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# The Chief

OCTOBER 3, 2003  
NEW YORK

Civil Service **LEADER**

**THE CIVIL EMPLOYEES' WEEKLY**

## TECH GUILD SAYS BOOKKEEPER RAN \$855G SCAM LOCAL OWES \$517G TO DC 37, IRS; DA PROBING

By **Diedre McFadyen**

The longtime bookkeeper of Civil Service Technical Guild Local 375 of District Council 37 apparently siphoned nearly \$855,000 from the union treasury through the local's legal fund, according to the latest findings of an independent auditor.

Salvatore Armao, who is sifting through Local 375's books dating back to 1994 said that canceled checks for that amount had been withdrawn from the Professional Employees Legal Services program's escrow account. They were all paid to a Bronx development corporation that the bookkeeper, Lloyd Clarke, purportedly owned he said.

### DA Searches Home

While Mr. Clarke has not been arrested, the Manhattan District Attorney's Office executed search warrants Sept. 26 on his home and union offices, sources said. Barbara Thompson, a spokeswoman for Manhattan DA Robert Morgenthau, said that her office does not comment on ongoing investigations.

Meanwhile, the house of cards that Mr. Clarke allegedly was able to keep erect by shifting money between accounts has tumbled down. Bill collectors – including DC 37 itself- have begun knocking on the door. Local 375 owes \$380,000 in dues money to DC 37, \$137,000 to the Internal Revenue Service in payroll taxes, and \$44,000 to the American Arbitration Association, according to union officers and Mr. Armao. The local's annual budget is \$2 million.

"We are not in the best situation, but we have our heads above water," said Local 375 President Claude Fort. "We are doing everything we can to put the local back on track and restore fiscal stability."

### Pay Dues in Installments

Mr. Fort and DC 37 officials are working out a plan to pay back in installments over two years the monthly dues of \$190,000 that the local failed to pass along to DC 37 in February and March.

A vote on the plan was tabled at DC 37's Sept. 10 executive board meeting after Sewage Treatment Workers and Supervisors Local 1320 President James J. Tucciarelli insisted that the Union get a lien to ensure that it could lay claim to any money that the local recovers from insurance or litigation.

Mr. Fort, who balked at a lien, said that he and DC 37 officials were close to an agreement stipulating that Tech Guild would accelerate payments to DC 37 if it recouped any money. Mr. Fort said the local was recovering from the blow to its finances. "We are cutting expenses, not services," he said. "We're watching every penny."

For starters, he said, the Tech Guild no longer provides meals at executive board and membership meetings and has trimmed its committee budgets. The local is reviewing its entire budget to determine where more significant cuts can be made, he added.

### Clarke's \$500G 'Loan'

The alleged embezzlement at the 6,400-member local representing engineers, architects and other technical workers first came to light in late June when Mr. Clarke allegedly told Mr. Armao that he had taken a \$500,000 "loan" from the union treasury in the mid-1990s. Mr. Fort brought in Mr. Armao to look at the local's books that spring after firing the union's longtime auditor, Helga Kelm.

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Mr. Armao said that Mr. Clarke appeared to be using a PELS escrow account for house closings to extract funds from the local. His probe had uncovered canceled checks totaling \$854,147 paid to Jam-Am Development Corporation, a company registered in The Bronx. Mr. Clarke reportedly told people that he bought Bronx properties worth \$7 million that generate rental income of over \$600,000 a year.

Mr. Clarke transferred \$1.26 million into the escrow account and transferred \$380,700 from that account to other PELS and Local 375 accounts over the years, Mr. Armao said.

### **Claimed He Repaid Half**

Mr. Clarke had told Mr. Armao that he had repaid roughly half of the money he took, but the auditor said that he has not turned up any evidence so far of such a repayment.

Nor was there any indication to date, Mr. Armao said, that anyone besides Mr. Clarke was involved in the scam. Mr. Armao cautioned that his investigation was not complete because he was missing many records. He said he was waiting for bank records -including all cancelled checks, deposit slips and monthly statements - that should fill in key pieces of the puzzle.

"We're making a lot of assumptions, speculations and deductions, but we can't nail it down without the actual bank records," he said.

One such speculation involved the possibility that Mr. Clarke diverted dues money sent from the city to Local 375 into bank accounts he controlled. Supporting such a theory, Mr. Armao found notations by Mr. Clarke for two local checks for the same amount made out to DC 87 for the same month. While

the local's records indicated that one check was voided, it was in fact cashed by someone, he said.

### **Financial Shakeup**

Mr. Fort has suspended the local's treasurer and fired the administrator of the PELS fund for lax oversight. Both officials admitted that they never checked the monthly bank statements.

Mr. Armao said that everyone at Local 375 was guilty. For 22 years, he said, Mr. Clarke had free rein over every facet of the local's finances, including- opening mail, making deposits, paying invoices, reconciling bank statements, and entering data in the computer.

"They all allowed Lloyd to take care of everything and trusted that he would do it" Mr. Armao said. "They created an easy opportunity for him to take advantage of them."

Mr. Armao said that the local has recently instituted financial controls to prevent history from repeating itself. He has urged the local to abolish stamps and lock up blank check stocks. He also recommended that the local president or vice president review bank statements and other financial correspondence before they are turned over to the bookkeeper. Someone other than the in-house bookkeeper should also reconcile the local's bank statements, he advised.

There has been grumbling among Local 375 executive board members about the pace of the investigation, which is now nearly three months old. "They don't understand the process," Mr. Armao said. "We've had to look at virtually every transaction over a period of nine years. There were 20,000 checks written during that time."

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