There is so much that can be done to create a dynamic and effective human resources function – whether you have an in-house HR professional or not. Ideally, it would be best to gather all the information asked for below, and then discuss the priorities with a professional. This can create the foundation for a great HR function at a nonprofit for years to come.

What a full-blown HR audit entails and how it can be tailored to your needs:

The Human Resources (HR) Audit is a process of examining policies, procedures, documentation, systems, and practices with respect to an organization’s HR functions. The purpose of the audit is to reveal the strengths and weaknesses in the firm’s human resources system, and any issues needing resolution. The audit works best when the focus is on analyzing and improving the HR function in the organization.

The audit itself is a diagnostic tool - it will help you identify what you are missing or need to improve, but it can’t tell you what you need to do to address these issues. That’s where the HR professional comes in to work with you on resolving any quagmires the audit shows. It is most useful when an organization is ready to act on the findings, and to evolve its HR function to a level where its full potential to support the organization’s mission and objectives can be realized.

The audit process consists of a series of questions covering the eight primary components of the HR function:

- Roles, head count, and HR information systems (HRIS)
- Recruitment
- Documentation
- Training, development, and career management
- Compensation and benefits
- Performance measurement and evaluation
- Termination and transition
- Legal issues and personnel policies

The focus is on how these activities and tasks are actually performed in the organization. The first step is to collect all the pertinent information. The process of getting information, in and of itself, can be quite informative.

How are needed improvements identified?

Once information is gathered, we will review each major section and note disparities between paper (what you think or say you do) and practice (what you actually do, as...
revealed by the answers to the audit questions). This can then be compared to best practice (what you should do to best support your organization’s mission).

**A cautionary note:** Finding out what is insufficient and inadequate is the first step toward improvement. If deficiencies are identified, it’s important to take steps to correct those. Organizations should take that first step only when they are ready to act on the findings, and to make necessary improvements in their HR skills, processes, and systems.

**How is follow-up and correction done?**

Improving the HR system takes some time. A work plan — with a timeline, accountability, and deliverables — should be created after you review the completed audit and identify areas where improvement is needed. Follow-up and review should be a regular management function, performed on an ongoing basis.

**The Human Resources Audit**

**Roles, Head Count, & Human Resource Information Systems (HRIS)**

- How many employees are currently on staff? Locations?
- How many employees are:
  - Regular
  - Newly Hired and in Orientation period
  - Temporary
  - Full Time
  - Part Time
  - Exempt
  - Non-Exempt
- What is the definition of a part-time employee? (i.e., what is the maximum number of hours an employee can work to be considered part-time?)
- What is the minimum number of hours an employee has to work to be considered full-time?
- How long is the new hire “orientation” period?
- Are employees aware of their status?
- How long can an employee be temporary?
- How many employees have supervisory responsibility?
- Are there currently up-to-date job descriptions for all employees? If not, which ones don’t have descriptions? Are the job descriptions ADA compliant with essential
functions and physical requirements? Do they have Bona Fide Occupational Qualifications (BFOQs)?

- Are independent contractors used? If so, how many are being used? And, for what functions?
- Is the 20+ point test for Independent Consultants being used for classification?
- Have issues related to classification of employees been raised?
- EEO-1 compliance: if applicable, do you file annually?

**Recruitment**

- How did the work force get to be the current size? Was it reactive or planned?
- What are some of your organization’s future needs for personnel?
- What are the procedures for hiring in your organization?
- What recruitment sources are used? (e.g., advertisements, job boards, referrals, social networking, etc.)
- Are current employees given appropriate consideration for promotion or lateral position changes? Who makes those decisions and are they properly documented?
- Who does the preliminary screening of candidates?
- Who selects candidates for interviews?
- Is training provided for those who conduct interviews?
- How are the recruitment, screening, and selection processes documented?
- What is the interview process that is used (e.g., individual, sequential, panel, behavioral questions)?
- Does application form ask if applicant needs accommodation (ADA)?
- Who holds final authority to hire?
- Who checks references? If outside firm, are you supplying required Fair Credit Reporting Act forms before and after if you deny employment based on findings?
- How is reference checking documented?
- Who makes the offer of employment?
- Is there a standard offer letter? If so, attach copy.
- Where is the hiring paperwork generated?
- Who negotiates compensation packages?
- List the practices you believe are unique to your organization.

Disclaimer: Samples, articles, and resources from the Colorado Nonprofit Association are offered for informational purposes only and should not be construed as professional advice. If used, your organization should tailor samples to best fit the organization’s specific circumstances. Please seek appropriate professional assistance if needed.
• What is the turnover rate in your organization? Has this changed over time?

• Who gives references for former employees?

• If government contractor, are you AAP and OFCCP compliant? Who is keeping up with all the required logs for AAP (like applicant tracking spreadsheet, self-identification forms, etc.)?

**Documentation**

• Where and with whom are the personnel files currently held? I-9s? Colorado attestations? Are they completed accurately and on time?

• What documents are held in personnel files?

• How are the following documented by your organization?
  ▪ Hiring: Application, Interviewing, and Reference Checks
  ▪ Transitions
  ▪ Paid Time Off
  ▪ Training
  ▪ Discipline
  ▪ Work History
  ▪ Work Assignments
  ▪ Significant accomplishments
  ▪ Emergency contact information
  ▪ Performance evaluation and performance management
  ▪ Termination

• How long are files held and where are they stored after employees leave?

• What is the interface between HR and Finance?

• Is a payroll service used, and if so, which one?

• Does the payroll service provide any governmental employment filings? Are you sure they’ve made the necessary changes for the employee tax changes under AARA and can handle future changes?

• Is e-verify being used for new hires?

• Is there training of managers and employees about personnel files, and policies and procedures for accessing them?

• How are Paid Time Off, FMLA and Workers Compensation documented?

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When requests for employee information are made to your organization, who fills the request?

Is an HRIS system being used, and if so, which one? Does it interface with payroll?

Training, Development and Career Management

Who is responsible for new employee orientation?

What are the elements of the orientation program?

Where and to whom do new employees go when they have questions about your organization or their jobs?

Is there a formal training program for employees and managers? If so, please describe it.

What training and development initiatives have occurred in your organization?

How are managers and supervisors trained and prepared for their roles?

What is the average length of time an employee stays with your organization? Does this vary by position type?

How much does your organization spend annually (in total and per employee) on employee training and development? Does this vary by position type?

Compensation and Benefits

Basic Compensation Questions

Is there a formal compensation program?

How are wages set?

Are formal salary ranges set?

If formal salary ranges are set, are they made public to employees?

How are jobs rated?

How frequently are jobs reevaluated or updated?

Are any salary surveys used? If so, which ones?

Are pay ranges revised as a result of these surveys? How frequently?

Who in your organization (what position) administers the compensation program?

Are COLA’s given, and if so what is the basis for the COLA?

Are merit increases given, and if so, are they integrated with performance evaluation?
• Is there a bonus system and, if so, how is it structured?
• How is the compensation program and total compensation package communicated to employees?
• What are the “cultural issues” or beliefs related to compensation in your organization?
• How is employee communication regarding compensation and benefits delivered in your organization?

**Health and Welfare Benefits**

• Describe the health insurance program provided by your organization.
• Are you preparing for the Health Care Reform Act requirements? Have you done an analysis of the financial impact?
• Does the organization contribute towards coverage and if so at what percentage?
• Are domestic partners covered? If so, how are taxes being handled?
• What are the eligibility requirements for health insurance and other benefits?
• Do you have a Premium Only Plan (POP)?
• Which of the following health and wellness benefits are offered, and what are the limits and requirements for coverage?
  - Dental
  - Vision
  - Disability (short and/or long term)
  - Employee Assistance Program
  - Life Insurance
  - Other wellness benefits (e.g., gym membership, smoking cessation, etc.)
  - Flex Spending Accounts
  - Other benefits
• Who is completing any required annual Form 5500s and Summary Annual Reports?
• Do you outsource admin of COBRA, Flexible Spending Accounts, anything else? Is COBRA administration in compliance with the 2009 AARA (stimulus) law? Is your outsourcer taking on “liability” for errors (is that in your contract)?
Pension and Retirement

- What is the pension or retirement plan?
- What is the vesting period?
- Can employees contribute?
- If automatic enrollment, do you have all waivers?
- Have there been any problems with the 401(k) administration?

Paid Time Off

- What holidays are paid and who is eligible for them?
- Is there a PTO system or is it split between vacation and sick leave? If it is straight PTO, what are the rates of accrual and caps?
- What is the vacation/PTO schedule, and how is it earned?
- What is the eligibility requirement for vacation?
- Is there a cap to limit the amount of PTO/vacation accrued?
- Are employees permitted to substitute sick leave for vacation?
- How is unused accrued PTO/vacation treated?
- Is there a “refund” policy if an employee terminates having used too much time off?
- Can employees contribute sick leave/PTO to other employees, and if so, what are the limits?
- Are non-exempt employees being given correct “meal” and “rest periods/breaks” based on state laws?

Other Time Off

- Are FMLA policies and certification and notification forms up to date with 2009 changes in law?
- If you are not offering FMLA to employees in non-FMLA locations how are you handling the communication?
- Are employees and supervisors aware of workers’ compensation and FMLA procedures?
Performance Management and Evaluation

- Describe the past and current performance appraisal system in your organization.
- If a performance appraisal instrument is used, please attach a copy. (If the instrument differs by position, please attach all instruments.)
- What type of process is used (360, supervisor only, peer evaluation, upward, outcome)?
- What type of training is used in relationship to performance evaluation?
- What is the role of the supervisor/manager in performance appraisal?
- What is the focus of performance management in your organization?
- How often and consistently is the process used?
- Does HR review appraisals and (any disciplinary documentation) before the supervisor shows it to employee to assure the documents have been written objectively and legally?

Termination and Transition

- Is your organization an “at-will” employer? Are there any employment contracts?
- If you have a progressive discipline policy do you have an “out” to terminate someone without going through all the steps?
- What other causes or conditions of termination of employment exist?
- What procedures are used for
  - Termination for Cause
  - Job Closure
  - Resignation
  - Job abandonment
- What level of approval is needed before a termination can occur?
- Is there any formal checklist or legal review prior to termination?
- Are exit interviews performed for all employees who leave? And what do you do with that information?
- What documentation is required for all employee transitions?
- If any of the states in which you have offices require “termination/separation” letters, are you providing them?
- Are you aware of each state’s “final paycheck” law for both voluntary and involuntary terminations?
• How are references handled in your organization?
• Who is responsible for internal communications regarding difficult terminations? (i.e., communicating the termination to other employees.)
• If severance is offered for layoffs, are you requiring release agreements and who is creating those? (Attach sample of one for those under 40 years of age and one for those over 40). Do you have a standard Reduction-in-Force (RIF) letter that can be tweaked for future RIFs? (attach sample) Have you been doing adverse impact analysis for each RIF?

Legal Issues / Personnel Policies

• To your knowledge, are all employees appropriately classified?
• Are all mandated posters updated in all locations? What personnel policies other than the employee handbook are currently being used? (Please attach copies)
• When was the last time the employee handbook and other personnel policies were reviewed and updated?
• If you are multi-state, have all policies been checked for state law compliance? How does HR keep updated about changes in state, local and federal laws?
• Is there a disparity between policies and practices?
• Who has organizational responsibility for legal or employment questions? Who investigates discrimination/harassment complaints?
• If applicable, are you Drug Free Workplace Act compliant?
• Is harassment/discrimination training regularly provided?
• Have supervisors been notified they are legal “agents” of the company regarding harassment/discrimination issues? Have they signed acknowledgement forms regarding this?
• How are employee grievances dealt with? Is there a process for employees to lodge complaints? Are there a variety of individuals to whom employees can lodge complaints?
• Have you examined disciplinary policies and procedures and employee personnel files to determine:(1) whether your work rules are job-related to the proper performance of the employee's job; (2) whether the work rules are being enforced uniformly by all supervisors; (3) whether the employees have notice of the work rules and the consequences of not following them; (4) whether a prompt investigation is being conducted to determine whether there is a violation before discipline is imposed; (5) whether discipline is promptly and consistently imposed once a violation of a work rule is confirmed; (6) whether the discipline that is imposed on
• Have you checked your commercial insurance policy to see if any Employment Practices Liability Insurance is offered in it?

the employee is justified by the offense; and (7) whether supervisors are uniformly and consistently documenting work rule violations and the discipline imposed.