



SENTINEL
RISK ADVISORS

10 Steps to Conducting an Annual HR Audit for Your Organization

Safeguarding Your Success

A wage and hour claim is one of the biggest threats to your business today; one that no insurance program alone can adequately protect you against. Sentinel Risk Advisors recommends completing an annual HR Audit to test the policies and practices that are in place to protect your assets, brand and reputation.

Some of the more common types of audits include:

- Compliance—how well is the organization complying with current laws and regulations.
- Best practices—how well does the organization perform compared to high-performing companies.
- Strategic—focuses on programmatic strengths and weaknesses, organizational alignment.
- Function Specific—takes a detailed approach to enhancing a single area in HR (payroll, performance management, records retention, etc.)

Wage and Hour Audit, Step-by-Step

1. Determine what type of audit (above) the organization will focus on, and whether the audit will be done internally, or by a third party, such as an attorney.
2. Evaluate organization's current wage and hour policies and procedures: Do they comply with applicable federal and state law? Are they uniformly implemented and consistent?
3. Ensure any previously identified shortfalls have been corrected and documented.
4. Confirm accuracy of employee classifications.
 - Do job duties align with job descriptions?
 - Are exempt employees earning at least \$684/week (standard) and \$107,432/annual (highly compensated)? Are salaries tied to quality or quantity of employee's work?
 - Are employee pay deductions correct and consistent?
5. Is a Safe Harbor Policy in effect, documented and communicated to employees?
6. Evaluate independent contractor classifications.
7. Review internship programs and child labor law compliance.
8. Evaluate pay and wage calculations and confirm documentation:
 - Minimum Wage
 - Overtime
 - Comp Time
 - Deductions
 - Time and Record Keeping
 - Rounding
 - Breaks
9. Are worksite DOL notices posted in a central, highly visible location?
10. Review and document secondary wage and hour compliance for employees residing in other states.