Policies and Processes

Auditing the HR function can often be limited to auditing the ERISA benefit plans and records. However the audit function can be a more useful tool when the audit is expanded to include a review of HR policies and processes.

Many HR professionals welcome the opportunity to partner with Audit professionals.
Policies and Processes

Are significant HR policies and processes:

- Documented
- Are they executed as per the documented processes
- Are there documented processes for exceptions.
Policies and Processes

Significant Risks:

- **Contract workers / Independent Consultants**
  - Who tracks them
  - How long have they worked for the company
  - When are they really employees

- **Part-time employees - Benefits**
  - Who tracks hours worked
  - When do benefits change
  - Who notifies they employee
Hiring and Orientation

Recruiting

- Comprehensive recruiting intended to include all protected classes
  - Diverse recruiters
  - Diverse sourcing – newspapers, internet, employee referrals
  - Diverse universities – location, size, majors
  - Diverse applicant pools – age, sex, religion, ethnicity
Hiring and Orientation

Interviews

- Non-discriminatory interview questions
  - Diverse interviewers - age, sex, level in organization
  - Consistent interview questions
  - Interviewer training / review

Orientation

- Consistent orientation to assure equal opportunity to participate in benefits
Benefits

Benefits – compliance with

- ERISA laws
- COBRA
- FMLA
- Affordable Care Act
  - Extending coverage for children under 26
  - Providing free preventative care
  - Eliminating lifetime limits
  - Regulating annual limits on insurance coverage
Compensation

- Annual salary increases
- Bonus plans
- Stock grants
- Equal pay audits
- Corrective actions for equal pay issues
- Minimum wage / FLSA compliance
  - Documented processes
  - Forms
  - Approvals, including exceptions
Performance Evaluations

Performance evaluation process
- Common forms for similar roles
- Reviewer bias
- Consistency of process – everyone has a review in a similar time frame
Termination Process

Termination process and exit interviews

- Consistency
- COBRA
Job Descriptions

Job descriptions – if your company uses them

- **BFOQs** – Bona Fide Occupation Qualifications
- Use equivalencies when appropriate e.g. degree or 8 years of experience
- **ADA compliance**
Personnel file review

- Form review / Legal Review
- Keep employment required documents, I-9s, application, verification of degrees or other required licenses, W-4, etc.
- Do not keep personnel files on contractors
- Assure proper destruction of old / unnecessary documents – e.g. old performance appraisals
Policy Documentation

Current policies

- Vacations; holidays, overtime, etc.
- Expense reports, abuse of company credit cards, etc

- Documented processes
- Forms
- Approvals for exceptions.
Policy Documentation

New and onetime programs

- Significant programs implemented in the past year, e.g. bonus plans or new hire referral programs
- One time programs, e.g. retention plans
- Changes in existing policies e.g. vacation time and holidays being combined or modified.

- Documented processes
- Legal review, if required
- Forms
- Approvals for exceptions.
Managing your Managers

It is not uncommon for newly hired managers to bring HR policies and approval processes from their former companies with them.

Those policies and approval processes may or may not be consistent with the documented approval processes at your company.

Orientation for new managers and supervisors.
Regulatory Compliance

Conduct the Regulatory Compliance Audit - The following areas should be audited as part of the regulatory compliance audit:

- Personnel files and recordkeeping (contain only job related information)
- Pay equity and minimum wage
- Job descriptions (ADA compliance)
- Legal postings (minimum wage, etc)
- Equal Employment Opportunity and Affirmative Action
- Forms (applications, internal forms, etc.)
- Workers' Compensation
- COBRA
- Fair Labor Standards Act
- Family and Medical Leave Act
- ERISA
- Legal reporting