



August 2, 2024

Kevin Wege, President  
Independent Employees Union of Hillshire Farm  
Company, Inc.  
1186 N Shawano St, Suite 7  
New London, WI 54961

Case Number: 320-6028126( )  
LM Number: 509920

Dear President Wege:

This office has recently completed an audit of Independent Employees Union of Hillshire Farm Company, Inc. under the Compliance Audit Program (CAP) to determine your organization's compliance with the provisions of the Labor-Management Reporting and Disclosure Act of 1959 (LMRDA). As discussed during the exit interview with you, Treasurer/Executive Union Secretary Rebecca Emond, Vice President Charlie Doughty, and Secretary Martha Stiebs on June 18, 2024, the following problems were disclosed during the CAP. The matters listed below are not an exhaustive list of all possible problem areas since the audit conducted was limited in scope.

#### Recordkeeping Violations

Title II of the LMRDA establishes certain reporting and recordkeeping requirements. Section 206 requires, among other things, that labor organizations maintain adequate records for at least five years by which each receipt and disbursement of funds, as well as all account balances, can be verified, explained, and clarified. As a general rule, labor organizations must maintain all records used or received in the course of union business.

For disbursements, this includes not only original bills, invoices, receipts, vouchers, and applicable resolutions, but also documentation showing the nature of the union business requiring the disbursement, the goods or services received, and the identity of the recipient(s) of the goods or services. In most instances, this documentation requirement can be satisfied with a sufficiently descriptive expense receipt or invoice. If an expense receipt is not sufficiently descriptive, a union officer or employee should write a note on it providing the additional information. For money it receives, the labor organization must keep at least one record showing the date, amount, purpose, and source of that money. The labor organization must also retain bank records for all accounts.

The audit of the Independent Employees Union of Hillshire Farm Company, Inc.'s 2023 records revealed the following recordkeeping violations:

1. Lost Wages

The union did not retain adequate documentation for lost wage reimbursement payments to you totaling at least \$7,014. The union must maintain records in support of lost wage claims that identify each date lost wages were incurred, the number of hours lost on each date, the applicable rate of pay, and a description of the union business conducted. The OLMS audit found that the union retained vouchers for lost wage reimbursements, but some of the vouchers were not sufficient because you did not adequately describe the union business conducted.

During the exit interview, I provided a compliance tip sheet, *Union Lost Time Payments*, that contained a sample of an expense voucher the union may use to satisfy this requirement. The sample identifies the type of information and documentation that the local must maintain for lost wages and other officer expenses.

2. Lack of Salary Authorization

The union did not maintain records to verify that the salary of the executive union secretary reported in Item 24 (All Officer and Disbursements to Officers) of the LM-3 was the authorized amount and therefore was correctly reported. During the audit, Treasurer/Executive Union Secretary Emond advised that the initial job posting provided the salary; however, the union could not locate the original job posting.

The union must keep a record, such as meeting minutes, to show the current salary authorized by the entity or individual in the union with the authority to establish salaries.

3. General Disbursement

The union did not retain adequate documentation for an expense totaling \$300 on December 3, 2022 to a DJ for music at the union holiday party. In support of this payment, the union only retained meeting minutes authorizing hiring a DJ, which is not sufficient.

As noted above, labor organizations must retain original receipts, bills, and vouchers for all disbursements. The president and treasurer (or corresponding principal officers) of your union, who are required to sign your union's LM report, are responsible for properly maintaining union records.

4. Christmas Party Ticket Sales

The audit revealed that the union sold tickets to its members for a Christmas party it co-hosted during the audit year. The union received at least \$1,215 from these tickets sales; however, it did not maintain adequate records to document the funds its members collected from the ticket sales. In addition, an entry in the union's general ledger reflects the date the union deposited the money it received from the ticket sales, but not the date(s) the money was received.

Union receipt records must include an adequate identification of all money the union receives. The records should show the date and amount received, and the source of the money. The date of receipt is required to verify, explain, or clarify amounts required to be reported in Statement B (Receipts and Disbursements) of the LM-3. The LM-3 instructions for Statement B state that the labor organization must record receipts when it actually receives money and disbursements when it actually pays out money. Failure to record the date money was received could result in the union reporting some receipts for a different year than when it actually received them.

For the sale of Christmas party tickets, records must be maintained, at a minimum, that explain the number of tickets sold, the price of each ticket, the amount of money collected, and the names of the ticket holders. Records must also be kept that identify the name of each person who sells tickets and the date and amount of money that each person turns in to the union. Such records must show that the persons who sell tickets fully account for all the tickets provided to them by returning any unsold tickets along with the money raised from sold tickets. All unsold tickets, and ticket stubs (if any), must be retained.

Based on your assurance that the union will retain adequate documentation in the future, OLMS will take no further enforcement action at this time regarding the above violations.

#### Reporting Violations

The audit disclosed a violation of LMRDA Section 201(b), which requires labor organizations to file annual financial reports accurately disclosing their financial condition and operations. The Labor Organization Annual Report (Form LM-3) filed by the union for the fiscal year ended July 31, 2023, was deficient in the following areas:

1. Failure to File Bylaws

The audit disclosed a violation of LMRDA Section 201(a), which requires that a union submit a copy of its revised constitution and bylaws with its LM report when it makes changes to its constitution or bylaws. The union amended its constitution and bylaws in 2023 but did not file a copy with its LM report for that year.

The union has now filed a copy of its constitution and bylaws.

2. Signatures

The audit revealed that you signed the report in Items 57 and 58 (Signatures); however, the union had at least one other active officer at the time the report was filed. Additionally, you advised that the accountant signed the report and applied your name as the president and treasurer, and submitted the report before you could review it. The LM-3 instructions require the report be signed by both the president and treasurer, or corresponding principal officers, of the labor organization. If the report is signed by an officer other than the

president or treasurer, the union must enter the correct title next to the signature and explain in Item 56 (Additional Information) why the president and treasurer did not sign the report.

3. Disbursements to Officers

The union did not include some gross salary payments and reimbursements to officers totaling at least \$28,682 in the amounts reported Item 24. The audit revealed that Treasurer/Executive Union Secretary Emond received salary payments totaling \$50,268; however, the amount reported in Column D (Gross Salary) of Item 24 was \$25,134. It appears the union erroneously reported half of Treasurer/Executive Union Secretary Emond's salary in Item 24 and half in Item 46 (To Employees). The audit also found that Treasurer/Executive Union Secretary Emond was reimbursed for mileage and office supplies totaling \$3,128; however, the total amount reported in Column E (Allowances and Other Disbursements) of Item 24 was \$0. It appears the union erroneously reported these payments in Item 48 (Office and Administrative Expense).

The union must report most direct disbursements to union officers and some indirect disbursements made on behalf of its officers in Item 24. A "direct disbursement" to an officer is a payment made to an officer in the form of cash, property, goods, services, or other things of value. See the instructions for Item 24 for a discussion of certain direct disbursements to officers that do not have to be reported in Item 24. An "indirect disbursement" to an officer is a payment to another party (including a credit card company) for cash, property, goods, services, or other things of value received by or on behalf of an officer. However, indirect disbursements for temporary lodging (such as a union check issued to a hotel) or for transportation by a public carrier (such as an airline) for an officer traveling on union business should be reported in Item 48.

4. Statement A (Cash and Investment Balances) and Statement B (Other Receipts, Total Receipts, and Total Disbursements)

The cash figure reported in Item 25 (A) (Cash, Start of the Reporting Period) and Item 25 (B) (Cash, End of the Reporting Period) of Statement A are not the figures according to the union's books and bank statements. The cash balances as of August 1, 2022 and July 31, 2023, as reported in the general ledger and on the bank statements, were \$393,480 and \$93,730, respectively; however, the union reported cash balances of \$770,028 and \$744,697 in Items 25 (A) and 25 (B), respectively. The instructions for Item 25 state that the union should obtain account balances from its books as reconciled to the balances shown on bank statements.

The audit found that the union had investments totaling \$2,419,279 on August 1, 2022 and \$2,799,359 on July 31, 2023. However, the union reported investments totaling \$2,052,182 and \$2,096,359 in Items 28 (A) (Investments, Start of the Reporting Period) and 28 (B) (Investments, End of the Reporting Period), respectively. The instructions for Item 28 state that the union should report the total book value of all investments other than

U.S. Treasury securities. The book value of these investments is the lower of cost or market value. These discrepancies with the amounts reported in Items 25 and 28 were primarily due to the union erroneously reporting funds reinvested from the sale of certificates of deposit in Item 25 rather than Item 28.

Further, the union received other receipts of \$1,215 during the audit year. However, the union reported other receipts of \$0 in Item 43 (Other Receipts) of Statement B. The union must enter in Item 43 all receipts of your organization other than those reported in Items 38 (Dues) through 42 (Sale of Investments and Fixed Assets), including proceeds from the sale of supplies, loans obtained, repayments of loans made, rents, and funds collected for transmittal to third parties.

The audit revealed that the union recorded total receipts of \$189,504 in its general ledger during the audit year. However, the union reported total receipts of \$224,614 in Item 44 (Total Receipts) of Statement B. The union must report the total amount of all receipts it received during the reporting period in Item 44. The amount in Item 44 is calculated by adding Items 38 through 43 and should include all dues, fees, fines, assessments, interest, dividends, rent, money from the sale of assets, loans and loan repayments received by the union, and all other receipts received by the union. This discrepancy was mainly due to the union overreporting interest it received during the year in Item 41 (Interest & Dividends).

Lastly, the union recorded total disbursements of \$418,750 in disbursement records during the audit year. However, the union reported total disbursements of \$249,945 in Item 55 (Total Disbursements). The union must report the total amount of disbursements it made during the reporting period in Item 55. The amount in Item 55 is calculated by adding Items 45 (Disbursements to Officers) through 54 (Other Disbursements) and should include, for example, net payments to officers and employees; per capita tax; payments for office administrative expenses; taxes paid by the union; contributions, gifts and grants made by the union; and purchases of investments and fixed assets. This discrepancy was mainly due to the union underreporting investments and fixed assets it purchased during the audit year in Item 52 (Purchase of Investments and Fixed Assets).

I am not requiring that the union file an amended LM report for 2023 to correct the deficient items, but the union has agreed to properly report the deficient items on all future reports it files with OLMS.

#### Other Issue

##### Possible Overpayment of Lost Wages

The audit revealed that the union reimburses officers for wages lost at Tyson Foods when they miss work to conduct union business. The union also reimburses officers for conducting union business on personal time and when they are on paid leave or holidays. The union pays lost wages at the officer's hourly rate and lost wages are also paid at the overtime rate for instances where an officer conducts union business after working eight hours in a day, days they are not

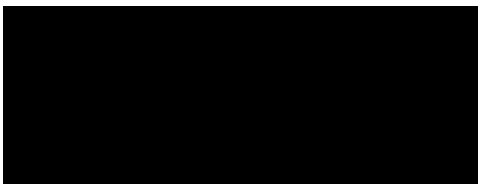
scheduled to work and have already worked five days that week for the employer, or if they are on vacation. A comparison of your lost wage claims with payroll records from Tyson Foods revealed that you appear to have been overpaid at least \$1,398 during the audit period. The apparent overpayments were a result of you claiming lost overtime hours when you were only entitled to claim lost regular hours along with claiming the incorrect pay rate.

When asked about these discrepancies you stated that you complete your voucher at the end of the month, and when you fill out your voucher you only record the number of hours you conducted union business, you do not indicate if you were entitled to overtime, you do not record your exact start and stop times, and you do not compare your vouchers to your time and attendance sheets. In addition, you transferred to another department during the audit year and were not aware that your hourly wage changed because of the transfer. Further, Tyson did not notify Treasurer/Executive Union Secretary Emond, who verifies officer's wages on vouchers, about your new hourly rate. You also indicated that you were not aware you were claiming the incorrect wage rate or claiming overtime you were potentially not entitled to.

To ensure proper internal financial control over union disbursements, OLMS recommends that unions establish best practices for administering lost time and lost personal time payments by adopting clear policies and procedures for making lost time and lost personal time payments, including the payment of lost overtime. During the exit interview, you advised that you discussed these discrepancies with the executive board and on June 4, 2024, the executive board voted to not require you to repay the \$1,398 in question. Following the exit interview, Treasurer/Executive Union Secretary Emond provided a copy of the executive board meeting minutes authorizing the forgiveness of the overpayment.

I want to extend my personal appreciation to Independent Employees Union of Hillshire Farm Company, Inc. for the cooperation and courtesy extended during this compliance audit. I strongly recommend that you make sure this letter and the compliance assistance materials provided to you are passed on to future officers. If we can provide any additional assistance, please do not hesitate to call.

Sincerely,

A large black rectangular redaction box covering the signature of the investigator.

Investigator

cc: Rebecca Emond, Treasurer/Executive Union Secretary