



# Conducting an HR Audit

**HOW HR CAN MEASURE THE  
EFFECTIVENESS OF ITS  
FUNCTIONS AND PROGRAMS**

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## PURPOSE OF THE AUDIT

- Legal compliance (EEO, AA, ADA, FMLA, etc.)
- Record-keeping (personnel files, I-9's, applications, etc.)
- Compensation/pay equity
- Employee Relations
- Performance appraisal systems
- Policy and procedures/employee handbook
- Terminations
- Health, safety and security (OSHA compliance, Drug-Free Workplace, etc.)





- Legislation affects all aspects of Human Resources and the fact that it is constantly evolving and the legal ramifications of noncompliance impacts the entire company and as HR we are the gate keepers.
- An HR Audit can help to ensure legal compliance while measuring the effectiveness of company programs.
- The results of the audit helps your company determine what needs to be done, how these changes will impact the bottom line of your organization, and how to prioritize problem areas in terms of significance.



# THE AUDITING PROCESS

- Systematic examination of:
  - Organizational objectives
  - Company policies
  - Legal requirements
  - Professional standards
- **Effective audits pinpoint the gaps between the “what is” and “what should be” or “what could be”.**
  - In human resources, auditing is not routine. There are no laws or regulations requiring employers to engage an independent auditor to audit policies and practices. However, because of the complexity of state and federal labor laws and regulations, it is common for employers to rely on self-appraisals or independent reviews.



# AUDIT REQUIREMENTS

- To meet management's fiduciary responsibilities
- To stimulate and facilitate continuous improvement



# SUCCESSFUL AUDITS

- Define the purposes of the audit
  - To examine an organization's compliance with established regulations and/or company policies.
  - To explore how to better serve the needs or satisfaction of the relevant users or constituencies-management, employees, or the community.
  - To streamline the work processes used to carry out functional work, such as recruiting, compensation, training, benefits, etc.
  - To establish an “early warning system” to spot problems or identify issues before they become crises.
  - To measure continuous improvement by asking whether things have gotten better or worse as a result of a functional initiative
- Elements to success of an audit
  - Clear objectives, established up-front
  - Appropriate resources, that is, staff skills, budget, and tools and materials required to plan and execute the audit.



# AREAS TO AUDIT

- Organizational Effectiveness
  - Organization Mission and Purpose
  - Human Resource Structure
  - Management Systems
  - Functional Management
  - Reward Systems
  - Human Resources Leadership
- Functional Effectiveness
  - Methods and Standards of Performance
  - Employee Behavior and Well-Being
  - Management Depth
  - Policies and Procedures
  - Employee Selection and Placement
  - Employee Compensation



# AREAS TO AUDIT - CONTINUE

- Service Quality
  - Service Quality Dimensions
    - Reliability
    - Responsiveness
    - Courtesy
    - Competence
    - Credibility
    - Accessibility
    - Communication
    - Understand Customer Needs



# GETTING STARTED

## ○ Developing a checklist

- Is used to determine the presence or absence of certain practices, and to compare and contrast practices with policy or legal requirements -
  - Examples
    - **What policies should be audited** – is the selected policy being carried out, and to what degree degree is it complaint or the degree of noncompliance
    - **What practices should be audited** – what the policy or law requires and then a measurement of the degree to which compliance or lack there of is taking place.
    - **What records should be reviewed** – what do the records contain and is it compliant or not
    - **What trends should be tracked** – using a chart you can plot the historical data – examples would be cost per hire, cost per placement, headcounts, benefit cost, etc.
    - **What analysis will be done** – reduce the information to a meaningful component.

