OPENING STATEMENT
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HOUSE COMMITTEE ON EDUCATION AND THE WORKFORCE
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TEAMSTERS FINANCIAL REPORTING AND PENSION DISCLOSURES

Good morning.

We continue today with our hearings into the failed Teamsters election of 1996 and the larger issue, which is how the IBT was mismanaged by Ron Carey and his lieutenants and whether things have changed since Mr. Carey stepped aside.

After yesterday's hearing, I think we've made progress in compiling a record of sworn testimony and documentary evidence. But I can't say I'm happy about the picture that's emerging from the record.

A lot of hard work has gone into this investigation, but in the end the questions we're trying to answer are pretty simple:

- What became of the rank-and-file members' money?
- Did the Teamsters' leadership act in their members' best interests? If not, why not?
- Were there internal financial controls in place? Were they easily circumvented? If so, why?
- How easy - or how hard - is it for the union's hard-working, rank-and-file men and women to find out what's going on and hold their leadership accountable?

It's amazing to me that we've met so much resistance from the people controlling the IBT, when the answers we're looking for are matters of simple fairness and basic accountability.

We got some more answers in yesterday's hearing. Let me summarize them by walking briefly through our "Hearings Scorecard." Keep in mind that the things we heard about yesterday occurred at **the biggest private union in this country – after ten years of so-called federal supervision**.

I hope today's panel will shed some light on the Labor Department's responsibilities to the rank-and-file union members and the American taxpayers.

The federal government's decision a decade ago to involve itself in "supervising" the Teamsters union was a major commitment. It was a serious decision, and it certainly has turned out to be an expensive one, as well. The role of the U.S. Department of Labor is one of the cornerstones of what is held up to the public as "supervision" of the historically troubled IBT.

The principal mechanism the Department uses to carry out its supervisory function is the LM-2 form, which is the form used for the annual financial disclosures required of a labor organization under federal law – in this case, the Teamsters.

So, in light of the broad questions I mentioned, what we want to know this morning is how well does the LM-2 function? How good a job does it do at letting rank-and-file members of a union learn where their money is going – how it's being spent by their leaders, and for what purposes?

This is a somewhat arcane topic, but it is very, very important. It's important because the federal government is telling union members, in effect, "This is financial reporting required by the United States Government. This is how you – the layman – can see what your union is up to."

Now, we heard yesterday that the IBT has an annual audit of its books, and that the audited financial statements are published in the Teamsters magazine. But there are a lot of holes there. For one thing, what the auditors do is very different from what's called a "fraud audit." I couldn't get Mr. Leser to say

that he would recommend the Teamsters have a fraud audit - and this is after three people have pleaded guilty to felonies, and a fourth has been indicted.

Unfortunately, I don't believe the LM-2 form is much better. Maybe our panel this morning can convince me otherwise. I did agree with one thing Mr. Leser said yesterday. He called the LM-2 an "odd animal." That's true, even in the bureaucratic world of Washington.

But to cite one example – we already know that the LM-2 form requires disclosure of certain travel and entertainment expenses by individual IBT officers and senior executives. But other travel and meals expenses can simply be lumped into one large sum elsewhere in the report.

In 1996, there were at least 200 Teamsters Crestar VISA cards issued to IBT executives and staff members. None of those expenses had to be listed, by the individuals who used the cards, on the LM-2. So if Ron Carey reported $500 in expenses for the entire year, who could tell how much more he really spent, or for what?

The answer is, you can't tell.

Likewise, since at least 1992, it appears that the IBT did not report on the LM-2 the money contained in three funds – the general fund, the special organizing fund, and the so-called defense fund. These funds added up to $111 million. Yet I would not be able to find those funds in the LM-2 report.

We asked the Labor Department, in writing, about these funds, and the answer was:

> "It would ***appear*** that the 1993 IBT LM-2 report does include the above-mentioned funds, or that at least the reported total assets, liabilities, receipts and disbursements are large enough to include these funds."
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> [Emphasis added]

That sounds to me as if the Labor Department isn't sure whether the money was reported or not! But, hey, it's only $111 million.

So I look forward to hearing from our panel of witnesses and learning more about how the Labor Department does its job. Is the LM-2 the best way for rank-and-file union members to keep an eye on their union's finances? If not, what function is it supposed to serve? Does anyone at the Department actually review these reports? What is done with that information?

Yesterday, we had a lesson in accounting. Maybe today we can find out whether the Department of Labor's financial oversight is something rank-and-file members can take to the bank.

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