

HR audit can be beneficial in today's compliance-oriented environment

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Employers have traditionally understood the value of regularly conducting audits to obtain a snapshot of the financial condition of their organizations and ensure compliance with federal, state, and local laws and regulations.

Although human resource audits provide similar benefits, they often have not been considered to be a business necessity. It is anticipated that in today's compliance-oriented environment with an increase in enforcement activities at the federal level, employers will recognize the need to proactively audit both critical organizational areas.

Human resource audits provide employers with an objective tool to examine the human resource function and identify strengths and opportunities for improvement. While the scope of an assessment varies according to the organization's objectives, compliance normally is one of its essential components. An examination of policies, procedures, processes and practices allows management to pinpoint areas where the organization is and is not complying with applicable employment laws and regulations. Once gaps in compliance are identified, potential risks can be examined and corrective actions taken.

The following are a number of questions to consider when making plans to conduct a human resource compliance audit:

1. Which human resource areas should be considered in determining the scope of the audit? Examples include policies in employee handbooks, disciplinary procedures, employee classifications (e.g. exempt, non-exempt), the use of independent contractors, harassment prevention, recruitment and hiring processes, performance management, supervisory and employee training, employee communications, documentation by supervision, recent charges and lawsuits, personnel files and other employee records, employee relations, benefits administration, and timekeeping.
2. What forms and other materials associated with the organization's human resource function should be reviewed? The audit should include a review of relevant forms and materials, such as job descriptions, performance evaluations, job interview questionnaires, employment applications, disciplinary notices, I-9 Forms, labor law posters, collective bargaining agreements, and medical certifications associated with Family and Medical Leave Act absences.

3. How will employers determine which federal, state and local employment laws are applicable to their organizations? Applicability will depend on specific factors, such as number of employees, nature of the business, annual revenue, involvement in interstate commerce, and business locations. Consideration also should be given to whether the organization meets the definition of a federal contractor and its status as a public- or private-sector employer.
4. Who should conduct the audit? There are several options to consider. If the organization has a human resource department, the audit can be conducted by members of the staff. Factors to consider in making this decision include the staff's objectivity, knowledge of employment laws and willingness to acknowledge inadequacies in current departmental practices. Other alternatives include using an employment attorney or a human resource consultant. An attorney also can be used to provide oversight of the process if human resource professionals conduct the audit.
5. What type of form should be used to obtain information? A comprehensive questionnaire or other structured form should be developed to elicit pertinent information in a systematic manner. It should be tailored to examine specific areas that are covered in the scope of the audit.
6. What amount of time should an employer anticipate for the onsite audit? The time will depend on a number of variables, including the scope of the audit, number and length of interviews, and types and availability of documents and other information. It also can vary according to the organization's size and the nature of its business.
7. Who should be interviewed? Interviews should be conducted with individuals who can be instrumental in providing information that is necessary to gain an understanding of processes, recordkeeping and other aspects of the audit. The identification of these individuals plays a key role in conducting an efficient audit.
8. How are the results of an audit communicated? A written report is typically provided to management at the conclusion of the audit. It is intended to summarize the audit's findings and outline recommendations for actions to be taken. An overall understanding of the report can be facilitated if the results and recommended actions are reviewed in a meeting for that purpose.
9. What actions should be taken to address issues that are identified in the audit? Management should prioritize recommendations from the audit based on their projected impact on the organization and employees, the potential legal liability that each creates, and costs and resources required. An action plan, including timeframes for completion, will need to be developed and implemented after priorities are determined.
10. What steps are suggested after the audit is completed and an action plan is implemented? Employers should track legal developments and changes within their organizations on a regular basis to ensure that policies, procedures, processes and practices remain up to date. This ongoing attentiveness to compliance will foster an environment of continuous improvement.

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