

**Source: SHRM *HR Advisor* on the Web ([www.shrm.org](http://www.shrm.org))**

## **Qualitative Audit of HR Activities**

### **Organization and Structure**

1. Does the HR function have clearly formulated goals and objectives linked to overall company goals and objectives?
2. Is the HR function involved in all management decisions affecting employees?
3. Are other functions and departments clear on their relationship to the HR function?
4. Is the HR function sufficiently staffed to fulfill its responsibilities?
5. Are turnover and absence rates tracked and monitored?

### **Supervisors**

1. Do supervisors understand the extent of their authority?
2. Does the company seek and act on supervisory advice before promulgating and implementing major procedural or organizational changes?
3. Do supervisors understand the basic principles of human relations and employee motivation?
4. Are supervisors trained to detect employee dissatisfaction and to involve management in finding solutions to employee problems?
5. Are managers trained to recognize and deal effectively with disciplinary problems?
6. Do supervisors consult the HR staff before taking disciplinary action?
7. Does management periodically evaluate whether supervisors are consistently and fairly executing company policies?

### **Selection**

1. Does the company make a serious effort to fill job openings with qualified employees from within the company before recruiting from the outside?
2. Do all employment advertisements contain appropriate equal employment opportunity (EEO) and, if applicable, affirmative action statements?
3. Does the HR function monitor the effectiveness of different recruiting media and use the most effective ones?
4. Are job specifications fair, realistic, and based on the requirements of the position?
5. Are all selection criteria job-related?
6. Are applicants considered based upon their abilities and does the company make reasonable accommodation for qualified candidates with disabilities?
7. Are candidates' previous employment histories and references verified?
8. Are licenses and job-related skills verified?
9. Are new hires told what their duties and responsibilities will be?
10. Do new employees receive formal performance appraisals after a few months? Is action taken to coach or discharge those employees whose performance is not satisfactory?

## **Training**

1. Do new employees receive a formal orientation that covers need-to-know information without overwhelming them?
2. Are supervisors given assistance in carrying out their responsibilities for on-the-job training?
3. Does the HR function solicit feedback from trainees and managers about the value of current training programs and the need for new programs? If the feedback includes criticism, are programs evaluated and changed if the responses indicate an area of concern?
4. Are new training techniques actively explored?
5. Does the company provide tuition reimbursement for job-related courses?
6. Are optional training programs available to employees who want to change their line of work or to progress more quickly?
7. Does the company retrain employees who face skill obsolescence?
8. Do employees receive counseling for setting realistic career objectives and attaining them?

## **Performance Appraisals**

1. Does the company have a formal performance appraisal program?
2. Were supervisors consulted in designing the performance appraisal program? Does it reflect their input?
3. Is performance measured against established standards or goals, and not based upon personal traits?
4. Are supervisors trained to conduct appraisal interviews?
5. Are high appraisals backed by descriptions of specific achievements?
6. Are promotional opportunities and training needs discussed with employees?

## **Promotion and Development**

1. Does the HR function maintain a staff-planning document that identifies staff replacements and additional hiring needs?
2. Are future staff needs forecast accurately enough to minimize emergency recruitment?
3. Are positions reviewed annually to identify and assist employees who may have plateaued or stagnated at five or more years in the same job?
4. Does the company have an adequate reserve of trained, capable people to replace key employees?
5. Are employees promoted according to their contributions?
6. Are promotions to supervisory positions based on demonstrated leadership ability?

## **Communications**

1. Are company goals and objectives spelled out and communicated to all employees?
2. Do employees know the company's policies and rules?
3. Does the company have an up-to-date employee handbook that explains objectives, rules, and communications channels?
4. Are communications to employees written in clear language?
5. Are HR policies communicated to supervisors?
6. Are HR policies reviewed periodically and evaluated with supervisors and management?
7. Are new developments, such as reorganizations, benefits changes, and work rule changes, explained to supervisors before general announcements are made?
8. Are employees encouraged to make suggestions for improving the company?

9. Are suggestions acknowledged and employees recognized for making helpful suggestions?
10. Do HR policies emphasize the mutual interests of customers, employees, community members, and business owners?
11. Does the company have a uniform discipline policy to handle employee misconduct?
12. Are grounds for discipline documented promptly and thoroughly?
13. Do employees have a formal, well-understood procedure to use for expressing complaints or problems?
14. Does the company have an established procedure for handling employee grievances?
15. Does the company conduct employee attitude surveys? If so, does the company act to address criticisms?
16. Does the company have an employee newspaper or magazine?
17. Does the company have a bulletin board for communicating information to all employees?
18. Are job descriptions available for every position in the company?
19. Does the HR function maintain an open-door policy for all employees?
20. Does the HR function have open communications with all department heads and managers?

### **Compensation**

1. Are wages reviewed periodically to determine competitiveness with other companies in similar industries?
2. Does the company have wage incentives based on productivity?
3. Are work hours and overtime pay practices comparable to those of competitors?
4. Does the company have a formal pay scale for grades of work?
5. Does the company periodically review middle-management salaries? Are these salaries adequate and reasonable?
6. Does the company's compensation plan reward outstanding performance and/or long service?

### **Benefits**

1. What percentage of payroll is spent on benefits?
2. Are benefit offerings and employee copayments comparable to those of competitors?
3. Are employees aware of how much the company pays for benefits?
4. Has the company reviewed its benefits package to determine whether the benefits plan is worth more to employees than taxable pay or other benefits?
5. How efficiently does benefits administration operate? Are claims adequately screened? Can the claims process be streamlined?
6. Have medical cost-control procedures been reviewed? Are cost-control measures selected based on employee preferences?
7. Are unemployment insurance claims monitored?
8. Do employees receive clear and understandable summary plan descriptions that comply with the Employee Retirement Income Security Act (ERISA) of 1974?
9. Are dependents and former employees offered continued health benefits coverage in compliance with the Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA)?
10. Are COBRA procedures in compliance with the most recent amendments to the act?
11. Have pension, profit sharing, and other capital accumulation benefits been reviewed in the past year for ERISA compliance?

## **Legal Issues**

1. Do hourly wage and overtime pay practices comply with the Fair Labor Standards Act?
2. Are posters covering statutory legislation properly displayed (minimum wage standards, fair employment practices, workers' compensations, etc.)?
3. Is a specific individual or department responsible for monitoring legal compliance in work rules and working conditions?
4. Does the company conduct hazard communication training and other safety-related training as legally required?
5. If the company conducts credit checks of applicants, does it supply the legally required notice?
6. Does the company accommodate requests for military and jury duty leave to the extent required by law?
7. Are returning military veterans re-employed in their old jobs, even if this action means laying off a competent replacement worker?
8. Does the HR staff understand the employment laws in each state where the company operates?
9. Is the company in compliance with state laws regarding leave, short-term disability benefits, avoidance of terminations that violate public policy, timing and delivery of paychecks, etc.?

## **Records**

1. Does the company maintain adequate HR files?
2. Does the company have a record retention policy that fulfills business and legal requirements?
3. Do HR forms include all necessary information and avoid illegal inquiries?
4. Have instructions on forms been reviewed to eliminate recurring questions?
5. Are form sizes convenient for filing? Are the forms formatted to allow electronic scanning and/or easy inputting of information into computer?
6. Does the HR information system software provide an easy, efficient, and timesaving way of maintaining records?
7. Does HR have an adequate system for recording promotions, transfers, and terminations?
8. Does the company have a system for immediately determining what positions are vacant?
9. Does HR maintain separate files for and reveal sensitive information only on a need-to-know basis?

## **Quantitative Measures:**

### **Selection**

1. Average days needed to fill open requisitions
2. Average days between receipt of application and response
3. Ratio of applicants to requisitions in each job family
4. Ratio of offers to applicants
5. Ratio of acceptances to offers
6. Average years of education and/or experience of new hires in each job family
7. Average years of education and/or experience of applicants responding to each recruitment tool
8. Average test scores for new hires in applicable job families
9. Recruitment costs per new hire for each recruitment tool and for each job family

10. Ratio of qualified applicants to total applicants for each recruitment tool
11. Ratio of average salary offers per job classification to average salary in community per job classification
12. Percent of new hires per job family and recruitment tool successfully completing probationary period

### **Training**

13. Percent of employees receiving training in each job family
14. Percent of employees completing training in each job family
15. Percent of employees receiving tuition refunds
16. Training hours per employee
17. Training dollars per employee
18. Average pre- and post-training test score change, if available
19. Average pre- and post-training performance evaluation rating score change, if available
20. Percent of employees completing training for new position that succeeds in new position
21. Ratio of costs of training current employees to costs of recruiting outside applicants when filling vacancies
22. Ratio of training program cost to savings associated with training outcomes (e.g., avoidance of lawsuits, reduction in workers' compensation claims, production errors, etc.)

### **Performance Appraisals and Career Development**

23. Distribution of performance appraisal ratings
24. Distribution of merit pay increase recommendations
25. Ratio of promotions to total employees
26. Ratio of open requisitions filled internally to openings filled externally
27. Ratio of promoted employees to outside hires who successfully complete probationary period
28. Percent of employees transferred between divisions and/or geographically
29. Ratio of costs for relocating transferred employee to costs of recruiting from outside
30. Average number of years or months between promotions

### **Employee Relations**

31. Ratio of grievances or complaints to total employees
32. Ratio of grievances or complaints against supervisors to total supervisors
33. Ratio of pay grievances or complaints per pay scale or plan to total employees on pay scale or plan
34. Percent of grievances or complaints settled out-of-court and associated cost savings
35. Average length of time to settle grievances or complaints
36. Ratio of successful to unsuccessful union drives
37. Frequency of work stoppages or slowdowns
38. Duration of work stoppages or slowdowns
39. Costs associated with work stoppages or slowdowns
40. Ratio of voluntary to involuntary terminations
41. Average employee tenure

### **Compensation**

42. Ratio of payroll complaints to total employees
43. Ratio of pay equity complaints to total employees
44. Ratio of reclassified employees to total employees

45. Annual ratio of ex-employees citing pay as factor in leaving the company to total employees and to total ex-employees
46. Ratio of overtime hours to regular hours
47. Average hourly cost of nonexempt employees, salaried employees, and independent contractors
48. Average merit pay increase per performance level
49. Ratio of average salary to mid-point by grade level
50. Average unemployment compensation payment and experience rating
51. Average workers' compensation payment and experience rating.
52. Average annual workers' compensation and unemployment insurance premiums
53. Benefit cost per employee, per payroll dollar, per revenue dollar, per total operating budget
54. Benefit cost as a percentage of hourly base rates
55. Percentage of sick leave to total pay
56. Average processing time per claim

#### **Legal Issues**

57. Ratio of applicants in protected classes to their representation in local labor market
58. Ratio of offers made to applicants in protected classes to offers made to other applicants
59. Rejection rates by job category of applicants from protected classes
60. Ratio of EEO grievances to total employee population
61. Ratio of EEO suits to total employee population
62. Minority representation by EEO categories
63. Promotion rates of individuals from protected classes
64. Minority turnover rates overall, by job family, by department
65. Ratio of wages earned by employees in protected classes to wages earned by other employees
66. Frequency and severity of OSHA-reportable accidents
67. Ratio of safety-related expenses to total payroll
68. Ratio of OSHA citations to total employees

#### **General HR**

69. Net income per employee
70. Ratio of per-capita revenues to per-capita costs
71. Absenteeism rate overall and by department
72. Turnover rate overall and by department
73. Ratio of HR staff to employee population
74. Percent of managers seeking consultations with HR staff
75. Percent of employees seeking advice from HR staff
76. Average response time to inquiries
77. HR budget as percent of operating income
78. Ratio of HR costs per employee to HR costs per management
79. Ratio of staff to line HR costs
80. Revenue per employee