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Subject to the Nondisclosure Provisions of H. Res. 895 of the 110th Congress as Amended

OFFICE OF CONGRESSIONAL ETHICS
UNITED STATES HOUSE OF REPRESENTATIVES

REPORT

Review No. 20-2124

The Board of the Office of Congressional Ethics (hereafter “the Board”), by a vote of no less than four members, on August 28, 2020 adopted the following report and ordered it to be transmitted to the Committee on Ethics of the United States House of Representatives (hereafter “the Committee”).

SUBJECT: Representative Steven Palazzo

NATURE OF THE ALLEGED VIOLATION: Rep. Palazzo’s campaign committee, Palazzo for Congress, reported campaign disbursements that may not be legitimate and verifiable campaign expenditures attributable to bona fide campaign or political purposes. If Rep. Palazzo converted campaign funds from Palazzo for Congress to personal use, or if Rep. Palazzo’s campaign committee expended funds that were not attributable to bona fide campaign or political purposes, then Rep. Palazzo may have violated House rules, standards of conduct, and federal law.

Rep. Palazzo may have improperly spent a portion of his Members’ Representational Allowance (MRA) on personal or campaign expenses. If Rep. Palazzo spent MRA funds on personal or campaign expenses, then Rep. Palazzo may have violated House rules, standards of conduct, and federal law.

Rep. Palazzo may have performed official actions to assist his brother, Kyle Palazzo. If Rep. Palazzo performed special favors for his brother, then Rep. Palazzo may have violated House rules, standards of conduct, and federal law.

RECOMMENDATION: The Board recommends that the Committee further review the above allegation concerning Rep. Palazzo because there is substantial reason to believe that Rep. Palazzo converted funds to personal use to pay expenses that were not legitimate and verifiable campaign expenditures attributable to bona fide campaign or political purposes.

The Board recommends that the Committee further review the above allegation concerning Rep. Palazzo because there is substantial reason to believe that Rep. Palazzo spent MRA funds on personal or campaign expenses.

The Board recommends that the Committee further review the above allegation concerning Rep. Palazzo because there is substantial reason to believe that Rep. Palazzo performed special favors for his brother.

VOTES IN THE AFFIRMATIVE: 6

VOTES IN THE NEGATIVE: 0

ABSTENTIONS: 0

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MEMBER OF THE BOARD OR STAFF DESIGNATED TO PRESENT THIS REPORT TO
THE COMMITTEE: Omar S. Ashmawy, Staff Director & Chief Counsel.

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UNITED STATES HOUSE OF REPRESENTATIVES

FINDINGS OF FACT AND CITATIONS TO LAW

Review No. 20-2124

On August 28, 2020 the Board of the Office of Congressional Ethics (hereafter “the Board”) adopted the following findings of fact and accompanying citations to law, regulations, rules and standards of conduct (*in italics*). The Board notes that these findings do not constitute a determination of whether or not a violation actually occurred.

I. INTRODUCTION

A. Summary of Allegations

1. In this review, the Office of Congressional Ethics (“OCE”) examined whether: (1) Rep. Palazzo or his campaign committee, Palazzo for Congress, spent campaign funds on personal expenses; (2) Rep. Palazzo used official congressional resources, including staff time, to benefit himself and his campaign; and (3) Rep. Palazzo used his official position or congressional resources in order to procure special assistance for his brother.
2. As described below, the OCE found evidence that Rep. Palazzo used campaign funds to maintain his personal riverfront property and to improve the marketability and condition of that property in anticipation of sale. Additionally, former congressional staff members told the OCE, and documents reviewed by the OCE suggested, that Rep. Palazzo may have asked official staffers to perform campaign work and personal errands during the congressional workday. And finally, the OCE found evidence that Rep. Palazzo may have used his official position and congressional resources to contact the Assistant Secretary of the Navy in order to assist his brother’s efforts to reenlist in the military.
3. The OCE sought to interview Rep. Palazzo, the treasurer of his campaign committee and leadership PAC, and five current and former staffers about these matters. They all declined the OCE’s invitations to interview. Below are the specific issues considered in this review and the Board’s recommendations:
4. Rep. Palazzo’s campaign committee reported campaign disbursements that may not be legitimate and verifiable campaign expenditures attributable to bona fide campaign or political purposes. If Rep. Palazzo converted campaign funds from Palazzo for Congress to personal use, or if Rep. Palazzo’s campaign committee expended funds that were not attributable to bona fide campaign or political purposes, then Rep. Palazzo may have violated House rules, standards of conduct, and federal law.
5. Rep. Palazzo may have improperly spent a portion of his Members’ Representational Allowance (MRA) on personal or campaign expenses. If Rep. Palazzo spent MRA funds on personal or campaign expenses, then Rep. Palazzo may have violated House rules, standards of conduct, and federal law.

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6. Rep. Palazzo may have performed official actions to assist his brother, Kyle Palazzo. If Rep. Palazzo performed special favors for his brother, then Rep. Palazzo may have violated House rules, standards of conduct, and federal law.
7. The Board recommends that the Committee further review the above allegation concerning Rep. Palazzo because there is substantial reason to believe that Rep. Palazzo converted funds to personal use to pay expenses that were not legitimate and verifiable campaign expenditures attributable to bona fide campaign or political purposes.
8. The Board recommends that the Committee further review the above allegation concerning Rep. Palazzo because there is substantial reason to believe that Rep. Palazzo spent MRA funds on personal or campaign expenses.
9. The Board recommends that the Committee further review the above allegation concerning Rep. Palazzo because there is substantial reason to believe that Rep. Palazzo performed special favors for his brother.

B. Jurisdiction Statement

10. The allegations that were the subject of this review concern Rep. Palazzo, a Member of the United States House of Representatives from the 4th District of Mississippi. The conduct is within the jurisdiction of the OCE pursuant to H. Res. 895 of the 110th Congress, as amended.

C. Procedural History

11. The OCE received a written request for preliminary review in this matter signed by at least two members of the Board on June 1, 2020. The preliminary review commenced on June 2, 2020.¹
12. On June 2, 2020, the OCE notified Rep. Palazzo of the initiation of the preliminary review, provided him with a statement of the nature of the review, notified him of his right to be represented by counsel in this matter, and notified him that invoking his right to counsel would not be held negatively against him.²
13. At least three members of the Board voted to initiate a second-phase review in this matter on July 1, 2020. The second-phase review commenced on July 2, 2020.³ The second-phase review was scheduled to end on August 15, 2020.

¹ A preliminary review is “requested” in writing by members of the Board of the OCE. The request for a preliminary review is received by the OCE on a date certain. According to the Resolution, the timeframe for conducting a preliminary review is 30 days from the date of receipt of the Board’s request.

² Letter from Omar S. Ashmawy, Chief Counsel and Staff Director, Office of Congressional Ethics, to Rep. Palazzo, June 2, 2020.

³ According to the Resolution, the Board must vote (as opposed to make a written authorization) on whether to conduct a second-phase review in a matter before the expiration of the 30-day preliminary review. If the Board votes for a second-phase, the second-phase commences the day after the preliminary review ends.

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14. On July 1, 2020, the OCE notified Rep. Palazzo of the initiation of the second-phase review in this matter, and again notified him of his right to be represented by counsel in this matter, and that invoking that right would not be held negatively against him.⁴
15. The Board voted to refer the matter to the Committee on Ethics for further review and adopted these findings on August 28, 2020.
16. The report and its findings in this matter were transmitted to the Committee on Ethics on September 2, 2020.

D. Summary of Investigative Activity

17. The OCE requested documentary and in some cases testimonial information from the following sources:
 - (1) Rep. Palazzo;
 - (2) Palazzo for Congress;
 - (3) Patriot Political Action Committee;
 - (4) Paul Breazeale, Treasurer to Palazzo for Congress and the Patriot PAC;
 - (5) Greene Acres of MS, LLC;
 - (6) H & H Lawn Care, LLC;
 - (7) Stark Exterminators, Inc., a subsidiary of Arrow Exterminators, Inc.;
 - (8) Pounds Plumbing, Inc.;
 - (9) North Bay Heating and Air Conditioning, Inc.;
 - (10) Ball Heating & Air Conditioning;
 - (11) Miss Bree's Cleaning Service, LLC;
 - (12) Cleanology Pro Cleaning Services, LLC;
 - (13) American Express;
 - (14) Coast Electric Power Association;
 - (15) Sparklight (formerly Cable One, Inc.);
 - (16) Pine Belt Chevrolet;
 - (17) General Motors Financial;
 - (18) Reported Vendor and Friend;
 - (19) Former Staffer A;
 - (20) Former Staffer B;
 - (21) Former Staffer C;
 - (22) Witness A;
 - (23) Real Estate Agent A;
 - (24) Real Estate Agent B;
 - (25) Kyle Palazzo;
 - (26) Bridgette Jones, Former District Office Manager and Special Projects Director;
 - (27) Hunter Lipscomb, Chief of Staff and Campaign Manager;
 - (28) Patrick Large, Deputy Chief of Staff;
 - (29) Leslie Churchwell, Youth Programs Director / Office Manager; and

⁴ Letter from Omar S. Ashmawy, Chief Counsel and Staff Director, Office of Congressional Ethics, to Rep. Palazzo, July 1, 2020.

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(30) Michele Gargiulo, District Director.

18. The following individuals and entities refused to cooperate with the OCE's review:

- (1) Rep. Palazzo;
- (2) Palazzo for Congress;
- (3) Greene Acres of MS, LLC;
- (4) Patriot Political Action Committee;
- (5) Paul Breazeale;
- (6) Kyle Palazzo;
- (7) Hunter Lipscomb;
- (8) Patrick Large;
- (9) Leslie Churchwell;
- (10) Michele Gargiulo;
- (11) Bridgette Jones;
- (12) H & H Lawn Care, LLC;
- (13) Stark Exterminators, Inc.; and
- (14) General Motors Financial.

II. REP. PALAZZO MAY HAVE CONVERTED CAMPAIGN FUNDS TO PERSONAL USE

A. Applicable Law, Rules, and Standards of Conduct

19. Federal Statutes

52 U.S.C. § 30114(b)(1) states, “[a] contribution or donation [to a Member of Congress] shall not be converted by any person to personal use.”

52 U.S.C. § 30114(b)(1) states, “[f]or the purposes of paragraph (1), a contribution or donation shall be considered to be converted to personal use if the contribution or amount is used to fulfill any commitment, obligation, or expense of a person that would exist irrespective of the candidate’s election campaign or individual’s duties as a holder of Federal office, including- (A) a home mortgage, rent, or utility payment...”

20. House Rules

House Rule 23, clause 6 states: “A Member, Delegate, or Resident Commissioner— (a) shall keep the campaign funds of such individual separate from the personal funds of such individual; (b) may not convert campaign funds to personal use in excess of an amount representing reimbursement for legitimate and verifiable campaign expenditures; and (c) except as provided in clause 1(b) of rule XXIV, may not expend funds from a campaign account of such individual that are not attributable to bona fide campaign or political purposes.”⁵

⁵ Under House rules, “[t]he term ‘campaign funds’ is defined broadly to include ‘leadership PAC’ funds.” House Ethics Manual at 118 n.37 (citing House Rule 23, clause 15(c)(1) which was later reassigned as clause 15(d)(1)).

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21. Code of Ethics for Government Service

The Code of Ethics for Government Service Paragraph 2 states that any person in government service should, “[u]phold the Constitution, laws, and legal regulations of the United States and of all governments therein and never be a party to their evasion.”⁶

22. Federal Election Commission (“FEC”) Regulations and Guidance

11 C.F.R. § 113.1(g)(1)(i) FEC Personal Use Definition

“Personal use means any use of funds in a campaign account of a present or former candidate to fulfill a commitment, obligation or expense of any person that would exist irrespective of the candidate’s campaign or duties as a Federal officeholder. . . .”

“Personal use includes but is not limited to the use of funds in a campaign account for any item listed in paragraphs (g)(1)(i)(A) through (J) of this section . . .

(A) Household food items or supplies.

. . .

(E) Mortgage, rent or utility payments -

(1) For any part of any personal residence of the candidate or a member of the candidate’s family; or

(2) For real or personal property that is owned by the candidate or a member of the candidate’s family and used for campaign purposes, to the extent the payments exceed the fair market value of the property usage.

. . .

(H) Salary payments to a member of the candidate’s family, unless the family member is providing bona fide services to the campaign. If a family member provides bona fide services to the campaign, any salary payment in excess of the fair market value of the services provided is personal use.”

60 Fed. Reg. 7861, 7865 (Feb. 9, 1995), Final Rule Re: Personal Use of Campaign Funds – Discussion Regarding Rental of Candidate’s Personal Residence

“[P]aragraph (g)(1)(i)(E)(2) continues the Commission’s current policy in situations where the property being rented is not part of a personal residence of the candidate or a member of the candidate’s family. Thus, a campaign committee can continue to rent part of an office building owned by the candidate for use in the campaign, so long as the committee pays no more than fair market value for the property usage.”

“The Commission has adopted what is essentially a middle ground. The rule prohibits payments for use of a personal residence because the expenses of maintaining a personal residence would exist irrespective of the candidacy or the Federal officeholder’s duties. Thus, the rule draws a clear line, and avoids the need to allocate expenses associated with the residence between campaign and personal use. At the same time, the Commission believes it is unnecessary to change its current policy regarding payments for the use of other property. These arrangements

⁶ Code of Ethics for Government Service, H.R. Con. Res. 175, 85th Cong. (1958) (enacted).

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more closely resemble arms length transactions in that the property in question is available on the open market. Also, these arrangements generally do not raise the same kinds of allocation issues. Consequently, so long as the campaign pays fair market value, these payments will not be considered personal use.”⁷

23. House Ethics Manual and Committee on Ethics Guidance

Personal Use – General Guidance

*The House Ethics Manual states, “Members have wide discretion in determining what constitutes a bona fide campaign or political purpose to which campaign funds and resources may be devoted, but Members have **no** discretion whatsoever to convert campaign funds to personal use. Furthermore, House rules require that Members be able to verify that campaign funds have not been used for personal purposes.”⁸*

Regarding the requirement to verify that campaign outlays are not used for personal purposes, the House Ethics Manual states, “Members and their campaign staffs should bear in mind that the verification requirement imposed by the House rules is separate from, and in addition to, whatever recordkeeping requirements are imposed by the Federal Election Commission on federal candidates generally”⁹

Regarding the verification requirement, the House Ethics Manual further states, “The rule by its terms requires that each campaign outlay made by a Member be not only ‘legitimate,’ but also capable of being verified as such. This requirement that the proper purpose of each outlay be verifiable is a commonsense requirement. With the huge number of outlays that Members’ campaigns typically make, often on a nearly continuous basis, the propriety of particular outlays

⁷ In FEC Advisory Op. 1995-8, the Commission determined that a Member could use campaign funds to rent campaign office space at a building owned by the Member and his spouse that had previously housed the Member’s law practice. “The Commission’s Explanation and Justification of these regulations explains the proper application of this definition. It states that, in the past, the Commission has generally permitted campaigns to rent property owned by a candidate or a family member for campaign use, so long as the campaign paid no more than the usual and normal rental. The new rule at paragraph (g)(1)(i)(E) provides, however, that the use of campaign funds to rent all or part of a personal residence of the candidate or a family member is personal use, even if part of the personal residence is being used in the campaign. On the other hand, the cited paragraph permits the use of campaign funds for the rental of property owned by the candidate or a family member, where the property is rented for campaign purposes and is not part of a personal residence of either. A campaign committee may therefore rent, for campaign use, part of an office building owned by the candidate so long as it pays no more than the fair market value. Commission Regulations on Personal Use of Campaign Funds, Explanation and Justification, 60 Fed. Reg. 7862, 7865 (Feb. 9, 1995). Based on the foregoing, the Commission concludes that your committee may rent the building owned by you and your wife, so long as none of the property being rented includes any part of the personal residence of you or your family.” FEC Advisory Op. 1995-8 (Apr. 21, 1995). The Commission also noted that the Member planned to “retain responsibility for the real estate taxes, maintenance, and repair. These are usually the normal expenses incurred by lessors of real property, and the Commission assumes they will be covered by rental payments made by your committee.” *Id.*

⁸ House Ethics Manual at 173 (emphasis in original).

⁹ *Id.* at 165 (emphasis omitted).

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may not be subject to review for months or years after the fact, when recollections as to the circumstances or specific purposes of an outlay may well have faded.”¹⁰

According to the House Ethics Manual, “a Member or employee must take reasonable steps to ensure that any outside organization over which he or she exercises control – including the individual’s own authorized campaign committee ... operates in compliance with applicable law.”¹¹

*The House Ethics Manual states, “the [personal use] prohibition is against the use of campaign funds for personal purposes not only of the Member, but rather of **anyone**. Thus, in one of the cases decided by the Standards Committee, a loan made by a Member’s campaign to one of the Member’s congressional employees for the employee’s personal purposes was found to violate the rule.”¹²*

In July 2020, the Committee published a June 2020 Investigative Subcommittee Report (ISC) explaining, “[t]he Committee has a long history of undertaking investigations and, when appropriate, imposing sanctions or directing remedial measures where a Member or candidate in a successful election to the House is found by the Committee to have violated a clear standard of campaign finance laws or regulations. The duty to accurately disclose receipts and disbursements is integral to ensuring transparency during the electoral process and a basic component of campaign finance law.”¹³ In that case, among many other violations, the Report notes that the Member failed to verify over \$25,000 in disbursements from his campaign committee and reminded Members that “the rules of the House do not impose the same time limits on how long campaign records should be maintained as the FEC’s three-year recordkeeping requirement.”¹⁴

The same 2020 Report explained, “[t]he ISC is well-aware that Members have demanding schedules that do not afford them the time to tend to the minutiae of every campaign transaction or congressional office task to ensure their campaigns and congressional offices operate in full compliance with relevant rules and laws. Members often delegate such oversight and compliance responsibilities to others . . . But Members must be held to account when they: know or should know of ethical violations that occur within the organizations they oversee; abdicate their duty to supervise the staff to whom they delegate substantial responsibilities; disregard concerns as they are brought to their attention; and hamstring compliance professionals by not supplying necessary information or providing false information.”¹⁵

¹⁰ *Id.* at 164.

¹¹ *Id.* at 123.

¹² *Id.* at 166 (emphasis in original) (citing 2 U.S.C. §439(a)(b)(1) [transferred to 52 U.S.C. § 30114] for the proposition that funds may not be converted “by **any** person to any personal use.”) (emphasis in original).

¹³ Committee on Ethics, Investigative Subcommittee Report 87-91, *In the Matter of Allegations Relating to Representative David Schweikert*, 116th Cong. 2d Sess. (2020) at 39 (hereafter, *Schweikert*).

¹⁴ *Id.* at 39.

¹⁵ *Id.* at 2.

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Specific House Ethics Manual Guidance on Campaign Payments for Personal Residences, Household Supplies and Utilities, and Services from Family Members

The House Ethics Manual explains, “[a]s to outlays for travel or meals – as well as outlays for the acquisition of goods or services from themselves or their family members – Members must exercise great care, because such outlays by their nature raise a concern of personal use.”¹⁶

“A Member and the Member’s campaign staff should also review the FEC regulations on campaign transactions with a candidate or a family member of the candidate before entering into any such transaction. The FEC regulations also essentially preclude a Member’s campaign from paying for use of any space in the personal residence of the Member or a member of his or her family.”¹⁷

Regarding services or space provided by family members for the campaign, the House Ethics Manual explains “[a]t times a Member (or a member of his or her family) has office space or other property that the person wishes to lease to the Member’s campaign. Similarly, at times a family member of a Member wishes to sell certain goods or services to the Member’s campaign. Such a transaction is permissible under the House Rules only if (1) there is a bona fide campaign need for the goods, services, or space, and (2) the campaign does not pay more than fair market value in the transaction. Whenever a Member’s campaign is considering entering into a transaction with either the Member or one of his or her family members, it is advisable for the Member to seek a written advisory opinion on the transaction from the Standards Committee. If a Member’s campaign does enter into such a transaction with the Member or a member of his or her family, the campaign’s records must include information that establishes both the campaign’s need for and actual use of the particular goods, services or space, and the efforts made to establish fair market value for the transaction.”¹⁸

In 2001, the House Committee on Ethics reproved a Member of Congress for a pattern of practice involving the conversion of campaign committee funds to personal use, including the use of campaign funds to pay utility expenses.¹⁹ In addition, the Committee reproved the Member for permitting the use of campaign committee funds to pay rent above fair market value to corporations owned by the Congressman and his family, and for allowing the disbursement of rental payments for campaign space that the campaign committee never occupied to pay debt owed by a corporation controlled by the Congressman, his sister, brother and daughter. The Committee discredited claims that the office was used by the campaign because of a lack of detail and other inconsistencies that failed to establish a bona fide campaign office existed.²⁰

¹⁶ House Ethics Manual at 167.

¹⁷ *Id.* at 171 (internal citations omitted).

¹⁸ *Id.* at 170. See also Committee on Ethics, *Memorandum on Paid Employment of Family Members by Member-controlled Campaign Organizations* (Aug. 1, 2008) (“A Member’s campaign organization must be able to verify and demonstrate that compensation to family members is reasonable for work performed.”).

¹⁹ Committee on Ethics, *In the Matter of Representative Earl F. Hilliard*, H. Rep. 107-130, 107th Cong., 1st Sess. (2001) at 58.

²⁰ *Id.* at 33-34.

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*The Committee found that this conduct violated House Rule 23, clause 6 and in addition that it brought discredit upon the House of Representatives.*²¹

*In 1997, the House Committee on Ethics concluded that a Member of Congress had used campaign funds to pay for cleaning services at her personal residence and purchase home appliances for a vacation home.*²² *The report also highlighted that the Member improperly directed congressional staff to help obtain construction estimates related to the vacation property.*²³

B. Campaign Expenditures on Family, Real Estate, and Other Expenses

24. The OCE examined expenditures by Rep. Palazzo's campaign committee, Palazzo for Congress (the "campaign committee"), (1) to family members, (2) on real estate and home improvement, and (3) for other miscellaneous expenses that may not have been attributable to bona fide campaign expenses.
25. In this review, the OCE found that Rep. Palazzo and his campaign committee did not have sufficient controls in place to detect and prevent misuse of campaign funds. Following media attention and the initiation of this review, Rep. Palazzo recently reimbursed the campaign committee for thousands of dollars in personal use of campaign funds across multiple categories of personal expenses.²⁴ However, as of the date of this referral, Rep. Palazzo has

²¹ See generally *id.*

²² Committee on Ethics, *In the Matter of Representative Barbara-Rose Collins*, H. Rep. 104-876, 104th Cong., 2d Sess. (2001) at 26, 21.

²³ *Id.* at 73.

²⁴ In early 2020, Rep. Palazzo received critical media coverage over allegations that he was misusing campaign funds. See e.g., Patrice Boykin, *Congressional Candidate Carl Boyanton Says Mississippi Representative Steven Palazzo is Misusing Campaign Funds*, MAGEE NEWS, Feb. 18, 2020. In the wake of this press coverage, and also during the course of the OCE review, Rep. Palazzo made a series of reimbursements to his campaign committee. This includes a \$1,770.87 reimbursement for hotel stays, meals, and charges at Delta World Tire, see E-mail between Rep. Palazzo and Paul Breazeale, Feb. 15, 2020 (Exhibit 1 at 20-2124_0002); Palazzo for Congress 2020 April Quarterly Report of Receipts and Disbursements, filed Apr. 16, 2020 at 27, a \$1,612.14 reimbursement for dues and professional education fees associated with the maintenance of Rep. Palazzo's accounting degree, see Rep. Palazzo Check for Repayment of Professional Dues and Fees, June 10, 2020 (Exhibit 2 at 20-2124_0004); Palazzo for Congress 2020 July Quarterly Report of Receipts and Disbursements, filed July 15, 2020 at 15, and a \$5,086.00 reimbursement to Wilding Wallbeds, a vendor of "space-saving" beds, for a wall bed that Rep. Palazzo used in his congressional office, see E-mail between Hunter Lipscomb and Paul Breazeale, Feb. 14, 2020 (Exhibit 3 at 20-2124_0006); Letter from Paul Breazeale to Palazzo for Congress, Feb. 14, 2020 (Exhibit 4 at 20-2124_0008); Palazzo for Congress 2016 July Quarterly Report of Receipts and Disbursements, filed July 15, 2016 at 51; Palazzo for Congress 2020 Amended Pre-Primary Report of Receipts and Disbursements, filed Apr. 15, 2020 at 14; Palazzo for Congress Lisa M. Palazzo Account, American Express Statement Closing April 2016 (Exhibit 5 at 20-2124_0183); Wallbeds by Wilding, *Home*, <https://www.wallbedsbywilding.com/> (last visited Aug. 21, 2020). The OCE also found that while Rep. Palazzo has reimbursed his campaign committee for personal use of a campaign vehicle, he has failed to properly log the mileage he drives for personal purposes; instead, he simply reimburses estimated amounts, and does so long after the timeframe in which FEC regulations require that he reimburse such personal use. E-mail Between Steven Palazzo and Paul Breazeale, June 2, 2018 (Exhibit 6 at 20-2124_0403); E-mail between Steven Palazzo, Dylan Mears and Paul Breazeale, June 28, 2018 (Exhibit 7 at 20-2124_0405); E-mail between Jacque Soileau, Paul Breazeale and Steven Palazzo, Feb. 14, 2020 (Exhibit 8 at 20-2124_0407), see also 60 Fed. Reg. 7861, 7868-69 (Feb. 9, 1995), Final Rule Re: Personal Use of Campaign Funds – Vehicle Expenses. In these findings, the OCE does not focus on reimbursements Rep. Palazzo has already made to his campaign committee, and instead focuses on unaddressed personal use issues. The OCE, however, notes that the series of

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not addressed any of the issues identified below. This includes a concerning pattern of campaign expenditures on a large riverfront home which Rep. Palazzo owned and rented to Palazzo for Congress as an ostensible campaign headquarters. As more fully described in these findings, Rep. Palazzo started collecting rent from the campaign committee for the home – equal to the amount of his monthly mortgage, insurance, and tax payments – during a time of personal financial stress. During the period that the campaign committee paid rent for the property, Rep. Palazzo simultaneously listed the property for sale and used campaign committee funds on maintenance and other improvements to the home. The payments appear to have been made with Rep. Palazzo’s direct knowledge and approval.

26. Finally, Rep. Palazzo did not fully cooperate with this review. House rules impose strict verification requirements for campaign expenditures to guard against personal use. Based on conversations with counsel, Rep. Palazzo appeared not to have records for some of the expenditures in question, and in some cases was unwilling to provide requested records in his possession. Rep. Palazzo and the campaign committee refused to certify under 18 U.S.C. § 1001 that they had not knowingly or willfully withheld information from the OCE. Additionally, Rep. Palazzo refused to interview with the OCE, as did his brother Kyle Palazzo, his campaign committee and leadership PAC treasurer, and five staff members with direct knowledge of the expenditures described below.²⁵

i. Campaign Payments to Members of Rep. Palazzo’s Family

27. The OCE found that Rep. Palazzo’s campaign committee made regular payments to his brother for campaign work and to his wife’s (now ex-wife’s) accounting firm. The OCE reviewed these payments to determine whether, as required by House rules, the campaign committee established a bona fide campaign need for the services provided by these family members and whether the campaign committee paid and took steps to determine the fair market value of those services.

a. *Campaign Payments to Kyle Palazzo*

28. Between April 2014 and July 2019, Kyle Palazzo received \$27,311.07 from the campaign committee.²⁶ In 2014, he received disbursements for salary and travel reimbursements.²⁷ He stopped receiving payments until October 2018, when the campaign included him on its regular payroll until the following July.²⁸ During this period of time from October 2018 until July 2019, Kyle Palazzo received \$23,917.27 from the campaign committee.²⁹

refunds identified above, coupled with the personal use identified below, suggests that Rep. Palazzo and his campaign committee had insufficient controls in place to detect and prevent the misuse of campaign funds.

²⁵ The OCE notes that Former Staffer A told the OCE that members of the official staff were required to sign a non-disclosure agreement as a condition of employment. Transcript of Former Staffer A, (“Former Staffer A Transcript”), July 31, 2020 (Exhibit 9 at 20-2124_0429). To the extent these individuals refused to cooperate with this investigation because of potential violation of their non-disclosure agreements, that raises concerns about Member imposed non-disclosure agreements interfering with House ethics processes.

²⁶ See generally, Palazzo for Congress, Reports of Receipts and Disbursements, 2014 to 2019.

²⁷ *Id.*

²⁸ *Id.*

²⁹ *Id.*

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29. According to Rep. Palazzo's counsel, Kyle Palazzo was "employed as a political coordinator for Palazzo for Congress to support the 2018 general election and to maintain campaign continuity of operations for the 2020 election cycle."³⁰ Rep. Palazzo provided the OCE with a list of his brother's responsibilities, which included speaking on behalf of the campaign, volunteer coordination, coalition building, overseeing supplies, monitoring political activity, reelection planning, and maintaining the campaign office.³¹
30. Kyle Palazzo did not respond to the OCE's request for an interview. The OCE sought to interview other members of the current and former congressional and campaign staff, in addition to Rep. Palazzo, about Kyle Palazzo's role and responsibilities. Mr. Lipscomb, Mr. Large, Ms. Gargiulo, Ms. Jones, Ms. Churchwell and Rep. Palazzo all refused to cooperate.
31. Former Staffer B³² told the OCE that Kyle Palazzo returned to Mississippi from Alabama in 2018 and began working for the campaign committee, taking over responsibilities previously managed by Bridgette Jones.³³ When asked about Kyle Palazzo's professional background, Former Staffer B told the OCE, "I was told . . . [by Kyle] that he had a very successful painting business in Alabama, didn't have a place to live, was staying at the River [H]ouse that was in D'Iberville and he did not have a job," before starting work with the campaign committee.³⁴
32. In response to the OCE's request for materials related to services Kyle Palazzo provided to the campaign committee during his ten months on the campaign payroll, Rep. Palazzo provided the OCE with six e-mails in which Kyle Palazzo, using a campaign e-mail address, sent schedules about upcoming campaign events.³⁵ Kyle Palazzo is also included on a campaign meeting agenda e-mail from October 2018.³⁶ As described further below, Kyle

³⁰ Rep. Palazzo's Counsel's Submission to the Office of Congressional Ethics re Kyle Palazzo, June 27, 2020 (Exhibit 10 at 20-2124_0527).

³¹ *Id.*

³² Former Staffer B worked in Rep. Palazzo's district office from February 2018 until she was terminated in February 2019. The OCE reviewed evidence that indicated that Former Staffer B had interpersonal and administrative issues in the office, which led to her eventual termination. There were some accounts that suggested she produced good work on behalf of Rep. Palazzo's constituents. The OCE also received evidence indicating that Former Staffer B had engaged in unprofessional conduct and after leaving the office, interacted with Rep. Palazzo's former primary opponent. In evaluating Former Staffer B's credibility, the OCE considered the potential for animus or bias, and ultimately concluded that the information that Former Staffer B provided to the OCE was often independently verifiable and credible.

³³ Interview of Former Staffer B ("Former Staffer B Transcript"), July 29, 2020 (Exhibit 11 at 20-2124_0588). Ms. Jones, who had served as the Former District Office Manager and Special Projects Director until 2018, received disbursements from the campaign committee until the fall of 2018. Palazzo for Congress, Reports of Receipts and Disbursements, 2018.

³⁴ Former Staffer B Transcript (Exhibit 11 at 20-2124_0566). Based on messages reviewed by the OCE, Former Staffer B and Kyle Palazzo had friendly communications outside of their work at the official office. Without Kyle Palazzo's cooperation, the OCE could not determine how frequently the two communicated about non-work matters.

³⁵ E-mail from Kyle Palazzo, May 14, 2019 (Exhibit 12 at 20-2124_0704-05); E-mail from Kyle Palazzo, May 20, 2019 (Exhibit 13 at 20-2124_0707-08); E-mail from Kyle Palazzo, May 27, 2019 (Exhibit 14 at 20-2124_0710-11); E-mail from Kyle Palazzo, May 29, 2019 (Exhibit 15 at 20-2124_0713); E-mail from Kyle Palazzo, June 13, 2019 (Exhibit 16 at 20-2124_0715-16); E-mail from Kyle Palazzo, June 20, 2019 (Exhibit 17 at 20-2124_0718-19).

³⁶ E-mail from Hunter Lipscomb to Campaign Staffers, Oct. 16, 2018 (Exhibit 18 at 20-2124_0721-22).

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Palazzo also was included as a point of contact on some invoices related to maintenance performed at the purported campaign headquarters.³⁷

33. The OCE reviewed campaign credit card statements and found that Kyle Palazzo was added as an authorized user in October 2018, at the time he was brought back on to the campaign committee payroll.³⁸ He immediately became an active user of the credit card, amassing more monthly charges than other authorized users some months.³⁹ The more than 200 expenses for food, gas, goods, and services on Kyle Palazzo's credit card contrast with the only six e-mails the OCE received in response to its request for documents and communications related to services Kyle Palazzo provided to the campaign committee.
34. Kyle Palazzo's credit card usage shows many charges at gas stations, but the OCE received only limited records, from the six scheduling e-mails, that might indicate his attendance at campaign events.⁴⁰ There were also multiple hotel charges in Mississippi on Kyle Palazzo's campaign credit card, although the OCE received no records documenting campaign work corresponding with these stays.⁴¹
35. In total, the evidence reviewed by the OCE indicates that Kyle Palazzo provided at least some bona fide services to the campaign committee; however, given the minimal documentation provided and the refusal of individuals to interview, the OCE found that the work Kyle Palazzo performed may not have justified the salary he received. Additionally, Rep. Palazzo did not produce any information to the OCE about the campaign committee's required efforts to establish the fair market value of his brother's services or guidance from the Committee on Ethics about Kyle's Palazzo's work for the campaign committee.

b. Campaign Payments to Palazzo & Co.

36. Additionally, since Rep. Palazzo was first elected to Congress in 2011, the campaign committee and Patriot Political Action Committee (the "leadership PAC") have made regular payments to two accounting firms, Palazzo & Company LLC ("Palazzo & Co.") and Breazeale, Saunders & O'Neil, Ltd. ("Breazeale Ltd."). Palazzo & Co. was founded and previously run by Rep. Palazzo before his election to Congress; the company is now owned

³⁷ See discussion *infra*, Section II.B.ii.c.

³⁸ Palazzo for Congress Steven M. Palazzo Account, American Express Statement Closing Nov. 2018 (Exhibit 19 at 20-2124_1030).

³⁹ Palazzo for Congress Steven M. Palazzo Account, American Express Statements Closing Nov. 2018 to Aug. 2019 (Exhibit 19 at 20-2124_1028-1126).

⁴⁰ *Id.*

⁴¹ The hotel stays charged to Kyle Palazzo's credit card include a November 2, 2018 charge for one night of lodging at the Westin in Jackson, MS for \$173.69, Palazzo for Congress Steven M. Palazzo Account, American Express Statement Closing Nov. 2018 (Exhibit 19 at 20-2124_1037), a January 11, 2019 charge for one night at the Hilton Garden Inn in Jackson, MS for \$172.00, Palazzo for Congress Steven M. Palazzo Account, American Express Statement Closing Jan. 2019 (Exhibit 19 at 20-2124_1058), a April 14, 2019 charge for two nights at the Holiday Inn Express Hotel & Suites in Starkville MS for \$346.62, Palazzo for Congress Steven M. Palazzo Account, American Express Statement Closing May 2019 (Exhibit 19 at 20-2124_1090), and a July 7, 2019 charge for one night at the Residence Inn in Hattiesburg, MS for \$167.30, Palazzo for Congress Steven M. Palazzo Account, American Express Statement Closing July 2019 (Exhibit 19 at 20-2124_1116).

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by his ex-wife.⁴² Breazeale Ltd. is owned and managed by the campaign committee and leadership PAC's treasurer, Paul Breazeale.⁴³ The campaign committee and leadership PAC paid these two separate accounting firms for similar services during the same timeframe.⁴⁴ The similarity of these accounting services and the size of the payments led the OCE to review the bona fide campaign need for the work performed by Rep. Palazzo's ex-wife's business.

37. The OCE reviewed evidence produced by the campaign committee and the leadership PAC showing that Palazzo & Co. performed bona fide accounting and campaign finance reporting services on behalf of both entities. However, Rep. Palazzo did not provide the OCE with records of efforts to establish the fair market value of Palazzo & Co.'s services, as required by House rules. Rep. Palazzo also did not provide any evidence of communications with the Committee on Ethics about the ongoing payments to Palazzo & Co.

ii. The Campaign Committee's Payments to Rent, Renovate and Maintain Rep. Palazzo's River House

38. In this review, the OCE examined \$60,000.00 in rent that the campaign committee paid to Greene Acres of MS, LLC ("Greene Acres") between February 2018 and August 2019.⁴⁵ Greene Acres is an LLC registered in Mississippi for which Rep. Palazzo is the only member.⁴⁶ In a submission to the OCE, Rep. Palazzo's counsel described Greene Acres as a "single owner, investment property management company."⁴⁷

39. In every one of his annual House financial disclosure reports from 2013 until 2018, Rep. Palazzo reported a 100% interest in Greene Acres and described Greene Acres as either a "farm" or a "hobby farm" without mentioning it as an investment property management

⁴² See Palazzo & Company LLC, *Staff*, <https://www.palazzotax.com/staff/> (last visited Aug. 21, 2020); Palazzo & Company LLC, *2020 LLC Annual Report with the Secretary of State of Mississippi* (filed Apr. 14, 2020). The couple divorced in April 2016. Judgment for Divorce – Irreconcilable Differences, In the Matter of the Dissolution of the Marriage of Steven M. Palazzo and Lisa B. Palazzo, (No. 24CH2: 16-cv-00062-CB) Miss. Chancery Ct. Biloxi (2016). According to Rep. Palazzo's counsel, Rep. Palazzo does not currently have an ownership interest in Palazzo & Co. Rep. Palazzo's Counsel's Submission to the Office of Congressional Ethics re Accounting Firms, June 27, 2020 (Exhibit 20 at 20-2124_1232).

⁴³ Palazzo for Congress, FEC Form 1 Statement of Organization, filed Nov. 7, 2017; Patriot Political Action Committee, FEC Form 1 Statement of Organization, filed Jan 29, 2019; Breazeale & Saunders, PLLC, *2020 LLC Annual Report with the Secretary of State of Mississippi* (filed Jan. 18, 2020).

⁴⁴ Since 2010, the campaign committee has paid \$93,177.72 to Breazeale Ltd. for accounting and FEC reporting services. See generally, Palazzo for Congress, Reports of Receipts and Disbursements, 2010 to 2020. Since 2010, the campaign committee has paid Palazzo & Co. \$143,674.04 for accounting and other professional fees. *Id.* This amount excludes three loan repayments made to Palazzo & Co. Since 2013, the leadership PAC has paid Breazeale Ltd. \$3,300.58 for accounting services. See generally, Patriot Political Action Committee, Reports of Receipts and Disbursements, 2013 to 2020. Since 2016, the leadership PAC has paid Palazzo & Co. \$7,311.37 for accounting services. See generally, Patriot Political Action Committee, Reports of Receipts and Disbursements, 2016 to 2020.

⁴⁵ Palazzo for Congress, Transaction List by Vendor to Greene Acres (Exhibit 21 at 20-2124_1234).

⁴⁶ Greene Acres of MS, LLC, *2020 LLC Annual Report with the Secretary of State of Mississippi* (filed March 30, 2020).

⁴⁷ Rep. Palazzo's Counsel's Submission to the Office of Congressional Ethics re Greene Acres Description, June 27, 2020 (Exhibit 22 at 20-2124_1236).

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company.^{48, 49} As described more fully below, Greene Acres eventually started receiving rental payments from the campaign committee for use of a property owned by Rep. Palazzo.

40. The OCE reviewed the relationship between Greene Acres and the campaign committee and discovered a pattern of campaign expenditures to pay Rep. Palazzo's debt on a family property and to prepare that same property for sale. There was limited evidence of campaign use of the property, especially to justify \$60,000.00 in rent and thousands of dollars of additional charges to maintain the home and improve its marketability. The evidence below establishes a substantial reason to believe there was not a bona fide campaign need for the space and that the campaign committee did not pay fair market value for its actual use of the property.

a. River House Background and Sale Efforts

41. In October 2017, Rep. Palazzo acquired a property in D'Iberville, Mississippi from his mother and Eagles Nest Holdings LP, a Mississippi business associated with his mother.⁵⁰ The property, generally referred to by Rep. Palazzo as the "River House," is a large river front home on 2.03 acres of land.⁵¹ In addition to having four bedrooms, the River House has a boat dock and a guest cottage. According to records from the River House's initial listing agent, Real Estate Agent A, the property had mainly been used as a weekend home by Rep. Palazzo's family, which had owned it for about 20 years.⁵²

⁴⁸ Rep. Palazzo 2018 Financial Disclosure Report, filed May 13, 2019; Rep. Palazzo 2017 Financial Disclosure Report, filed May 15, 2018; Rep. Palazzo 2016 Amended Financial Disclosure Report, filed July 17, 2018; Rep. Palazzo 2015 Financial Disclosure Report, filed June 14, 2016; Rep. Palazzo 2014 Financial Disclosure Report, filed May 15, 2015; Rep. Palazzo 2013 Amended Financial Disclosure Report, filed April 9, 2015 (describing Greene Acres as a "hobby farm"). The OCE also reviewed Rep. Palazzo's dissolution of marriage agreement from 2016 which also references his ownership of a farm. Judgment for Divorce – Irreconcilable Differences, In the Matter of the Dissolution of the Marriage of Steven M Palazzo and Lisa B. Palazzo, (No. 24CH2: 16-cv-00062-CB) Miss. Chancery Ct. Biloxi (2016) at 16.

⁴⁹ On August 11, 2020, in the final week of this review, Rep. Palazzo filed his 2019 financial disclosure report. Rep. Palazzo 2019 Financial Disclosure Report, filed Aug. 11, 2020. In this report, Rep. Palazzo identifies Greene Acres for the first time as "House, Timber and Land Investment Property. Investment property owned and managed under Greene Acres of MS, LLC wholly owned by Steven Palazzo." *Id.*

⁵⁰ State of Mississippi, County of Harrison, Second Judicial District, River House Warranty Deed between Muriel Palazzo and Eagles Nest Holdings, L.P. and Rep. Palazzo, Oct. 20, 2017.

⁵¹ Realtor.com, River House Listing, https://www.realtor.com/realestateandhomes-detail/11072-Old-Highway-67_Diberville_MS_39540_M70783-91559 (last visited Aug. 21, 2020); River House MLS Listing, July 13, 2018 (Exhibit 23 at 20-2124_1238-39).

⁵² E-mail between Real Estate Agent A and Buyer's Agent, March 29, 2017 (Exhibit 24_20-2124_1241-43); E-mail between Rep. Palazzo and Real Estate Agent A, Oct. 18, 2016 (Exhibit 25 at 20-2124_1245-46).

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42. Records reviewed by the OCE show that Rep. Palazzo’s mother had been trying to sell the River House unsuccessfully since at least the middle of 2016.⁵³ In 2017, Rep. Palazzo acquired the property from his mother and immediately resumed the process of trying to find a buyer for the River House.⁵⁴
43. On October 16, 2017, Real Estate Agent A discussed the transfer to Rep. Palazzo in an e-mail. He said, “[Rep. Palazzo] is closing on the house (purchase from parents) this Friday... allegedly his plan it to make the currently required repairs and then put it back on the market and get it off his hands.”⁵⁵

⁵³ E-mail between Rep. Palazzo and Real Estate Agent A, May 10, 2016 (Exhibit 26 at 20-2124_1248). In a conversation with the OCE about a document production, Real Estate Agent A told the OCE that he had represented Rep. Palazzo’s parents in their efforts to sell the property, and that Rep. Palazzo was overseeing those efforts on behalf of his family. Real Estate Agent A told the OCE that it was his impression that Rep. Palazzo’s parents needed to sell the property due to financial difficulties, but did not have sufficient funds to make necessary improvements in anticipation of sale. Phone call Between Real Estate Agent A and Jeffrey Brown, Investigative Counsel, Office of Congressional Ethics, July 6, 2020. Documents produced to the OCE by Real Estate Agent A suggest that there was an urgent desire to sell the property when it was owned by his parents. *See e.g.*, E-mail between Rep. Palazzo and Real Estate Agent A, May 10, 2016 (Exhibit 26 at 20-2124_1248); E-mail between Rep. Palazzo and Real Estate Agent A, May 11, 2017 (Exhibit 27 at 20-2124_1250).

⁵⁴ In an e-mail to Real Estate Agent A on September 8, 2017, Rep. Palazzo explained, “I’m going to assume my parent’s debt on the house hopefully in the next week or so. So we can get the bank out of the way.” E-mail between Rep. Palazzo and Real Estate Agent A, Sept. 8, 2017 (Exhibit 28 at 20-2124_1253). In order to complete the property transfer and assume the debt for the 2017 transfer, Rep. Palazzo may have taken out \$50,000.00 from his Thrift Savings Plan. Rep. Palazzo Thrift Savings Plan Declaration, Oct. 10, 2017 (Exhibit 29 at 20-2124_1255). Real Estate Agent A provided the OCE with an October 10, 2017 statement from Rep. Palazzo indicating he withdrew the funds. *Id.* The brief statement does not link the withdrawal to the October 20, 2017 River House acquisition, although the timing of the withdrawal corresponds directly. State of Mississippi, County of Harrison, Second Judicial District, River House Warranty Deed between Muriel Palazzo and Eagles Nest Holdings, L.P. and Rep. Palazzo, Oct. 20, 2017.

⁵⁵ E-mail between Real Estate Agent A and Shari Mckee, Oct. 16, 2017 (Exhibit 30 at 20-2124_1257).

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44. Rep. Palazzo had difficulties selling the house. In 2016, the house had received an appraisal for \$1.175 million as a single-family residence.⁵⁶ E-mails from 2016 show that Rep. Palazzo initially had hoped to sell the house for around \$700,000.00.⁵⁷ The price continued to drop and it eventually sold in September 2019 for \$485,000.00.⁵⁸
45. Communications between Rep. Palazzo and Real Estate Agent A reflect potential buyers' concerns about the extensive repairs the house needed. One potential buyer's agent said to Real Estate Agent A, "[t]he reason for the low offer is the prospective buyers having to put so much in to update and renovate."⁵⁹ In April 2018, in response to a status question from Rep. Palazzo, Real Estate Agent A explained, "[a]s usual, we have had a serious [sic] of random interested parties in the River House, but they all say it's too much for the work needed"⁶⁰
46. Cash flow concerns appear to have affected Rep. Palazzo's ability to make repairs necessary to quickly sell the property. As context, in 2013, Rep. Palazzo acquired a property in Perkinston, Mississippi (the "Perkinston Property") via Greene Acres.⁶¹ In e-mails reviewed by the OCE, Rep. Palazzo expressed concern about the financial burden of now owning both the River House and also maintaining the Perkinston Property.
47. On July 31, 2017, Rep. Palazzo wrote to Real Estate Agent A, "If the RH doesn't sell then I will have to sell farm [Perkinston Property] to borrow to cover debt on RH."⁶² In January 2018, Rep. Palazzo commented to Real Estate Agent A that his goal was to keep the Perkinston Property and list the River House soon, but explained that "currently it would be nice to get income coming in to cover the expenses."⁶³

⁵⁶ Chelle McKinney, Appraisal Report, Prepared for Trustmark National Bank, Sept. 6., 2016 (Exhibit 31 at 20-2124_1260).

⁵⁷ E-mail between Rep. Palazzo and Real Estate Agent A, Oct. 11, 2016 (Exhibit 32 at 20-2124_1304-05).

⁵⁸ River House Contract for the Sale and Purchase of Real Estate, July 31, 2019 (Exhibit 33 at 20-2124_1307-39); State of Mississippi, County of Harrison, River House Warranty Deed between Rep. Palazzo and River House Purchasers, Sept. 4, 2019.

⁵⁹ E-mail between Real Estate Agent A and Buyer's Real Estate Agent, Apr. 3, 2017 (Exhibit 34 at 20-2124_1314).

⁶⁰ E-mail between Rep. Palazzo and Real Estate Agent A, Apr. 19, 2018 (Exhibit 35 at 20-2124_1317). Records from Real Estate Agent A show that a contractor had performed work at the house to identify a leak and repair damage. E-mail between Rep. Palazzo and Real Estate Agent A, August 11, 2017 (Exhibit 36 at 20-2124_1319); E-mail between Rep. Palazzo and Real Estate Agent A, July 31, 2017 (Exhibit 37 at 20-2124_1321-22). Property listing disclosures produced by Real Estate Agent B, the agent who eventually sold the property, show that there were leaks and termite issues with the home. River House Property Condition Disclosure Statement, Feb. 21, 2018 (Exhibit 38 at 20-2124_1325-29).

⁶¹ State of Mississippi, County of Stone, Perkinston Property Special Warranty Deed between Bancorpsouth Bank and Greene Acres of MS, LLC, Sept. 5, 2013. This likely was the property Rep. Palazzo referenced when he repeatedly described Greene Acres as a farm in his annual financial disclosure reports. See *supra* paragraph 39. Real estate listings for the Perkinston Property explain that it is a three-bedroom home on 46.8 acres of land. Realtor.com, Perkinston Property Listing, https://www.realtor.com/realestateandhomes-detail/45-Hickman-Tower-Rd_Perkinston_MS_39573_M89694-31237 (last visited Aug. 21, 2020). The "property features a large fully stocked pond with dock, barn, wooded areas and clearings and a barn." *Id.*

⁶² E-mail between Rep. Palazzo and Real Estate Agent A, July 31, 2017 (Exhibit 39 at 20-2124_1331).

⁶³ E-mail between Rep. Palazzo and Real Estate Agent A, Jan. 18, 2018 (Exhibit 40 at 20-2124_1333-34).

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48. In January 2018, Rep. Palazzo asked Real Estate Agent A, “[g]ive me your thoughts on selling the River House. I’m not going to be able to get any repairs done for a few months. Also if we re-list it what about residential and/or commercial. I’m open to leasing property as well.”⁶⁴ In the same e-mail chain, Rep. Palazzo stated, “I just want to sell it or find some contractors to fix it without costing an arm and a leg and sell it for a little more. I can’t afford to take a huge loss. But if I wanted it sold within 6 months what would you recommend then?”⁶⁵ After Real Estate A recommended some repairs, Rep. Palazzo replied, “[t]he problem is finding someone to bird dog that project.”⁶⁶

b. Campaign Rental of the River House

49. On February 1, 2018, a few weeks after Rep. Palazzo discussed his need for rental income and his personal financial pressures, the campaign committee entered into a lease with Rep. Palazzo to rent the River House as a campaign headquarters for \$3,000.00 per month.⁶⁷

1. The River House Lease and Rental Valuation

50. As Rep. Palazzo was considering the terms of the River House lease, his personal expenses were part of the discussion. In a January 29, 2018 e-mail to campaign treasurer Paul Breazeale that includes a draft lease for the River House, Rep. Palazzo stated “[m]ortgage plus insurance and tax are right at \$3,000.”⁶⁸ Therefore, the amount Rep. Palazzo personally owed monthly on the River House equaled the amount of the campaign committee’s monthly rental payments for the lease.

51. The OCE reviewed evidence that Rep. Palazzo sought out information about the fair market value of leasing the River House. On January 2, 2018, Real Estate Agent A explained to Rep. Palazzo that coming up with a rental estimate was difficult, but that he would place the house, “in the \$2,500-\$3,000 per month range. The apartment would likely bring \$500-\$600, depending heavily on the amount of updating you did to get it leased.”⁶⁹

52. On February 14, 2018, two weeks after the February 1, 2018 lease was allegedly executed, Rep. Palazzo again asked Real Estate Agent A for information about the rental value of the River House.⁷⁰ Real Estate Agent A explained that his closest estimate was \$3,856.00 per month.⁷¹ Real Estate Agent A cautioned that commercial leases often include tenant

⁶⁴ E-mail between Rep. Palazzo and Real Estate Agent A, Jan. 2, 2018 (Exhibit 41 at 20-2124_1337).

⁶⁵ *Id.* Real Estate Agent A recommend fixing the deck and a few other repairs. E-mail between Real Estate Agent A and Rep. Palazzo, Jan. 3, 2018 (Exhibit 42 at 20-2124_1339).

⁶⁶ *Id.*

⁶⁷ Lease between Rep. Palazzo, as Landlord, and Palazzo for Congress, as Tenant, Feb. 1, 2018 (Exhibit 43 at 20-2124_1341-43).

⁶⁸ E-mail from Rep. Palazzo to Paul Breazeale, Jan. 29, 2018 (Exhibit 44 at 20-2124_1345).

⁶⁹ E-mail between Rep. Palazzo and Real Estate Agent A, Jan. 2, 2018 (Exhibit 42 at 20-2124_1339).

⁷⁰ E-mail between Rep. Palazzo and Real Estate Agent A, Feb. 14, 2018 (Exhibit 45 at 20-2124_1369); E-mail between Rep. Palazzo and Real Estate Agent A, Feb. 14, 2018 (Exhibit 46 at 20-2124_1371-72).

⁷¹ *Id.*

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improvement, requiring certain changes to the property to make it suitable for the tenant's
intended use.⁷²

53. On the morning of February 15, 2018, Rep. Palazzo forwarded the February 14, 2018 rental estimate e-mail to Paul Breazeale with a note stating: "FYI!"⁷³ This rental amount estimate, exceeding the amount of Rep. Palazzo's personal monthly expenses for the River House, may have precipitated the finalization of the lease for the River House. Even though the lease was dated February 1, 2018, Rep. Palazzo sent Paul Breazeale an e-mail later on the morning of February 15, 2018 titled "Signed Contract PFC" with an unexecuted contract attached with an open place for Paul Breazeale's signature.⁷⁴
54. Pursuant to the executed lease agreement, the campaign committee paid \$3,000.00 per month in rent for the River House.⁷⁵ According to Rep. Palazzo's counsel, Greene Acres managed the rental property on behalf of Rep. Palazzo, although the lease does not mention Greene Acres playing any role.⁷⁶ Due to its purported management role, Greene Acres received the monthly rental payments for the River House from the campaign committee.⁷⁷ While Rep. Palazzo described Greene Acres as an investment property management company and Greene Acres apparently managed the River House rental payments, Rep. Palazzo's annual financial disclosure reports through 2018 consistently listed Greene Acres as having no income.^{78, 79} Rep. Palazzo refused to provide the OCE with Greene Acres's recent tax filings. Additionally, Rep. Palazzo's 2018 financial disclosure report identifies the River House investment, but indicates that it did not generate any income.⁸⁰

⁷² *Id.* There was no evidence that the campaign committee required any form of tenant improvement before renting the property.

⁷³ E-mail between Rep. Palazzo and Paul Breazeale, Feb. 15, 2018 (Exhibit 47 at 20-2124_1374).

⁷⁴ E-mail between Rep. Palazzo and Paul Breazeale with Unexecuted Lease Attachment, Feb. 15, 2018 (Exhibit 48 at 20-2124_1376-79). The OCE did not see an executed lease with Mr. Breazeale's signature until a March 2018 e-mail, although it may have been signed as of February 15, 2018. E-mail between Rep. Palazzo and Paul Breazeale with executed Lease Attachment, March 30, 2018 (Exhibit 49 at 20-2124_1381-84).

⁷⁵ Palazzo for Congress Transaction List for Greene Acres (Exhibit 21 at 20-2124_1234); *see generally*, Palazzo for Congress, Reports of Receipts and Disbursements, 2018 to 2019.

⁷⁶ Lease between Rep. Palazzo, as Landlord, and Palazzo for Congress, as Tenant, Feb. 1, 2018 (Exhibit 43 at 20-2124_1341-43).

⁷⁷ Palazzo for Congress Transaction List for Greene Acres (Exhibit 21 at 20-2124_1234).

⁷⁸ Rep. Palazzo 2018 Financial Disclosure Report, filed May 13, 2019; Rep. Palazzo 2017 Financial Disclosure Report, filed May 15, 2018; Rep. Palazzo 2016 Amended Financial Disclosure Report, filed July 17, 2018; Rep. Palazzo 2015 Financial Disclosure Report, filed June 14, 2016; Rep. Palazzo 2014 Financial Disclosure Report, filed May 15, 2015; Rep. Palazzo 2013 Amended Financial Disclosure Report, filed April 9, 2015.

⁷⁹ On August 11, 2020, in the final week of this review, Rep. Palazzo filed his 2019 financial disclosure report. Rep. Palazzo 2019 Financial Disclosure Report, filed Aug. 11, 2020. In this report, Rep. Palazzo indicated that Greene Acres made between \$5,001 and \$15,000 in income in calendar year 2019. The 2018 report continues to list no income.

⁸⁰ Rep. Palazzo 2018 Financial Disclosure Report, filed May 13, 2019. The 2019 report, filed after extensive questioning from the OCE about the River House, states that the property generated between \$15,001 and \$50,000 in capital gains and rental income in 2019. Rep. Palazzo 2019 Financial Disclosure Report, filed Aug. 11, 2020.

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55. The final signed lease agreement between Palazzo for Congress and Rep. Palazzo was for one-year, but was cancellable at any time with 90-days written notice.⁸¹ The lease specifically contemplated that the property could be sold, stating: “[d]uring the period of occupancy, Landlord reserves the right to sell the [the] property and thereby, with a notice of at least 90 days, cancel this lease.”⁸² The lease also specifically required that the campaign committee pay for insurance on the property, real estate taxes, and all utilities.⁸³ Under the terms of the lease, as tenant the campaign committee could make changes and enhancements to the property.⁸⁴
56. The \$3,000.00 per month rental payments to Greene Acres, equaling Rep. Palazzo’s personal monthly expenses for the home, continued until August 2019, nine months after the 2018 general election, and finished at the same time as Rep. Palazzo’s successful sale of the River House in September 2019.⁸⁵

2. Limited Evidence of Campaign Need for and Use of the River House

57. In addition to assessing the fair market value for a campaign committee’s rental of personally owned property, a Member must establish the campaign’s need for and actual use of the personally owned space.⁸⁶
58. According to Rep. Palazzo’s counsel, “[t]o support routine campaign activity and establish a permanent campaign presence, Palazzo for Congress leased a campaign office to prepare for the 2018 election cycle and maintain preparedness for future elections.”⁸⁷ Rep. Palazzo’s counsel told the OCE, it was necessary to identify and secure a campaign office in 2018 due to the expectation of a competitive 2018 primary.⁸⁸
59. The OCE asked Rep. Palazzo for a complete list of Palazzo for Congress campaign offices and the dates they were occupied. According to the information provided, Rep. Palazzo maintained two campaign offices from April 2014 until July 2014, and then did not maintain an office again until the campaign committee rented the River House in February 2018.⁸⁹ After August 2019, the campaign committee did not rent another property as a replacement until February 2020, and that new office was only operational for a month and a half prior to

⁸¹ Lease between Rep. Palazzo, as Landlord, and Palazzo for Congress, as Tenant, Feb. 1, 2018 (Exhibit 43 at 20-2124_1341-43).

⁸² *Id.*

⁸³ *Id.* The OCE did not find specific evidence suggesting that the campaign committee paid for insurance or taxes.

⁸⁴ *Id.*

⁸⁵ State of Mississippi, County of Harrison, River House Warranty Deed between Rep. Palazzo and River House Purchasers, Sept. 4, 2019.

⁸⁶ *See supra* Section II.A.

⁸⁷ Rep. Palazzo’s Counsel’s Submission to the Office of Congressional Ethics re Greene Acres Rental and Use, June 27, 2020 (Exhibit 50 at 20-2124_1386). Rep. Palazzo’s counsel told the OCE that the River House was ideally suited for the campaign office because of its convenient location near a commercial district and easy access to densely populated portions of his district. *Id.*

⁸⁸ *Id.* The lease is dated February 1, 2018, and the 2018 primary election occurred in June 2018. As discussed above, the rental of the River House continued for another fifteen months.

⁸⁹ Rep. Palazzo’s Counsel’s Submission to the Office of Congressional Ethics re Campaign Offices, June 27, 2020 (Exhibit 51 at 20-2124_1388).

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the primary election.⁹⁰ This timeline calls into question the claim that the campaign needed the River House for bona fide campaign purposes.

60. Additionally, the evidence reviewed by the OCE casts doubt on the extent to which the River House actually was used as a campaign headquarters. The OCE asked Rep. Palazzo for evidence of the campaign's use of the River House during the nineteen-month rental period. He provided two calendar invitations for campaign meetings at the River House on May 16, 2018 and October 16, 2018.⁹¹ Additionally, the OCE received a flyer for a November 5, 2018 Volunteer Appreciation Cookout at the River House.⁹² Rep. Palazzo also provided nine pictures purportedly from the River House, including of campaign paraphernalia on a table and of campaign staff.⁹³ As of late January 2018, Rep. Palazzo told Paul Breazeale that he had been storing campaign equipment at the River House for the past month.⁹⁴
61. Former Staffer B, who did not work for the campaign committee, recalled hearing about a crawfish boil event that the campaign held at the River House.⁹⁵ When asked about the River House, Former Staffer A told the OCE, "I know the purpose of it I was told was for campaign purposes, that that was the intent of why the [River House] was purchased, to use for a campaign."⁹⁶
62. Rep. Palazzo provided the OCE with evidence that on February 15, 2018, Bridgette Jones e-mailed him about buying rugs to place under desks and tables at the River House.⁹⁷ Rep. Palazzo did not provide evidence that these rugs were ever purchased, or that if they were, that they were used for campaign office space rather than furnishing the home. There was also an estimate for three laptops and two monitors from AGJ Systems & Networks, presumably for River House-related equipment, but no disbursements from the campaign committee to AGJ Systems & Networks approximate the estimate provided.⁹⁸

⁹⁰ *Id.* The next and only succeeding campaign office rental was from February 1, 2020 to March 21, 2020 in Hattiesburg, MS. The OCE reviewed a copy of this lease and found that instead of rent, the campaign was only required to pay "partial utilities." E-mail between Rep. Palazzo and Jill Comfort, Feb. 3, 2020 (Exhibit 52 at 20-2124_1390); Unexecuted Lease between ARL, LLC and Palazzo for Congress (Exhibit 53 at 20-2124_1392-98). The campaign committee did not report any utilities payments in 2020 that appeared to represent payments under this lease. Additionally, the OCE could not determine if any "partial" utility payments would have represented fair market value for the use of the space or if there would have been an in-kind contribution for the full value of the rental. That new location was to be used "as the campaign headquarters for sign storage and meetings . . ." E-mail between Rep. Palazzo and Jill Comfort, Feb. 3, 2020 (Exhibit 52 at 20-2124_1390).

⁹¹ Calendar Invitation from Bridgette Jones, May 15, 2018 (Exhibit 54 at 20-2124_1400); Calendar Invitation from Hunter Lipscomb, Oct. 16, 2018 (Exhibit 55 at 20-2124_1402-03).

⁹² Volunteer Appreciation Cookout Flyer, Nov. 5, 2018 (Exhibit 56 at 20-2124_1405).

⁹³ Rep. Palazzo Photo Submissions (Exhibit 57 at 20-2124_1407-15).

⁹⁴ E-mail from Rep. Palazzo to Paul Breazeale, Jan. 29, 2018 (Exhibit 44 at 20-2124_1345).

⁹⁵ Former Staffer B Transcript (Exhibit 11 at 20-2124_0674).

⁹⁶ Former Staffer A Transcript (Exhibit 9 at 20-2124_0469).

⁹⁷ E-mail between Rep. Palazzo and Bridgette Jones, Feb. 15, 2018 (Exhibit 58 at 20-2124_1417).

⁹⁸ AGJ Systems & Networks, Estimate for Palazzo for Congress, March 5, 2018 (Exhibit 59 at 20-2124_1419-21). The OCE notes that this estimate for Palazzo for Congress includes Ms. Jones's official e-mail address as a point of contact. The campaign committee reported a \$2,353.96 purchase from Dell Marketing, LP on November 11, 2018 for "Computer purchase," but the campaign did not provide any records to the OCE about this expense. 2018 Post-General Quarterly Report of Receipts and Disbursements, filed Dec. 7, 2018 at 23.

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63. In reviewing the invoices to Palazzo for Congress from the accounting firms, there were no examples where the campaign committee used the River House address.⁹⁹ Additionally, none of the campaign committee's credit card statements were mailed to the River House.¹⁰⁰ The OCE could not find any evidence that the River House was held out as a public facing campaign office.
64. The OCE also reviewed whether, during the campaign's rental of the property, the River House was used as a residence. To the extent the River House was used as a personal residence by Rep. Palazzo or his brother during the time in which it was leased to the campaign committee, the campaign committee's payments would constitute per se personal use. Rep. Palazzo's counsel told the OCE that no one was living at the River House when the campaign committee rented it.¹⁰¹ However, Former Staffer B told the OCE that Kyle Palazzo told her that he was sleeping at the River House for periods of time.¹⁰² All 21 disbursements to Kyle Palazzo from the campaign committee between 2018 and 2019 list the River House as his mailing address.¹⁰³ Former Staffer A¹⁰⁴ also recalled Ms. Churchwell and Ms. Jones mentioning that the River House was used as temporary housing for a congressional staffer from Washington, DC who visited the district on a monthly basis.¹⁰⁵ The potential use of the River House as a residence, combined with a lack of evidence that the River House was an actual campaign headquarters, is in direct contrast with claims that the River House was a bona fide campaign headquarters.

c. River House Renovations and Maintenance

65. Rep. Palazzo's decision to rent the home to the campaign committee did not change his desire to sell it. Considering the impact that the condition of the property had on potential buyers, Rep. Palazzo continued making improvements to the River House.
66. In an April 2018 e-mail to Real Estate Agent A, Rep. Palazzo explained "I'm trying to get the basic renovations done and things spruced up"¹⁰⁶ The OCE found that, at least in

⁹⁹ Palazzo & Company LLC, Invoices to Palazzo for Congress, Jan. 2017 to Aug. 2019 (Exhibit 60 at 20-2124_1423-58); Breazeale Ltd., Invoices to Palazzo for Congress, Jan. 2017 to December 2019 (Exhibit 61 at 20-2124_1460-85).

¹⁰⁰ In fact, many of the campaign credit card statements problematically use Rep. Palazzo's official office as a mailing address. Palazzo for Congress Steven M. Palazzo Account, American Express Statements Closing May 2016 to October 2018 (Exhibit 19 at 20-2124_0724-1027).

¹⁰¹ Letter from Gregg Harper, Counsel to Rep. Palazzo to Omar S. Ashmawy, Chief Counsel and Staff Director, Office of Congressional Ethics, June 27, 2020.

¹⁰² Former Staffer B Transcript (Exhibit 11 at 20-2124_0669-70, 0673-74). Former Staffer B explained that she did not know that he lived there, but he "stayed there for quite a while." *Id.* (Exhibit 11 at 20-2124_0669). According to Former Staffer B, on multiple occasions when Kyle Palazzo spent the night at the River House, another member of the congressional staff who refused to cooperate with this review also stayed at the River House. *Id.* (Exhibit 11 at 20-2124_0670).

¹⁰³ See generally, Palazzo for Congress, Reports of Receipts and Disbursements, 2018 to 2019.

¹⁰⁴ Former Staffer A worked in Rep. Palazzo's district office from February 2017 until she was terminated in or around June 2018. The OCE notes that Former Staffer A and Former Staffer B have a friendly relationship, and that Former Staff A interacted with Rep. Palazzo's former primary opponent on one occasion after which he quoted her without her permission. The OCE found Former Staffer A to be credible.

¹⁰⁵ Former Staffer A Transcript (Exhibit 9 at 20-2124_0481-84).

¹⁰⁶ E-mail between Rep. Palazzo and Real Estate Agent A, April 3, 2018 (Exhibit 62 20-2124 at_1487).

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part, the campaign committee funded these improvements to the River House to prepare it for sale.¹⁰⁷

67. For example, on March 13, 2018, Rep. Palazzo wrote to Real Estate Agent A to ask about any purchase inquiries: “[t]his week lawn care starts on river house. Pressure washing walls. Have you gotten any calls?”¹⁰⁸ The OCE reviewed a \$2,925.00 invoice from Cleanology Pro Cleaning Services, LLC (“Cleanology Pro”) from a few days later on March 19, 2018.¹⁰⁹ The invoice itemized the work at the River House as: (1) “pressure washing the courtyard, carriage house walls, fences, the front porch, sidewalks, the gazebo and a mailbox;” (2) lawn care, including pruning and debris removal of two magnolias, treatment of weeds with Roundup, and cutting back a stump; and (3) design and planting of flower gardens.¹¹⁰ The campaign committee paid for the entire cost of these services and improvements.¹¹¹
68. In the section below, the OCE describes thousands of dollars of similar services and improvements during this time period. There was very limited evidence suggesting that the River House was a public facing office used for bona fide campaign purposes beyond a repository for campaign materials and a location for occasional campaign related gatherings. The evidence reviewed by the OCE suggests that Rep. Palazzo was experiencing financial pressures and, in order to offset the financial burden of River House ownership, he established an alleged campaign headquarters at a family property. The wide array of campaign-funded improvements to the home appear to have been directly related to the sale of the property rather than any true campaign purpose.
69. Rep. Palazzo refused to provide any evidence of bona fide campaign reasons for River House maintenance and improvements.
70. Additionally, the OCE notes that Rep. Palazzo’s congressional staff appear to have taken the lead in overseeing maintenance and services at the River House.
71. Former Staffer A and Former Staffer B identified congressional staffers who, as discussed in one of the following sections, spent official time during the work week going to the River

¹⁰⁷ In conversation with Real Estate Agent A about producing materials to the OCE, Real Estate Agent A told the OCE that he was curious, after he was replaced as the listing agent, about where Rep. Palazzo got the money to make improvements to the property, since Rep. Palazzo never seemed to have sufficient funds to do so when Real Estate Agent A was listing the property for sale. Phone call Between Real Estate Agent A and Jeffrey Brown, Investigative Counsel, July 6, 2020.

¹⁰⁸ E-mail between Rep. Palazzo and Real Estate Agent A, March 13, 2018 (Exhibit 63 20-2124 at 20-2124_1490).

¹⁰⁹ Cleanology Pro Cleaning Services from Rep. Palazzo, March 19, 2018 Invoice (Exhibit 64 20-2124 at 20-2124_1492); Cleanology Pro Cleaning Services, March 19, 2018 Invoice (Exhibit 65 20-2124 at 20-2124_1494).

¹¹⁰ Cleanology Pro Cleaning Services from Rep. Palazzo, March 19, 2018 Invoice (Exhibit 64 20-2124 at 20-2124_1492); Cleanology Pro Cleaning Services, March 19, 2018 Invoice (Exhibit 65 20-2124 at 20-2124_1494).

¹¹¹ 2018 Amended April Quarterly Report of Receipts and Disbursements, filed Sept. 24, 2018 at 57. The owner of Cleanology Pro told the OCE, “my company was hired to perform a few residential services & lawn services for that address. When the house was being put on the market, my company was again hired to do a pre listing clean and lawn service. At the time Mr. Palazzo decided to use the river house for his campaign headquarters, I was already a trusted and reliable company that he could call to perform deep clean for the riverhouse to prepare it for business.” E-mail from Cleanology Pro Owner to Helen Eisner, Investigative Counsel, Office of Congressional Ethics, July 6, 2020.

Subject to the Nondisclosure Provisions of H. Res. 895 of the 110th Congress as Amended House to oversee construction and improvements.¹¹² This included Leslie Churchwell, Michele Gargiulo and Bridgette Jones, all of whom refused to cooperate with this review.

72. Former Staffer A told the OCE that Ms. Jones and Ms. Churchwell would go to the River House sometimes one or two times per week during official work hours.¹¹³ Former Staffer A said, “Leslie and Bridgette would just say, I’m going to the river house. The cable guy is coming, the gas company, or, you know, we’ve got furniture being delivered. And it wasn’t we’ll be back in an hour; it’s just we’re going to the river house. So whenever they came back they came back.”¹¹⁴
73. Additionally, Former Staffer B told the OCE that “Michele and Leslie would have to go out [to the River House] and, you know, look at what [the contractor] was doing or pay him or he would come in to the office to be paid.”¹¹⁵ According to Former Staffer B, “the river house thing was like an every day, constant paying the guy, you know, checking out the work that he was doing, making sure that they were all on the same page, finding, you know, additional contractors to do work that was needed there.”¹¹⁶
74. Ms. Gargiulo and Ms. Jones’s names and contact information appear on various invoices and e-mails described below, which related to improvements to the home.¹¹⁷ The OCE also reviewed official e-mail exchanges with Ms. Jones and Rep. Palazzo discussing utility bill payments for the River House.¹¹⁸ Ms. Jones also drafted a memo for Rep. Palazzo on March 8, 2018 regarding “Items for Approval” and listed categories of action items and expense approvals related to the River House, including for landscaping, power washing, heating, exterminator and trash service.¹¹⁹
75. Former Staffer B said that Ms. Gargiulo and Ms. Churchwell’s conversations about work at the River House were all related to selling the home.¹²⁰ The OCE asked Former Staffer B how she knew this, and Former Staffer B explained, “[b]ecause they always talked about that he was selling it and that’s why they were making the repairs to the house.”¹²¹

¹¹² Former Staffer B Transcript (Exhibit 11 at 20-2124_0645, 0648) (“It was always during official work hours and sometimes it would turn into, you know, We are going to meet the Boss at the river house and, you know, we have got to look at whatever, the carpeting or whatever.”).

¹¹³ Former Staffer A Transcript (Exhibit 9 at 20-2124_0471).

¹¹⁴ *Id.* (Exhibit 9 at 20-2124_0470).

¹¹⁵ Former Staffer B Transcript (Exhibit 11 at 20-2124_0646). Former Staffer B explained that official staffers paid the contractor on a weekly basis and that they would go to “the CPA firm to get a check to be able to pay him.” *Id.* (Exhibit 11 at 20-2124_0650).

¹¹⁶ *Id.* (Exhibit 11 at 20-2124_0652). Former Staffer B specifically remembered an occasion where Ms. Gargiulo told her that Rep. Palazzo wanted to know about mold remediation. *Id.* (Exhibit 11 at 20-2124_0646).

¹¹⁷ Cleanology Pro Cleaning Services, LLC Invoices from Palazzo for Congress (Exhibit 66 at 20-2124_1496-99); Cleanology Pro Cleaning Services from Rep. Palazzo, March 19, 2018 Invoice (Exhibit 64 at 20-2124_1492); E-mail from Michele Gargiulo, Sept. 16, 2019 (Exhibit 67 at 20-2124_1501).

¹¹⁸ E-mail between Rep. Palazzo and Bridgette Jones, Feb. 20, 2018 (Exhibit 68 at 20-2124_1503-05); E-mail between Bridgette Jones and Cable One, Feb. 28, 2018 (Exhibit 69 at 20-2124_1507-10); E-mail between Bridgette Jones and Cable One, March 2, 2018 (Exhibit 70 at 20-2124_1512).

¹¹⁹ Memo from Bridgette Jones to Rep. Palazzo, March 8, 2018 (Exhibit 71 at 20-2124_1514).

¹²⁰ Former Staffer B Transcript (Exhibit 11 at 20-2124_0647).

¹²¹ *Id.*

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76. While there was minimal evidence that the River House was a bona fide campaign headquarters, the OCE recognizes that there may have been, on occasion, campaign activities that took place at the River House where it was appropriate to use campaign funds. Even in circumstances where the maintenance was necessary to keep the house functioning for a legitimate campaign purpose, the expenditures were not captured by the rental amount, as is typical in an arm’s length transaction. The payments more accurately represented campaign-funded improvements to Rep. Palazzo’s personal property. The OCE notes that in many cases Kyle Palazzo oversaw the payments to vendors, further illustrating the familial and personal ties to the property and that Kyle Palazzo’s campaign-funded role may have involved this personal property management. Finally, the OCE found that Rep. Palazzo was directly involved in the campaign committee’s payment approval and reporting process, demonstrating Rep. Palazzo’s direct knowledge of the campaign committee’s disbursements on the River House.¹²²

77. The chart below identifies the campaign-funded expenses associated with the River House, and these charges are discussed in more detail below. As of the date of this report, none of these expenditures have been reimbursed to the campaign committee.

CAMPAIGN-FUNDED RIVER HOUSE EXPENDITURES	
<i>Category</i>	<i>Amount</i>
Rent	\$60,000.00
Home Utilities	\$11,348.63
Plumbing	\$1,523.92
Landscaping	\$6,325.00
House Cleaning	\$690.00
HVAC	\$1,301.93
Pest Control	\$214.00
Security Camera System	\$960.00
Total River House	\$82,363.48¹²³

1. Plumbing

78. On December 4, 2018, Pounds Plumbing, Inc. invoiced Kyle Palazzo for \$645.18 in services at the River House, which the campaign committee paid in full and described to the FEC as

¹²² See, e.g., E-mails between Michele Gargiulo and Miss Bree’s Cleaning Service, LLC, Sept. 20, 2020 (Exhibit 72 at 20-2124_1516); E-mail from Rep. Palazzo about H & H Lawncare Invoice, June 13, 2019 (Exhibit 73 at 20-2124_1519); E-mail from Rep. Palazzo about Coast Electric Payment, Jan. 21, 2019 (Exhibit 74 at 20-2124_1521); E-mail from Staff Accountant, Palazzo & Co. to Rep. Palazzo, Paul Breazeale, and Breazeale, Saunders & O’Neil, Ltd. Office Manager, Aug. 14, 2018 (Exhibit 75 at 20-2124_1523); E-mail from Rep. Palazzo to Staff Accountant, Palazzo & Co., Paul Breazeale, and Breazeale, Saunders & O’Neil, Ltd. Office Manager, April 14, 2018 (Exhibit 76 at 20-2124_1525-26).

¹²³ As noted above, the OCE recognizes that there may have been bona fide campaign activities that took place at the River House where it was appropriate to use campaign funds, and therefore the \$82,363.48 figure above does not represent a specific amount of personal use by Rep. Palazzo or his campaign; instead, the figure identifies the amount of campaign funds expended in connection with the River House.

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“Repairs and Maintenance.”¹²⁴ The work was to rebuild the inside of a toilet tank and change out a grinder pump.¹²⁵ On October 17, 2018, Kyle Palazzo used the campaign credit card for a separate Pounds Plumbing, Inc. charge of \$183.11 to replace a garbage disposal.¹²⁶

79. On May 7, 2018, the campaign committee also spent \$695.63 at Patterson Plumbing & Heating Co. on “Supplies.”¹²⁷

2. Landscaping

80. In total, between March and October 2018, the campaign committee paid Cleanology Pro \$4,075.00 for landscaping and other upkeep at the River House.¹²⁸ The OCE reviewed invoices for pressure washing, pruning, planting, and other forms of lawn care.¹²⁹ Bridgette Jones was listed as the contact on these Cleanology Pro invoices.¹³⁰

81. Between June and October 2019, the campaign committee paid \$2,000.00 to H & H Lawn Care, LLC (“H & H Lawncare”) to cut the grass at the River House.¹³¹ H & H Lawncare’s owner William Howard Walkinshaw refused to provide the OCE with any records related to this work. Additionally, in July and August 2018, the campaign committee paid Paul Cannette \$250.00 to “cut, blow, weed eat, edge” at the River House.¹³²

3. House Cleaning

82. Between July and September 2019, the campaign committee disbursed \$600.00 to Miss Bree’s Cleaning Service, LLC (“Miss Bree’s”) to clean the interior of the River House.¹³³

¹²⁴ Pounds Plumbing, Inc. Receipt, Dec. 10, 2018 (Exhibit 77 at 20-2124_1528-29); Pounds Plumbing, Inc. Invoice, Dec. 4, 2018 (Exhibit 78 at 20-2124-1531-32); Palazzo for Congress, 2018 Year-End Report of Receipts and Disbursements, filed Jan. 31, 2019 at 12.

¹²⁵ Pounds Plumbing, Inc. Invoice, Dec. 4, 2018 (Exhibit 78 at 20-2124-1531-32).

¹²⁶ Palazzo for Congress Steven M. Palazzo Account, American Express Statement Closing November 2018 (Exhibit 19 at 20-2124_1036); Pounds Plumbing, Inc. Invoice, Oct. 19, 2018 (Exhibit 79 at 20-2124_1534); Pounds Plumbing, Inc. Receipt, Oct. 17, 2018 (Exhibit 80 at 20-2124-1537-38).

¹²⁷ Palazzo for Congress, 2018 Pre-Primary Report of Receipts and Disbursements, filed Sept. 24, 2018 at 50.

¹²⁸ Palazzo for Congress, 2018 July Quarterly Report of Receipts and Disbursements, filed July 15, 2018 at 40; 2018 Amended Pre-Primary Report of Receipts and Disbursements, filed Sept. 24, 2018 at 44-45; 2018 Pre-General Report of Receipts and Disbursements, filed Oct. 25, 2018 at 24; 2018 Amended April Quarterly Report of Receipts and Disbursements, filed Sept. 24, 2018 at 57.

¹²⁹ Cleanology Pro Cleaning Services, LLC Invoices from Palazzo for Congress (Exhibit 66 at 20-2124_1496-99); Cleanology Pro Cleaning Services from Rep. Palazzo, March 19, 2018 Invoice (Exhibit 64 20-2124 at 20-2124_1492).

¹³⁰ Cleanology Pro Cleaning Services, LLC Invoices from Palazzo for Congress (Exhibit 66 at 20-2124_1496-99); Cleanology Pro Cleaning Services from Rep. Palazzo, March 19, 2018 Invoice (Exhibit 64 20-2124 at 20-2124_1492).

¹³¹ H & H Lawncare, Invoices and Payments from Palazzo for Congress (Exhibit 81 at 20-2124_1540-48; Palazzo for Congress 2019 Amended October Quarterly Report of Receipts and Disbursements, filed Feb. 3, 2020 at 62; Palazzo for Congress 2019 July Quarterly Report of Receipts and Disbursements, filed July 15, 2019 at 92; Palazzo for Congress 2019 Amended Year-End Report of Receipts and Disbursements, filed Feb. 3, 2020 at 67.

¹³² 2018 October Quarterly Report of Receipts and Disbursements, filed Oct. 16, 2018 at 37; Paul Cannette Invoice, Aug. 4, 2018 (Exhibit 82 at 20-2124_1550); Paul Cannette Invoice, July 23, 2018 (Exhibit 83 at 20-2124_1552).

¹³³ 2019 Amended October Quarterly Report of Receipts and Disbursements, filed Feb. 3, 2020 at 64; Miss Bree’s Cleaning Service LLC Invoices, May 31, 2019 and Sept. 25, 2019 (Exhibit 84 at 20-2124_1554-55); Miss Bree’s Cleaning Service, LLC Invoice, Sept. 25, 2019 (Exhibit 85 at 20-2124_1557); E-mails between Michele Gargiulo

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The owner of Miss Bree's told the OCE that the services were arranged through Real Estate Agent B, the agent who eventually sold the home, and that she did not have direct contact with Rep. Palazzo.¹³⁴

83. One of these cleanings occurred on September 4, 2019, which was the date of the warranty deed transferring the River House to its new owners after the sale.¹³⁵ The invoice was sent to District Director Michele Gargiulo who then sent it to Rep. Palazzo.¹³⁶ Rep. Palazzo indicated that it was for "final cleaning of campaign headquarters."¹³⁷
84. On February 5, 2019, the campaign committee disbursed \$90.00 to Jessica Cooper for what Kyle Palazzo also described as "final cleaning of campaign HQ."¹³⁸

4. HVAC

85. On March 7, 2018, the campaign committee paid Ball Heating & Air Conditioning \$340.00 to perform diagnostics on the River House electrical system.¹³⁹ The campaign committee's FEC filings describe the disbursement as "Repairs."¹⁴⁰
86. Additionally, the campaign committee paid \$224.70 on June 18, 2019 and \$737.23 on November 11, 2018 to North Bay Heating & Air Conditioning, Inc., totaling \$961.93.¹⁴¹ The charges were made on the campaign credit card by Kyle Palazzo.¹⁴² The \$737.23 charge was to service multiple heating systems at the River House, replace four thermostats (including in the cottage house and the kennel), and to replace a heat sequencer.¹⁴³ The \$224.70 charge

and Miss Bree's Cleaning Service, LLC, Sept. 20, 2020 (Exhibit 72 at 20-2124_1516). The invoices show amounts due of \$325.00 and \$145.00, but FEC records reveal payments of \$325.00 and \$275.00. It was unclear if the campaign committee made an accounting error in paying \$325.00 and \$275.00.

¹³⁴ E-mail between Miss Bree's Cleaning Service, LLC Owner and Helen Eisner, Investigative Counsel, Office of Congressional Ethics, June 28, 2020. Real Estate Agent B certified under the False Statements Act that she had provided the OCE with a complete production and told the OCE that she did not have any responsive e-mail communications about the River House.

¹³⁵ Miss Bree's Cleaning Service LLC Invoices, May 31, 2019 and Sept. 25, 2019 (Exhibit 84 at 20-2124_1555); State of Mississippi, County of Harrison, River House Warranty Deed between Rep. Palazzo and River House Purchasers, Sept. 4, 2019.

¹³⁶ E-mails between Michele Gargiulo and Miss Bree's Cleaning Service, LLC, Sept. 20, 2020 (Exhibit 72 at 20-2124_1516).

¹³⁷ *Id.*

¹³⁸ E-mail between Kyle Palazzo and Palazzo & Co. Accountant, Feb. 5, 2019 (Exhibit 86 at 20-2124_1559-60). Kyle Palazzo arranged for the disbursement and it is not clear why he indicated it was for a final cleaning since the property was not sold for another seven months.

¹³⁹ Ball Heating & Air Conditioning, Invoices and Receipts, March 7, 2018 (Exhibit 87 at 20-2124_1562-67); Palazzo for Congress 2018 Amended April Quarterly Report of Receipts and Disbursements, filed Sept. 24, 2018 at 47.

¹⁴⁰ Palazzo for Congress 2018 Amended April Quarterly Report of Receipts and Disbursements, filed Sept. 24, 2018 at 47. The diagnostics found that the system needed an overhaul, but according to the invoices the overhaul was declined. Ball Heating & Air Conditioning, Invoices and Receipts, March 7, 2018 (Exhibit 87 at 20-2124_1562-67).

¹⁴¹ Palazzo for Congress 2018 Post-General Report of Receipts and Disbursements, filed Dec. 7, 2018 at 26; Palazzo for Congress 2019 July Quarterly Report of Receipts and Disbursements, filed July 15, 2019 at 72.

¹⁴² Palazzo for Congress Steven M. Palazzo Account, American Express Statement Closing Nov. 2018 (Exhibit 19 at 20-2124_1036); Palazzo for Congress Steven M. Palazzo Account, American Express Statement Closing June 2019 (Exhibit 19 at 20-2124_1099).

¹⁴³ North Bay Heating & Air, Inc., Receipt, Oct. 24, 2018 (Exhibit 88 at 20-2124_1569).

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was to repair a leak at a service valve in the River House.¹⁴⁴ The FEC filings described these expenses as “Repairs and Maintenance.”¹⁴⁵

5. Pest Control

87. On February 20, 2018, the campaign committee paid Stark Exterminators, Inc. (“Stark Exterminators”) in Gulfport, MS \$214.00 for wasp removal service at the River House.¹⁴⁶

6. Utilities

88. Between March 2018 and November 2019, the campaign committee paid \$8,452.49 to Coast Electric Power Association to maintain power at the River House.¹⁴⁷ This included invoices for three separately metered portions of the property: the main house, the cottage house, and outdoor lighting.

89. As a separate matter, in December 2018, the campaign committee spent \$98.00 on a Coast Electric bill for the Perkinston Property which it described in its FEC filings as “Campaign Office Utilities” even though there was no evidence that there ever was a campaign office at the Perkinston Property.¹⁴⁸

90. Between June 2018 and June 2019, the campaign committee paid \$2,896.14 for internet from Cable One Business at the River House.¹⁴⁹ In most cases, Rep. Palazzo only produced partial invoices making verification of the type of service provided difficult.¹⁵⁰

¹⁴⁴ North Bay Heating & Air, Inc., Receipt, May 15, 2019 (Exhibit 89 at 20-2124_1571).

¹⁴⁵ Palazzo for Congress 2018 Post-General Report of Receipts and Disbursements, filed Dec. 7, 2018 at 26; Palazzo for Congress 2019 July Quarterly Report of Receipts and Disbursements, filed July 15, 2019 at 72.

¹⁴⁶ Palazzo for Congress 2018 Amended April Quarterly Report of Receipts and Disbursements, filed Sept. 24, 2018 at 66; Stark Exterminators, Invoice, Feb. 27, 2018 (Exhibit 90 at 20-2124_1573); Memo from Bridgette Jones to Rep. Palazzo, March 8, 2018 (Exhibit 71 at 20-2124_1514). According to a Senior Vice President at Stark Exterminator’s parent company, this was related to bee removal. Phone Call Between Arrow Exterminators, Senior Vice President of Operational Risk Management and Helen Eisner, Investigative Counsel, Office of Congressional Ethics, June 24, 2020.

¹⁴⁷ See generally Palazzo for Congress, Reports of Receipts and Disbursements, 2018 to 2019; Palazzo for Congress, Transaction List by Vendor to Coast Electric Power Association, (Exhibit 91 at 20-2124_1575); Coast Electric Power Association Service Invoices and Payments from Rep. Palazzo for River House, River House Apartment and Magnolia Bluff Lights, River House Outdoor Electricity (Exhibit 92 at 20-2124_1577-1678); Coast Electric Power Association Service Invoices and Payments for River House, River House and River House Apartment, Jan. 2018 to Sept. 2019 (Exhibit 93 at 20-2124_1680-1711).

¹⁴⁸ Palazzo for Congress, 2018 Year-End Report of Receipts and Disbursements, filed Jan. 31, 2019 at 17; Coast Electric Power Association Service Invoices from Greene Acres for Perkinston Property, November 2018 – December 2018 (Exhibit 94 at 20-2124_1713-14). The invoice was billed to Rep. Palazzo and Green [sic] Acres of MS LLC. Rep. Palazzo included this invoice to a service address at Happy Lake Rd House in his production to the OCE. Happy Lake is another name for the road where the Perkinston Property is located.

¹⁴⁹ See generally Palazzo for Congress, Reports of Receipts and Disbursements, 2018 to 2019; Cable One Business, Invoices and Payments from Palazzo for Congress for River House (Exhibit 95 at 20-2124_1716-43). This amount excludes two payments for \$263.57 and \$264.63 where the account address is listed as a district office and the OCE could not determine where service was provided.

¹⁵⁰ A February 28, 2018 business services agreement indicates that the service at the River House involved high speed internet and modem rental. Cable One Business Services Agreement for River House, Feb. 28, 2018 (Exhibit

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91. Between January 2018 and the present, the campaign paid \$10,487.03 to Verizon Wireless for wireless phone services.¹⁵¹ The OCE specifically requested corresponding Verizon Wireless statements in its Request for Information and follow up communications with counsel, and Rep. Palazzo did not produce any records for this account.

7. Security Camera System

92. Between September 2018 and April 2019, Rep. Palazzo reported \$960.00 in expenditures to Roberson Security.¹⁵² According to a memo from Ms. Jones to Rep. Palazzo, these expenditures from Roberson Security were for a security camera system at the River House.¹⁵³

8. Other Miscellaneous Expenditures

93. In addition to the specific charges above, the OCE identified other home improvement charges that may have been connected to the River House. The OCE asked for documentation related to some of these charges from Rep. Palazzo and in many cases the campaign committee did not have or did not provide records of the expenses.

94. Between April 24, 2018 and July 23, 2019, the campaign committee reported \$1,558.34 in disbursements to various Lowe's home improvement stores for either supplies or repairs and maintenance.¹⁵⁴ Additionally, the OCE reviewed campaign credit card statements and found 11 different disbursements to Lowe's between 2018 and 2019 totaling \$784.76 that were never reported to the FEC.¹⁵⁵

95. The campaign committee also reported a December 6, 2018 disbursement to a paint store, Sherwin Williams, for \$214.44.¹⁵⁶ According to campaign credit card statements, multiple purchases at Sherwin Williams were made by Kyle Palazzo between November and December 2018.¹⁵⁷ Additionally, the OCE identified three charges by Kyle Palazzo on the

96 at 20-2124_1745). The OCE notes that Ms. Jones used her official e-mail address as the point of contact for this account. *Id.*

¹⁵¹ See generally, Palazzo for Congress, Reports of Receipts and Disbursements, 2018 to 2020.

¹⁵² Palazzo for Congress, 2018 October Quarterly Report of Receipts and Disbursements, filed Oct. 16, 2018 at 47; Palazzo for Congress 2018 Amended April Quarterly Report of Receipts and Disbursements, filed Sept. 24, 2018 at 65; Palazzo for Congress 2019 July Quarterly Report of Receipts and Disbursements, filed July 15, 2019 at 98.

¹⁵³ Memo from Bridgette Jones to Rep. Palazzo, March 8, 2018 (Exhibit 71 at 20-2124_1514). Additionally, the OCE reviewed an estimate for the installation of this surveillance system. ECR Inc. Estimate for Palazzo Campaign Office, Feb. 21, 2018 (Exhibit 97 at 20-2124_1747).

¹⁵⁴ See generally, Palazzo for Congress, Reports of Receipts and Disbursements, 2018 to 2019.

¹⁵⁵ Palazzo for Congress Steven M. Palazzo Account, American Express Statements Closing January 2018 - January 2020 (Exhibit 19 at 20-2124_0938-1195); Palazzo for Congress Lisa M. Palazzo Account, American Express Statement Closing January 2018 - May 2018 (Exhibit 5 at 20-2124_0371-401). While all eleven disbursements were under \$200.00, the campaign would have needed to report some of these expenditures after the campaign committee paid more than \$200.00 to the same vendor (Lowe's) during the election cycle. See Reporting Ultimate Payees of Political Committee Disbursements, 78 Fed. Reg. 7861, 40625, 40626 (July 8, 2013) (to be codified at 11 C.F.R. pt. 104).

¹⁵⁶ Palazzo for Congress 2018 Year End Report of Receipts and Disbursements, filed Jan. 31, 2019 at 12.

¹⁵⁷ Palazzo for Congress Steven M. Palazzo Account, American Express Statement Closing December 2018 (Exhibit 19 at 20-2124_1046-48). The \$214.44 amount was a December 3, 2018 purchase for \$86.67, a November 12, 2018 purchase for \$31.48, and a November 19, 2018 purchase for \$96.29. *Id.*

Subject to the Nondisclosure Provisions of H. Res. 895 of the 110th Congress as Amended campaign credit card in 2019, totaling \$723.53, at Dunnaway Small Engine.¹⁵⁸ Dunnaway Small Engine is a retailer and repair shop for outdoor power tools.¹⁵⁹ Without explanation, the campaign committee did not provide records of many of these additional expenses in response to specific requests from the OCE.

96. As of February 2020, Rep. Palazzo's Chief of Staff suggested the need for more internal controls and required ethics training.¹⁶⁰ In June 28, 2020, Rep. Palazzo wrote a draft e-mail to campaign staff stating "[i]n an effort to strengthen our internal controls we will be freezing all AMEX [American Express] cards within 30 days."¹⁶¹ As of the date of this referral, Rep. Palazzo has not reimbursed the campaign committee for any of the expenditures identified above.

97. Based on the foregoing information, the OCE Board finds that there is substantial reason to believe that Rep. Palazzo converted campaign funds from Palazzo for Congress to personal use.

III. REP. PALAZZO MAY HAVE MISUSED THE MRA FOR PERSONAL ERRANDS AND CAMPAIGN ACTIVITIES

A. Applicable Law, Rules, and Standards of Conduct

98. Federal Statutes

2 U.S.C. § 5341(a) states that "[t]here is established for the House of Representatives a single allowance, to be known as the 'Members' Representational Allowance', which shall be available to support the conduct of the official and representational duties of a Member of the House of Representatives with respect to the district from which the Member is elected."

31 U.S.C. § 1301(a) states that "[a]ppropriations shall be applied only to the objects for which the appropriations were made except as otherwise provided by law."

¹⁵⁸ Palazzo for Congress Steven M. Palazzo Account, American Express Statement Closing January 2019 (Exhibit 19 at 20-2124_1057); Palazzo for Congress Steven M. Palazzo Account, American Express Statement Closing April 2019 (Exhibit 19 at 20-2124_1080); Palazzo for Congress Steven M. Palazzo Account, American Express Statement Closing May 2019 (Exhibit 19 at 20-2124_1091).

¹⁵⁹ Dunnaway Small Engine, *Products*, <https://dunnawaysmallengine.stihldealer.net/products/> (last visited Aug. 21, 2020). The OCE also notes that it reviewed a January 12, 2019 disbursement for \$594.81 for "repairs" to Reported Vendor and Friend. Palazzo for Congress 2019 April Quarterly Report of Receipts and Disbursements, filed Apr. 16, 2019 at 32. Reported Vendor and Friend told the OCE that he had not provided any services to Rep. Palazzo or the campaign committee. Statement of Reported Vendor and Friend (Exhibit 98 at 20-2124_1749). The \$594.81 purchase matches a January 7, 2019 purchase by Kyle Palazzo at Dunnaway Small Engine that is part of the \$723.53 total identified above. Palazzo for Congress Steven M. Palazzo Account, American Express Statement Closing January 2019 (Exhibit 19 at 20-2124_1057).

¹⁶⁰ E-mail between Hunter Lipscomb and Paul Breazeale, Feb. 14, 2020 (Exhibit 3 at 20-2124_0006).

¹⁶¹ Draft E-mail from Rep. Palazzo to Palazzo for Congress Staff, June 28, 2020 (Exhibit 99 at 20-2124_1751).

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99. House Rules

House Rule 25, clause 5 provides that, “[a] Member . . . may not knowingly accept a gift except as provided in this clause.” Clause 5 defines the term “gift” broadly to include any “gratuity, favor, discount, entertainment, hospitality, loan, forbearance, or other item having monetary value,” and also “gifts of services, training, transportation, lodging, and meals, whether provided in kind, by purchase of a ticket, payment in advance, or reimbursement after the expense has been incurred.”

House Rule 25, clause 5(a)(3)(F) creates an exception under the gift rule for, “[a] gift from another Member . . . officer, or employee of the House or Senate.”¹⁶²

100. House Ethics Manual and Committee on Ethics Guidance

The House Ethics Manual explains, “Members of Congress receive a Members’ Representational Allowance (‘MRA’), which is available to support the conduct of official and representational duties to the district from which they are elected. Statutory authorizations often note that such allowances are for expenses of an ‘official purposes’ or a ‘strictly official’ nature. Legal and ethical problems arise when these allowances are used for other than official expenses, such as when they are converted to personal or campaign use.”¹⁶³

The Manual goes on to emphasize that “[t]he MRA may not be used to pay for any expenses related to activities or events that are primarily social in nature, personal expenses, campaign or political expenses, or House committee expenses. Members may be personally liable for misspent funds or expenditures exceeding the MRA.”¹⁶⁴ Additionally, the Manual notes Members are “responsible for assuring that resources provided for support of official duties are applied to the proper purposes.”¹⁶⁵

According to the House Ethics Manual, “[p]ursuant to federal statute (18 U.S.C. § 1301(a)), official funds may be used only for the purposes appropriated. Thus, House resources acquired with such funds – including the office telephones, computers fax machines and other equipment, office supplies, office space, and staff while on official time – are to be used for the conduct of official House business. Those resources may not be used to perform or in furtherance of any outside employment of any Member, officer, or employee.”¹⁶⁶

The House Ethics Manual further explains, “[I]t is permissible for House employees to do campaign work, but only outside of congressional space, without the use of any House resources,

¹⁶² “However, federal law generally bars government employees from giving gifts to their official superiors.” House Ethics Manual at 70 (citing 5 U.S.C. § 7351).

¹⁶³ House Ethics Manual at 323.

¹⁶⁴ *Id.* The House Ethics Manual also states that “[t]he misuse of the funds and other resources that the House of Representatives entrusts to Members for the conduct of official House business is a very serious matter. Depending on the circumstances, such conduct may result in not only disciplinary action by the House, but also criminal prosecution.” *Id.* at 124.

¹⁶⁵ *Id.* at 324 (citing *In the Matter of Representative Austin J. Murphy*, H. Rep. 100-485, 100th Cong., 1st Sess. 4 (1987)).

¹⁶⁶ House Ethics Manual at 197.

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and on their own time (as opposed to ‘official’ time for which they are compensated by the House).”¹⁶⁷

Additionally, the Manual emphasizes, “[o]nce House employees have completed their official duties, they are free to engage in campaign activities on their own time, as volunteers or for pay, as long as they do not do so in congressional offices or facilities, or otherwise use official resources. . . . It should be stressed that although House employees are free to engage in campaign activities on their own time, in no event may a Member or office compel a House employee to do campaign work. To do so would result in an impermissible official subsidy of the Member’s campaign. The prohibition against coercing staff or requiring staff members to do campaign work is quite broad. It forbids Members and senior staff from not only threatening or attempting to intimidate employees regarding doing campaign work, but also from directing or otherwise pressuring them to do such work.”¹⁶⁸

In 2019, the Committee adopted a staff report chastising a departing Member for permitting the use of official staff to perform personal errands for the Member and his family during official time.¹⁶⁹ Among other categories of services, official staff babysat and provided transportation for the Member’s children, waited for home furniture deliveries, and assisted in retail shopping trips for the Member and his spouse.¹⁷⁰ The staff report explained that this conduct implicated a misuse of the MRA and the acceptance of a gift of services from official staff.¹⁷¹

In 2020, the Committee adopted an ISC report which considered a Member’s misuse of the MRA for campaign purposes.¹⁷² In that report, the ISC emphasized that “[t]here is no de minimis exception to the prohibition on using official resources for campaign or political purposes,” and explained that “the policies set by the office regarding office hours may not be enforced inconsistently in order to benefit a Member’s campaign.”¹⁷³

As the Committee explained in a 2018 report, “where Members have used official funds for impermissible purposes, the Committee has regularly directed them to repay any misspent funds. This requirement has most frequently arisen in circumstances where official funds were used for a Member’s personal benefit or to benefit their campaign . . . However, the Committee has also

¹⁶⁷ *Id.* at 126.

¹⁶⁸ *Id.* at 135-36.

¹⁶⁹ Committee on Ethics, *In the Matter of Allegations Relating to Representative Thomas Garrett*, Staff Report, 115th Cong., 2d Sess. (2019) (hereafter, *Garrett*).

¹⁷⁰ *Id.*

¹⁷¹ *Id.* at 41. “Life as a congressional staffer often involves challenging workloads and demanding hours, as Members rely heavily on their staffs to implement their legislative priorities and attend to constituent matters. Similarly, legislating and serving constituents can be challenging work for Members, and requires constant balancing of personal needs with professional responsibilities. This is made all the more difficult by Members’ need to maintain two residences – one in the district, and one in Washington, DC. However, the solution to this issue is not to convert official resources to personal use. Indeed, the Committee has long advised the House community that federal appropriations law and CHA regulations limit what Members can demand of staff, and has publicly sanctioned Members who compel their official staff to perform unofficial tasks. Representative Garrett disregarded those limits when he made repeated personal demands of staff...” *Id.*

¹⁷² See generally *Schweikert*.

¹⁷³ *Id.* at 69-70.

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made clear that a Member is responsible to repay MRA funds used for impermissible purposes, even where neither the Member nor the Member's campaign benefitted from the use of official funds."¹⁷⁴

101. Members' Congressional Handbook

*"The MRA may not pay for personal expenses. The MRA may not pay for campaign expenses."*¹⁷⁵

*"Each Member is personally responsible for the payments of any official and representational expenses incurred that exceed the provided MRA or that are incurred but are not reimbursable under these regulations."*¹⁷⁶

B. Rep. Palazzo May Have Misused the MRA for Personal and Campaign Purposes

102. In this review, the OCE found that Rep. Palazzo may have misused official resources for personal and campaign purposes. Specifically, the OCE examined evidence suggesting that: (1) congressional staff may have performed personal errands for Rep. Palazzo during official work hours, and (2) official resources, including official staff time and official House e-mail addresses, may have been used for campaign activities.¹⁷⁷
103. In their interviews with the OCE, Former Staffer A and Former Staffer B portrayed a district office that failed to separate official work from campaign and personal activities.¹⁷⁸ These former staffers suggested that Ms. Jones, Ms. Churchwell and Ms. Gargiulo routinely were absent from the district office during official work hours in order to perform campaign work or personal errands for Rep. Palazzo.¹⁷⁹ They also described Ms. Jones, Ms. Churchwell, and Ms. Gargiulo as akin to Rep. Palazzo's personal assistants, whose job included performing errands for Rep. Palazzo to ensure his personal and professional lives ran smoothly.¹⁸⁰ Former Staffer A and Former Staffer B also recounted instances in which they were told to perform

¹⁷⁴ Committee on Ethics, *In the Matter of Allegations Relating to Representative Luis V. Gutiérrez*, 115th Congress, 2d Sess. (2018) at 27-28.

¹⁷⁵ Committee on House Administration, *Members' Congressional Handbook*, 115th Congress (Feb. 27, 2018) at 2.

¹⁷⁶ *Id.*

¹⁷⁷ The OCE notes that the performance of personal errands by staffers may result in an improper gift of services to a Member. *See Garrett* at 2, 41.

¹⁷⁸ *See e.g.*, Former Staffer A Transcript (Exhibit 9 at 20-2124_0446-0477); Former Staffer B Transcript (Exhibit 11 at 20-2124_0642-52). Former Staffer A told the OCE that each individual was supposed to read the Ethics Manual during their onboarding process. Former Staffer A Transcript (Exhibit 9 at 20-2124_0458).

¹⁷⁹ *See e.g.*, Former Staffer A Transcript (Exhibit 9 at 20-2124_0446-77); Former Staffer B Transcript (Exhibit 11 at 20-2124_0642-52). When asked whether she observed staffers leaving the office during the day to attend to campaign matters, Former Staffer A said, "They left all the time...Bridgette and Leslie and Michele were always gone." Former Staffer A Transcript (Exhibit 9 at 20-2124_0474). Former Staffer B described Leslie Churchwell, Michele Gargiulo, and Bridgette Jones as performing errands of some kind on an "almost daily" basis. Former Staffer B Transcript (Exhibit 11 at 20-2124_0651).

¹⁸⁰ *See e.g.*, Former Staffer A Transcript (Exhibit 9 at 20-2124_0459-60); Former Staffer B Transcript (Exhibit 11 at 20-2124_0644-52).

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unofficial tasks during official work hours by these individuals, who they considered to be their superiors.¹⁸¹

i. Personal Errands

104. As discussed above, the OCE found that official staff routinely spent official work hours at the River House overseeing maintenance, improvement, or sale-related matters during the district work day.¹⁸² The OCE found that the district office held official work hours between 8:00 AM and 5:00 PM.¹⁸³ Regardless of whether River House-related work was performed by Ms. Jones, Ms. Churchwell and Ms. Gargiulo for campaign purposes or as personal errands for Rep. Palazzo, the frequency and timing of the work implicate House rules concerning the use of staff time for non-official purposes.
105. Former Staffer A and Former Staffer B also each told the OCE that official staffers spent official work hours preparing Rep. Palazzo's children for sleepaway summer camp. Former Staffer A told the OCE that Ms. Jones and Ms. Churchwell spent two mornings shopping for supplies for the children, and in the afternoon, they sorted, labeled, and organized the supplies in the district office conference room before packing them up for Rep. Palazzo's children.¹⁸⁴ She also recalled Rep. Palazzo directing staffers to prepare and send care packages to the children while they were away.¹⁸⁵ Former Staffer A was terminated prior to the children attending sleepaway camp in 2018; however, she did recall hearing Ms. Jones and Ms. Churchwell discuss preparations for the children's attendance at camp that summer.¹⁸⁶
106. Former Staffer B told the OCE that she assisted with the children's summer camp preparations in 2018. Former Staffer B explained that she and Ms. Gargiulo spent an entire day out of the office in the summer of 2018 searching for iron-on labels for the children's clothing.¹⁸⁷ When asked whether she volunteered to do this, she said "Michele asked me to

¹⁸¹ See e.g., Former Staffer A Transcript (Exhibit 9 at 20-2124_0471-77); Former Staffer B Transcript (Exhibit 11 at 20-2124_0642-43).

¹⁸² See *supra*, Section II.B.ii.c and paragraph 103 (above). Former Staffer A and Former Staffer B told the OCE that Ms. Jones, Ms. Churchwell, and Ms. Gargiulo frequently left work during official work hours to attend to matters at the River House. Former Staffer A Transcript (Exhibit 9 at 20-2124_0468-71, 0474); Former Staffer B Transcript (Exhibit 11 at 20-2124_0644-52). Invoices and e-mails corroborate those staffers involvement in work and services at the River House. See *supra*, Section II.B.ii.c. Additionally, the OCE found e-mails where a constituent liaison helped Rep. Palazzo prepare information to be sent to Real Estate Agent A related to the sale of the River House. E-mail between Rep. Palazzo and Real Estate Agent A with Attachments, Feb. 22, 2018 (Exhibit 100 at 20-2124_1753); E-mail between Rep. Palazzo and Real Estate Agent A with Attachments, Feb. 21, 2018 (Exhibit 101 at 20-2124_1764).

¹⁸³ Former Staffer A Transcript (Exhibit 9 at 20-2124_0475).

¹⁸⁴ *Id.* (Exhibit 9 at 20-2124_0448-52, 0465-67). Former Staffer A said she observed them sorting and packing the materials, and also discussed it with them while on her lunch break, as they were organizing things in the same place she was eating. *Id.*

¹⁸⁵ *Id.* (Exhibit 9 at 20-2124_0467).

¹⁸⁶ *Id.* (Exhibit 9 at 20-2124_0448-52, 0465-67).

¹⁸⁷ Former Staffer B Transcript (Exhibit 11 at 20-2124_0642-43).

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go with her and this was a thing that we were told to do by the Congressman[,] and I was told we were going to iron the -- the kids' clothes, as well.”¹⁸⁸

107. Former Staffer A and Former Staffer B also told the OCE that official staff would pick up and drop off Rep. Palazzo's dry-cleaning or laundry during work hours, including sometimes leaving clean clothes in his car at the airport.¹⁸⁹
108. The OCE also interviewed Former Staffer C, who Former Staffer A described as Rep. Palazzo's "driver" and "errand boy.”¹⁹⁰ Former Staffer A told the OCE that she believed Former Staffer C was tasked with picking up Rep. Palazzo's dry cleaning on occasion.¹⁹¹ Former Staffer C acknowledged driving Rep. Palazzo when he was in the District, but denied ever having to pick up his dry cleaning or being asked to perform any personal errands on his behalf.¹⁹²
109. When asked whether he witnessed or heard of any official staff members performing personal services for Rep. Palazzo during the work day, Former Staffer C said he had not.¹⁹³ He noted that, given his work schedule – which placed him outside of the office for the majority of each day – he would not ordinarily be in a position to see or hear whether certain staffers were performing any personal errands.¹⁹⁴

ii. Use of Official Resources for Campaign Activity

110. Additionally, official staffers may have been required to perform campaign work during the official workday. Former Staffer C told the OCE that he never felt pressured to perform campaign work and never saw anyone else being pressured to perform campaign activity.¹⁹⁵ However, Former Staffer A told the OCE that the Biloxi district office was closed one afternoon, and official staff were required to assist with preparations for an evening campaign event.¹⁹⁶ When asked if she volunteered to do this work, Former Staffer A said she “was told” by more senior staff this is what the office staff was doing that afternoon.¹⁹⁷
111. The OCE also reviewed numerous e-mails related to the River House that were sent to or received with official House e-mail addresses.¹⁹⁸ Additionally, the OCE reviewed campaign-

¹⁸⁸ *Id.*

¹⁸⁹ Former Staffer A Transcript (Exhibit 9 at 20-2124_0446, 0460); Former Staffer B Transcript (Exhibit 11 at 20-2124_0648-50).

¹⁹⁰ Former Staffer A Transcript (Exhibit 9 at 20-2124_0446).

¹⁹¹ *Id.*

¹⁹² Transcript of Interview of Former Staffer C (“Former Staffer C Transcript”), August 11, 2020 (Exhibit 102 at 20-2124_1790, 1793).

¹⁹³ Former Staffer C Transcript (Exhibit 102 at 20-2124_1789-99).

¹⁹⁴ *Id.* (Exhibit 102 at 20-2124_1789-90, 1792, 1799).

¹⁹⁵ *Id.* (Exhibit 102 at 20-2124_1805-06).

¹⁹⁶ Former Staffer A Transcript (Exhibit 9 at 20-2124_0472-77).

¹⁹⁷ *Id.*

¹⁹⁸ *See e.g.*, E-mail between Rep. Palazzo and Real Estate Agent A with Attachments, Feb. 22, 2018 (Exhibit 100 at 20-2124_1753); E-mail between Rep. Palazzo and Real Estate Agent A with Attachments, Feb. 21, 2018 (Exhibit 101 at 20-2124_1764); E-mail between Rep. Palazzo and Bridgette Jones, Feb. 20, 2018 (Exhibit 68 at 20-2124_1503-05); E-mail between Bridgette Jones and Cable One, March 2, 2018 (Exhibit 70 at 20-2124_1512); AGJ Systems & Networks, Estimate for Palazzo for Congress, March 5, 2018 (Exhibit 59 at 20-2124_1419-21). Given

Subject to the Nondisclosure Provisions of H. Res. 895 of the 110th Congress as Amended related billing statements that appear to have been sent to Rep. Palazzo's official office address.¹⁹⁹

112. As discussed above, several current and former staffers were identified to the OCE as having performed personal errands or campaign work for Rep. Palazzo during official work hours and of using official resources for campaign purposes. These individuals, and Rep. Palazzo, declined to interview with the OCE.
113. Based on the foregoing information, the OCE Board finds that there is substantial reason to believe that Rep. Palazzo misused the MRA for unofficial personal and campaign purposes.

IV. REP. PALAZZO MAY HAVE PERFORMED A SPECIAL FAVOR FOR HIS BROTHER

A. Applicable Law, Rules, and Standards of Conduct

114. Code of Ethics for Government Service

Pursuant to Paragraph 5 of the Code of Ethics for Government Service, a Member may “[n]ever discriminate unfairly by the dispensing of special favors or privileges to anyone, whether for remuneration or not; and never accept for himself or his family, favors or benefits under circumstances which might be construed by reasonable persons as influencing the performance of his governmental duties.”²⁰⁰

115. House Ethics Manual and Committee on Ethics Guidance

The House Ethics Manual states, “[t]he prohibition against doing any special favors for anyone in one’s official capacity is a fundamental standard of conduct, and it applies to an official’s conduct with regard to not only his or her spouse or other family members, but more broadly to any person.”²⁰¹

With respect to casework, the Manual notes that “one of the key provisions of the Code of Ethics for Government Service states, in ¶ 5, that government officials should ‘[n]ever discriminate unfairly by the dispensing of special favors or privileges to anyone, whether for remuneration or not.’ The Code further provides, in ¶ 10, that ‘public office is a public trust,’ and thus the public has a right to expect House Members and staff to exercise impartial judgment in performing their duties. More generally, one of the ultimate purposes of the ethics rules is to help ensure

that Rep. Palazzo maintains that the River House served as his campaign headquarters, these e-mails may represent the use of official resources for campaign purposes; however, as discussed above, they may also relate to personal errands he asked congressional staff to perform on his behalf.

¹⁹⁹ See e.g., Capitol Hill Club, July 2018 Invoice (Exhibit 103 at 20-2124_1826); Palazzo for Congress Steven M. Palazzo Account, American Express Statements Closing May 2016 to October 2018 (Exhibit 19 at 20-2124_0724-1027).

²⁰⁰ Code of Ethics for Government Service, H.R. Con. Res. 175, 85th Cong. (1958) (enacted).

²⁰¹ House Ethics Manual at 245.

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that each governmental action is taken on the merits of the particular question, rather than any extraneous factors."²⁰²

*Fundamentally, the Members' Representational Allowance should be used "to support the conduct of the official and representational duties of a Member of the House of Representatives with respect to the district from which the Member is elected."*²⁰³

In 2012, the Committee analyzed the application of the Code of Ethics for Government Service special favors provision as applied to constituent family members.²⁰⁴ The Committee found that while the Member's conduct implicated the second clause of paragraph 5 regarding accepting benefits, the Member's conduct did not implicate the special favors clause because she treated her husband "similarly to other [medical] providers" seeking comparable casework.²⁰⁵

In 2015, the Committee found that a Member violated the special favors clause of Paragraph 5 of the Code of Ethics for Government Service by taking an official action in setting up a meeting on behalf of a non-constituent bank in which he held a financial interest.²⁰⁶

The Committee has previously stated that it was "arguable" that a Member "violated the Code of Ethics for Government Service, consideration #5, by taking the official action of intervening with a government agency on behalf of someone with whom he was involved in numerous business ventures and by whom his wife was employed."²⁰⁷

B. Rep. Palazzo May Have Used Official Resources to Provide a Special Favor to His Brother

116. During the course of this review, the OCE examined whether Rep. Palazzo performed special favors on behalf of his brother, Kyle Palazzo. Specifically, the OCE considered whether Rep. Palazzo improperly used his position as a Member of Congress, or MRA-funded congressional resources, to help his brother upgrade his Naval reenlistment code. The OCE found evidence suggesting that Rep. Palazzo may have contacted the Assistant Secretary of the Navy in order to assist in this effort.
117. Upon release or discharge from the Navy, service members are assigned a reenlistment code, or "RE Code," that designates whether and under what conditions they can reenlist in the military.²⁰⁸ Individuals discharged with certain codes are not recommended for reenlistment;²⁰⁹ however, the Navy provides mechanisms by which an individual can seek to

²⁰² *Id.* at 151.

²⁰³ *Id.* at 310 (emphasis omitted).

²⁰⁴ House Committee on Ethics, *In the Matter of Allegations Relating to Representative Shelley Berkley*, 112th Cong., 2nd Sess. (2012).

²⁰⁵ *Id.* at 55.

²⁰⁶ House Committee on Ethics, *In the Matter of Allegations Relating to Representative Phil Gingrey*, H. Rep. 113-664, 113th Cong., 2d Sess. (2014) ("In the Matter of Phil Gingrey").

²⁰⁷ House Committee on Standards of Official Conduct, *In the Matter of Representative William H. Boner*, 100th Cong. (Comm. Print 1987) at 29.

²⁰⁸ See e.g., Office of Naval Inspector General, *FAQs – What are reenlistment codes?*, <https://www.secnav.navy.mil/ig/Lists/FAQs/DispForm.aspx?ID=641> (last visited Aug. 6, 2020).

²⁰⁹ *Id.*

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upgrade their reenlistment code designation. Specifically, the Secretary of the Navy, acting through the Board for Correction of Naval Records (BCNR), has authority to change a service record when necessary to correct an error or remove an injustice.²¹⁰ Additionally, the Navy maintains a Naval Discharge Review Board (NDRB) that reviews and determines whether an individual's discharge was granted in a proper manner and was fair and equitable considering the regulations in effect at the time of the discharge.²¹¹ Each of these Boards require former service members to prepare and submit formal applications in order for their cases to be reviewed and evaluated.²¹²

118. Former Staffer B, a veterans affairs caseworker in Rep. Palazzo's district office, told the OCE that in or around October 2018, Rep. Palazzo asked her to assist Kyle Palazzo with his efforts to upgrade his reenlistment code.²¹³ Rep. Palazzo made this initial request of Former Staffer B in his congressional office during official work hours.²¹⁴ He asked that the matter be kept confidential to protect Kyle Palazzo's privacy.²¹⁵
119. Immediately after Rep. Palazzo asked her to assist with this matter, Former Staffer B met with Kyle Palazzo in her congressional office to discuss the details of his separation from the Navy.²¹⁶ According to Former Staffer B, Kyle Palazzo was separated from the Navy for affecting a fraudulent enlistment and designated with a reenlistment code of 4,²¹⁷ which meant he was not recommended for reenlistment.²¹⁸
120. E-mails provided to the OCE by Rep. Palazzo confirm that Former Staffer B was assisting Kyle Palazzo in late 2018 and early 2019 with efforts to upgrade his reenlistment code.²¹⁹

²¹⁰ See 10 U.S.C. § 1552(a); Board for Correction of Naval Records, *Homepage*, <https://www.secnav.navy.mil/mra/bcnr/Pages/default.aspx> (last visited Aug. 9, 2020); National Archives, Correcting Military Service Records, <https://www.archives.gov/veterans/military-service-records/correct-service-records.html> (last visited Aug. 9, 2020).

²¹¹ Naval Discharge Review Board, *Homepage*, <https://www.secnav.navy.mil/mra/CORB/pages/ndrb/default.aspx> (last visited Aug. 6, 2020); National Archives, Correcting Military Service Records, <https://www.archives.gov/veterans/military-service-records/correct-service-records.html> (last visited Aug. 9, 2020).

²¹² See *supra*, footnotes 210 and 211.

²¹³ Former Staffer B Transcript (Exhibit 11 at 20-2124_0535-36, 0550-51, 0555-56). Former Staffer B told the OCE that Rep. Palazzo wanted Kyle Palazzo's reenlistment code upgraded so that he could serve alongside him in the Mississippi National Guard. *Id.* at (Exhibit 11 at 20-2124_0551).

²¹⁴ *Id.* (Exhibit 11 at 20-2124_0550-52, 0555-56).

²¹⁵ *Id.* (Exhibit 11 at 20-2124_0551, 0561-63).

²¹⁶ *Id.* (Exhibit 11 at 20-2124_0551-53).

²¹⁷ *Id.* (Exhibit 11 at 20-2124_0549, 0552-53, 0557-59).

²¹⁸ Office of Naval Inspector General, *FAQs – What are reenlistment codes?*, <https://www.secnav.navy.mil/ig/Lists/FAQs/DispForm.aspx?ID=641> (last visited Aug. 6, 2020) (noting that a sailor discharged with an RE Code 4 designation is “[n]ot recommended for reenlistment”).

²¹⁹ E-mail between Kyle Palazzo and Former Staffer B, Jan. 7, 2019 (Exhibit 104 at 20-2124_1828); E-mail between Steven Palazzo and Former Staffer B, Jan. 10, 2019 (Exhibit 105 at 20-2124_1830); E-mail between Kyle Palazzo and Former Staffer B, Nov. 9, 2018 (Exhibit 106 at 20-2124_1832); E-mail between Artyy Ingraham and Former Staffer B, Dec. 7, 2018 (Exhibit 107 at 20-2124_1834-35). The e-mails discuss how to reenlist as a reservist when you received an “Re-4 Code.” E-mail between Kyle Palazzo and Former Staffer B, Jan. 7, 2019 (Exhibit 104 at 20-2124_1828). The e-mails provided also indicate that Rep. Palazzo reached out to Former Staffer B in January 2019 regarding a Privacy Release Form (PRF), E-mail between Steven Palazzo and Former Staffer B, Jan. 10, 2019

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121. As of January 2019, Kyle Palazzo and Former Staffer B were still working to collect the documents required for either the BCNR or the NDRB.²²⁰ Former Staffer B told the OCE that during this timeframe, Kyle Palazzo showed her an e-mail chain in which Patrick Large, Rep. Palazzo’s Deputy Chief of Staff, sought a meeting with the Secretary of the Navy to discuss upgrading Kyle Palazzo’s reenlistment code.²²¹ While Former Staffer B could not specifically recall all the contents of the e-mail chain that she viewed, she recalled “Patrick Large ha[ving] an appointment with the Secretary of the Navy and [he] had been communicating with the Secretary of the Navy’s Office to go and sit down and request for Kyle’s RE Code to be changed.”²²²
122. Former Staffer B told that OCE that after being shown this e-mail chain, she raised several concerns with Kyle Palazzo. She explained that she did not think it was proper for Rep. Palazzo to assist him in this manner since she did not believe Rep. Palazzo would do so for other similarly situated constituents.²²³ She also raised concerns about how a request of this nature could harm Rep. Palazzo politically if it ever became public.²²⁴
123. As a result of her concerns, Former Staffer B called Michele Gargiulo, Rep. Palazzo’s District Director.²²⁵ According to Former Staffer B, she told Ms. Gargiulo that she understood she was supposed to keep her work for Kyle Palazzo confidential, but then said: “at this point I don’t care . . . If I get fired because of this, I don’t care because . . . this is risking all of our jobs. . . . I think all of us will be on the line if somebody gets wind of this.”²²⁶ She also reiterated her concern that she did not believe that the office would assist other constituents in this fashion.²²⁷
124. The OCE sought all documents and communications from Rep. Palazzo and his staff related to the planning, preparation for or any meeting held with the Secretary of the Navy regarding Kyle’s reenlistment code.²²⁸ While the OCE does not believe it was provided a full and

(Exhibit 105 at 20-2124_1830), which is consistent with Former Staffer B’s interview with the OCE. Former Staffer B Transcript (Exhibit 11 at 20-2124_0571).

²²⁰ E-mail between Steven Palazzo and Former Staffer B, Jan. 23, 2019 (Exhibit 108 at 20-2124_1837).

²²¹ Former Staffer B Transcript (Exhibit 11 at 20-2124_0572, 0582).

²²² *Id.*

²²³ *Id.* (Exhibit 11 at 20-2124_0573) (“I said, [w]e would not do this for any other constituent. And I told him, I said, [w]e need to go about this the right way and I don’t want to be involved in this.”).

²²⁴ *Id.* Former Staffer B emphasized that Rep. Palazzo has already faced numerous political attacks about his military service, particularly with respect to allegations that he does not drill with his reserve unit as required, and she worried this would fuel additional attacks. *Id.*

²²⁵ *Id.* (Exhibit 11 at 20-2124_0574, 0582-84).

²²⁶ *Id.* (Exhibit 11 at 20-2124_0583).

²²⁷ *Id.* (Exhibit 11 at 20-2124_0584) (“I said, Michele, we would never do this for another constituent.”); *Id.* at (Exhibit 11 at 20-2124_0584-85) (“I said, if this happens, somebody is going to look into it because the entire State of Mississippi talks about how the Congressman does not do his drills and how he is No-Show Palazzo when it comes to the Mississippi National Guard. And I said, [i]magine when you add another Palazzo to the ranks, that’s going to raise eyebrows and people are going to start investigating. And I said, [i]f they come back and find out that our office went directly to the Secretary of the Navy, got his RE Code changed without going through any process, even though he has an RE Code that is not waivable, we are toast. Like, we are done. Our careers are over.”).

²²⁸ See Letter from Omar S. Ashmawy, Chief Counsel and Staff Dir., Office of Congressional Ethics, to Rep. Palazzo, June 2, 2020; see also E-mail from Jeffrey Brown, Investigative Counsel, Office of Congressional Ethics, to Gregg Harper, Counsel to Rep. Palazzo, July 17, 2020.

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complete set of responsive materials, it was provided with what appears to be a partial e-mail chain between Patrick Large and Matthew English, a Naval congressional affairs liaison affiliated with Gregory J. Slavonic, the Assistant Secretary of the Navy for Manpower and Reserve Affairs.²²⁹ The subject of the e-mail was “RE: [Non-DoD Source] ASAP request,” and it discussed scheduling a meeting between Rep. Palazzo and Mr. Slavonic the following week.²³⁰ Rep. Palazzo also provided the OCE with documents establishing that he met with Mr. Slavonic the following week, on January 15, 2019.²³¹

125. While the January 9, 2019 e-mail from Patrick Large does not specifically reference Kyle Palazzo, a January 15, 2019 response from Mr. English demonstrates that Kyle Palazzo was the focus of the inquiry.²³² In his January 15, 2019 e-mail reply to Patrick Large, Mr. English attaches a letter signed by Mr. Slavonic (dated January 9, 2019) which thanks Rep. Palazzo for his “recent inquiry regarding the upgrade of reenlistment codes.”²³³ The letter specifically addresses how someone with an “RE code of 4” could seek to upgrade their reenlistment code, and details the process for appealing a discharge designation to either the BCNR or NDRB.²³⁴ Thus, it appears that Rep. Palazzo used official resources to address Kyle Palazzo’s reenlistment code upgrade with the Assistant Secretary of the Navy.
126. Former Staffer B recalled being made aware of the Secretary of the Navy’s letter and eventually forwarded it. She told the OCE that after Rep. Palazzo received the letter, she received a text message from Kyle Palazzo stating that Rep. Palazzo “decided to go about it the right way.”²³⁵ She understood this to mean that Rep. Palazzo planned to have Kyle Palazzo’s reenlistment code addressed through the ordinary application process, per Mr. Slavonic’s letter.²³⁶
127. The OCE reviewed documents that show that Rep. Palazzo forwarded a copy of the letter to Former Staffer B and asked for her opinion of it.²³⁷ In her response to Rep. Palazzo, she provided advice on what she believed to be the best course of action to assist Kyle in light of the letter’s contents.²³⁸ She told the OCE that she felt this letter was the Secretary of the

²²⁹ E-mail between Matthew English and Patrick Large with Attachment, Jan. 15, 2019 (Exhibit 109 at 20-2124_1839-41). The OCE believes there may be additional correspondence associated with this e-mail chain given that the subject line is “RE: [Non-DoD Source] ASAP request.” The “RE:” and “[Non-DOD Source]” notations both suggest that prior e-mails had been exchanged on this chain. Additionally, and as discussed elsewhere, while Rep. Palazzo provided documents to the OCE, he did not certify that he had provided a full and complete production of documents in response to the OCE’s requests.

²³⁰ *Id.*

²³¹ Palazzo Newsletter Excerpt with Photo (Exhibit 110 at 20-2124_1843); Letter from Rep. Palazzo to Gregory Slavonic, Jan. 15, 2019 (Exhibit 111 at 20-2124_1845); Rep. Palazzo Calendar Appointment, Jan. 15, 2019 (Exhibit 112 at 20-2124_1847).

²³² E-mail between Matthew English and Patrick Large with Attachment, Jan. 15, 2019 (Exhibit 109 at 20-2124_1839-41).

²³³ *Id.*

²³⁴ *Id.*

²³⁵ Former Staffer B Transcript (Exhibit 11 at 20-2124_0591, 0594).

²³⁶ *Id.* (Exhibit 11 at 20-2124_0594) (“[H]e was no longer going to request for the Secretary of the Navy to just change -- do a personal favor and change his RE Code”).

²³⁷ This is consistent with Former Staffer B’s testimony. *Id.* (Exhibit 11 at 20-2124_0595-97).

²³⁸ E-mail between Steven Palazzo and Former Staffer B, Jan. 23, 2019 (Exhibit 113 at 20-2124_1848).

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Navy’s way of telling Rep. Palazzo that he should pursue Kyle Palazzo’s case through the appropriate and established channels.²³⁹

128. Rep. Palazzo, Kyle Palazzo, Patrick Large and Michele Gargiulo all declined to interview with the OCE to discuss Kyles Palazzo’s reenlistment efforts.^{240, 241}

²³⁹ Former Staffer B Transcript (Exhibit 11 at 20-2124_0596).

²⁴⁰ As discussed above, *see supra* note 32, the OCE considered potential bias and animus when evaluating Former Staffer B’s statements, but found that many of Former Staffer B’s statements could be verified through documentary evidence provided by Rep. Palazzo. Moreover, to the extent that statements made by Former Staffer B could have been refuted by documents provided by or interviews with Rep. Palazzo, Kyle Palazzo, or congressional staffers, those individuals chose not to provide such documents or interview with the OCE.

²⁴¹ Former Staffer B told the OCE that she believes she was terminated because she raised concerns within the office about the assistance being provided to Kyle Palazzo. Former Staffer B Transcript (Exhibit 11 at 20-2124_0603). The OCE received evidence suggesting that Former Staffer B had various performance and administrative issues and was terminated for other reasons. *See* discussion *supra* note 32. Regardless of the reason for her termination, Former Staffer B produced a severance agreement which led the OCE to consider the issue of severance. Federal law, the Code of Official Conduct of the U.S. House of Representatives, and several ethics rules are implicated when severance payments are made to employees departing the House. *See e.g.*, 2 U.S.C. § 4537(a) (noting that a departing employee “may be paid a lump sum . . . the lesser of- (A) the amount of the monthly pay of the employee, as determined by the Chief Administrative Officer of the House of Representatives; or (B) in the case of a lump sum payment for the accrued annual leave of the employee, the amount equal to the monthly pay of the employee, as determined by the Chief Administrative Officer of the House of Representatives, divided by 30, and multiplied by the number of days of the accrued annual leave of the employee”); House Rule XXIII, Clause 8(a), (“A Member, Delegate, Resident Commissioner, or officer of the House may not retain an employee who does not perform duties for the offices of the employing authority commensurate with the compensation such employee receives”); the Code of Ethics for Government Service, H.R. Con. Res. 175, 85th Cong. (1958) (enacted), ¶ 3 (“Any person in Government service should . . . Give a full day’s labor for a full day’s pay”); House Ethics Manual at 277-79 (noting that members must sign monthly salary certifications which confirm compliance with salary rules and regulations and also outlining the “underlying standard for the receipt of compensation by an employee of the House”); Committee on House Administration, Members’ Congressional Handbook, 116th Congress (May 5, 2020) at 10. The Committee on Ethics has also noted as much in several recent cases. *See e.g.*, *Schweikert* at 87-91; Committee on Ethics, *In the Matter of Allegations of Relating to Representative Elizabeth Esty*, H. Rept. 115- 1093, 115th Cong. 2d. Sess. at 28-30 (2018); Committee on Ethics, *In the Matter of Allegations of Relating to Representative Mark Meadows*, H. Rept. 115-1042, 115th Cong. 2d. Sess. at 30-35 (2018). Most recently, in *Schweikert*, the ISC report reemphasized Members are prohibited from entering into “schemes [in which] an employee is recorded on the payroll, but—with the Member’s knowledge—does not perform official work equivalent to the earnings he or she collects.” *Schweikert* at 89. Put more simply, Members may not “leave[] an employee on House payroll when they are not working.” *Id.* at 90. In this review, Former Staffer B was provided with a severance agreement that appears to run afoul of federal law and House rules. *See* Severance Offer with E-mail (Exhibit 114 at 20-2124_1851-56). The offer provided that Former Staffer B would be left on the payroll for six additional weeks, but she was not required to work during that time period; she would also be paid out for her accrued leave. *Id.* The offer appears to have been made to Former Staffer B during a phone call with Rep. Palazzo’s District Director and individuals employed by the Chief Administrative Officer of the House of Representatives (CAO). Former Staffer B Transcript (Exhibit 11 at 20-2124_0541-44, 0632-35, 0638-40). Given that Former Staffer B did not sign the agreement, and because the severance may have been specifically offered by employees of the CAO, the OCE concluded that any problematic severance concerns ultimately did not implicate Rep. Palazzo. However, the OCE notes that the nature of the severance package raises concerns about the types of severance offers being made to departing employees and the guidance being provided to Members on this issue. Additionally, the OCE notes that it heard from another former Rep. Palazzo employee who indicated that she may have been provided impermissible severance payments. *See* Former Staffer A Transcript (Exhibit 9 at 20-2124_0420, 0425-26, 0443-45) (noting that Former Staffer A was provided with two additional months of salary payments while not working). While statements from Former Staffer A suggest she was provided with two months of salary payments after her termination, and she did not work during

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129. Based on the foregoing information, the OCE Board finds that there is substantial reason to believe that Rep. Palazzo performed special favors for his brother.

V. INDIVIDUALS AND ENTITIES THAT REFUSED TO COOPERATE WITH THE OCE REVIEW

130. As discussed below, fourteen individuals and entities refused to cooperate with this review:

Rep. Palazzo and Rep. Palazzo-Affiliated Entities

131. The OCE sent Requests for Information to Rep. Palazzo,²⁴² Greene Acres, the campaign committee and the leadership PAC, and received various productions in response to these requests.²⁴³ In some instances, responsive documents and communications were intentionally withheld and that decision was conveyed to the OCE. With respect to other requests, the OCE was not provided with an explanation for why documents or communications were not produced.
132. Rep. Palazzo, Greene Acres, the campaign committee and the leadership PAC were all asked to certify that they made complete productions in response to the OCE's Requests for Information. Rep. Palazzo and these entities declined to submit certification forms under 18 U.S.C. § 1001, as required by OCE Rule 4(A)(2). Additionally, Rep. Palazzo declined to interview with the OCE.

Paul Breazeale

133. The OCE sought to interview Mr. Breazeale. Mr. Breazeale was represented by the same counsel as Rep. Palazzo, Greene Acres, the campaign committee, the leadership PAC and the current staff identified below. Mr. Breazeale, through counsel, agreed to interview with the OCE, but cancelled the interview the afternoon before it was scheduled to occur.

Kyle Palazzo

134. The OCE sought to interview Kyle Palazzo. The OCE contacted Mr. Palazzo multiple times, and he declined to respond to the OCE's requests.

Current Staffers & Former Staffers

135. The OCE sought to interview the following members of Rep. Palazzo's current staff: Hunter Lipscomb (Chief of Staff and Campaign Manager), Patrick Large (Deputy Chief of Staff), Michele Gargiulo (District Director), and Leslie Churchwell (Youth Programs Director / Gulfport/Biloxi Office Manager). The OCE also sought to interview Bridgette Jones, a former District Office Manager and Special Projects Director. Each of these individuals

that timeframe, the OCE was unable to independently verify the manner in which the purported severance payments were made.

²⁴² The RFI directed to Rep. Palazzo sought information from him personally, in his official capacity, from his business, and from his affiliated campaign and political action committees.

²⁴³ Rep. Palazzo and these three entities were all represented by the same counsel in this review.

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136. The four current staffers were all represented by the same counsel as Rep. Palazzo. Each of these individuals, through counsel, declined the OCE's interview requests. Bridgette Jones also separately declined the OCE's request for an interview.

Vendors

137. The OCE sent Requests for Information to Stark Exterminators and H & H Lawn Care in connection with work they performed at the River House. Both entities refused to provide responsive documents.
138. The OCE sent a Request for Information to General Motors Financial. General Motors Financial also declined to provide documents responsive to the request.

VI. CONCLUSION

139. Based on the foregoing information, the Board find that there is substantial reason to believe that Rep. Palazzo converted funds to personal use to pay expenses that were not legitimate and verifiable campaign expenditures attributable to bona fide campaign or political purposes.
140. Based on the foregoing information, the Board finds that there is substantial reason to believe that Rep. Palazzo spent MRA funds on personal or campaign expenses.
141. Based on the foregoing information, the Board finds that there is substantial reason to believe that Rep. Palazzo performed special favors for his brother.
142. Accordingly, the Board recommends that the Committee further review the above allegation that Rep. Palazzo converted campaign funds from Palazzo for Congress to personal use, or that Rep. Palazzo's campaign committee expended funds that were not attributable to bona fide campaign or political purposes.
143. The Board recommends that the Committee further review the above allegation that Rep. Palazzo spent MRA funds on personal or campaign expenses.
144. The Board recommends that the Committee further review the above allegation that Rep. Palazzo performed special favors for his brother.

VII. INFORMATION THE OCE WAS UNABLE TO OBTAIN AND RECOMMENDATION FOR THE ISSUANCE OF SUBPOENAS

145. The following witnesses, by declining to provide requested information to the OCE, did not cooperate with the OCE review:
- a. Rep. Palazzo;
 - b. Greene Acres;
 - c. Palazzo for Congress;

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- d. The Patriot Political Action Committee;
- e. Paul Breazeale;
- f. Kyle Palazzo;
- g. Hunter Lipscomb;
- h. Patrick Large;
- i. Leslie Churchwell;
- j. Michele Gargiulo;
- k. Bridgette Jones;
- l. H & H Lawn Care;
- m. Stark Exterminators; and
- n. General Motors Financial.

146. The Board recommends the issuance of subpoenas to Rep. Palazzo, Greene Acres, Palazzo for Congress, the Patriot Political Action Committee, Paul Breazeale, Kyle Palazzo, Hunter Lipscomb, Patrick Large, Leslie Churchwell, Michele Gargiulo, Bridgette Jones, H & H Lawn Care, Stark Exterminators, and General Motors Financial.