Opening Statement
House Committee on Education and the Workforce
Subcommittee on Oversight and Investigations
Opening Statement by Chairman Pete Hoekstra
April 30, 1998

Good morning.

I found yesterday's hearing with the federal Election Officer and the Independent Financial Auditor very informative, but not very comforting.

We heard about a disturbing lack of internal financial controls at the IBT headquarters. The closest analogy I can think of is someone moving cash in and out of a shoebox.

I continue to have serious concerns, too, about the breadth of potential wrongdoing that could still occur in this upcoming re-run election. I appreciate the energetic and sincere remarks yesterday by Michael Cherkasky, the Election Officer who has responsibility for overseeing the election.

But as I said yesterday, if you take the famous Jere Nash memo of January 1997, and overlay it on the names and titles of people still running the IBT's "Marble Palace,": you get an incredible degree of overlap. There are about 30 Carey loyalists, at least, still in positions of power and influence in the Teamsters leadership. And that doesn't make me sleep better at night, frankly.

We will be hearing in a few minutes from John Sweeney, the president of the AFL-CIO. Mr. Sweeney has referred to the illegal contribution swap involving the AFL-CIO in 1996 as a "blight on the labor movement." I agree with him.

We have been working with Mr. Sweeney on this issue, and I appreciate the fact that he is here this morning voluntarily, and that this organization has produced requested documents to us without need for a subpoena.

The AFL-CIO has also been cooperating with us on the American Worker Project , on prison industries issues and other issues, and I appreciate your help and support, Mr. Sweeney.

We have a change in the witnesses scheduled to appear before the Subcommittee this morning.

Besides Mr. Sweeney, two others who were asked to testify – Brad Burton, who is executive assistant to AFL-CIO Secretary-Treasurer Richard Trumka, and Sue Mackie, who is comptroller of the AFL-CIO – will not be appearing today.

Mr. Burton and Ms. Mackie had been scheduled to be here to answer questions this morning about their knowledge of serious, potentially criminal improprieties that occurred in the Fall of 1996, involving an

illegal swap of funds out of the IBT's general treasury and into the campaign of Teamsters President Ron Carey.

Three Carey campaign aides already have pleaded guilty in federal court in New York for the part they played in this illegal contribution swap.

Although we are extremely interested in uncovering more details of that episode, we agreed last night to honor the request of the U.S. Attorney's office in New York that Mr. Burton and Ms. Mackie not be placed in a position to have to testify, under oath, at this time about their actions in November 1996.

An emissary from the U.S. Attorney has made it clear to me and to others on the Subcommittee that Mr. Burton's and Ms. Mackie's testimony is of great importance to the federal investigation in New York at this time.

In light of the fact that the same federal prosecutors on April 27 indicted Mr. Bill Hamilton, the former director of governmental affairs for the Teamsters – the first indictment in that investigation in eight months – I am satisfied that there is progress in the case in New York. Mr. Hamilton stands accused of multiple felonies, including conspiracy, embezzlement and fraud, for allegedly laundering close to $1 million at the behest of – and in coordination with – the Democratic National Committee.

Therefore, at this time, in this case, we are in agreement with the Justice Department's request.

We reserve the right to call Mr. Burton and Ms. Mackie before this Subcommittee at a later date

Another key figure in the very disturbing pattern of apparent criminality in the AFL-CIO in the Fall of 1996 – Secretary-Treasurer Richard Trumka, who is Mr. Burton's boss – also will not be here this morning. Mr. Trumka has indicated to us, in writing, through his attorney, that had he been forced to testify, he would have taken the Fifth Amendment, which is his right under the Constitution, and refused to answer our questions out of fear of incriminating himself.

Mr. Trumka's boss, Mr. Sweeney, is here to answer questions in Mr. Trumka's place.

Although we appreciate Mr. Sweeney's willingness to cooperate with our investigation, I have to say that Richard Trumka's role in the events of two years ago is extremely unfortunate. It leaves a dark cloud over the AFL-CIO.

It is especially troubling that Mr. Trumka remains a key top official of the AFL-CIO, when evidence of his involvement in this illegal scheme is corroborated by witnesses and documents.

We heard yesterday from Michael Cherkasky, the federal Election Officer overseeing the current Teamsters election process, who called that illegal fund-raising scheme in 1996 a "terrible tragedy." I agree with that assessment, and Richard Trumka appears to bear a significant burden of responsibility for what occurred there.

The people who designed and carried out that illegal money swap, in which $150,000 was taken out of the Teamsters' treasury, laundered through the AFL-CIO and deposited into the Carey campaign, shows an astonishing arrogance toward the rank-and-file members of that union.

This wasn't Rich Trumka's money. It wasn't Ron Carey's money. It was money paid into the union's treasury by hard-working men and women who had a right to believe that the IBT leadership was operating in their best interests.

This money-laundering operation took place despite seven years of federal supervision and the efforts of a great many people to clean up the IBT and instill some democratic principles into the way the union conducts its affairs.

Mr. Cherkasky spoke passionately yesterday about the progress that he believes has been made in the Teamsters union since the union and the Justice Department signed a consent decree in 1989 that established federal supervision of the union.

In terms of freeing the Teamsters from the grip of organized crime, he's right. But it's clear to me that there's plenty of room for improvement, both inside the union and in the way the Executive Branch carries out this "supervision." There is less there than meets the eye.

In the 1996 union campaign and election – despite federal supervision – federal laws were broken, millions of taxpayer dollar were wasted (because the American people paid for this failed election, under the terms of the consent decree), internal would-be reformers were denied access to documents and were later shunned and punished. The union's treasury has gone from a robust $150 million to, basically, zero in terms of net worth during these years of federal supervision.

I am skeptical that the re-run election later this year will be better. Ron Carey's team of people who ran the Marble Palace in 1996 are still in place. More than 29 Carey loyalists in senior positions are still running Teamsters affairs.

We also heard yesterday from the Justice Department's so-called Independent Financial Auditor, who is in a critical position to detect and stop potential illegal actions at Teamsters headquarters. But we now know that this gentleman, Mr. Marvin Levy, is a CPA, not an auditor, and that he merely "reviews" or "monitors" Teamsters finances, but does not aggressively question the purposes for which the money is spent.

So I look forward to hearing from Mr. Sweeney this morning, because the more we can root out the details of what went on illegally at the Teamsters and the AFL-CIO in the 1996 union campaign and election, the better we will understand and appreciate the scope of potential wrongdoing as we work toward more effective safeguards.

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