

Accountant alleges major fraud at art school founded by Andy Warhol

Charges focus on former executive director of the New York Academy of Art

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1st June 2007 00:00 BST

The former controller of the New York Academy of Art, the school of figurative art that Andy Warhol co-founded in 1982, has filed a \$35m lawsuit accusing the school's board of trustees and former chief executive of conspiring to conceal their illegal spending of more than \$1m of the school's endowment, and making false statements that led to the plaintiff's wrongful arrest and imprisonment for more than two years.

The complaint, which was filed on 12 April in federal court in the southern district of Manhattan, names 23 defendants, among them several socially prominent New Yorkers, as well as the Academy's general counsel, a New York County assistant district attorney and two New York City police detectives.

But the charges made by the accountant John Blumatte focus primarily on a Briton, the former executive director and trustee of the academy, Stephen Farthing, a member of the Royal Academy and former Ruskin Master at the University of Oxford, as well as a former director of the MBNA Bank. According to the complaint, in 2002 Mr Farthing hired the plaintiff to put the academy's books in order. In 2004, after Mr Blumatte uncovered various financial irregularities, he was fired and accused of embezzlement, he alleges. Mr Blumatte claims to have discovered that his predecessor had emptied the school's \$1.6m restricted endowment to pay operating costs and did not report this on tax filings. He maintains that he recommended that

the trustees correct the error or risk criminal charges, but they did not permit him to disclose the loss because doing so would harm their ability to raise funds. Mr Farthing was unavailable for comment.

The complaint accuses the defendants of using the non-profit academy as a vehicle through which they could undertake lavish travel under the guise of fundraising for the school, then deduct those expenses from their taxes. It says that Mr Blumatte uncovered these and other financial irregularities, including fraudulent insurance claims and the practice of giving artists kickbacks for tax-deductible donations of art that were auctioned to raise money for the academy.

The case is complicated by the fact that Mr Blumatte himself has a criminal record. He had served a prison term for New Jersey state felony charges “involving the threat of force” and was being sought by federal authorities for violating his parole when he was hired by the academy, under the alias Robert Angona.

Mr Farthing allegedly knew of Mr Blumatte’s former conviction, and agreed to employ him. In 2004 press reports exposed Mr Blumatte as a former convict who had violated his parole. The trustees terminated his employment and the new chairman had him arrested by New York City police detectives who allegedly assaulted him in his home and, without specifying charges, took him into custody. (While in custody, Mr Blumatte, who was recovering from heart surgery, suffered a heart attack and was hospitalised.)

Mr Farthing is then alleged to have lied to the detectives who in turn told a grand jury that Mr Blumatte had embezzled the \$1.6m endowment, charged a Florida vacation on his credit card, and stole cheques when he was leaving the academy. Mr Blumatte pleaded guilty and was sentenced to four to six years, but he was released on parole in November 2006. In the complaint he now says that he pleaded guilty because he feared that his wife would be brought into the matter, and he believed that any sentence he received would also satisfy his pending sentence for parole violation.

The academy trustees and executives are alleged to have known that Mr

Blumatte was innocent but conspired to inform the grand jury that he had committed these crimes. The charges implicate all of the trustees under federal racketeering law which holds that members of an illegal enterprise are culpable even if they did not have direct knowledge of their associates' wrongdoing. Mr Blumatte also seeks damages from the detectives for violating his civil rights. The court had yet to set a trial date as we went to press.

Speaking to The Art Newspaper, Wayne Linker, executive director of the academy, says Mr Blumatte's case "is a brilliant fiction by a convicted felon, the misguided actions of an embittered man, and the worst form of abuse of our legal system. Our attorneys have reviewed the charges, many of which are not true, and we are confident the suit has no merit. We will file for dismissal and look forward to putting this nonsense suit behind us as soon as possible."

 *Appeared in The Art Newspaper Archive, 181 June 2007*

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