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# The Chief

Civil Service **LEADER**

**THE CIVIL EMPLOYEES' WEEKLY**

JULY 18, 2003  
NEW YORK

## NOW SAY \$400G CAN'T BE FOUND AT TECH GUILD SUSPECT 'LOAN' CAME FROM UNION DUES; HEAT ON MARIANO

By **Diedre McFadyen**

Civil Service Technical Guild Local 375 of District Council 37 last week was unable to track down two thirds of the \$600,000 on its books a week after its longtime bookkeeper revealed that he had taken an unauthorized loan of \$500,000 in the mid-1990s, according to the local's president.

Lloyd Clarke's July 2 admission to the local's new auditor that he had helped himself to the union treasury but paid off all but \$200,000 set off a scramble to tally the union's current assets, throwing into stark relief the absence of checks and balances against fraud in the 6,400 member local of professional engineers and architects.

### **Batch of CDs Missing**

One longtime Local 375 official, speaking on condition of anonymity, said that roughly \$500,000 invested in certificates of deposit in the local's reserve fund remains unaccounted for. Technical Guild President Claude Fort disputed that figure, but acknowledged that some portion of the missing \$400,000 was invested-in CDs.

A source familiar with an investigation by the Manhattan District Attorney's Office, which was called in immediately, said it is suspected that the alleged embezzlement may have occurred as late as 1998, the same year that the international union assumed the reins of DC 37 following revelations of massive embezzlement and vote-rigging. The source cited "a precipitous drop in dues collected" by the local that year.

A spokeswoman for Manhattan DA Robert M. Morgenthau said that Mr. Clarke has not been arrested, but the investigation continues.

Local 375 Treasurer Bob Mariano, who worked alongside Mr. Clarke for two decades and has a fiduciary duty to prepare and sign all checks, has refused Mr. Fort's request to step aside pending the outcome of the probe.

"The alleged improper activities of Mr. Lloyd Clarke came as a complete surprise to me, and went undetected despite numerous audits by independent auditors including the District Attorney's Office of New York County," he wrote in a July 8 memo to Mr. Fort. "I have always cooperated with whatever audit or investigation was conducted, and will continue to do so. To my knowledge Mr. Clarke has taken sole responsibility for his actions."

**Salvatore J. Armao**, the new auditor, said that Mr. Clarke had voiced an allegiance to Mr. Mariano in their sole conversation. "He asked if I would just not say anything until after the November elections," he said. "He said that since he was working under Bob Mariano, who was going to run for president, he didn't want to cause a problem for his boss."

Mr. Fort has called an emergency executive committee meeting this week to vote on suspending Mr. Mariano. In a July 11 letter, he asked the treasurer to resign, saying "further investigation has uncovered major financial discrepancies, irregularities and gross negligence on your part." If Mr. Mariano refuses to step down voluntarily, Mr. Fort said he will bring him up on formal charges with the American Federation of State, County and Municipal Employees.

### **Roberts: Not My Role**

DC 37 Executive Director Lillian Roberts said that she would not intervene in the dispute. "Local 375-which like all locals is autonomous - is in the process of deciding the status of its treasurer," she said in a statement.

*continued on next page*

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*Continued from first page*

"I have made it clear that I am available to help provide whatever assistance the local requests in this matter."

Mr. Armao, whose firm of Armao, Costa & Ricciardi was conducting the routine annual audit of Local 375's books for last year, said that he had asked Mr. Clarke in June for all of the local's bank statements and deposit slips for 2002 through the present after he was unable to reconcile a bunch of bank transfers at the end of 2002 and found irregularities in the bank statements and missing deposit slips.

On the afternoon of June 30, the day before Mr. Clarke was to hand over the material, Mr. Armao said Mr. Clarke called him at his Valley Stream, L.I office from nearby to request a meeting. "He insisted on meeting that evening," he said. The two men met at a local diner.

At that meeting, Mr. Clarke was vague about the year of the loan, how he withdrew that quantity of funds without attracting attention, and the pace of the purported repayment, according to Mr. Armao.

### 'Didn't Grasp Magnitude'

"I don't think he realized the magnitude of it," he said. "In his mind, it was just a loan and he was going to pay it back." The auditor said Mr. Clarke told him that he had used the money to purchase and renovate dilapidated buildings in The Bronx. He told the auditor that he eventually amassed multi-family dwellings worth \$7 million that generated \$600,000 a year in rental income.

After leaving the diner, Mr. Armao and union officials surmise, Mr. Clarke returned that evening to DC 37 headquarters, where he erased the local's main financial logs, on the office

computer: He then wrote out a final check to himself for \$6,000, supposedly for accrued vacation and sick leave, employing the two signature stamps for Mr. Mariano and the local's secretary that he possessed. A DC 37 guard saw Mr. Clarke leave the building at 11:30 p.m., according to a union official.

### Recovered Key Files

Mr. Armao did not notify Mr. Fort until the following morning, but Mr. Clarke's efforts to cover his tracks appear to have been mostly unsuccessful. The program that Mr. Clarke is suspected of erasing had only been installed several years ago, the auditor said. He said that another file server that Mr. Clarke was unable to get into that evening contained a backup copy of financial data through May 9.

Mr. Armao said that his preliminary analysis of the union's accounts found that Mr. Clarke had overstated the local's cash balance by \$247,500 as of December 2002.

Mr. Clarke got away with it by initiating a flurry of cash transfers among the local's three bank accounts at the end of the year, Mr. Armao said.

Among those transfers, the bookkeeper wrote three checks for \$95,000, \$75,000 and \$77,500 between the three bank accounts in late December 2002 so that the deposits would be counted twice in the local's books in both the sending and receiving accounts in an audit he explained.

The bookkeeper used the two signature stamps on those checks, Mr. Armao said.

*continued on page 3*

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The auditor cautioned that it was too early in the investigation to determine precisely how much money Mr. Clarke had taken. "We haven't been able to verify any exact amounts," he said. "The fact he erased everything in the computer leads us to believe there was other stuff he didn't want us to see."

Citing his long experience with forensic audits, Mr. Armao said, "I know the pattern. Whatever they tell you there is always more."

The latest revelations provoked a new round of finger pointing among officials in the deeply fractured local.

Mr. Fort, who took office in early 2001, was quick to take credit for ferreting out the corruption. "This is because of my strong determination to change the auditor" he said. "The bottom line is I did this, and a lot of other people are jumping to take credit."

### Ignored 'Smoking Gun'

Mitchell Feder, the local's Housing Authority chapter chair, harshly criticized Mr. Fort for not acting on a KPMG audit released in May 2001 that he characterized as a "smoking gun." The forensic audit, which several local officers said they had not seen until recently, did not discover the missing funds but cited major areas where financial controls and recordkeeping needed improvement.

"Why didn't he institute accounting reforms after reviewing the KPMG report that highlighted a half-dozen areas of weakness?" said Mr. Feder. "He instituted zero reforms."

Mr. Fort brushed aside questions about the audit, saying that it covered the period from 1995 to 1998, several years before he took power.

"The people before me didn't do their job, and now I had to fight a lot of people to change the auditor," he said. "Understand that I had just a few officers supporting me."

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