Conducting an HR Audit



Taking the time to do a comprehensive HR audit not only ensures compliance with applicable laws, but also provides the opportunity to improve the effectiveness and efficiency of HR practices to improve such things as employee performance, employee engagement or talent attraction and retention.

Best practice suggests scheduling an audit an once a year. Scheduling regular annual audits to maintain the discipline of a regular review will prevent those "panic" audits (ones that take place only when a potential problem is brewing). Often such an audit is conducted after any significant event (e.g., new plans, management changes).

An internal HR audit should include a review of the following areas:

- Employment Law (Federal, State and Local)
- I-9 Forms
- Discipline Procedures & Documentation
- Wage and Hour Compliance
- Equal Employment Opportunity Administration
- Job Elimination/Separation Documentation
- Compensation & Benefits Selection
- Staffing & Classification Administration
- ERISA and COBRA
- Personnel Files/Records
- Americans with Disabilities Act (ADA) Policies and Procedures
- Workplace Harassment /Sexual Harassment
- Family Medical Leave Act (FMLA) Management Policies and Procedures
- Uniformed Services Act (USERRA)
- Background Investigations & Drug Screening
- Performance Management
- Conflict Resolution

STEP 1: ASSESS DOCUMENTATION

AAP/EEO Related

- Affirmative Action Plan
- EEO-1 Reports
- Equal Employment Opportunity Form
- Veteran/Disabled Self-Identification Form Recruiting/Staffing

Job Postings/Advertisements

- Employment Agency/Search Firm Contract
- Resume/Candidate Tracking System (sample report)
- Employment Application
- Interview questions
- Pre-Employment Tests – Including physicals, drug screens, fingerprinting
- FCRA Documents – Authorization & Consent for Background Check
- FCRA Documents – Summary of Your Rights, including FCRA Notification
- Adverse Action Letter for FCRA, Criminal, or Drug Screen
- Background Check Adjudication Guidelines
- Offer Letter Form
- Rejection Letter/Rescission of Offer Letter

New Hire Orientation

- On-boarding/Orientation Checklist
- Invitation to Self-Identify
- I-9 Form
- W-4, 1099 Form
- Employee Handbook & Acknowledgment
- Workplace Harassment Policy & Complaint Response Process
- ADA Policy & Accommodation Request Process
- Equipment Agreement
- Summary Plan Documents, Summary Plan Descriptions, Summary Annual Report
- Personal information Form
- Direct Deposit Form
- COBRA Notifications
- Non-compete Agreements

Ongoing Employment

- Job Descriptions
- Compensation Analysis
- Time Sheets/hours Tracking
- Family Leave, Family Medical Leave, Employee Medical Leave Request Form, Family and Medical Leave Acknowledgment

Performance Management/Discipline

- Performance Review/Evaluation Form
- Performance Improvement Plans/Disciplinary Action Forms

Termination of Employment

- WARN Act Notification
- Termination/Job Elimination/Separation Letter, Severance Agreements
- Unemployment Insurance, Workers Compensation Information
- Non-compete Agreements, Confidentiality Agreements
- Termination Checklist
- COBRA Notifications

Payroll

- Compensation Philosophy/Policy

- Salary Administration policy
- Direct Deposit Form
- Pay Card Form if applicable
- Sample pay stub
- Sample 1099 for contractors if applicable
- Payroll Action Form
- Bonus Plan Document
- Bonus Policy
- Executive Compensation Plan/Policy
- Incentive Compensation Plan/Policy
- Merit Increase Form
- Garnishment/Attachment Policy and Procedure
- Loans and Payroll Advances Policies and Procedures
- Loan Repayment Agreements
- Employment Agreements

STEP 2: IDENTIFY GAPS

Even if you checked all the boxes and all of your policies are completely up-to-date and legally compliant, it doesn't matter if the paper and the practice don't match. This increases your risks dramatically. When you don't actually do what you say, the good policies you promote can create significant liability, foster mistrust and miscommunication and cause confusion.

For instance, most employers have up-to-date and compliant anti-harassment policies in place. A well written policy does not necessarily create a respectful workplace. If incidents are ignored or possibly condoned, the policy is not worth the paper it's on. When a company commits to procedures and codes of conduct, expectations and potentially even contractual obligations are created.

A checklist or document review alone will not uncover the realities and the risks. Often an HR audit focuses only on whether HR tasks are performed in a compliant manner. But a full and true assessment checks to see if tasks are completed effectively and efficiently. If HR gets the basics right (payroll, benefits and a true working partnership with management) it fosters trust and positive working environment which in turn helps the company achieve its goals.

LAST (BUT NOT LEAST): PRIORITIZING CORRECTIVE ACTIONS

When change is needed, where should you begin?

First: Correct violations of the law. Fines and judgments can be extremely costly, not just in actual monetary payments, but in lost opportunities for business and talent. Delaying corrective action only adds to the inevitable pain.

Second: Work on the inefficiencies that rob HR of its true return on investment. Put the right people in the right jobs. Avoid duplicating effort. Outsource time-consuming and resource-draining tasks.

Finally: Implement best practices, such as leveraging technology and developing talent. Build on a strong foundation of operational excellence to create a highly effective HR function.