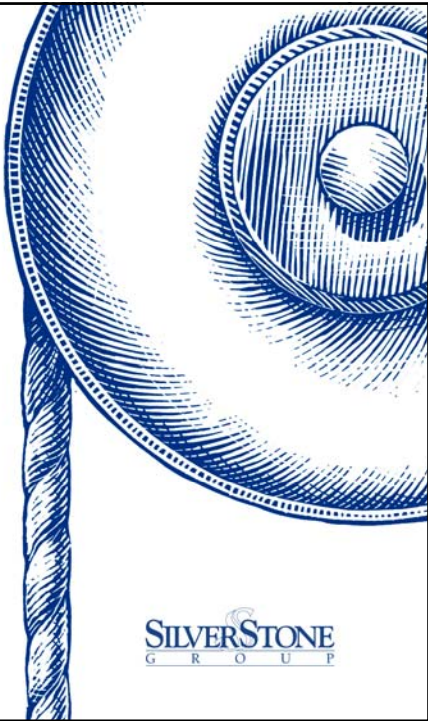**HaRvesting the Benefits of Audit**

Presented by
Paula J. Peacher
Senior Consultant, CCP
October 12, 2010

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HR Auditing

"You reap what you sow"

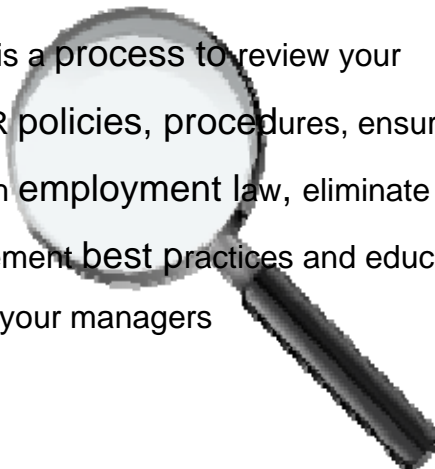……..can be simplified to suggest that actions will have consequences

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What Is An HR Audit?

An HR Audit is a process to review your organization's HR policies, procedures, ensure compliance with employment law, eliminate liabilities and implement best practices and educate your managers

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What Are The Goals?
Why Conduct an HR Audit?

- To ensure compliance
- Improve HR Practices
- Train your managers
- To obtain employment practices liability insurance
- Prepare for potential government audit or litigation
- Gain an understanding of department's environment
- Show a "good faith effort"
- Correct Errors

To remain competitive and enhance organizational effectiveness!!

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Differing Perspectives

- Strategic
  - *Top Management* — How do HR practices relate to organization's mission and goals? Gaining top management commitment to an audit is key.

- Managerial
  - *Line Management* — How do HR practices impact line management? Helping line management understand the reason for the audit is key.

- Operational
  - Analysis of HR Department activities

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An HR Audit Will Reveal:

- The effectiveness of your human resource function

- Whether you have taken adequate steps to prevent discrimination; compliance with employment law

- Whether you communicate effectively with employees

- Manager's understanding of laws/policies/procedures

- Accuracy of records; records retention

- Potential Liabilities

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An HR Audit Will Reveal:

- Whether pay within your compensation structure is equitably administered

- Whether you are prepared for employment litigation

- Whether your treatment of employees is consistent

- Whether you anticipate problems or only react to them

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What Areas Are Covered In An Audit?

- Employment Practices
  - Staffing and selection paperwork
  - Affirmative Action forms
  - Posting information

- Training and Development
  - Programs are readily available to staff
  - Attendance tracking

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What Areas Are Covered In An Audit?

- Compensation and Benefits *(may also include payroll)*
  - Correct use of exempt v. nonexempt status
  - Employees in correct grades
  - Job Descriptions available for all positions
  - No phantom benefit participants
  - HIPPA Compliant
  - Limited access to systems/records
  - SSN's secure and only used when necessary

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What Areas Are Covered In An Audit?

- Employee and Labor Relations
  - Correct documentation of investigations
  - Warning/disciplinary letters
  - Policies and procedures are readily available to staff
  - Required posters are visible to staff
  - Time off tracking is accurate
- Health, Safety and Security
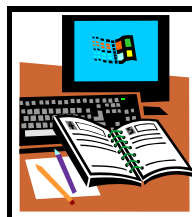- HR Policies and Procedures
- Employee Records

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What Do I Need To Do To Prepare For An Audit?

- Policy manuals, handbooks, forms and reports

- Develop and complete a self-Assessment Questionnaire

- Allow for extensive interview time

- Having access to files and records

- Access to necessary management and staff

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HR Audit Approach

Pre-Audit Information Request	Pre-Audit Self-Assessment	Pre-Audit Information Compiled	HR Audit Review	HR Records Review	HR Audit Report	Post-Audit Review
• Handbooks and Manuals • Forms • Miscellaneous	• Self-Administered Yes/No Questionnaire	• Identify Target Inquiry Areas • Frames Audit Interview	• Covers major areas within HR • May wish to establish priority areas for review	• Personnel and Benefit Files • Postings • HRIS • Policies	• Outlines Urgent, Identified and Opportunity Needs • Prioritizes Needs	• Review Audit Findings • Discuss Implications • Develop Action Plan

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What Product Do I Get From An HR Audit?

- A comprehensive report with recommendations classified by the following needs:
  - **Urgent (**critical); area requires immediate attention for risk management; potential for liability/exposure
  - **Identified** (important but non-critical)
  - **Opportunity** (unique advantage)
- Timeline Development
- Action Plan

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What Optional Audits Should Be Considered?

- Special audits
  - Americans With Disabilities Act
  - FMLA
  - Equal Employment Opportunity
  - OSHA
 - Workers' Compensation
  - ERISA
  - COBRA
  - Flex Plans

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Where Do I Go With the HR Audit Results?

- Compile findings in a draft letter/report

- Allow for review and comment by parties involved

- Compile final report

- Present report to senior management

- Use the HR Audit as a blueprint or action plan for addressing HR needs

- Address as many needs as possible with internal expertise and resources

- Contract out those areas where internal expertise and resources may not available
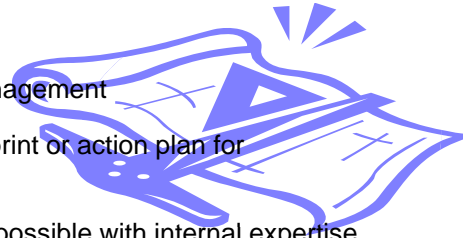
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FLSA - Paycheck Fairness Act

The **Paycheck Fairness Act**, which has already passed the House, would amend the Fair Labor Standards Act (FLSA) to give employees new ways to seek damages for gender-based wage discrimination. It would give employees the right to inquire about and discuss their pay with co-workers and supervisors without punitive action from the employer by making damages available. It also would authorize class action suits under the Federal Rules of Civil Procedures and mandate training and other outreach efforts on wage discrimination issues, *HR News* reported Sept. 21, 2010.

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HR Audit Relevance

- **Wage & Hour Mistakes**
  - DOL recently authorized to hire up to 250 additional staff to oversee enforcement of wage and hour compliance

  - The U.S. Department of Labor's Wage and Hour Division (WHD) is planning a **nationwide employee misclassification audit this fall**, targeting industries with historically high rates of misclassifying employees as independent contractors, such as home construction and building contractors

  - ICE (Immigration and Customs Enforcement) is also looking to do more I-9 Audits; hundreds of notices sent September 15, 2010

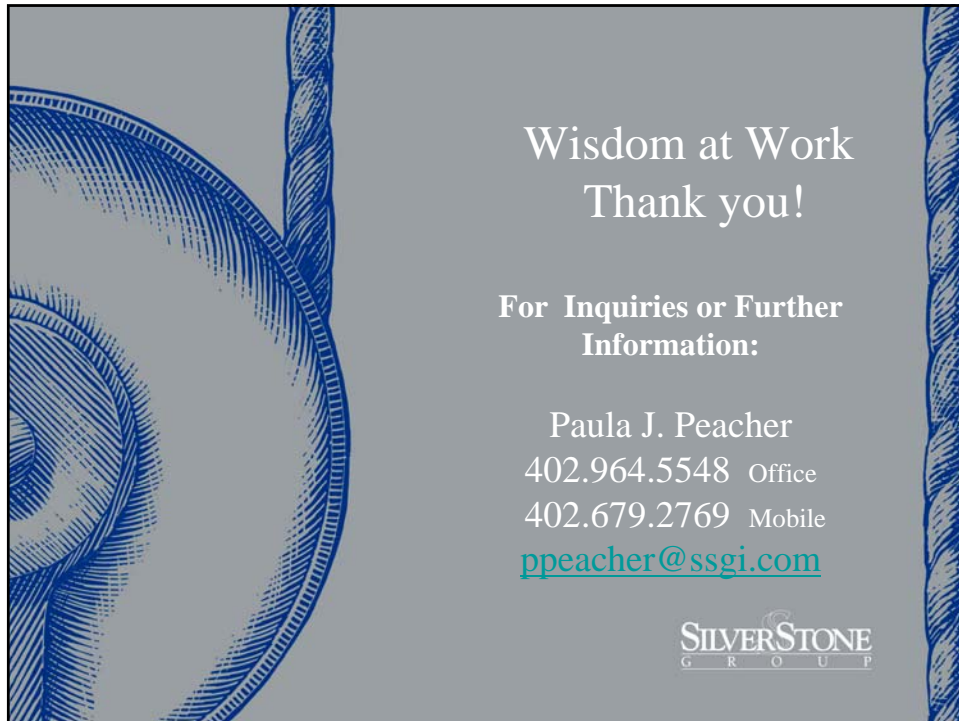SILVERSTONE
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HR Audit Relevance

- **Employment Law Common Mistakes**
  - Interviewing and Hiring *(Torgerson v. Rochester, No. 09-1131 May 21, 2010)*

  - FMLA (updated for 2009) *(Estrada v. Cypress Semiconductor Minnesota, Inc., No. 09-3005, August 17, 2010)*

  - Sexual Harassment *(Sheriff v. Midwest Health Partners C.A. No. 09-3367, August 30, 2010)*

  - *ADA/FMLA (Wisbey v. City of Lincoln, No. 09-2100, July 6, 2010)*

  - Terminations

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Wisdom at Work
Thank you!

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