

AS SEEN IN

The Chief

Civil Service **LEADER**
THE CIVIL EMPLOYEES' WEEKLY

JULY 11, 2003
NEW YORK

SAY BOOKKEEPER FOR LOCAL 375 TOOK \$500G TREASURER BOUNCED, UNION REFERS CASE TO MANHATTAN DA

By **Diedre McFadyen**

The corruption-filled “closet of the city’s largest municipal union produced another skeleton when the longtime bookkeeper of Civil Service Technical Guild Local 375 of District Council 37 admitted July 1 to taking an unauthorized loan of \$500,000 from the local’s treasury about eight years ago, according to the local’s president. The bookkeeper, Lloyd Clarke, allegedly used the money to buy real estate in The Bronx and claimed that he had been gradually repaying the money ever since, said Local 375 President Claude Fort.

Still Owes \$247,000

Mr. Clarke made the disclosure after the local’s new outside auditor found irregularities in the books. He offered to payback the \$247,000 that he said he still owed by this week if the local promised to keep the matter quiet until after the November officer elections, Mr. Fort said.

Louis G. Albano, Local 375’s president from 1981 to 1998, hired Mr. Clarke in 1982 and led the local at the time the money was allegedly taken. Robert Mariano the local’s treasurer since the early 1980s, is supposed to prepare and sign all checks, according to the local’s constitution. Both men last week said they had no knowledge of Mr. Clarke’s scheme. DC 37 has notified the Manhattan District Attorney’s Office and its international union, the American Federation of State, County and Municipal Employees. Mr. Fort has suspended Mr. Clarke and asked Mr. Mariano to step aside as treasurer pending the outcome of the investigation.

‘Deeply Distressed’

“We are deeply distressed by what this audit uncovered” said Mr. Fort, who was elected president in early 2001. “We learned that despite a number of previous audits by the union’s

then outside auditing firm that vouched for the integrity of the union’s books and ledgers this individual had allegedly managed to engage in fiscally inappropriate behavior.”

Mr. Fort said that he has ordered an audit of all transactions that Mr. Clarke was involved in during his time as a Local 375 staffer. “I will do everything in my power to cooperate with the District Attorney’s investigation and to put into place the accounting machinery necessary for the benefit of the entire membership,” he said.

DC 37 Executive Director Lillian Roberts sought to distance herself from the findings, pointing out that the alleged misconduct occurred before AFSCME moved in to clean up the troubled union in 1998. “DC 37 already has instituted reform policies and procedures to restore fiscal integrity and accountability within our Council and locals” she said. “We will continue to do everything necessary to have the open, honest union our members deserve.”

‘I’m No Auditor’

Mr. Albano, professing surprise and dismay at last week’s revelations, contended that he shouldn’t be shouldn’t be faulted for not detecting the wrongdoing. “I’m not an auditor, I’m not a bookkeeper,” he said. “That’s not my area of expertise. You hire professionals who you trust to do that work.”

The local’s former longtime auditor, Helga Kelm, did not return calls. Efforts to reach Mr. Clarke were unsuccessful. Mr. Mariano told the local’s executive committee July 2 that he did not personally verify the information contained in the monthly financial statements that Mr. Clarke prepared and that he signed, according to one local official in attendance. Mr. Mariano did not return calls placed both at the local and at his city job.

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The new auditor, Salvatore J. Armao, made several other disturbing revelations at that same committee meeting, according to several officials. Mr. Armao gave the blunt assessment that “there were no controls” on the local’s internal accounting procedures. The May financial statement submitted by Mr. Mariano indicated a closing balance of \$601,998, but Mr. Armao said that he had only been able to locate “upwards of \$300,000” in the local’s accounts so far. The auditor also disclosed that someone had erased the local’s main financial records on the office computer. The local has a backup copy of all records except May and June, union officials said.

The check-signing procedures at the local were lax, local officials acknowledged. The Local 375 secretary has long been allowed to sign checks even though a copy of the local’s constitution dated May, 2000 vests that authority only in the president, the treasurer, and the first vice president in the president’s absence. Mr. Clarke possessed signature stamps for both the current secretary, Ahmed Shakir, and Mr. Mariano, officials said.

The local has a budget of more than \$2 million, while between \$5 million and \$6 million in dues is collected annually from the membership, according to officials. A spokeswoman for Manhattan DA Robert M. Morgenthau said that her office could not confirm or deny an investigation. The union is no stranger to the DA’s Office. Between 1999 and 2002, Mr. Morgenthau won convictions against more than 20 DC 37 officials for embezzlement of union funds or rigging a 1995 contract ratification vote. The Manhattan DA did not, however, bring charges against any official at Local 375 the fifth-largest of DC 37’s 56 locals with 6,400 members.

Had Earlier Problem

Mr. Albano, who remains active in the local as an ex-officio member of the executive committee, said he instituted new accounting procedures in 1981, including requiring monthly financial statements and board approval of expenditures, after discovering that an outside administrator defrauded the local’s welfare fund of \$90,000 during the previous administration. We were the most open union in the council. Mr. Albano said he was dumbfounded that Mr. Clarke could have diverted so much money without anyone noticing. “I can’t understand how that could have happened,” he said. “Where did he find the money and not be caught?” Mr. Albano pointed out that multiple auditors had scrutinized the local’s books since 1998 and no one found evidence of wrongdoing.

A forensic audit by the accounting firm of KPMG, however, found a half-dozen areas where “improvements could be made in financial controls and recordkeeping,” including cash disbursements, expense reimbursements, expense vouchers, and the local’s petty cash funds. The audit, which covered 1995 to 1998 and was released in 2001, was commissioned by AFSCME in late 1998 as part of a comprehensive review of DC 37’s finances.

Mariano Kept Books Shut

Roy Commer, a union dissident who defeated Mr. Albano in early 1998 but was removed from office two years later for sending an unauthorized mailing paid for with local funds, repeatedly raised questions about the union’s finances, particularly involving the local’s legal services fund. Mr. Commer noted he repeatedly sought an audit and clashed with Mr. Mariano over access to the union’s books throughout his presidency.

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Mitchell Feder, chair of Local 375's Housing Authority chapter, contended that "an air of secrecy" long shrouded the local's finances. He noted that he and another chapter chair had complained about checks being improperly drawn against their respective committees' budgets, while other signs of fiscal disarray—from union cell phones going silent because of unpaid bills to bounced checks - recently cropped up.

Mr. Feder contended that all of the local's presidents up to and including Mr. Fort shared responsibility for not instituting stricter financial controls sooner. "There is culpability across the board among the presidents for not enacting procedures when they came in," he said.

'A Crook or Incompetence'

He saved his harshest criticism for Mr. Mariano, whom he accused of violating his fiduciary duty as treasurer. Noting that Mr. Mariano and Mr. Clarke worked in the same small office for 20 years, he said, "This literally happened under Mariano's nose. He is either in on it or totally incompetent."

Mr. Fort said that he felt vindicated in his nine-month internal battle with fellow local officials to hire a new auditor. He accused Mr. Albano of fighting the change tooth and nail. Mr. Albano responded that Mr. Fort was mischaracterizing the nature of his opposition. "He's missing the point," he said. "What I objected to was the process. I never objected to hiring a new accountant."

Mr. Fort said he decided to replace Ms. Kelm, who had conducted the local's audits for the last two decades, not because he suspected fiscal malfeasance but because "it's good fiscal policy to change auditors every three to five years."

That initiative, like many others in the faction-torn local, became snarled in political battles. Mr. Fort said the local's delegate body gave him the green light to hire a new auditor in September. He terminated Ms. Kelm in October.

The local executive committee, however, rejected Mr. Fort's first choice, Cuthbert A. Alleyne, that fall. Mr. Fort said his search committee selected the first auditor from among seven candidates, but his critics on the committee charged that the new auditor was presented to them as a fait accompli without proper review of the bids. Mr. Fort contended that his opponents were improperly challenging his authority as president to hire a new auditor.

Mr. Fort convened a new search committee in January that included some of his most vocal critics. It selected the Long Island-based accounting firm of **Armao, Costa & Ricciardi** in May.

Smells a Rat

That same month, Mr. Fort said that he was shocked to discover that Mr. Mariano and Mr. Clarke had let Ms. Kelm continue working for the local without his knowledge or approval. Another battle pitting Mr. Fort against Mr. Mariano and Mr. Albano quickly ensued over whether to pay Ms. Kelm \$11,000 for her recent work.

Mr. Fort accused Mr. Mariano, who he said had planned to run against him for president in November, of trying to delay an independent review of the local's books. If Ms. Kelm had completed the 2002 audit, he said, "There would be no need to hire the new auditors to do an audit until next year, and maybe in the meantime I would lose the election."

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