

Basic Human Resource (HR) Audit Checklist

Employment laws are ever changing. Workplace lawsuits are on the rise. Fines for non-compliance can add up quickly and deplete your hard earned profits. The average lawsuit settlement is \$165,000 before you pay lawyer fees; if you suffer through a jury trial when faced with litigation, it could cost you millions of dollars. Conducting a Human Resources (HR) audit is a smart way to make sure your organization is legally compliant, as well as, uncover illegal processes.

The HR audit is the process of examining intensely and objectively the organization's HR policies, procedures, documentation, systems, practices and strategies to protect the organization from litigation, establish best practices, and identify opportunities for improvement. An objective review of the employer's "current state" can help evaluate whether specific practice areas are adequate, legal, and effective.

In a nutshell, the HR Audit gives organizations the opportunity to assess what the organization is doing right, as well as how things might be done differently, more efficiently, or at a reduced cost. It also helps the company identify outsourcing opportunities and cost saving strategies.

To begin your HR audit, it is a great idea to have your company mission, vision, and values in mind to align the audit to your company goals. The first step is gathering as much information as possible, including: Organizational chart, mission, vision, values, employee handbook, policies, procedures, CBA, job descriptions, forms, etc. Once the information is gathered, you can then determine if the information aligns with actual practices. If deficiencies are identified, it is important to take steps to correct those issues.

The audit process consists of a succession of questions covering the primary components of the HR function. The following checklist can help you audit your HR department.

Organization

- Is there a mission and vision statement?
- Are the HR goals aligned with the organizational goals and strategies?
- How many managers and supervisors does the company have?
- How many full-time employees? Part-time employees?
- How many hours per week define full-time? Part-time?

- Are employees aware of their status?
- How long can an employee be temporary?
- How many locations does the company have?
- EEO-1 compliance, if applicable, do you file annually?
- What are the company hours? Are shifts defined?
- How does HR communicate with management and employees?

Hiring

- What procedures are used for hiring in your organization?
- What recruitment sources are used, i.e., advertisements, job boards, referrals, social media, etc.?
- Do job descriptions exist and are they up-to-date? Are the job descriptions ADA compliant?
- Are I-9 forms and acceptable documentation reviewed annually?
- Is e-verify being used for new hires?
- Are I-9s and medical information kept separately from personnel files?
- Are job openings posted? Are job openings offered to current employees?
- Are current employees given appropriate consideration for promotion or lateral position changes? Who makes those decisions and are they properly documented?
- Who does the preliminary screening of candidates?
- Who selects candidates for interviews?
- Is training provided for those who conduct interviews?
- How are the recruitment, screening, and selection processes documented?
- Are applicant backgrounds checked? Are references checked? How is reference checking documented?
- Do employment applications refrain from requesting protecting information?

- Does application form ask if applicant needs accommodation (ADA)?
- Who has the final authority to hire?
- Who makes the offer of employment?
- Is there a standard offer letter?
- Are selection processes used with reference to the Uniform Guidelines?
- Is the hiring staff asking legal interview questions?
- Are applicants asked to voluntarily identify their affirmative action information?
- Are turnover rates monitored?
- Are independent contractors accurately identified?
- Is the 20+ point test for independent contractors being used for classification?
- Have issues related to classification of employees been raised?
- Are exempt employees accurately classified?
- Are all new hires reported to the state and IRS timely?
- Do new employees complete W-4 forms?
- Are workplace policies in place, i.e., EEO, harassment, safety, attendance, etc.?
- Are policies communicated and enforced?
- Is there an employee handbook?
- Is the employee handbook aligned to the workplace and up-to-date?
- Are employees required to attend orientation?
- How long is the new hire “orientation” period?
- Are all employees trained on discrimination and harassment issues?

Compensation and Benefits

- Who negotiates compensation packages?
- Are compensation levels/plans monitored and reviewed annually?
- Are employees correctly designated as exempt or non-exempt per FLSA?
- Are independent contractors correctly identified?
- Is there a formal pay structure? Is performance tied to compensation?
- Is work time documented? How?
- Are paid time off (vacation, holidays, etc.) structures developed?
- Are non-exempt employees compensated at least one and one-half times their hourly wage for any hours worked beyond 40 (including bonuses)?
- Is the compensation plan communicated to all employees?
- Are benefit plans reviewed annually?
- Are employees informed/oriented regarding their benefits?
- Are Summary Plan Descriptions provided to plan participants?
- Are general COBRA notices provided to plan participants?
- Are employees allowed the appropriate leave time under the FMLA?
- Are plan documents in compliance with ERISA?
- Are supervisors and managers trained to report employee absences of more than three days to management for FMLA purposes?
- Are total compensation letters provided?
- Are open enrollment meetings held?
- Are minors prohibited from working more than their hours allowed by the Fair Labor Standards Act?

- Are final paychecks provided on time?
- Are paid time off (vacation, holidays, etc.) structures developed and equally enforced?
- Are the appropriate payroll withholdings performed and forwarded?
- Is a payroll service used, and if so, which service?

Employee Relations

- Is there a system for performance evaluation? Are you aware of the different types of evaluations?
- Does the system check for effectiveness of the evaluation?
- Is quality and quantity of work evaluated?
- Are disciplinary actions for violating workplace policies flexible? Does documentation exist for each incident?
- Is there a process for employees to lodge complaints?
- Are effective policies in place that prohibits retaliation against employees who exercise their rights?
- Are there a variety of individuals to whom employees may lodge complaints (supervisor, manager, HR representative, etc.)
- Are employment practices in line with the various anti-discrimination laws?
- Are supervisors and managers trained in anti-discrimination practices?
- Do exit interviews take place?
- Does a member of management evaluate each termination before it takes place?
- Is there a whistleblower policy in effect?

Safety, Security, and Worker's Compensation

- Are safety hazards reported to the appropriate personnel?
- Has a safety committee been established? Do you have an Emergency Response Plan?

- Are workplace accidents, near-misses, injuries, and illnesses reported and investigated?
- Is bright, effective lighting installed indoors and outdoors?
- Is there a reliable response system in place in the event an alarm is triggered?
- Are employees encouraged to promptly report incidents, and suggest ways to reduce or eliminate risks?
- Are structures readily accessible to disabled employees?
- Are minors prohibited from performing hazardous work?
- Are MSDS sheets available for every chemical in the building (including cleaning supplies)?
- Is the proper OSHA and workers compensation information posted and distributed to new hires?
- Are ALL injuries/incidents investigated?
- Is follow-up remediation performed where appropriate?
- Are return-to-work programs checked for effectiveness?
- Are insurance premiums and competitive quotes reviewed on a periodic basis?
- Is the workplace environment maintained with safety in mind?
- Are state (new and existing) requirements monitored?

Record Keeping and Other Documentation

- Are personnel files current?
- What documents are held in personnel files?
- How long are files held and where are they stored after employees leave?
- Are items with medical protected information kept in a separate, locked location?
- Is there training of managers and employees about personnel files?
- Are all federal and state labor posters displayed in a conspicuous place?

- Are documents regarding employees kept for their required duration (application, personnel files, payroll, I-9s, etc).

- How are Paid Time Off, FMLA, and Worker's Compensation documented?