



OFFICE OF
INSPECTOR GENERAL
U.S. DEPARTMENT OF THE INTERIOR

NPS OFFICIAL ASSISTED ARTIST WITH AVOIDING TAX GARNISHMENT

This is a revised version of the report prepared for public release.

SYNOPSIS

We investigated an allegation that an official at the Southern Campaign Parks Group (SOCA), National Park Service (NPS), an artist, and a park friends group conspired to set up the purchase of one of the artist's paintings via a 2015 transaction with the friends group so that the artist could avoid a Federal tax garnishment. We also investigated the timing of the art purchase that seemed to coincide with a funding increase in the cooperative agreement between the friends group and Kings Mountain National Military Park (KIMO), a park within SOCA.

We found that the SOCA official directed the NPS' acquisition of a \$39,000 painting by the artist in 2015 and structured the purchase using the friends group as a broker for the sale even though the friends group did not own the painting. This structure allowed the artist, the painting's true owner, to avoid a Federal tax garnishment that would have been imposed on him had he sold the painting directly to the NPS. The SOCA official admitted to coordinating the transaction with both the artist and the friends group, which included dictating that the friends group receive a \$4,000 fee for its role in the transaction.

In addition, we found that NPS contracting officials and KIMO staff did not follow Federal regulations and U.S. Department of the Interior procurement policies during the acquisition of the painting; specifically, the NPS and KIMO should have purchased the painting through a competitive bidding process rather than using sole source procedures.

We also found that KIMO increased the annual funding to the friends group's cooperative agreement by \$25,000 around the same time the SOCA official began coordinating the purchase of the painting, but we found no direct connection between the friends group's role in acquiring the painting and the increase in funding. We did find, however, that KIMO staff improperly extended the period of performance of the cooperative agreement without authorization from contracting officials.

The U.S. Attorney's Office for the District of South Carolina declined prosecution. We provided this report to the NPS Deputy Director Exercising the Authority of Director for any action deemed appropriate.

DETAILS OF INVESTIGATION

We initiated this investigation after receiving an allegation that an official at the Southern Campaign Parks Group (SOCA), National Park Service (NPS), structured the NPS' purchase of a painting by an artist through a park friends group to help the artist avoid a Federal tax garnishment. The complainant also alleged that the 2015 purchase of the painting violated procurement policies because the purchase was made via the sole source method and not through a competitive bid process.

We also investigated an allegation that the official increased the funding of the friends group's cooperative agreement by \$25,000 around the same time as the purchase of the painting.

SOCA Official Structured Painting Purchase To Help Avoid a Federal Tax Garnishment Against Artist

In 2015, the SOCA official decided to purchase a 4-by-8-foot original painting for the Kings Mountain National Military Park (KIMO) visitor center. The official told us that after a transaction between him (through NPS) and the painting's artist in 2014, the artist informed the official that the proceeds from that 2014 sale had been garnished by about 40 percent for payment of back taxes. The artist did not want to be paid directly by the NPS in 2015 for his painting because the proceeds of that sale would be garnished as well. Aware of the artist's concerns, the official created the terms of the purchase and then informed both the artist and an executive of the friends group how the agreement would be structured. Per the agreement, the NPS deposited \$39,000, the painting's price, into the friends group's account and the friends group paid the artist's proceeds directly to him out of its funds. According to the friends group executive, the SOCA official had explained that \$30,000 would be payable to the artist, \$5,000 to another friends group executive for a prior debt the artist owed him, and \$4,000 to the friends group as an administrative fee for facilitating the purchase. This arrangement allowed the artist to receive the payment without tax garnishment. According to the artist, when the official initially proposed buying his painting, he told the official that he did not want a portion of the sale garnished by the Internal Revenue Service due to his back taxes. The artist told us that the official later called him back and proposed to purchase the painting through the friends group, adding that the \$4,000 administrative fee paid to the friends group was the official's idea.

After conflicting statements and denials about his role in the purchase, the official told us during his second interview that he created the entire process by which the painting was purchased through the friends group. He said that it was his idea to use the friends group as the "purchase broker" so that the NPS would buy the painting from the friends group rather than from the artist. He explained that he developed this plan after the artist told him that he was unwilling to sell the painting directly to the NPS due to his tax predicament. The official said he structured the purchase not to assist the artist with avoiding payment of back taxes, but because it was the only way the NPS could acquire the painting. The artist told us that he had refused to sell the painting to the official and the NPS based on his Federal tax issues and that the official told him the NPS would use the friends group to purchase the painting.

The friends group executive told us that the SOCA official requested the friends group's assistance in acquiring the painting for the park's visitor center. He explained that the official told him that he needed the friends group to facilitate the sale of the artist's painting to the NPS; otherwise, the official would be required to obtain competitive bids.

We found that the official told a SOCA administrative employee that KIMO was buying the painting from the friends group because the friends group had possession of it, so she completed the paperwork for the purchase with that belief. The administrative employee told us KIMO had funds to purchase the painting because the park was at minimal staffing throughout fiscal year (FY) 2015, and she initiated the painting's purchase in 2015 at the official's request. We spoke with several NPS employees who said that all FY 2015 KIMO maintenance projects were fully funded and completed; thus, the purchase of the painting did not take funds away from park operations.

An NPS' Southeast Regional Office (SERO) contracting official and a SERO contracting employee told us that they were unaware that the SOCA official and the artist used the friends

group as a pass-through organization to help the artist avoid a Federal tax garnishment, and that they would not have moved forward with the purchase request had they known this. Likewise, the administrative employee told us that she would have stopped the purchase request if she had understood the SOCA official's and the artist's reasoning for it.

The administrative employee also told us she received an email from the artist after the art purchase contract was awarded to the friends group in which he explained that the friends group was used so that he could avoid the tax garnishment. The administrative employee said she did not provide that information to the contracting staff. She said she understood that her decision not to tell them about the email she received from the artist was wrong, but she felt the artist had tricked her and she believed the purchase request could not be canceled.

NPS Officials Failed To Follow Federal and Departmental Procurement Policies

By acquiring the original painting through sole source procedures, contracting officials and KIMO staff violated Federal and departmental procurement policies.

A SERO procurement employee told us that she reviewed KIMO's purchase request and recommended that the purchase be made through open competition because market research identified other available vendors who could have provided a similar painting. She told us that she did not have any further involvement in the purchase request after her recommendation and said that she believed the contracting employee who processed the painting contract canceled the acquisition since that contracting employee did not submit a new purchase request.

A contracting official said that Department of the Interior Acquisition Policy Release 2008-10, *Enhancing Competition*, dated September 12, 2008, required that he and the procurement employee approve all purchase requests exceeding \$25,000, and that he concurred with the procurement employee's recommendation to compete the acquisition of the painting. The contracting official said that per the requirement, the contracting employee who processed the painting contract should not have continued with the acquisition because the procurement employee had rejected the purchase request and recommended competition. He said the contracting employee was required to seek his approval, which she did not do, before she proceeded with any sole source award. The contracting employee told us that the procurement employee's recommendation to compete the purchase request was not binding and only served as an opinion, but the contracting employee now understood that the sole source method was not the proper procurement process for the acquisition. The contracting employee acknowledged that the acquisition should have been openly competed and that the park should have been informed that sole source procedures were not appropriate.

The contracting official also told us that another contracting employee completed the award document improperly and incorrectly used vendor quotes obtained by the administrative employee to justify the use of the sole source method. He added that the expiration of funds at the end of a fiscal year did not justify the use of the sole source method and said that the park avoided the competitive process based on that concern instead of abiding by the requirements.

No Evidence the Cooperative Agreement Funding Increase Was Related to Painting Purchase but Was Inappropriately Administered

Timing of Funding Increase Was Coincidental

We learned that KIMO increased the friends group’s cooperative agreement funds by \$25,000, and we investigated that increase because it occurred at about the same time the SOCA official sought to purchase the artist’s painting through the friends group. We found no evidence directly connecting the timing of the friends group’s role in the acquisition to KIMO’s increase in the friends group’s cooperative agreement funds (see Figure 2).

Date	Activity
August 3, 2015	The administrative employee emails contracting officials saying that the SOCA official wants to purchase the original painting
August 5, 2015	KIMO adds \$25,000 to the friends group’s cooperative agreement, bringing the total to \$45,000
August 25, 2015	The administrative employee completes the sole source justification for the purchase of the painting
August 31, 2015	The administrative employee submits the market research to contracting officials documenting the three quotes received
September 2, 2015	The procurement employee sends her email to the contracting employee recommending competition
September 14, 2015	The friends group’s cooperative agreement is approved by the NPS awarding officer, signed, and submitted to the SOCA official
September 22, 2015	The purchase of the painting is approved and awarded to the friends group using the sole source method

Figure 2. Dates related to the timing of the friends group’s cooperative agreement and the purchase of the original painting.

Our investigation revealed the cooperative agreement between KIMO and the friends group, which provided \$20,000 annually to the friends group, existed prior to the SOCA official’s appointment to his position. This indicated that the official did not use his position to affect the awarding of the original agreement.

We also found the park used the \$25,000 increase to the original cooperative agreement to fund the friends group’s year-round interpretive program. The increase brought the total of the friends group’s annual funding on this agreement to \$45,000. The interpretive program was considered one that furthered the mission of the park so the NPS was authorized to fund it.

Further, we found the acquisition of the painting and the increase of funds to the cooperative agreement occurred in August and September of 2015, and we found no evidence of threats to withdraw the increased funding if the friends group refused to assist KIMO in the acquisition of the painting.

Cooperative Agreement Was Inappropriately Administered

During our investigation into the timing of the funding of the cooperative agreement, we determined that KIMO administered the friends group cooperative agreement improperly. A

SERO financial employee told us that all expenses associated with the cooperative agreement should have occurred within the period of performance (September 14 through October 19, 2015) and that all expenses more than 120 days past October 19, 2015, were outside the period of performance and were considered unallowable expenses. He said that any change to the period of performance on the cooperative agreement required a modification and that no modifications had been processed.

Both the financial employee and the contracting official told us that the administrative employee, though unauthorized, verbally approved expenses associated with the cooperative agreement past the agreement's expiration without approval or a modification to the agreement, which violated the agreement and Department regulations. The friends group used cooperative agreement funds to pay the salary of a friends group employee for approximately 6 months past the period of performance of the agreement.

SUBJECTS

1. SOCA Official
2. SOCA Administrative Employee
3. Artist
4. Friends Group Executive

DISPOSITION

The U.S. Attorney's Office for the District of South Carolina declined prosecution. We provided this report to the National Park Service Deputy Director Exercising the Authority of Director for any action deemed appropriate.

