

# Abuses, Misconduct, Special Favors — LA IRS

*Massive corruption in the Los Angeles office of the Internal Revenue Service was brought to light by congressional investigators in 1989. High level officials were involved in abusing their positions of authority for their own personal gain or other benefits. The probe centered on the misconduct of the head of the Los Angeles IRS Criminal Investigation Division (CID), Ron Saranow. Saranow's conduct was apparently condoned by Los Angeles IRS District Director, William Connett.*

*The Government Operations Committee of the House of Representatives found that Saranow, with Connett's apparent approval, used his position of authority in the IRS to bring down the competitor of a firm that had offered Saranow a high-paying job. The committee's findings implicated Saranow and another IRS agent from the Los Angeles office in attempts to hinder the investigation of the scandals.*

*Despite the high cost to the victims and to the American taxpayer, as one congressman observed during a July 1991 hearing, no disciplinary actions have been reported against the IRS officials involved in these scandals.*

*Supreme Court Justice Louis Brandeis once observed, "Sunlight is said to be the best of disinfectants." Hopefully, this account of the Los Angeles IRS office will provide some of that rejuvenating light.*

During congressional hearings in 1989, conducted under the chairmanship of Rep. Doug Barnard, rampant corruption was exposed within the Internal Revenue Service. Los Angeles IRS officials were the focus of three out of eight instances of managerial misconduct examined by Congressman Barnard's subcommittee during three days of hearings.

Central to the charges of misconduct was the former IRS Criminal Investigation Divisions (CID) Chief Ronald Saranow, who operated under then District Director William Connett. Testimony at the hearing also examined possible wrong-doing by other CID agents, such as Al Lipkin and Phil Xanthos.

In one of these examples of misconduct, Saranow was negotiating with the Marciano brothers, owners of Guess?, a clothing maker, for a "six-figure salary" while, as CID chief, he was also working to bring the full force of the IRS to bear against Jordache Jeans, a business rival of the Marcianos.

Meetings between Saranow and the Marciano brothers were frequent. As subcommittee investigator Leonard W. Barnard testified at the hearings, "Saranow met with the Marcianos over 20 times between April 1985, and December 1986. At least 14 of those meetings can be described as social contacts — lunches, dinners, parties, weddings, and breakfasts — where various subjects, such as Saranow's future employment at Guess?, were discussed."

In 1986, massive IRS raids were conducted against Guess? rival Jordache, in which millions of documents were seized from Jordache facilities in New York and New Jersey.

An IRS investigation was also launched against Jeff Bohbot, another business adversary of the Marciano brothers, based on allegations supplied by the Marcianos. According to testimony given to the Barnard subcommittee, the Marcianos "hated Bohbot" and wanted to "get even with him."

The subcommittee noted that hundreds of millions of dollars were at stake in civil litigation that the Marciano brothers had initiated against Jordache and Bohbot.

The October 1990 congressional report condemned the abuse of power and blatant conflict of interest: "Mr. Saranow abused his position as CID Chief and violated IRS' Rules of Conduct by involving himself in the investigations of the Marcianos' enemies at a time when he had a personal and financial relationship with the Marcianos.

"... The investigations of Jordache and Jeff Bohbot were initiated based solely on information brought to the Government by the Marcianos and championed by Ronald Saranow while Mr. Saranow was in a conflict-of-interest situation."

None of the Guess? allegations, it turned out, could be substantiated.

According to Rep. Barnard's subcommittee, corrupt activities "took place during the tenure, and with the apparent approval, of the former IRS Los Angeles District Director, William Connett."

Howard Emirhanian, a long-time CID subordinate of Saranow's, was ensconced in a newly created position at Guess? as director of security in August 1986, upon his retirement from the IRS.



**RONALD SARANOW**  
— Ex LA CID Chief

**WILLIAM CONNETT**  
— Ex District Director

**PHILLIP XANTHOS**  
— LA CID Manager

**AL LIPKIN**  
— LA CID Agent

**"In the Los Angeles IRS District Office during the mid- and late 1980's, the questionable conduct of the CID [Criminal Investigation Division] Chief and several of his subordinates went virtually unchecked over many years by the District Director, by the Western Regional Commissioner, and by IRS' National Office."**

Government Operations Committee Report on Misconduct by [IRS] Senior Managers — October 4, 1990

The actions of two other LA CID agents, Al Lipkin and Phil Xanthos, were scrutinized by the Barnard subcommittee.

Lipkin, was the Group Manager in charge of the investigation into Jeff Bohbot. The Barnard subcommittee reported that pressure was created over agents to keep the investigation alive well beyond the point where it should have ended. According to testimony given at the subcommittee hearing Lipkin later also attempted to silence another IRS agent by threatening the career of that agent's son in order to keep him from blowing the whistle on Saranow.

Witnesses at the hearing charged that Xanthos was "attempting to interfere with and influence the Internal Security investigation of an employee who crashed a government car because the employee was a personal favorite." Xanthos denied this allegation, but when subcommittee investigators pursued the matter later and interviewed persons familiar with the events, they were told that indeed Mr. Xanthos did discuss the incident with certain

individuals in an attempt to make them feel defensive and guilty about things they might say to Internal Security. The subcommittee turned its findings over to the Treasury Inspector General for further investigation, where the matter has been pending.

**No Action Taken Against Connett**

In its October 1990 report, the subcommittee noted, "Maybe if the IRS had done a complete, thorough, and timely job ... to investigate the entire Los Angeles situation ... the Service would not be in such an embarrassing situation today with respect to integrity matters and their unwillingness to investigate and punish senior-level misconduct."

Despite being directly linked to instances of severe misconduct and violations of IRS regulations — including others not even mentioned here — no disciplinary action has ever been reported by the IRS or the Treasury Department against Connett or Saranow.

Connett, in fact, was sent by the IRS to Europe, first to London and then to the agency's Paris office. Saranow went into private practice, the IRS granting him Enrolled Agent status, entitling him to represent taxpayers before the IRS. In July 1991, during follow-up hearings, Congressman Barnard criticized top IRS executives, including Commissioner Fred Goldberg, for granting Saranow — the center of several scandals — this special status. The IRS executives gave no satisfactory response.

Corruption in the Los Angeles office of the IRS is but one example of an agency completely out of control and in need of serious reform. That reform can only be brought about by our elected representatives in Washington, D.C. They will act if enough concerned citizens demand that they do. Write to your Representative and Senators and to those listed below. Let them know that you want to see the IRS reformed. Make your voice heard. You can make a difference.

*From its inception, the Church of Scientology has been a potent and vital force in the field of social reform, dedicated to the preservation of human rights and civil liberties. That dedication would be meaningless if the Church was not willing to stand and fight when those rights and liberties are threatened. Inevitably, therefore, the Church has found it necessary, as a matter of both principle and survival, to stand up to the Internal Revenue Service, an agency that has made the abuse of authority its daily routine. The price the Church pays for being the vanguard of IRS reform is countless acts of retaliation and vengeance by an agency completely out of control.*

*The IRS is the personification of government without rules or conscience. It feeds on the fear of the citizen and thrives in the safety that fear and power generate. The time has come for the nation to say "Enough," to put a halt to IRS abuses, and that agency's reign of terror.*

*The Church is conducting this public education campaign to illustrate just how completely out of control the IRS really is. What you read is but a snapshot of the IRS at work. The full dimensions of IRS misconduct are mind-boggling, because the horror stories recounted above are merely a few drops in an ocean of abuse. The truth will shock you and anger you, and when it does, you will want to help us bring about changes that will force the IRS to be responsible, accountable, and lawful. But you will also know that regardless of IRS retaliation, the Church of Scientology is*

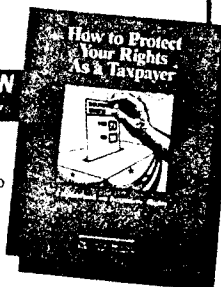
## Become Part of the Group Blowing the Whistle on IRS Abuses

**JOIN THE NATIONAL COALITION OF IRS WHISTLEBLOWERS**

You will receive your free copy of the *How to Protect Your Rights as a Taxpayer* booklet, when you send in \$1.00 membership fee to:

National Coalition of IRS Whistleblowers, PO Box 65471, Washington, D.C. 20035 Or call: 1 (800) IRS-1913

Name \_\_\_\_\_ Address \_\_\_\_\_  
\_\_\_\_\_  
Zip \_\_\_\_\_ Phone( ) \_\_\_\_\_



**House of Representatives**

- Rep. Douglas Barnard  
Committee on Government Operations  
Subcommittee on Commerce, Consumer and Monetary Affairs  
B-377 Rayburn House Office Building  
Washington, D.C. 20515-6144
- Rep. J.J. Pickle  
House Ways and Means Committee,  
Subcommittee on Oversight  
1105 Longworth House Office Building  
Washington, D.C. 20515-6350

**Senate**

- Sen. David Pryor  
Committee on Finance  
Subcommittee on Private Retirement Plans & Oversight of the Internal Revenue Service  
205 Senate Dirksen Office Building  
Washington, D.C. 20510-6200
- Sen. John Glenn, Chairman  
Senate Committee on Governmental Affairs  
340 Senate Dirksen Office Building  
Washington, D.C. 20510-6250