OPENING STATEMENT
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CHAIRMAN, OVERSIGHT AND INVESTIGATIONS SUBCOMMITTEE
HOUSE COMMITTEE ON EDUCATION AND THE WORKFORCE
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TEAMSTERS FINANCIAL REPORTING AND PENSION DISCLOSURES

Good afternoon.

Today we continue hearings into the failed Teamsters election of 1996, and the federal supervisors' failure to ensure the integrity of that election. Furthermore, I fear the Independent Review Board, the Department of Justice and the union's own leadership are unable to ensure a successful, fair election in the vote scheduled for later this year.

We learn more every day of this investigation about the failure of the federal government's so-called "supervisors" at detecting – let alone stopping – financial irregularities and management abuses over a period of years at the IBT.

The tragedy is that these failings occurred at the same time the Teamsters rank-and-file were being led to believe that a new day had dawned at the Marble Palace – that a new period of union democracy and accountability had begun.

This afternoon our panel includes Mr. Stephen Leser of Grant Thornton LLP, which was the Teamsters accounting firm during the years of Ron Carey's presidency, and still is today.

We also will hear from Mr. A. Donald Morgan of The Segal Company, the actuarial firm upon which the IBT relied in certain pension fund transactions.

Our investigation's goal is to obtain answers to four basic questions:

- *Question No. 1*: **What really happened in the failed Teamsters election in 1996?** We have some answers because three Carey campaign consultants have pleaded guilty to federal charges. A fourth, Bill Hamilton, has been indicted, and the U.S. Attorney's criminal investigation continues. But I'm interested in any light these gentlemen today can shed on this unfortunate incident.
- *Question No. 2*: **Was the Carey campaign's stealing the election a fluke?** As this Subcommittee compiles its record of sworn testimony and documentary evidence, it appears to me that this election scandal was not isolated misconduct. Rather, it was an inevitable development after years of financial self-dealing, disregard for federal "supervision," and disdain for the rank-and-file members by the very people who were touted as the saviors and reformers of the union. All this was at a time when the union was plunging into bankruptcy, and its leadership was unable or unwilling to do anything about it.
- *Question No. 3*: **Is this pattern of high-handed mismanagement and defiance of normal business practices continuing today?** The signs are not good. We know that the IBT's counterfeit leadership is still in power, with its hands at the controls of the Marble Palace. We know that the people who ran the union under Ron Carey are the same people who are running the union today under acting president Tom Sever.

We know that despite his adamant promises made at our May 19 hearing to cooperate with this Subcommittee, Mr. Sever refused our request to interview his assistant, Tom Bosley, and the Teamsters' Director of Accounting, Joe Selsavage. He also ordered our witnesses today not to cooperate with this subcommittee by refusing to participate in pre-hearing interviews.

We know that third parties – specifically the law firm of Covington & Burling and the private investigation firm of Palladino & Sutherland – have been ordered by Mr. Sever and the IBT not to comply with this Subcommittee's subpoenas for documents about the work they performed for the IBT in 1994.

We know that although the Teamsters plead poverty and demand that the taxpayers, not the IBT, pay for the re-run election made necessary by the Carey fiasco, the union continues to pour money into political efforts – $1 million over the past 15 months, according to one press report.

We know that, despite its broad mandate which is written into the IBT constitution, the Independent Review Board chooses to take a very narrow approach to its responsibility to monitor and supervise this historically troubled union.

And we know from his own testimony that the Independent Financial Auditor appointed by the Justice Department has chosen to function essentially as a bookkeeper. He's a long way from the financial junkyard dog we were led to expect by Justice.

We also know that the Department of Labor's financial reporting requirements for unions like the IBT are inadequate and do not provide meaningful information to the IBT's membership. We'll hear more about that tomorrow, when we will have several Labor Department witnesses on hand.

So, are the practices of the bad old Carey days still around? I fear they are.

- All of which leads me to my fourth and final question: **Could what happened in the 1996 election happen again?** The answer is clear – it absolutely could happen again.

The audacity of the IBT's current leadership is undiminished. The government's safeguards have not improved. I don't see any way in which this Congress can – or should – ask the American people, the taxpayers, to bail out this union's leadership again.

This is an important and serious matter for the 1.4 million rank-and-file members of the Teamsters. I don't say that an unsupervised election – or no election at all – would produce a better outcome. But I do say, unfortunately, that I don't believe another supervised election under the current circumstances, paid for again by the American people, would produce a superior outcome, either. Too much remains unchanged.

Today, we want to know whether there are changes at the IBT or whether our federal supervisors auditors and actuaries are enablers of present misconduct:

- Who protects the rank-and-file pension fund – or is the fund simply a tool, manipulated by the union hierarchy to protect their narrow, personal interests and suck more money out of the pockets of the people they are supposed to represent?
- Who ensures there are no more money swaps going on for the next election – or are consultants giving counsel on how to hide this kind of misconduct?
- Who ensures that the rank-and-file are able to easily track how their dues are spent – or are the Department of Labor's reporting requirements for unions so vague that no one can really know what is going on without bringing on an expensive lawsuit?
- How is it that a union under federal supervision can time and time again thumb its nose at a Congressional subcommittee requesting evidence and interviews – or is it that the executive branch really does not want the evidence to be given to us, because it might have even greater implications?

Witnesses, are you protecting the union members' interests, or are you protecting those people who have broken their trust with the rank-and-file membership? We need answers to our questions so that we can work to make sure these breaches of the public trust are not repeated in the future.