

AS SEEN IN



JANUARY 2, 2004
NEW YORK

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

TECH GUILD SUIT PERSUES \$2.4 M BOOKKEEPER GOT
FORT WANTS PROPERTY SOLD TO RECOUP MISSION FUNDS

By **Richard Steier**

The Civil Service Technical Guild is seeking to recoup \$2.4 million that was allegedly stolen by its longtime bookkeeper by forcing him to sell properties that he purchased with the money, Tech Guild President Claude Fort said Dec. 23.

Mr. Fort made that comment a day after the bookkeeper, Lloyd Clarke, was arrested and charged with grand larceny by the Manhattan District Attorney's Office.

Funded Real-Estate Buys

DA Robert M. Morgenthau said that Mr. Clarke beginning in 1996 had transferred money from both the Tech Guild's treasury and accounts maintained by its Professional Employees' Legal Services fund to himself, using it to buy 16 buildings in The Bronx. At the time of the arrest, Mr. Morgenthau said, Mr. Clarke, through a family real estate company called Jam Am Development Corp., still owned 11 buildings in the borough that had a value of over \$7 million.

"We are going after our money," said Mr. Fort whose union is Local 375 of District Council 37. Barry L. Levy, an attorney specializing in union fraud and forensic investigation who was retained by Local 375's national union, the American Federation of State, County and Municipal Employees, said Bronx Supreme Court Justice Charles E. Ramos signed an Order of Attachment in late November under which Mr. Clarke agreed to sell three vacant lots by Jan. 15 in order to raise \$740,000 that would be placed in an escrow account.

The order also places a full attachment on four buildings -at 923 Kelly St., 4053 Lowerre Pl., 842 East 222nd St. and 1167 Washington Ave.- whose market value exceeds \$1.5 million, Mr. Levy said.

Mr. Clarke's agreement to sell off some of his holdings, Mr. Levy noted, does not constitute any admission of wrongdoing.

Mr. Clarke's criminal attorney, Alan Abramson did not return a phone call seeking comment on the case.

Mr. Levy said Local 375 had filed suit and was seeking what was likely to exceed \$10 million in punitive and compensatory damages as well as legal fees. "If he took our money and achieved financial gain," he said in a phone interview, referring to Mr. Clarke's thriving real-estate business, "why shouldn't we be able to attach that financial gain?" He added that Local 375 might have profitably invested the money that Mr. Clarke is alleged to have embezzled.

While Mr. Clarke allegedly used several fuses to conceal his siphoning of union members' money, he was helped immeasurably by the inattentiveness of the officials who were supposed to oversee the accounts: longtime Technical Guild Treasurer Bob Mariano and PELS Administrator Ira Pearlstein.

Didn't Check Books

Mr. Mariano, who has since been suspended, according to several other Tech Guild officials told the union's executive committee after the missing money came to light six months ago that he had not checked the spending records because "I trusted the honesty and integrity of the bookkeeper."

Mr. Pearlstein was fired in August after acknowledging to the union's board that he had not checked the books of PELS for at least five years. Mr. Fort said of Mr. Clarke, "The man had no supervision even when he had a supervisor."

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According to the DA's Office, about \$1.8 million of the illegal money transfers involved PELS, which among other services provided free house-closings for the Architects, Engineers and other professional employees represented by Local 375.

Mr. Clarke allegedly frequently transferred money placed in members' escrow accounts for house closings to his own accounts, then replaced the money in time for the closings by shifting it from more recent escrow amounts, Mr. Morgenthau said.

Controlled Accounts

Mr. Clarke, who had been Local 375's bookkeeper for over 20 years, also had stamps containing the signatures of the two individuals authorized to sign checks for both the Tech Guild and PELS. "He also maintained all of the records of the accounts," said Daniel Castleman, the Chief of the Investigations Division of the DA's Office.

The lack of monitoring made it easy for Mr. Clarke to shift money around to prevent detection within the union, even when Local 375 itself was audited in response to the widespread corruption uncovered at DC 37 five years ago. "In some of the cases," Mr. Castleman said, "the numbers would add up because he was falsifying the records."

Salvatore Armao, who I brought the situation to light in July shortly after he began working as Local 375's auditor, said that despite all the subterfuges in which Mr. Clarke allegedly engaged, some of his wrongdoing would have been obvious if union officials had been paying attention.

Location a Tip-Off

In many cases, he noted, Mr. Clarke was simply writing checks from members' escrow accounts to his own firm, located on East 218th St. in The Bronx. While the firm's business made it plausible that it was receiving checks connected to housing closings. Mr. Armao said that PELS only infrequently encountered cases where members were buying houses or apartments in that borough.

"Most of their closings are in Brooklyn and Queens" he said. "If [union officials] had a procedure in place where someone in authority gets the [canceled] bank checks before the bookkeeper did, it would have been easy to spot this. If Ira Pearlstein had been getting that, it would have jumped out at him like a neon sign."

Mr. Armao said suspicions also should have been aroused by the frequency with which Mr. Clarke told officials that he needed to write new checks because he mistakenly deposited checks for PELS into the general Local 375 account and vice versa. "It's not like he was doing this twice," said Mr. Armao. "He did this constantly."

Presidential Review

One of his first recommendations after taking over the job long performed by Helga Kelm, Mr. Armao said, was that all bank statements and canceled checks must be given to the local president before they are transmitted to the bookkeeper. "If you don't do that, there's no checks and balances."

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When Mr. Armao began looking at the union's finances this summer, Mr. Clarke called him and arranged a meeting in a diner, where he allegedly told him that he had "borrowed" \$500,000 but had already repaid half the money.

Undercount Typical

Mr. Armao suspected from the outset that Mr. Clarke was not being totally forthright, he said last week, because "my experience has been that in every situation [where someone admits taking money improperly] that it turns out to be more." Mr. Fort said his reaction at learning the DA's estimate of the amount stolen was "Oh my God! I was surprised: Armao had said it was probably more but \$2.4 million?"

Prosecutors said there was no evidence that Mr. Clarke used the money to finance the kind of extravagant lifestyle characteristic of other DC 37 officials who were successfully prosecuted in recent years for stealing members' dues money.

Say Greed Did Him In

"He principally used it to finance the real-estate business," Mr. Castleman said. He indicated that the DA's Office might file to have Mr. Clarke forfeit any assets from that business that he still holds beyond his obligations to Local 375.

Mr. Morgenthau was asked why, given the success of his investments, Mr. Clarke hadn't looked to sell off properties sooner to repay the Local 375 funds, which would have made it less likely that any wrongdoing would have been uncovered.

"Guys never do that," the DA replied. "They're always looking for more."

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