 300 Americans with accounts at the bank.

According to Alexander and other officials, the IRS has been pursuing an investigation of the 300 names since 1973 but last Aug. 13, just as the names were to be sent to district and regional officials for detailed investigations, the IRS — with Alexander’s approval — held them up.

Alexander maintains that the cases may be tainted because the evidence violated Bahamian bank secrecy laws and perhaps the civil rights of the bank official.

QUESTIONING by committee members, disclosed, however, that potential legal problems in obtaining the list had been discussed several times since January 1973 with IRS and Justice Department attorneys.

Indeed, as recently as last July, IRS officials in charge of the investigation ordered the dissemination of the 300 names to field investigators for detailed examination.

In reply to Mezvinsky’s questions, IRS Intelligence Division Chief Thomas J. Clancy acknowledged that the list included “some very prominent Americans and a number of syndicate and organized crime figures.”

Neither he nor the IRS officials gave any further hint as to what he meant.

Alexander said he has not seen the list and therefore was not influenced by the names on it when he approved the decision to hold up a further investigation of the names.

OTHER IRS officials told the committee that information-gathering in connection with “Operation Tradewinds” and “Project Haven,” as well as the dissemination to IRS officers of the 300 names, was stopped in reaction to publicity about IRS spying and other illegal activities.
Two Seeking To Join Suit Against IRS

By Fred Tuccillo

The special agent and the secret informant instrumental in a controversial Bahamas tax-evasion investigation are seeking to join six other Internal Revenue Service special agents in a pending lawsuit against the IRS and its commissioner, Donald C. Alexander.

U.S. District Court Judge Edward E. Naeger ordered the government Friday to show cause why the IRS agent, Richard E. Jaffe of Miami, Fla., and the informant, identified only as "T.W. 24," should not be allowed to join the original six plaintiffs in the case. Both their motion and the original case have now been adjourned to Nov. 7 in U.S. District Court, Brooklyn.

The first six agents went to court earlier this year in an effort to overturn a March 17 directive from Alexander which instructed IRS special agents across the United States to make the names of all their confidential informants available to the IRS internal audit division.

The government agreed before U.S. District Court Judge Thomas C. Platt May 28 that it would postpone enforcement of the directive, pending disposition of the agents' suit against Alexander and the IRS. Platt warned U.S. Attorney Cyril Hymen that he would hold the government in contempt if it did not ad-
here to the agreement, which also included a promise not to dis-
seminate the names of informants or contact them without first 
notifying the IRS special agent responsible for them.

Jaffe, 48, was in charge of "Operation Tradewinds" and 
"Operation Haven," two IRS investigations, beginning in 1965, 
aimed at tax evasion by wealthy Americans through banks in the 
Bahamas.

Alexander ordered the investigation suspended in late Au-

gust, saying it had been learned that some evidence had been ob-
tained by rifling documents from a Bahama banker's briefcase 
while the banker was with a female companion solicited by T.W. 
24.

The suspension led to published allegations that Alexander 
was trying to protect his friends and business associates. Two 
congressional committees have been probing those charges. The 
IRS announced Sunday that it was resuming the investigation, 
but sources said that more than 100 investigative leads would re-
main bottled up in IRS headquarters because of unresolved ques-
tions on whether they were obtained legally.

In their motion to join the six IRS special agents as plain-
tiffs, Jaffe and T.W. 24 charge:

- That despite Platt's warning to the government in May, 
the IRS asked Jaffe in August to "relinquish the names of his 
confidential informants involved in Operation Tradewinds or he 
would be subject to disciplinary action."

- That T.W. 24 was visited by two members of the IRS in-
spection department Aug. 19 and was "questioned ... extensive-
ly... about his involvement" with the Bahamian operations with 
out any notification to Jaffe.

- That Alexander in September discussed the case in a 
Washington press conference and "disclosed sufficient material 
facts so that anyone familiar with T.W. 24 or with his activities 
would know his true identity."

Because of Alexander's revelations, T.W. 24 is claiming that 
"he can no longer conduct business in the Bahamas ... where 
he made a substantial living" and "is in fear for his personal 
safety." The informant is asking $10 million in damages as a re-

result.
Honorahle William E. Simon
Secretary of the Treasury
Main Treasury Building
Washington, D. C. 20220

Dear Secretary Simon:

On June 10, 1973 Donald C. Alexander, the Commissioner of Internal Revenue, addressed the Executive Committee of the Tax Section of the New York State Bar Association. His topic was the role of the Internal Revenue Service in the law enforcement community. In his talk the Commissioner exhibited deep concern over possible misuse of powers by agents of the Internal Revenue Service, and the attendant risk of impairing "the goodwill of the people toward their taxing system."

The positions taken by Commissioner Alexander as to the proper role of the Internal Revenue Service in the criminal enforcement function have recently subjected him to widely publicized personal criticism and attack. Concerned with the proper functioning of the tax system and seriously disturbed by the nature of the attacks made upon the Commissioner, the Executive Committee of the Tax Section has instructed me to communicate its views.

Whether and to what extent the Internal Revenue Service should participate in the criminal enforcement function, other than strictly in the area of violations of the tax laws, is a subject of legitimate debate. The Commissioner's expressed belief that the Service, in allocating its resources, must give first priority to the administration of the tax laws at the least merits respect. The Commissioner's expressed belief that the Service, in performing a criminal enforcement function or any other enforcement function, must do so in a manner consistent with the statutory and constitut...
tional rights of taxpayers, is so clearly correct that it cannot be a subject of legitimate debate.

If enforcement personnel or other agents of the Internal Revenue Service use illegal practices, it is the Commissioner's duty to see to it that these practices are stopped. It is, we believe, unfair to Commissioner Alexander, and injurious to the nation's tax system, to criticize him on a personal level for his efforts to ensure that the enforcement function is carried out with due regard to the rights of citizens and the requirements of law.

Sincerely yours,

Martin D. Ginsburg
Chairman, Tax Section
Plaintiffs,

- against -

Defendants.

STATE OF FLORIDA

COUNTY OF DADE

RICHARD E. JAFFE, being duly sworn, deposes and says:

1. That I am employed by the Internal Revenue Service at Miami, Florida, as a Special Agent since September 10, 1956.

2. That acting in my official capacity as a Special Agent, on January 15, 1973, I received a quantity of documents for photographing from a confidential informant designated as T. W. 24 in Miami, Florida.

3. That the circumstances, as to which my advanced knowledge was limited, under which these documents were obtained and photographed, were cleared in advance and approved by my Chief, Intelligence Division, C. W. Register, Jr.
4. The photographs of these documents were subsequently arranged in loose-leaf books and taken by Chief, Intelligence Division, Regional to his superior in the Regional Office in Atlanta, Georgia. He was then instructed to take them to Washington, D.C. The manner in which the documents were obtained and photographed was explained in detail to the Director Intelligence Division, and the Chief of Operations.

5. That the manner in which the documents were obtained was also explained in hypothetical terms to Mr. Al DiStefano, the Chief Counsel’s Office for the purpose of getting his opinion as to the legality of using the information in an official investigation. The same facts were subsequently brought to the attentions of Mr. William Lynch and Mr. Ed Joyce of the Organized Crime and racketeering Section of the Department of Justice.

6. That in May and June, 1973, additional meetings were held with Department of Justice officials, including Richard Roberts, Scott P. Crampton and Fred Ugast. At no time was the manner in which these documents were photographed concealed from any officials who had a need to know, in either the Intelligence Division of the Internal Revenue service or the Department of Justice.

7. That in the following year when a decision
was made to proceed with a grand jury investigation approach in Project Haven. The events which led to the photographing of the documents was again reviewed by Mr. William Hyatt, an attorney with the Tax Division, Criminal Section, United States Department of Justice. Mr. Hyatt prepared a legal memorandum on or about April 14, 1974, in which he discussed the manner in which these documents were photographed and concluded that there was no legal bar to their use by the Internal Revenue Service in their investigation. Mr. Hyatt questioned me and I furnished him with all the facts known by me.

8. That upon information and belief during the month of July, 1973, the Commissioner of the Internal Revenue Service, Donald C. Alexander, made numerous attempts with two or more congressional confidants to have them provide a forum for him to expose a "bombshell" concerning another scandal involving the Intelligence Division. It is believed that Commissioner Alexander was referring to Operation Tradewinds and to the manner in which Project Haven was initiated relative to the photographs of the documents of January 15, 1973. Commissioner Alexander subsequently made a statement to the Vanik Committee in which he alluded to a serious matter which he referred to as the so-called "briefcase incident."
9. That on August 7, 1975, I was contacted by Internal Revenue Service Inspectors E. Keith Bonner and C. C. Turner of Miami, Florida, and advised that I was the subject of a criminal investigation concerning a matter in which the documents relating to the formation of Project Haven were obtained. At that time the "Miranda Warnings" were read to me. I furnished them with approximately twenty-two (22) documents and a considerable amount of information relative to the matter. Attached hereto and made a part hereof (labelled Exhibit "A") is the memorandum of the interview which I prepared (the names of taxpayers have been deleted).

10. That on the following day, August 8, 1975, I resumed the interview with Inspectors Bonner and Turner. During that interview, I asked them what the contemplated criminal charges were. Inspector Bonner said that he did not know and that the reading of rights was being done out of an overabundance of caution. I also asked if any administrative actions would be taken against me, if I renounced myself of my rights and declined to answer any specific questions. Inspector Bonner replied that he did not know the answer to that and that he would have to consult with his superiors in Atlanta. The interview was then terminated to give them an opportunity to consult with their superiors. My memorandum of that interview is attached hereto.
as Exhibit "B".

11. That upon information and belief, it is my understanding that Commissioner Alexander during this period contacted the Department of Justice and attempted to have then initiate an investigation of former Director Intelligence Division John Oleszuski, former Chief Operations Branch, Larry Venhie, former Chief Intelligence G. T. Register, Jr., and illegally violated the criminal disclosure statute in connection with disclosing details of the Project Haven documents to the Department of Justice in 1973.

12. That on or about August 19, 1975, I was contacted by T.H. 24 and advised that he had been contacted and interviewed by Inspectors Bonser and Melin of the Internal Revenue Service. At no time prior to August 19, 1975, had I received any notification from anyone from the Internal Revenue Service asking me or informing me that T.H. 24, an informant with whom I had worked for many years, was going to be interviewed by the Inspection Service. I did not learn of this interview until after it had been conducted.

13. That on September 29, 1975, Donald C. Alexander, Deputy Commissioner William F. Williams; Director of Inspection Service, Assistant Commissioner Vernon A. Bates; and Chief Counsel Head Whittaker held a full-scale press conference at I.R.S.
headquarters in Washington, D.C., at which they disclosed
sufficient details relative to the manner in which the documents
were obtained and photographed in a public statement so as to make
it a simple matter for persons having some knowledge of Project
Haven's objectives to identify T.W. 24 as the informant in the
case or to learn T.W. 24's identity as the informant in the
case (Various articles describing the conference are attached
as Exhibit "C").

14. That at the present time I find myself the
subject of a criminal investigation by the Investigation Service.

15. That I have been advised by an attorney for
the Department of Justice, that the Federal Grand Jury of Miami,
Florida wishes to take my testimony during the week of November
19, 1975.

16. That I have recently appeared as a witness
before the Commerce, Consumer and Monetary Affairs Sub-Committee
of the House Committee on Government Operations concerning these
same matters.

17. That the subject matter of these inquiries is
an incident which occurred in January, 1973, which was fully
authorized by my superiors, was fully reviewed by my
superiors, and which I participated in within the scope of my
authority as a Special Agent in the Intelligence Gathering Field.
18. That it should be noted that beginning on
August 13, 1975 in a written memorandum, a copy of which is
attached as Exhibit "D", (also other related material) I requested
disclosure authority to discuss all of the facts with my attorney
necessary for him to defend me against the currently unsaid
charges. Despite repeated verbal and subsequent written requests
and despite the public statement of National I.R.S. Officials
in their appearance before the Rosenthal Committee on October
6, 1975, I did not receive this disclosure authority until
October 31, 1975. (Exhibit "E") Therefore, I was unable to
consult with my attorney about this matter until just hours
before my appearance before the Rosenthal Committee on Tuesday
morning, November 4, 1975.

19. That it appears to me incredible that I was
denied disclosure authority to discuss privately with my attorney
for a period of more than eleven weeks, matters which were
blatantly disclosed by the Commissioner and his associates in
a press conference on September 29, 1975.

20. That now, two years and eleven months after
the actual occurrence, I find myself in this predicament. A
situation in which all the rules of the game have been changed
and applied to me retroactively by a commissioner who did not
even take office until five months after the incident occurred.

21. That although I am the subject of an alleged criminal investigation, I have been working as a Special Agent investigating a general program type of case. I have not been involved in the further processing of cases generated by Project Haven.

WITNESSETh, your defendant respectfully requests that the relief sought is granted in its entirety.

Sworn to before me this day of November, 1979.

[Signature]

COUNTY OF Dade
STATE OF FLORIDA

No: 34548

I, RICHARD P. BRICKER, Clerk of the Circuit Court of the County of Dade, State of Florida, do solemnly swear that I have read the real page, and that I have taken the same to be true and correct, and that I have not altered the same, but have sworn to its truth and correctness.

I further certify that I have examined the signature on the real page, and found it to be the genuine signature of the witness.

In witness whereof, I have hereunto set my hand and affixed my signature.

RICHARD P. BRICKER
Clerk Circuit Court
Received volumes 1 through 4, consisting of photocopies of documents re Castle Bank & Trust Company furnished by confidential informant TV-24 in January, 1973.

[Signature]

[Position]

[Date]
No controversial people allowed

One sacrificial lamb currently being readied for the altar of Gerald Ford's political difficulties is Donald Alexander, commissioner of Internal Revenue.

A familiar line comes from those well-worn, anonymous spokesmen at the White House. It goes like this: Alexander hasn't done anything wrong, but he has gotten so controversial that he is a liability to the President. Who needs that in an election year?

The disgusting thing is that nobody stands up to challenge this logic. The major wire services and the Wall Street Journal have reported the White House spokesman's views, and no one has responded to them.

What did Alexander do to become controversial?

He tried to clean up the abuses in the IRS Intelligence operation. He told his operatives to restrict their snooping to tax matters and not to get intrigued with the sex or drinking habits of people whose lives they happened to come across.

This brought out the ultimate operative close to mutiny, especially in the Miami office where Operation Leprechaun apparently had strayed far afield from legitimate IRS inquiries.

Soon Alexander found himself on the pan. Leaked stories reached print attempting to tie him and his Cincinnati law firm to an IRS target back in the Bahamas.

A subcommittee of the House Ways and Means committee, headed by Charles Vank (Democrat of Cleveland), got into the act. It produced a report accusing Alexander of overreacting to Operation Leprechaun and even gave Leprechaun a clean bill of health as a legitimate tax inquiry.

All with the customary slap at the media for having "oversensationalized" the story in the first place.

Well, that's political "hard ball," as the Nixon operators liked to say. Alexander is a useful target for those who want to tar the administration. He has offended the IRS bureaucracy and made enemies within it who can provide politicians with ammunition for attacking him while themselves enjoying the immunity of civil service and anonymity.

Meanwhile, nobody has proved him wrong about anything. Every charge against him has been denied and remains completely unsubstantiated.

Yet simply because of the noise, just about everybody in Washington takes it for granted that he will be sacked. How's that for modern justice, political style?
Justice Department Seeks Investigations of IRS Chief

Will Ask Grand Juries to Inquire Into Suspension of Probe of Caribbean Tax Haven, Other Charges

BY ROBERT L. JACKSON and GAYLORD SHAW

WASHINGTON—The Justice Department has decided to ask two federal grand juries to investigate allegations involving Internal Revenue Service Commissioner Donald C. Alexander, The Times learned Friday.

The department's decision to bring witnesses before the grand juries—one based in Washington and another in Miami—marks an escalation of a three-month-old FBI inquiry into Alexander's conduct as the nation's chief tax collector.

The FBI has been examining the sworn congressional testimony of Alexander and other IRS officials about the agency's suspension last August of a Caribbean tax haven investigation.

FBI agents have also been checking an informant's report that a convicted swindler arranged to meet with Alexander aboard a yacht to discuss the ex-convict's income tax debt.

Apparently, there never was such a meeting but agents have sought to learn if it was canceled at the last moment.

Several sources said the purpose of these grand juries would be to unravel conflicting statements.

The investigation is not at the stage where evidence is being presented for the purpose of returning indictments, one source said.

Robert J. Havel, a Justice Department spokesman, refused to comment on the Alexander investigation.

Alexander has repeatedly denied any wrongdoing. He was charged that he is the target of "faceless liars" and a "small secret squad of congressional investigators."

Aside from the Justice Department investigation, Alexander's stewardship of the IRS is being examined by two House subcommittees. These inquiries are partly the result of a long-running controversy over the IRS intelligence division's operations, which Alexander has curtailed.

Confused from First Page

"That's on the horizon," one official said.

The Times disclosed earlier this week that Alexander had advance knowledge of the suspension of Project Haven, a probe of tax evasion schemes by wealthy Americans who use Caribbean trust accounts, despite his sworn testimony that he had no foreknowledge of the suspension.

In the wake of this disclosure, IRS officials acknowledged that the commissioner gave his approval to the suspension less than an hour before it was implemented last Aug. 14.

However, these officials said Alexander did not order the suspension.

Alexander and Edwin Trainor, the IRS official who implemented the suspension, told a House subcommittee last October that the decision had been Trainor's alone and that Trainor had not consulted with the commissioner.

After IRS suspension of Project Haven, it was disclosed that the name and phone number of Alexander's former Cincinnati law firm were in the files of Castle Bank & Trust Co., Ltd., of Nassau, a focal point of the probe.

Alexander and the law firm denied any dealings with the bank, but The Times subsequently revealed that the law firm had once represented a company managed by Castle in a $1 million debt collection case.

The Caribbean tax haven investigation, shut down for 10 weeks by IRS headquarters, has since been resumed and expanded under the direction of Justice Department attorneys.

Aside from the suspension question, FBI agents have conducted far-flung interviews to determine if Alexander had once planned to meet a convicted swindler, Mark H. Krell, and several associates aboard a luxury yacht in Florida.

Without mentioning names, Alexander last September denied in a written statement that he had "planned to meet improperly, secretly or otherwise with an individual involved in a tax case."

Alexander also denied a further allegation—still being probed by the FBI—that the internal security division of IRS had tipped him off that the yacht had been placed under surveillance.

In the last three months, Times reporters have interviewed Krell and others who have been questioned by the FBI about the yacht allegations.

All have denied to reporters that any such meeting ever was planned.

The basis for the inquiry was a report from one of several Florida IRS informants last April that a Krell-Alexander meeting was being planned aboard the 119-foot ocean-going yacht "Chanticleer." The yacht was berthed at the Frances Langford Outrigger Resort at Jensen's Beach, about 100 miles north of Miami.
FOR IMMEDIATE RELEASE

February 5, 1976

The Secretary of the Treasury, William E. Simon, stated today that the Commissioner and other senior officials of the Internal Revenue Service will voluntarily appear before a sitting Grand Jury in Washington, D.C., next week at the invitation of the Justice Department. In commenting on this prospective appearance, the Secretary reaffirmed his complete confidence in the Commissioner and his integrity in the Internal Revenue Service.

The Secretary said that this investigation into the allegations made against the Commissioner and the Service is an old matter that has been dragging on for months, and it is important that the allegations be pursued to a conclusion or laid to rest. The Secretary pointed out that the use of a Grand Jury by the Justice Department is a routine investigative procedure, and he is unaware of any other purpose for this particular inquiry. He emphasized that the Treasury and the Internal Revenue Service are cooperating in every way with the Justice Department. He added that the Treasury has previously investigated a number of the allegations and shared the results of its investigation with the appropriate committees of Congress, and the Justice Department. He said he hoped that the Justice Department investigation would conclude the matter.

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WS-628
FOR IMMEDIATE RELEASE

FEBRUARY 5, 1976

STATEMENT BY THE HONORABLE WILLIAM E. SIMON
SECRETARY OF THE TREASURY

The whole purpose for this is to expedite the process of investigation. We cannot allow this investigation to drag on while Don Alexander and his senior associates are subjected to leaks, innuendos and vilification by a mindless, invisible bureaucracy. Through these unsavory tactics, men such as Don Alexander are subjected to calumnious attacks on their character and integrity. We must remember that the overriding principle in this great country remains that a man is innocent until proven guilty.

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WS-629
TAX CHIEF TO TALK
TO A GRAND JURY

Alexander Will Testify on
Charges of Irregularities
—Simon Supports Him

By JOHN M. CREWDSON
Special to The New York Times
WASHINGTON, Feb. 5—Donald C. Alexander, the Commissi-
oner of Internal Revenue, has
agreed to a request from the
Department of Justice that he
testify before a Federal grand
jury here next week about sev-
eral alleged irregularities in his
administration of the Internal
Revenue Service.

Secretary of the Treasury
William E. Simon, in announc-
ing what he termed the “volun-
tary” appearances before the
grand jury of Mr. Alexander and
other unidentified I.R.S. of-
cicials, asserted his continuing
confidence in the Commission-
ner’s integrity and said that he
hoped his testimony would ex-
pedite the investigation.

That investigation, some as-
pects of which have been under
way for several months, is prin-
cipally concerned with a deci-
sion last August, in which Mr.
Alexander concurred, to sus-
pend key elements of an I.R.S.
operation, code-named “Hav-
en,” intended to gather infor-
mation about secret foreign
bank accounts held by Ameri-
cans seeking to avoid Federal
tax payments.

Allegations Denied

The Justice Department de-
clined to comment on the pros-
tpective grand jury appearances
of Mr. Alexander and the oth-
ers. This is the first time in
recent memory that high I.R.S.
officials have been summoned
to testify about possible crimi-
nal wrongdoings in which they
may have been involved.

“One of the internal I.R.S. in-
vestigations to which Secretary
Simon referred today was an
inquiry, into the origin and
scope of Leprechaun, which had
as its targets a number of Dade
County officials and three
Federal judges.

Mr. Alexander also testified
that he had been asked to
approve the decision himself,
and that Mr. Trainor was im-
pulse filling in for a vacationing
I.R.S. official at the time.

The source said that the
grand jury would carefully ex-
mine the testimony given by
Mr. Alexander to the House
subcommittee, which included
some statements that the
source described as “less than
candid with a view toward pos-
sible prosecution for perjury.”

Mr. Trainor, who has since
returned to his post as a region-
al I.R.S. chief in Chicago, repor-
tedly ended the dissemination
of Intelligence information
picked up by the Haven project
after he learned of the pursui-
ing of a briefcase belonging to
a Bahamian citizen by I.R.S.
officials in Miami.

One Government source said
today that Mr. Trainor was
among the other I.R.S. officials
who had been summoned by
the grand jury.

The I.R.S. report on that in-
vestigation laid responsibility
for Leprechaun on a single I.R.S.
special agent and made little
mention of what I.R.S. higher-ups
knew of the program. One
Justice Department official said
that the report covered up more
about the operation that it
disclosed.

House Testimony Recalled

One I.R.S. official suggested
today that in the case of the
Haven project, previously
known as Operation Tradew-
inds, Mr. Alexander would tell
the grand jury that the decision
to terminate an important part
of the program had been made by
Edwin L. Trainor, an Acting
Assistant I.R.S. Commissioner.
Short temper and an ulcer: IRS chief feels the pressure

By Phil Galley
Washington Bureau

WASHINGTON — It is any comfort to the millions of Americans struggling over their federal tax returns, the nation's chief tax collector is living a miserable life these days.

Donald C. Alexander, the commissioner of the Internal Revenue Service (IRS), has become the target of the anonymous leak — one of the deadliest weapons in this town.

Recent allegations have appeared in print implying that Alexander is a corrupt government official, a 'godfather' to organized crime, a friend of wealthy tax cheats, an oppressor of the average taxpayer and a perjurer.

The 'designated' commissioner is under investigation by the FBI, two congressional committees and federal grand juries here and in Miami.

Treasury Secretary William Simon announced Thursday that Alexander had volunteered to go before a federal grand jury here this week to expedite the investigation.

Simon reiterated his 'complete confidence' in the commissioner's integrity. Alexander, he added, is being subjected to 'stabs, innuendos and vilification by a mindless invisible bureaucracy.'

The charges against Alexander are that he:

- Suspended an IRS probe of a Caribbean tax haven for wealthy Americans.
- Planned — but canceled at the last moment — a meeting with a convicted tax swindler in Florida to discuss his tax problem.

Alexander has denied the accusations. In a rare public outburst of temper, the commissioner said last week that he was the target of a smear campaign conducted by 'faceless bars' and 'a good squad of congressional investigators.'

Alexander is clearly suffering. His ulcer, silent for 20 years, is acting up again, but Alexander, a former tax lawyer in Cincinnati, appears determined to stick it out, at least until his name is cleared and his integrity defeats the challenges.

"I'm surprised he didn't resign three months ago," said a sympathetic Republican congressman. "The House (see ALEXANDER on 4-A).

ALEXANDER, from 1-A.

"A guy has grit in his craw or he'd have broken up now. I think he is the target of one of the most vicious attempts at character assassination I've ever seen in this place."

Ironically, the congressman added, in a strange way Alexander may be a casualty of the post-Watergate atmosphere pervading Washington.

While his counterparts at the FBI and the CIA have been criticized for not doing enough to clean up their agencies, Alexander may have gone too far in reform efforts — too far, at least, for some IRS employees.

"Disgruntled IRS agents are believed to be sources of the leaks."

When Alexander arrived here in mid-1973 to become the IRS chief, the seams were already coming unraveled on the Watergate scandal.

Like some other government agencies, it was revealed, the IRS had been politicized. Its powers had been abused. The agency had been used to spy upon, harass and punish taxpayers listed as enemies of the White House.

Alexander acted swiftly. He disbanded a controversial intelligence-gathering unit known as the Special Services staff that had kept files on hundreds of persons and organizations not involved in tax law violations.

He established tight controls for providing the White House and the Justice Department with income tax files, and he emphasized the hiring of persons with an accounting background — as opposed to law enforcement — as special agents.

Last March, the story of Operation Leprechaun, was disclosed. It was an IRS intelligence-gathering operation based in south Florida involving the use of informers to spy on the sex lives and drinking habits of prominent Miami residents, including some public officials.

Calling Leprechaun a "goon squad of con-men, quiescent for years, and providing the IRS with credible informers; the role of the IRS in Justice Department Strike Force operations."

That was when Alexander's troubles began.

Agents within the IRS and the Justice Department complained that Alexander's actions had crippled their investigations of organized crime, white-collar criminals and political corruption.

Rep. Charles Vanik (D., Ohio), chairman of the House oversight subcommittee investigating the IRS, expressed concern that "the pendulum may have swung too far against the legitimate role of the IRS as a law enforcement agency."

He said he was concerned that "some white-collar and organized crime individuals who may be failing to report their income and pay their taxes are no longer subject to full IRS scrutiny."

Decision denounced

Vanik also said his subcommittee's investigation had determined that Alexander and other senior IRS officials had reached "premature and unfortunate" conclusions about the Leprechaun operation.
Leprechaun, the congressman added, was a legitimate IRS investigation of "political corruption, bribery, extortion and other offenses" that had resulted in actual or potential tax claims of $7 million.

Vanik said the actions Alexander had taken in response to Leprechaun "have brought the collection of tax-related information to a virtual standstill, discouraged informants from imparting information on a paid or voluntary basis and demoralized the intelligence division — and they constitute a free pass to organized crime figures and others seeking to evade the payment of federal taxes."

Vanik's statement leaves a serious implication: That Alexander is making life easier for wealthy tax cheats and organized crime while the IRS concentrates its resources on ordinary taxpayers.

Is there a connection between the "overreaction" by the IRS national office to Leprechaun and events leading to the suspension last August of Project Haven, an IRS investigation of tax-evasion schemes by wealthy Americans in setting up secret trust accounts in foreign banks?
WASHINGTON, Feb. 14—The White House has confirmed but shelved "for the time being" a proposal that Donald C. Alexander, a Cincinnati businessman, be suspended as Commissioner of Internal Revenue until grand jury inquiries into his activities have been completed, Government sources said today.

One well-placed source said that after top-level strategy sessions, White House officials agreed that suspension of Mr. Alexander "might well imply prejudice" but that the official's were closely watching the investigation being conducted by the Justice Department.

This is the first indication that the Ford Administration has given any serious thought to removing the controversial tax official.

He said that "in the end" White House officials had agreed that the suspension might imply prejudice. But several Administration officials said that they were concerned that for nearly a year Mr. Alexander's stewardship at the revenue service had been, as one source put it, as constantly having to deal with internal critics, Congressional committees and, several months ago, a Justice Department investigation.

No Comment" by Alexander

A spokesman for Mr. Alexander said that it is unclear how the commissioner would have "no comment" because several matters were before a grand jury. But over the last year Mr. Alexander has denied any wrongdoing and has said that the "malicious" accusations he faced came from a "goon squad" of Congressional investigators and disdined former members of the I.R.S. intelligence division.

Mr. Alexander has curtailed the investigative activities of special intelligence agents in several areas on the ground that the revenue service was violating the civil liberties of taxpayers and had been deflected from its main purpose of collecting taxes into the enforcement of general criminal statutes.

The Federal grand jury is expected to question Mr. Alexander on the following two matters: his role in the curtailment of Operation Haven, a nationwide investigation of Americans who have placed money in secret Bahamas bank accounts, and an allegation that Mr. Alexander arranged to meet a convicted swindler to discuss reducing a tax lien against the man.

The latter charge, which was reported to internal revenue agents in Miami last April 18 by a confidential informant, resulted in an investigation by the inspection division of the revenue service and a later inquiry by the Federal Bureau of Investigation.

The confidential informant had been supplying internal revenue agents with information on Mark H. Kroll, a former Cincinnati businessman, who was convicted and served a prison sentence for a $9.5 million realty swindle in the mid-1960's.

$150,000 in Liens Placed

The revenue service has placed liens of more than $150,000 against Mr. Kroll in an effort to collect back tax $s. The I.R.S. investigators, according to Government sources, were trying to establish whether Mr. Kroll had "hidden assets.

On April 18, the informant told the agent who had charge of him that he had overheard Mr. Kroll say he had planned a boat trip from Florida to the Bahamas on April 26 on which a group of prominent Cincinnati residents and Mr. Alexander had been invited. Mr. Alexander was a well-known Cincinnati tax lawyer before being appointed to head the I.R.S. by President Nixon.

The informant said that Mr. Alexander would be urged to help Mr. Kroll with his tax problem. The informant had the names of the alleged guests jumbled, but later the list of men to be interviewed by the F.B.I. included Joseph A. Kanter, a nationally known builder and business executive, Marvin L. Warner, a former partner of Mr. Kanter's and a leading Cincinnati builder; Ambrose, H.
Mr. Kelle, Mr. Warner, and Mr. Barker were all reached by the New York Times and all said that they had never been invited on such a boat trip.

However, all of those named have told the F.B.I. that they knew Mr. Alexander, Mr. Kroll, and Mr. Lindhorst. Mr. Alexander had told agents that Mr. Kroll's first wife in a tax matter in 1938

Mr. Kelle told The Times that Mr. Alexander's former law firm had some some tax work for his organization in Cincinnati. Mr. Lindhorst did not refuse any telephone calls and Mr. Kroll has an unlisted telephone in Miami. But both men have been quoted in other news accounts as having said that they had no knowledge of the boat trip.

According to Government sources, the national office of the revenue service learned of the proposed yacht trip on April 21, 1976. Sometimes between the 21st and the 26th, the inspection division apparently opened a case based on this information, one source said.

It ordered its inspectors to discover whether there had been "preferential treatment" of Mr. Kroll and whether Mr. Alexander had had an improper association. There is no indication that the I.R.S. ever interviewed the guests who had reportedly gone on the trip.

The internal revenue agents watched the 112-foot yacht chanticleer which had allegedly been chartered for the trip. When she did not sail on April 26, this was reported to the I.R.S. The surveillance reports in the files of the revenue service indicated that the yacht appeared to be preparing for sea.

According to certain Government sources, Mr. Alexander may have learned he was under investigation between the April 21 and April 26 because of a question from Burke Willsey.

This assistant to the commissioner, Mr. Willsey, those sources said, asked Mr. Alexander if he knew either Mr. Kroll or Mr. Lindhorst.

Mr. Alexander, the sources said, acknowledged that he knew both men.

The alerting of a grand jury.

Law enforcement sources said that being asked about the two men might have "forewarned" Mr. Alexander and resulted in his calling off the trip. Mr. Willsey said in a telephone interview that he had "at no time had advised Mr. Alexander of any meeting." He declined to comment further since the matter was before a grand jury.

Last June, the revenue service reported to the Treasury Department that it believed the allegation of impropriety in connection with the trip was "groundless and the matter appeared to have ended."

But, later, staff members of the Oversight subcommittee of the House Ways and Means Committee reviewed the handling of the case and reported to the subcommittee chairman, Representative Charles A. Vanik, an Ohio Democrat, that the internal inspection by the revenue service had not been thorough enough.

The committee referred the matter in September to William E. Simon, the Secretary of the Treasury.

Mr. Simon, in turn, sent the case to the Department of Justice and a field investigation has been conducted by the F.B.I. Justice Department sources have said that the leaching incident will be a secondary concern in the grand jury to questions about the curtailment of Operation Haven.

But law enforcement sources within the department and the I.R.S. said they were perplexed as to why an informant would construct such an intricate story for no apparent reason.

One former official of the revenue service suggested that the informant might simply have overheard someone "boasting" about influential people he knew and his ability to "fix" a tax matter.

The yachting incident is not the only Cincinnati matter about which Mr. Alexander has been criticized.

Earlier this year it was disclosed that the name of Mr. Alexander's former law firm in Cincinnati was in the files of the Castle Bank and Trust Company, Ltd. of Nassau, the Bahamas. Many depositors in this bank are under investigation on tax matters in connection with Operation Haven.

It was a list of some 300 depositors at this bank that was one of the first major leads that opened up the Haven project.

Presumably, the Justice Department is trying to ascertain whether Mr. Alexander took an undisclosed role in curtailing the tax investigation and, if he did, whether his firm's connection might have been part of an improper favor.

Mr. Simon voiced the Administration's concern last week when he announced the grand jury inquiry.

"The whole purpose for this is to expedite the process of the investigation," he said. "We cannot allow this investigation to drag on while Don Alexander and his associates are subjected to leaks, innuendos and vilification by a mindless, invisible bureaucracy."
FOR IMMEDIATE RELEASE
MONDAY, APRIL 12, 1976

Attorney General Edward H. Levi today issued the following statement:

The Department of Justice has concluded its investigation of several previously publicized allegations of criminal conduct involving IRS Commissioner Donald Alexander. An intensive investigation by agents of the FBI and attorneys assigned to the Department's Criminal Division has revealed no evidence to support any of these allegations.

The investigation formally began on October 30, 1975, and at that time involved essentially two allegations: that a subject of a pending tax investigation tried to resolve his tax difficulties by attempting to make contacts with Commissioner Alexander; and that Commissioner Alexander had planned a boat trip with this particular subject and others for the weekend of April 26, 1975.

While this investigation was in progress, the Treasury Department referred two other related allegations to the Justice Department: that Commissioner Alexander acted improperly in halting the so-called "Haven" tax investigation in order to protect clients of his former law firm; and that he and other IRS officials testified falsely before a Congressional Committee regarding the termination of the Haven investigation.

(MORE)
The investigation of these allegations involved numerous interviews of witnesses, grand jury proceedings in two separate jurisdictions, and review of numerous records and other relevant documents. Commissioner Alexander and other IRS officials voluntarily appeared before the Federal grand jury and cooperated fully with the Justice Department. The investigation was concluded on April 9, 1976. It revealed no evidence to support any of these allegations. Consequently, the investigation has been closed.