

2014 Alaska State SHRM Conference

Auditing HR Policies & Minimizing Risk within Your Organization

*Examining the “Why? What? and How?” of an HR Audit and
How to tie your HR Objectives to Strategic Needs of the Organization*

Presented by Darci Ahlin-Stieren, PHR

Adapted from June 18, 2013 SHRM National Conference Presented by **Barbara Henry, SPHR, MBA Tracy Laxton, SPHR, MA**

Why Conduct an HR Audit?

- **Build and/or Sustain Competitiveness**
- **Determine the effectiveness of HR function and systems**
- **Objectively assess regulatory and policy compliance in the workplace**
- **Ascertain the company's current employment practices and procedures**
- **Provide an overall picture of the organization –compliance, culture, systems**
- **Identify gaps or strengths to be a source of continuous improvement**
- **Build confidence within HR function or individual contributors**

When to Conduct an Audit?

Frequency depends on purpose of audit

- ❖ Legal/Litigation Risk
- ❖ ISO Certification
- ❖ New Leadership – HR or Organization
- ❖ SOX Audits

Customize your frequency dependent upon the need

- ❖ Annually
- ❖ Align with Organizational Goals
- ❖ Segmented over year – topics in each quarter
- ❖ Focused on Content Area or on Risk
- ❖ Comprehensive Audit at a minimum of every 3 years
- ❖ Every team may not be resourced for comprehensive audit

Who Performs the Audit?

- Audit Team
- Self or Internal HR Team
- Peers – Internal or External
- Trained Auditors – ISO Auditor, Safety Auditor, SOX Auditor
- Consultant/Attorney
- Local SHRM Contacts



Regardless of the Audit team, the individual HR Leader or Team must be accountable to the process and for their results.

Avoid “Willful Violation” – Follow Through

What Information Should be Gathered?

- ✓ HR Objectives and Metrics
- ✓ HRIS or other relative systems
- ✓ HR Manuals/Handbooks
- ✓ HR Forms and Reports
- ✓ Most recent Legal/Compliance Cases and Reports
- ✓ Former HR Surveys
- ✓ Compensation Data – internal and market surveys
- ✓ Workforce Planning Data – turnover, diversity and benchmark reports
- ✓ Performance Evaluations – department and organizational



Audit Templates

Many tools, templates and sources available

- SHRM Website and Book Store
- D.Y.I.
- Consultants

Example Model

- 13 Content Areas
- Simple Total Scores by Content Area or Entire Audit
- Weighting to prioritize strengths and weaknesses
- Supporting Information to target gaps

Example Model – 13 Content Areas

- Management - Workplace Productivity and Climate
- Policies and Procedures
- Workforce Planning
- Hiring {Recruitment/Selection}
- New Employees {Orientation}
- Training and Development
- Compensation and Benefits / Wage & Hour
- Performance Management
- Health Safety & Security (if not separate function or audit)
- Employee Separation {Termination Practices}
- Union Practices
- HRIS – Human Resource Information Systems
- Privacy

Workplace Productivity and Climate

Question	Comments	Score
Do your human resources practices mirror your Company's mission, vision, and values?		
Does your human resource service support organizational needs?		
Do employees understand what they can do to support the success of the organization?		
Do employees know what is expected of them?		
Do employees know/understand what other employees do (e.g. is there training on organizational practices)?		
Does your Company celebrate successes when they are achieved?		
Do you seek input from your employees on your workplace practices to determine the overall health and morale of the organization?		
Do you have a method for assessing the suitability of flexible work arrangements?		
Is your human resources function adequately staffed to meet business needs (e.g. are problems resolved in a timely fashion)?		
Are your managers encouraged to give employees praise for doing a good job?		
Do the employees at your Company enjoy their work and have fun doing what they do?		
Is there a forum used to discuss organizational effectiveness issues such as town halls or web meetings?		
Do you use a suggestion system to identify areas of potential change?		
Are there Company-sponsored events held to help improve morale and general interaction among employees?		
Are there protocols for communications (e.g. when to communicate via e-mail, voice mail, written, or in person)?		
Do you have a formalized Health and Wellness program or Employee Assistance plan?		
Do you have policies and procedures for reporting quality issues?		
Do you have established procedures for investigating employee concerns?		
	Total Score for this Section	___ (out of 18)

Policies and Procedures

Questions	Comments	Score
Do you have an Employee Handbook or Human Resources Policies and Procedures Manual?		
Have your policies and procedures been reviewed for legal compliance within the last twelve months?		
Have all policies been updated to account for changes in applicable employment standards legislation including emergency leave, maternity/parental leave, overtime, and hours of work?		
Are your policies written to the communication level of your workforce (e.g. foreign language translations where required)?		
Do you have an Employee Code of Conduct?		
Do you have policies surrounding key issues such as workplace harassment, violence in the workplace, and substance abuse?		
Do you have an Employee Acknowledgement form at the back of your handbook or policy manual?		
Do you have the ESA poster posted in key locations throughout your facilities?		
Do you have signed Employee Acknowledgements for every employee?		
Do you have process forms to track issues such as employee status changes, hours of work, vacations, leaves of absence, overtime, and benefits?		
Do you know if your organization is bound by or is a Contractor under any government employment equity program (e.g. Federal Act or Federal/Provincial/Municipal Contractors Program)? (Give yourself a point in this category if the answer is “no”, or if “yes” and you have met the requirements of the program)		
Does your company have an equal employment opportunity policy?		
Does your company maintain current employee files on all individuals within the organization?		
Do you have a policy on accommodation?		
Do you have policies relating to the use of technology including cell phones, pages, laptops, PDAs, e-mail and the Internet?		
Do you have policies relating to addressing environmental sensitivity in the workplace?		
Has your company revised its retirement policy and practices to reflect the changes to human rights legislation?		
	Total Score for this Section	(out of 17)

Workforce Planning

Question	Comment	Score
Do you have an up-to-date organizational chart and other planning documents to enable workforce planning?		
Do you perform workforce planning and/or a needs assessment at least quarterly?		
Do you have a method for forecasting staffing needs?		
Do you track and manage operations by utilizing essential metrics such as turnover, full-time equivalents (FTE), time to hire or revenue to productivity?		
Are turnover levels appropriate for the nature of your industry/business?		
Does your Company have an established succession plan?		
	Total Score for this Section	____ (out of 6)

Recruitment and Selection

Question	Comment	Score
Do you have up-to-date job descriptions to enable you to establish job requirements?		
Do you have a policy on who may institute hiring and extend employment offers?		
Do you have an internal job posting process?		
Do you have standardized wording available to describe the Company and the application process?		
Do you communicate your mission/vision/values to candidates and use that information as part of your "fit" assessment?		
Are the roles and expectations for hiring clear between the hiring manager and human resources?		
Do you have a system for keeping track of the various opportunities for finding candidates (e.g. Monster, Hot Jobs, etc.)?		
Do you have a Job Application Form, which provides appropriate releases to begin the assessment process?		
Do you have a method of assessing the suitability of outside search firms to meet your needs?		
Do you have established Service Agreements with all the Search Firms you use?		
Do you have a method for tracking incoming resumes from all sources (e.g. paper and electronic based)?		
Are your interviewers trained on best practices for interviewing and selection?		
Do you utilize a pre-screening process such as telephone interviews or a pre-screen questionnaire?		
Do you keep records of interviews?		
Do you employ selection tests as part of your selection process?		
Do you have reference check forms and a policy for obtaining references (or use an outside service)?		
Do you verify educational statements/credentials on final candidates?		
Do you have restrictive covenant agreements for issues such as confidentiality, non-solicitation, and conflict of interest?		
Do you have an established policy on the hiring of independent contractors or Agency workers?		
Do you announce to the organization when a new employee has joined?		
Are promotions or role changes communicated to employees?		
	Total Score for this Section	(out of 21)

Employee Orientation

Questions	Comment	Score
Do you have an Orientation Guide for new employees?		
Do you provide a safety tour?		
Do you provide the “essentials” to get started on the job on the first day of employment (e.g. keys, pass cards, computer equipment, logins, business cards, payroll deposit, TD1 – federal and provincial, introductions, etc.)?		
Do you have a 30/60/90 day plan for new employees?		
	Total Score for this Section	____ (out of 4)

Training and Development

Questions	Comments	Score
Do you perform an assessment for training needs at least on an annual basis?		
Do you have a method for establishing a training budget and tracking the budget accordingly?		
Do you have a formalized method for tracking skills acquisition, training courses, etc.?		
Do you have a policy on internal training?		
Do you have a policy on continuing education and development?		
Does your Company have training or coaching programs for developing managers and supervisors?		
Do you provide WHMIS training with new hires?		
Does your Company have an intern program for developing students joining the workforce?		
Do you have established third parties for providing training? Do you have the appropriate Service Agreements established with these third parties?		
Do you subscribe to key resource information services in a variety of human resources areas in order to keep up-to-date on issues (e.g. HR Professional, HR Reporter, etc.)?		
Do you measure application of learning and the return on investment on training initiatives?		
	Total Score for this Section	____ (out of 11)

Compensation and Benefits

Questions	Comment	Score
Do you have a standardized method of paying individuals (e.g. the same platform)?		
Is your payroll deposit error-free at every pay period?		
Do you have appropriate safeguards in place to avoid payroll fraud?		
Do you have a method of determining the number of levels in the organization such as job evaluation or PFK?		
Do you have a strategy for positioning pay (lead, lag, and match)?		
Does your compensation strategy link pay to performance?		
Does your compensation review period link to key business indicators?		
Do you communicate your pay guidelines?		
Do you communicate your pay strategy to your employees?		
Do your employees understand how their pay rates are determined?		
Have you reviewed your benefits strategy to determine if it fits your organizational strategy?		
Have you reviewed all options for the creation of a benefits program to ensure you are getting the greatest value for the dollar invested?		
Do you have a total compensation strategy?		
Does your Company participate in the compilation of external pay surveys?		
Do you reward for performance through bonuses or other incentives?		
	Total Score for this Section	____ (out of 17)

Performance Management

Question	Comments	Score
Do you have a method for managing performance?		
Does your performance management method measure what is important to the organization?		
Does your performance management method enable managers to coach employees?		
Does your performance management plan use job descriptions as a means for evaluating performance?		
Do you track the training initiatives identified in individual performance plans?		
Do all individuals within the organization receive the appropriate training on the performance management plan and process?		
Do you have appropriate signatures on all the performance management documents (e.g. employees and manager's signatures)?		
Do you have all performance management reviews filed in an employee's file?		
Do you have a progressive discipline policy?		
	Total Score for this Section	(out of 9)

Health and Safety

Question	Comments	Score
Do you have a posted health and safety policy?		
Do you have a Joint Health and Safety Committee or a health and safety representative (dependent upon the number of workers at your workplace)?		
Do you have the appropriate number of certified Joint Health and Safety Committee members? (Give yourself a point in this category if the answer is "no", because the size of your organization does that dictate that you have a certified member or if "yes" and you have met the requirements of the program)		
Was your certified worker member or health and safety representative elected by the other workers in the facility?		
Do you have the appropriate number of individuals trained in first aid in your organization?		
Do you have a designated WHMIS trainer or an effective outsourced process for WHMIS training?		
Do managers know and understand their responsibilities surrounding health and safety?		
Do your employees know what their roles and responsibilities are surrounding health and safety?		
Does your health and safety committee regularly conduct safety inspections?		
Are your employees formally trained on safe working practices?		
Are supervisors trained on how to handle work refusals?		
Have employees and management been fully trained on when and how to use Personal Protective Equipment (PPE) at work?		
Have the appropriate pre-start reviews been performed on equipment?		
Do you have a process to prepare for a workplace investigation?		
Do you provide employees with written work instructions wherever possible?		
Do you have the appropriate first aid equipment required for the number of individuals within your organization?		
Do you have up-to-date Material Safety Data Sheets?		
Do you have an emergency plan?		
Are your senior managers aware of the liabilities associated with Bill C-45?		
Do you have on file all WSIB registrations with account numbers for your organization?		
In the case of an accident, do you ensure that the Form 7 is filled in within the amount of time specified from WSIB?		
Do you have a current list of all current workers' compensation claims?		
Do you tie safety to the disciplinary action policy?		
Is your company prepared for a Workwell Audit?		
Do you have a return to work policy?		
Do you have a strategy for managing attendance, leave of absence, and absenteeism?		
Have you reviewed your N.E.E.R statements?		
Is your organization slotted in the right rate group?		
		(out of 28)

Union Practices

Questions	Comments	Score
(NOTE: give yourself a point for each question if your workforce is non-union)		
Have your managers been trained in grievance resolution and general employee problem solving?		
Do you have all copies of collective agreements that were or continue to be in force in your organization?		
Do you have the details regarding any outstanding grievances or arbitrations?		
Do you have a record of any current incidents/events which may give rise to a grievance/unfair labour practice complaint?		
	Total Score for this Section	____ (out of 4)

Termination Practices

Question	Comments	Score
Do you have a policy on termination practices?		
Do you have standardized wording in termination/severance packages?		
Do you have a formal policy on how to establish without cause termination packages?		
Do you have a standard release signed by departing employees prior to receiving payment of any non-statutory monies owing?		
For a "with cause" termination, do you ensure that you have the proper documentation required to conduct the termination and have it be supported?		
Are your termination practices compliant with current applicable legislation?		
Do you provide compensation and a Record of Employment to all departing employees within the timeframe allowed by the applicable employment standards legislation?		
Do you cancel the appropriate resources for a departing employee in a timely fashion (e.g. passcards, corporate credit cards, corporate calling cards, etc.)?		
Do you make a formal announcement to the organization detailing that the departing employee is no longer employed at the Company?		
Do you have a policy on providing references to departed employees?		
Do you perform exit interviews?		
Do you inform employees of their right to convert their group life insurance coverage to an individual policy?		
Do you provide a career counseling/transition package to terminated employees?		
	Total Score for this Section	(out of 13)

HRIS – Human Resource Information Systems

Questions	Comments	Score
Do you have a control in place for updating employee information in the HRIS or other tracking mechanism such as a spreadsheet or database (e.g. human resources, hiring manager, etc.)?		
Do you have a method of tracking employee information and running the appropriate reports required?		
Is your HRIS or other tracking mechanism tied to your payroll system for ease in gathering information and updating information?		
Does your HRIS or other tracking mechanism have the required security measures in place to ensure the safe and confidential handling of personal information?		
	Total Score for this Section	____ (out of 4)

Privacy

Question	Comments	Score
Do you have a privacy policy?		
Do you have a Chief Privacy Officer designated?		
Do you have Service Agreements in place with third party vendors (e.g. benefit providers) regarding the handling of personal information?		
Have you audited your record keeping practices for privacy compliance?		
Have you put safeguards in place to appropriately control the collection, use, and disclosure of		
employee personal information?		
	Total Score for this Section	____ (out of 5)

You've Conduced the Audit, Now what?!



Scoring Summary

Total by Category

Grand Total

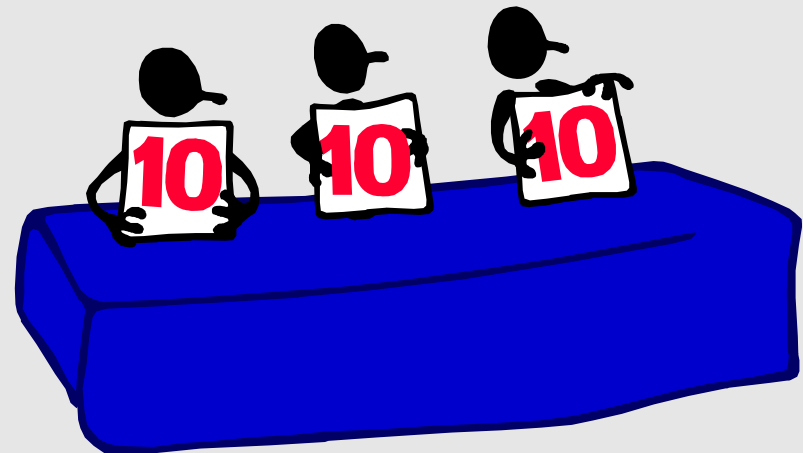
- Raw Scores (yes/no)

Evidence Available

- Written Documentation
- Past Practice/Verbal Only
- No Policy/Procedure
- Notes

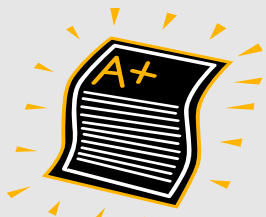
Grand Total for Audit

- Weights per Content Area
- Weighted Scores
- Raw Scores (yes/no)

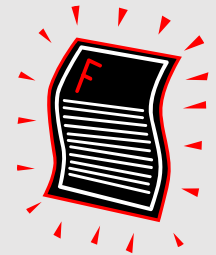


Rating Your Organization on Human Resources Best Practices

Section	Total Points Assigned	Total Potential Points
Workplace Productivity and Climate		18
Policies and Procedures		17
Workplace Planning		6
Recruitment and Selection		21
Employee Orientation		4
Training and Development		11
Compensation and Benefits		17
Performance Management		9
Health and Safety		28
Termination Practices		13
Union Practices		4
Human Resources Information Systems		4
Privacy		5
Total Points		157



“What your Grand Total Means” ...



132-157: HR Role Model

- Congratulations! Your company is at, or close to, where it should be in relation to HR best practices.

109-131: Healthy HR Team

- Not too bad! Your company is in fairly good shape from an HR best practices perspective. To rectify current issues, focus on the areas that have the lowest-scoring characteristics.

93-108: HR Needs Some Attention

- Your company may have some problems in relation to human resources practices. Some of these problems may be quite serious. To rectify the issues, the company will need to focus on improving the lowest-scoring characteristics, particularly in areas that require legislative compliance.

92 or Below: You need help - Use your Call a Friend Option

- Your company does not have many HR best practices currently in place and the company will need to refocus their energies on building the basic human resource programs. If many of these characteristics are left at its current state, there may be a breach of current legislation from a provincial and potentially federal perspective.

With Report Card in Hand...

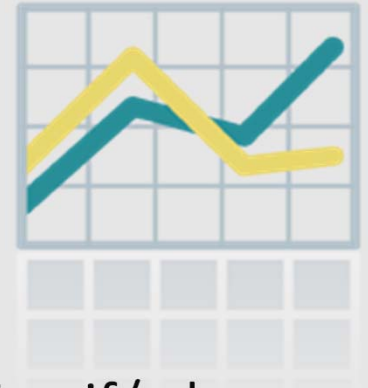
Celebrate or Panic???

Neither!

Don't let yourself, your team or the organization rest on their laurels' or stress out and get overwhelmed...

Rome wasn't built in a day!!

Analysis

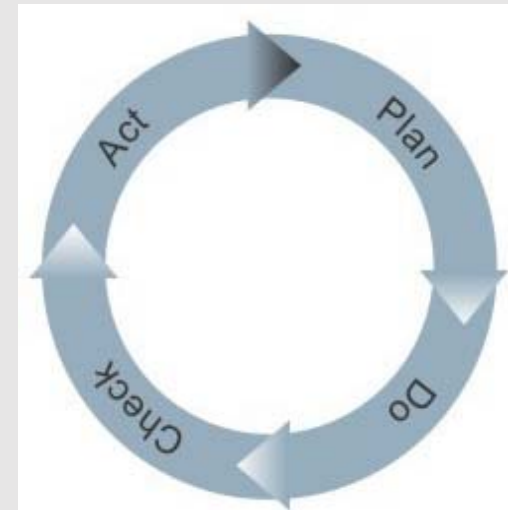


- Identify Strengths and Gaps
- Align with Organization's Short & Long Term Goals
- Benchmark against outside companies or industry statistics, if/when available
- Apply Continuous Improvement Tools
- Summarize results and focus on “next steps”
 - Develop Communication Plan
 - Share Initial Results (Leadership Team, Board, Committee, etc.)
 - Focus on upcoming actions to foster continuous improvement
 - Develop “buy in” and engagement toward action plans

PDCA – Process Improvement Model

Plan–Do–Check–Act

- As a model for continuous improvement.
- When developing a new or improved design of a process, product, or policy/procedure
- When defining a repetitive work process.
- When planning data collection and analysis in order to verify and prioritize problems/root causes.
- When implementing any change.



Plan–Do–Check–Act

Plan

Recognize an opportunity and plan a change.

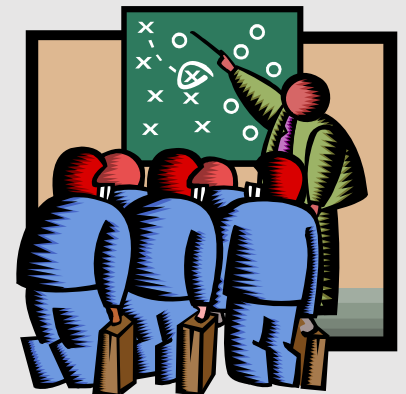
“Plan” may be done by committee or individual(s)

Select problem/process to address and describe the improvement opportunity.

- List all possible causes and agree on a root cause
- Develop an effective and workable solution and action plan for improvement.

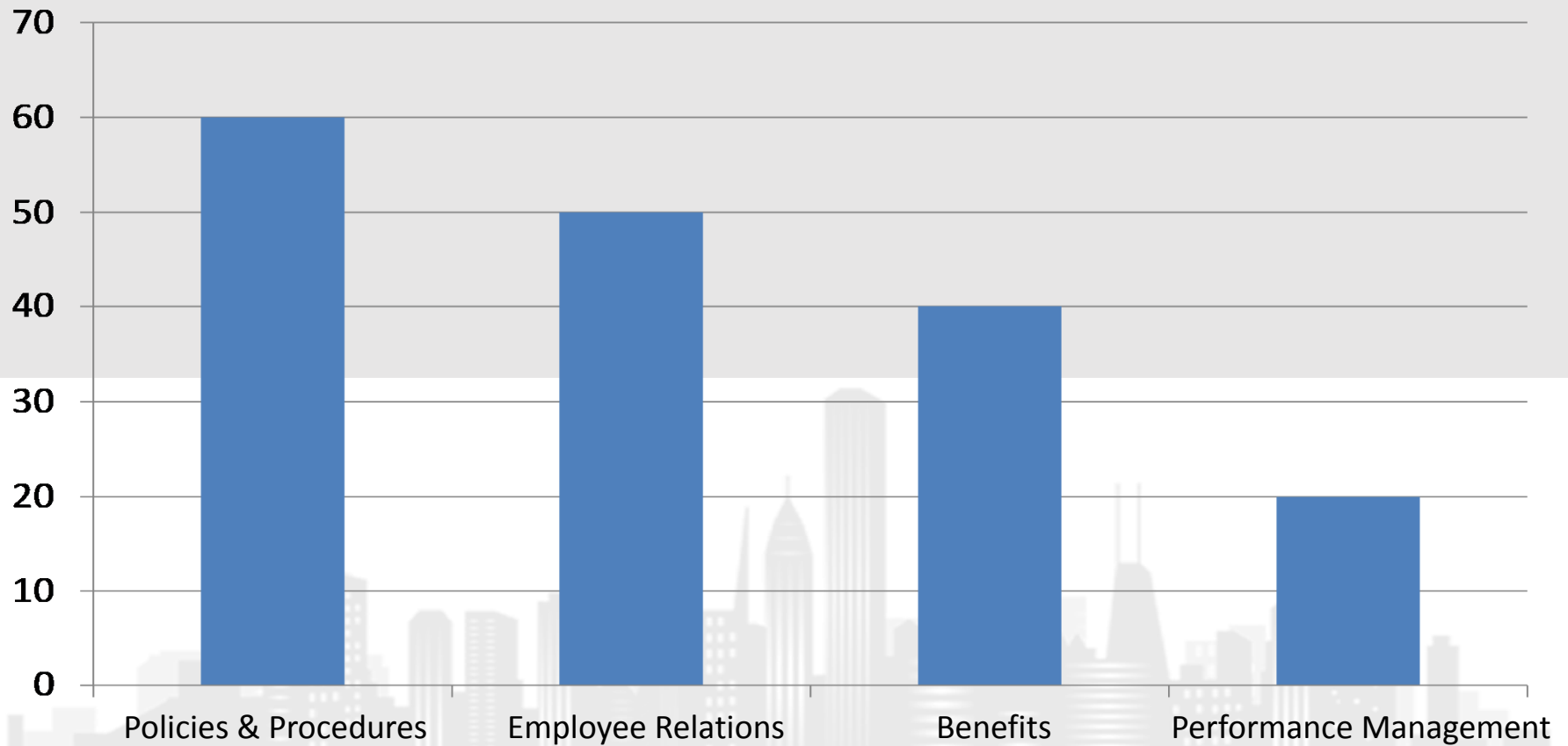
Methods for Action Planning and Prioritizing

- Pareto Chart
- Prioritize Data using Impact/Effort Grid
- 5 Why's



Pareto Chart

Bottom 5 - Content Area by Total Score



Employee Relations...

Impact / Effort Grid

Benefits	Impact {Job Satisfaction}	Effort /Risk {\$ and Time}
Advocacy Board	H	M
External Mediation	M	H
Arbitration Clause	H	H
Grievance Process	M	H
Compliance Team	H	M
Anonymous "Hotline"	H	L

When planning use the data collection and analysis in order to verify and prioritize problems/root causes...

Impact / Effort Grid

EFFORT

IMPACT

	High	Medium	Low
High	Arbitration Clause	Advocacy Board Compliance Team	Hotline
Medium	External Mediation Grievance Process		
Low			

- Focus on items that have High Impact with Least Effort

5 Why's

Is working time properly documented and reported?

1. Why is working time not properly documented and reported?

Employees working at home are not reporting time worked

2. Why are employees not reporting time while working at home?

Employees do not report time as believe the time is minimal and doing on their own without being directed

3. Why do employees believe time is minimal and doing on their own without direction?

Employees do not understand the importance or responsibility for reporting all time worked

4. Why don't employees understand the importance of reporting all time worked?

No policy or procedure exists to clarify when/what time should be reported or "waived" for reporting

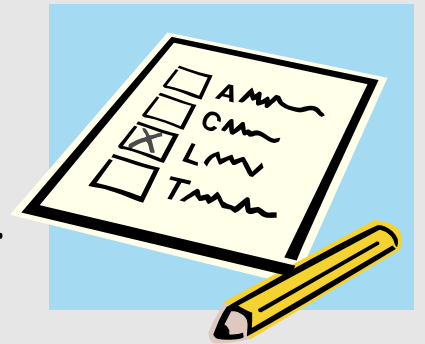
5. Why doesn't a policy/procedure exist for reporting all time worked?

Policy was written before individuals worked from home and has not been reviewed or revised

Plan–Do–Check–Act Procedure

Do

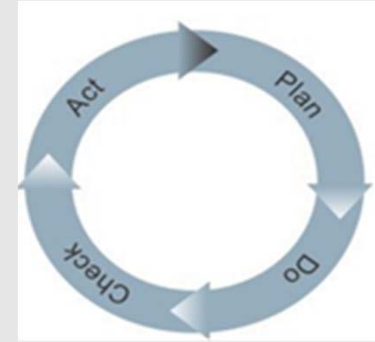
- Test the change.
- Trial implementation.
- Follow the plan and monitor the milestones and measurements.



Check

- ✓ Review the trial, evaluate the results and identify what you've learned.
- ✓ Is the solution having the intended effect?
- ✓ Are measurements valid?
- ✓ Any unintended consequences?

Plan–Do–Check–Act Procedure



Act

- Reflect and Act on learnings - Take action based on what you learned in the study step.
- If the change did not work, go through the cycle again with a different plan.
- If you were successful, incorporate what you learned from the test into wider changes.
- Use what you learned to plan new improvements, beginning the cycle again.
- **Celebrate success!**

Aligning Objectives to Organization Strategy

Based on Analysis – determine best Objectives for Organization's Strategy

Easy to Hard...

- Standardization of Processes, Policies and Practices
- Build results that quantify HR initiatives or changes relative to audit results
 - Reduction of legal/compliance liability
 - Stronger Workforce Planning
 - Departmental or Organizational Performance Management
 - Development of HR function or individual contributors

**Take Action – Audits are only effective as the
Plan and Actions to address the gaps**

Recordkeeping Matrix

Record	Retention	Location	Law	Regulation	Other
Job Applications/Resumes	1 year	Personnel file	Title VII, ADA	29 CFR 1602.14	Secure SSN information
Medical Information (including ADA requests, injury reports)	1 year (ADA), duration of employment +30 years (OSHA), 6 years (HIPAA)	Medical File (separated from personnel file)	ADA, OSHA, HIPAA	29 CFR 1630.14, 1910.1020; 45 CFR Part 164, Subpart E	Must be separated from personnel records and kept confidential
FMLA	3 years	Medical File	FMLA	29 CFR 825.500	
Payroll/Time Sheets	3 years payroll 2 years time cards	Personnel file	FLSA	29 CFR 516.6 29 CFR 516.5	
I-9 Forms	3 years after hire or 1 year after termination, whichever is later	Separate from personnel file	Immigration & Nationality Act	8 CFR 274a.2	Best to be separated from personnel and audited to remove timely remove terminations
W4s/tax records	4 years	Personnel file	FICA. FUTA	26 CFR Part 1	Secure SSN information
Employment Action Records (hires, promotions, terminations)	1 year from date of action	Personnel file	Title VII, ADA, ADEA, PDA	29 CFT 1602.14	If legal actions, keep for duration of action
Health & Welfare Plan Records	6 years	Medical file (if medical information included)	ERISA, HIPAA	ERISA – see § 107 of the law; 45 CFR 164.530	Form 5500, 6 years after filing for a total of 8 years