

AUDITING YOUR LABOR & EMPLOYMENT PRACTICES

A COMPREHENSIVE GUIDE

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WHY DO AN AUDIT?

The job of a Human Resources, Employee Relations or Labor Relations professional is often reactive: investigating employee relations issues, responding to a compliance violation, or searching through poorly maintained records when a legal claim is made. However, it is far more satisfying to take a proactive approach and address small problems before they become major headaches. HR auditing sets businesses up for success, establishing basic HR practices. Audits systematically review whether and how policies are being applied, ensuring consistency among staff members and compliance with legal and regulatory requirements.

Other benefits of HR audits include:

- Company-wide adoption of best practices
- Identification of potential processes improvements
- Reduction of errors and employee complaints
- Proactive preparation for government investigations
- Reduced likelihood of fines for noncompliance with employment regulations
- Possible reduction in insurance expenses
- Improved utilization of legal budgets
- Increased buy-in from managers regarding HR policies and practices
- Reduced likelihood of successful union organizing

STEP-BY-STEP GUIDE TO YOUR FIRST AUDIT

Launching an HR audit is a major endeavor, and it is important to secure the appropriate resources. These subject matter experts are particularly helpful:

Legal Counsel - The results of an audit can be discoverable in future legal proceedings. Consult legal counsel for advice on protecting the business.

Department Leaders - Enlisting the help of department leaders saves time. They can point you towards the relevant records and explain how policies are applied from day to day.

Once your team is assembled, outline the areas you will audit and develop a list of audit questions. Common inquiries for HR audits include the following:

RECRUITING AND HIRING

- Are all position requirements and responsibilities in compliance with the law? Is the Equal Employment Opportunity policy referenced?
- Review employment applications and interview procedures. Are all questions legal? For example, in some states, you cannot ask whether candidates have a criminal record.
- Evaluate I-9 procedure. Does the process comply with regulations? Is it consistently applied?
- Examine onboarding procedures. Are employees trained on all relevant company and department policies, processes and procedures?

TIMEKEEPING

- Are nonexempt employees recording their hours accurately?
- Do managers and employees sign off on the accuracy of timekeeping records each pay period?

COMPENSATION

- Are employees paid correctly and on time?
- Are appropriate taxes being deducted?
- Can payroll errors be remedied quickly?

WORKING CONDITIONS

- Are required postings present and visible? Visit the U.S. Department of Labor and your state Department of Labor for information on posting requirements.
- Are OSHA logs complete, up-to-date and available to employees?
- Are employees aware of procedures for reporting workplace accidents and injuries?
- Is there an established grievance procedure? Do employees know what steps to take if they have a concern?
- Is there a published union-free operating philosophy? Does it meet all relevant National Labor Relations Board (NLRB) requirements?

Performance Evaluation

- Is there an established process for evaluating performance?
- Are employees given clear expectations and goals?
- Are performance evaluations administered on a regular basis for all employees?

DISCIPLINARY ACTION

- Are coaching and counseling conversations documented and stored appropriately?
- Is there a clear disciplinary action policy?
- Is the policy applied consistently to all employees?

ESTABLISH AND COMMUNICATE COMPANY POLICIES

Examine your written policies and practices to ensure they are current and consistently applied. Are any missing or outdated? Do they conflict with each other?

Some organizations combine policies into a single employee handbook, while others keep them separate in an online portal. Either way, ensure that there is a process in place to train employees on accessing policies.

At minimum, the following policies should be documented and communicated to staff members:

- **Acceptable Use** - Establishes expectations for acceptable use of business resources such as internet, email and company-issued mobile devices
- **Accessibility** - Process for requesting and providing accommodations under the Americans with Disabilities Act
- **Anti-Discrimination** - Prohibits discrimination based on characteristics protected by law
- **Anti-Harassment** - Prohibits illegal behavior towards others based on characteristics protected by law
- **Anti-Retaliation** - Prohibits retaliation against employees who bring up a concern in good faith
- **At-Will** - Establishes that the company and the employee can end the employment relationship any time, for any reason

- **Code of Conduct** - Basic expectations for behavior in the workplace
- **Confidentiality** - Expectations for keeping customer, company and coworker information confidential
- **Conflict of Interest** - Discusses situations in which employees' personal interests conflict with business interests
- **Dress Code** - Discusses appropriate attire based on job responsibilities
- **Equal Employment Opportunity** - Establishes that hiring and employment decisions do not discriminate based on legally protected characteristics
- **Leave of Absence** - Establishes policies and procedures for time away from work
- **Paid Time Off** - Policies and procedures for holidays, vacation, bereavement, jury duty, voting, sick time, etc. Ensure that all policies comply with recent updates to federal, state and local laws.
- **Recognition and Reward** - Policies and procedures around recognition programs, incentives, bonuses and similar
- **Solicitation and Distribution** - Establishes that employees may not solicit or distribute for outside organizations while any of the individuals involved are on work time
- **Substance-Free Workplace** - Sets expectations that employees will come to work unimpaired
- **Workplace Safety** - Sets expectations for adherence to relevant safety rules and regulations
- **Workplace Violence** - Prohibits violent and aggressive behavior in the workplace

TERMINATION

- Document a clear, comprehensive termination process, including procedures for revoking systems and building access, notifying benefits vendors and issuing final pay.
- Note that some states require final pay to be issued within a certain time frame - particularly if the termination is involuntary.
- Ensure compliance with regulations related to post-employment benefits, such as those that apply to pension and retirement savings accounts (ERISA) and those that apply to health insurance coverage (COBRA).

RECORD STORAGE, MAINTENANCE AND RETENTION

- Ensure employment records are retained as required. Examples include employment applications, payroll and compensation records, and performance evaluations.
- Confirm that all records are stored appropriately. For example, managers are not permitted to have access to employee health records.
- Ensure that there is a written procedure for maintaining records for the period required by law. Note that record retention requirements vary based on the type of record. For example, payroll records must be retained for a minimum of three years.
- Ensure that there is a process in place for destroying outdated records, and confirm that outdated records are being destroyed on schedule.

Gather the records relevant to your checklist, and begin documenting your results. For maximum

effectiveness, your summary of results should be paired with a plan to remedy any deficiencies that have been identified through audit activities.

An internal HR audit has the same goal as any other audit: to scrutinize business operations to ensure best practices are in place and consistently applied. Of course, an HR audit is exclusively focused on HR practices, offering an opportunity to identify deficiencies in employment policies and their application, employment-related documentation, and compliance with relevant employment law. Proactively auditing HR practices is the most effective method of addressing small issues before they have a chance to consume large amounts of time and money that would be better spent elsewhere.

Ready to take action on the results of your audit? Contact Projections to begin creating your strategy of engagement. Companies nationwide, large and small, have been working with the team at Projections since 1979. They've created HR practices that create happy employees, and you can too.

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