

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

282B-WF-2896615

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b7C -2

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

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

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

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

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