***Wage and Hour Compensation Audit***

**Company**

* The Company has a Mission Statement.
* The Company has a Vision Statement.
* The Company has a set of Core Values.
* One person or one department is responsible for company-wide compensation administration.
* Compensation plan is in writing.
* Compensation plan is reviewed annually.
* Compensation plan achieves stated goals.
* Rewards performance in relation to established goals and objectives.
* Maintains the company’s position in a competitive position in the marketplace.
* Attracts quality employees.
* Minimizes employee turnover.
* Is compliant with all relevant local, state, and federal laws.

**General**

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* Is compliant with all relevant local, state, and federal laws.
* Has defined the number of weekly work hours that define full-time status.
* Has defined the number of weekly work hours that define part-time status.
* Stipulates the duration of time an employee can be a temporary employee.
* Files the EEO-1 Form annually.

**Compensation Policy**

* Contains the following topics.
* Annual wage and hour salary surveys.
* Explanations for salary schedules.
* Evaluations of job descriptions.
* Vacation (PTO) Pay.
* Paid Medical Leave.

**Paychecks**

* A legally-compliant regularly scheduled pay day has been established.
* Provides payment by check.
* Provides payment by direct deposit.
* Specifies circumstances under which the company will release an employee’s paycheck to someone other than the employee (e.g., spouse).
* Provides explanations for all deductions from the paycheck.
* Notifies employees where they may cash their paychecks without having to pay a check-cashing fee.
* Applicable permits required by state law (e.g., child labor, workers paid a sub-minimum wage).
* Employee’s written authorization for any deductions not required by federal or state law.
* Overtime is paid in accordance with relevant laws.
* Weighted average formula for determining overtime pay is applied when relevant.
* Employees are paid for on-call or reporting time pay as required by law.
* Pay records are maintained as required by law.
* Confirm that no employees are misclassified as independent contractors.
* Independent contractors are properly classified as contractors, not employees.

**Wage and Hour Matters**

* Review classification of employees as exempt or non-exempt to ensure compliance with wage and hour laws and payment of overtime.
* Ensure all non-exempt employees have taken all meal periods and/or rest breaks consistent with state/federal law.
* Verify that all FLSA-required information is kept for non-exempt employees:
* Employee's full name and social security number,
* Address, including zip code,
* Birth date, if younger than 19,
* Sex and occupation,
* Time and day of week when employee's workweek begins,
* Hours worked each day,
* Total hours worked each workweek,
* Basis on which employee's wages are paid (e.g., "$9 per hour", "$440 a week", "piecework"),
* Regular hourly pay rate,
* Total daily or weekly straight-time earnings,
* Total overtime earnings for the workweek,
* All additions to or deductions from the employee's wages,
* Total wages paid each pay period,
* Date of payment and the pay period covered by the payment.
* Confirm that all time worked has been accounted for and paid properly.
* Ensure all travel time has been calculated and paid correctly.
* Verify the regular rate of pay for each employee is consistent with applicable laws.
* Ensure compliance with federal, state, and local laws pertaining to wage payment, including timing of paychecks (as well as pay on dismissal).
* Confirm that all paystubs contain all legally-required information.
* Verify compliance with all state-based Direct Deposit regulations.
* Has defined standardized work shifts.
* Has defined the work week.
* Review and comply with any applicable scheduling and/or flexible working arrangement laws.
* Confirm that all reimbursements have been paid to appropriate employees.
* Ensure monthly payroll audits are performed.

**Commission Agreements**

* Review Sales Commission Agreements to ensure compliance with state law:
* Confirm that terms are well defined,
* Term of Agreement,
* Limitation of Representative’s Authority,
* Base Compensation and Expenses,
* Sales Quota and Goal Attainment,
* Commission Terms,
* Commission Eligibility,
* Expense Reports.
* Clarify the terms regarding whether commissions are due post-termination, and, if so, determine whether procedures for post-termination payments are clear.
* Determine whether written agreements are required (if not required, written agreements are recommended in any event).

**Salary, Bonus, Other Compensation, and Performance**

* Review compensation system:
* Salary,
* Bonus terms,
* Compensation (e.g., pay range for different grades, frequency, timing of salary reviews, correlation of increases to performance),
* Merit system and terms,
* Tenure system and standards,
* Variable pay components,
* Deferred compensation programs,
* Performance evaluation procedures.
* Make sure compensation practices are explained clearly to employees.
* Review incentive compensation and equity compensation to ensure compliance with Section 409A of the Internal Revenue Code and applicable federal and state tax, wage withholding, and securities laws.
* Ensure commissions and compensation methodologies do not inadvertently promote noncompliant business behavior.
* Ensure non-discretionary bonuses are calculated as part of non-exempt employees’ regular rate of pay for overtime compensation.
* Separation and Release (i.e., Severance Pay) Agreements are in place.

**Equal Pay and Compensation Range Reporting Compliance**

* Review equal pay analyses to ensure compliance with equal pay laws.
* Ensure compliance with any applicable rules regarding compensation reporting and pay transparency.
* Determine whether any requirements to provide pay ranges on job listings may be applicable.