New report details corruption of New York's municipal workers union

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A new report resulting from an audit of New York City's largest municipal union reveals even greater corruption than had been previously reported. The KPMG Peat Marwick firm was hired to audit the activities of District Council (DC) 37 and its 56 member locals from 1995 to 1998.

Lee Saunders, who was appointed by the national union to head the city chapter, ordered the audit. DC 37 has been under receivership of its parent union, the American Federation of State, County and Municipal Employees (AFSCME), since November of 1998 when the corruption scandal involving large sections of the council leadership surfaced. This involved revelations of kickback schemes, embezzlement and theft of union money to maintain the lavish lifestyles of union leaders.

Union officials also rigged the 1996 contract vote to show the membership voted for a five-year concessions package. If the vote had been conducted honestly, it would have shown the majority of workers rejected the deal. The contract included a wage freeze during the first two years of the agreement, and introduced two-tier wage arrangements that imposed substandard conditions on newly hired workers.

DC 37 represents 125,000 municipal workers who have a wide variety of occupations, such as clerical work, filling potholes, social work, cafeteria work, as well as maintaining the zoos. Some of these workers are very poorly paid. For example, a cafeteria aide can make as little as $11,000 a year. The fraudulent passage of the contract helped solidify the union bureaucracy's relationship with Republican Mayor Rudolph Giuliani, whom they later endorsed for reelection. The union leaders therefore headed off labor unrest while the city administration proceeded with cuts in welfare and social programs.

Twenty-nine union officials have been charged by the Manhattan District Attorney's office for stealing from union funds and rigging the contract vote. Twenty-two have pleaded guilty, three have been convicted, three have cases that are pending and one was indicted before he died. The district attorney has also indicted three vendors for involvement in a scheme to overcharge the union, enabling union officials to rake in much of the money produced by the inflated prices. The two biggest thieves now serving jail sentences are Charles Hughes, president of Local 372, and Al Diop, president of Local 1549. Each of these men stole more than $2 million from the union.

The audit spells out the specific ways in which the union chiefs went about stealing from their members' union dues. It describes how the bureaucrats went on expensive trips, received gifts, used union credit cards for personal expenses, ran up huge tabs at restaurants that were billed to the union, and were involved in various kickback schemes.

The report describes, for example, how the union leadership managed to spend about $345,000 at a 1996 union convention held in Chicago. The tab included $29,250 for 9,000 jumbo gulf shrimp and $11,250 for Cajun chicken wings. In addition, the conventioneers consumed 2,500 smoked salmon canapés, nine roast steamships of beef and nine honey-glazed hams. In order to help wash the food down, the bureaucrats used $74,590 from the union treasury for drinks, including what were referred to as “top-shelf liquors.”

The auditors examined how the union gave $1.5 million in catering business to the Gee Whiz restaurant for over four years. The restaurant's owner has already pleaded guilty to inflating invoices and paying kickbacks to union officials. The audit examined other questionable spending that indicates that there were many kickback schemes. For example, Dr. Chaim Reich billed DC 37 at the rate of $200 per hour from 1995 to 1998. He received $284,963 without having any records of what hours he worked for the union. The doctor was part of 17-man delegation that spent 10 days in Israel at a conference on communicable diseases, costing the council more than $90,000.

From 1995 to 1998 union officials spent $1.5 million on car services that were not allowed according to union regulations. For example, Local 1549 President Al Diop, representing clerical workers, received about $135,000 to lease a car for four years. Mr. Diop has already been convicted of stealing more than $2 million from the union, and for his role in fixing the contract vote.

The report examines the corruption of some of the union officials who have not been prosecuted by the district attorney's office. For example, Arthur Tibaldi, after 28 years as DC 37 treasurer and four decades as a local president representing accountants, was given $578,000 when he retired in 1995. This included $169,000 for severance pay, $223,000 in deferred compensation benefits, a $100,000 one-year consulting contract, and the use of a leased car worth more than $49,000. KPMG found no evidence that Mr. Tibaldi did any consulting work. Mr. Tibaldi's fellow union leaders also gave him an Alaska cruise worth more than $12,000 as a retirement present, undoubtedly as a token of appreciation for his services as the council's treasurer.

Stanley Hill, the former executive director of DC 37, was never

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indicted. The audit makes clear, however, that he benefited handsomely from his position. For example, Mr. Hill and his wife stayed at a $1,000 a night executive suite for eight nights during a 1998 union convention held in Hawaii. As a whole, union officials spent more than $140,000 during this convention, including $11,800 for alcohol and other amenities in just one night. Including travel expenses, the junket emptied the union treasury of more than $1.1 million. Hill resigned in February 1999, after the scandal became public. Hill has made no comment on the audit.

Victor Gotbaum, the executive director of the council before Hill, received more than $183,000 in severance pay and deferred compensation when he retired in 1987. He also received $444,000 for consulting fees for the union, and expenses associated with car use up until October 1998. Neither DC 37 spokesmen nor Gotbaum have commented on his role as described in the audit.

Two union officials charged with corruption by the district attorney were also mentioned in the report for having received questionable payments when they were compelled to retire in 1998 after admitted their role in fixing the 1996 contract vote. Mr. Lubin claimed 239 unused days, for which he received $147,352, and Mr. Shaplo claimed 197 unused days, for which he received $84,558. KPMG said that there was no data to support any of these claims and payments.

During the four-year period the audit examined, the union's assets plummeted from $20 million in 1995 to $3.5 million by the end of 1998.

In the midst of the DC 37 scandal, there have been revelations of corruption in other unions in New York City. For example, the former local president of the Service Employees International Union (SEIU) Local 32B-32J had an annual income of $412,000, about 20 times the salary of those he claimed to represent. He ran the union with dictatorial control and, in addition to other perks, had a lavish penthouse office paid for from the union treasury. One of the previous presidents of 32B-32J was John Sweeney, who now heads the national AFL-CIO.

Last year, Transport Workers Union Local (TWU) 100, representing 36,000 transit employees, admitted that its eight top officers, including the president and the secretary-treasurer, had used their union credit cards for personal expenses. Also last year, the Manhattan District Attorney charged 38 construction union leaders, contractors and reputed mobsters with bribery, bid-rigging, and other racketeering schemes involving millions of dollars.

AFSCME had hoped to use the information generated by the audit to give the appearance that the parent union would take action to clean up the New York Council. However, the report has proven to be nothing less than an embarrassment to a labor leadership that is desperately seeking to maintain that the union can function in the interests of the membership.

For example, reformers have maintained that the undemocratic system under which internal union elections are conducted makes it easier for corruption to take place. Instead of using a secret ballot giving every rank-and-file member a vote, elections have been conducted in such a way that the local unions can vote their membership as a bloc. This means that the executive director of DC 37 is selected by an appointed executive board, the majority of which is essentially determined by the two or three locals with the largest membership. It is no accident that the presidents of two locals wielding the greatest power in the council were also the most corrupt. In addition, more than half of the officials who were on the 28-person executive board in 1998 have been convicted of stealing from the union treasury.

One of the officials who voted with the majority to maintain the undemocratic voting system was one of the union's leading "reformers"—Charles Ensley, president of Social Service Employees' Union Local 371, the third largest of the 56 locals. When asked about the executive board's decision to maintain the old crony system, Saunders said, "I don't have the ability to wave a magic wand. I still have to follow the constitution of DC 37."

The No. 2 official in the council, Helen Greene, was also indicted in late April on embezzlement charges. Among other things, she was charged with using her union credit card for personal expenses such as clothing, electronic equipment, a car lease, and paying for a rehearsal dinner for her son's wedding. The indictment was a major blow to the union hierarchy because she had been one of the local leaders who had not been implicated in the corruption scandal. For this reason, she had been elected to the national union's executive board, and was slated to run for the top post of the council. Ms. Greene's indictment is a direct result of the new information gathered by the KPMG audit. In addition to Ms. Greene, the information discovered by the audit has resulted in the indictments of two other union officials for stealing union money.

It is significant that the two municipal unions exposed for corruption—DC37and TWU Local 100—have also agreed to the Work Experience Program that has forced thousands of welfare recipients to do the jobs of city employees, receiving only their welfare benefits as payment. This has made it possible to replace thousands of civil service workers with welfare recipients, who have been coerced into a form of forced labor.

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