

Human Resource Associates

Employment Consultants

AUDITING THE HR DEPARTMENT

One of the toughest challenges Human Resources professionals have always faced has been trying to define a standard of evaluation for the HR department. We've looked at other professions and other departments for answers. For assembly line workers we know we can count the pieces produced and the rejects. For secretaries we used to count typed words per minutes and the errors. And for sales people we can easily count the sales.

For all professions there are standards of measurement. But how do you measure HR? Do you count the number of hires? What about when you're not hiring? Do you count the turnover rates? What about in the off-season? Do you count the number of documents handled? Or do you estimate the number of lawsuits that did not occur?

Which profession or department does the best and most effective job of evaluating and measuring results in all companies, of any size? FINANCE!

And what is the primary tool for evaluating and confirming financial results? The audit. The annual financial audit! The financial audit has become the

model for HR to evaluate and confirm the performance of the HR department.

Let's take a look at this borrowed tool and see what we can learn from our teammates over in accounting.

The HR Audit: Why and How

Why

Much like a financial audit An HR audit can show you the state of HR in your company. It can show what you have accomplished, what doesn't add up, where the holes are, what didn't pay off and how you measure up to the standards you've set. More of value, the HR audit becomes the foundation for your future goals and actions.

But there are areas where the HR audit is different, is uniquely focused on HR and can serve any or all of the following purposes:

- To identify and clarify the desired practices and results of the HR Department.
- To ensure that the department is being used effectively.

- To define the roles and accountabilities of the HR staff.
- To measure the knowledge and skills of the HR staff.
- To review compliance with the company's policies, government regulations and to identify potential problem areas.
- To standardize workplace practices especially across multiple work sites.
- To improve performance levels of all employees.
- To provide valuable and necessary information for investors, stockholders and business plans.
- To enhance the company's reputation in the community as well as among all employees.
- Helping to keep your company out of court.
- To identify ways the HR department can measurably help the company achieve the bottom line.

An HR audit is a method to measure where HR services and values currently stand, which functions work best, which need to be improved and how to go about doing that.

Finally, remember that an HR audit is not a test. Done properly, it is done by and with the HR staff as a partnership of learning, planning and successfully achieving goals. A successful HR audit will be a systematic, step-by-step process of reviewing all aspects of your Human Resources Department.

How

There are 4 steps that can be your guide to the successful HR audit. The 4 steps to take are:

- I** Identify the accountabilities.
- II** Define and assess the standards.

- III** Analyze the results.
- IV** Set the goals.

I Identify The Accountabilities

A In step one you want to identify all the accountabilities, as well as the expectations of the HR department and the end results you seek. Look at the traditional HR responsibilities such as workforce planning, recruiting, compensation, benefits, employee relations, performance management, training etc. (For a list of HR responsibilities see the Personnel Notebook "HR 2000 Part I" on The association's website)

B Write a statement identifying each accountability or end result you want to assess. Those statements might look like these:

- HR documents the recruiting process so that the steps and responsibilities of each person are defined.
- Performance reviews are conducted on a semi-annual basis for each employee.
- New employees complete an employee orientation and are informed of all the company's policies and procedures within 7 days.

There is no magic number of statements you should define. Create as many as you feel necessary to define the HR department's accountabilities and expected end results.

II Define And Assess The Standards

Take each accountability statement and determine how you would define it's success. You are defining the standard for success.

Often standards can be determined by looking at legal requirements, employee

surveys, customer surveys, the company's mission statement, policies and documents, data collection, etc. How and when do you know this accountability has been accomplished?

Let's assume that the defined accountability statement says to "Assure that all employment practices are free of discrimination". Here are some examples of questions for that accountability:

- Is there an anti-discrimination statement posted?
- Are anti-discrimination policies stated in the employee handbook?
- What measures are in place to determine the success or failure of anti-discrimination policies and practices?
- Have managers, supervisors and employees been trained in non-discriminatory rules and practices?
- Are there written guidelines for handling a discrimination complaint?

Assess your results. Are all the accountabilities met? Are any of them? How many are in some stage of success but not there yet?

III Analyze The Results

Review the results of your assessments to find the departments strengths and weaknesses.

You will find that the accountabilities are not all equal in importance. Try to determine which are more important than others. Last year employee retention may have been the major issue. This year it may be employee morale. Next year it may be wages and benefits.

IV Set The Goals

You've identified the purposes, accountabilities and expectations placed on HR. You've defines and assessed the

standards and you've analyzed the results good and bad.

Now you can begin to identify the goals that should have become obvious after those steps.

You're not likely to accomplish all the goals at once. The most important would be scheduled first, some for next year, some may be assigned elsewhere or outsourced.

Write the goals out as assigned steps with the end result you expect.

Setting goals involves:

- Keeping in focus the practices and policies that are beneficial to the company.
- Develop improved policies and practices.
- Separate what is necessary to have from what is nice to have. Separate what is important from what is urgent. Focus on the necessary and the important.

These goals now point the direction, set the targets and become the performance appraisal items for the HR staff.

On the following page is a basic checklist to use for an HR audit.

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HR AUDIT CHECKLIST

The checklist below provides a basic approach to an HR audit. Personalize it by adding your own accountabilities from step one. For each statement provide as detailed an answer as you deem necessary to assess the results. Assessing the findings from this checklist will help you identify the goals you will want to set.

Recruitment:

- Is there a written procedure for recruitment? _____
- Are all practices screened for legality? _____
- Are all practices followed consistently? _____
- Have we recruited sufficient numbers in a timely manner? _____
- Are we satisfied with the quality of our candidates? _____

Compensation and Benefits:

- Do you have a written compensation program that identifies the different pay policies for all employee groups (management, exempt non-exempt etc)? _____
- Are pay rates/increase percentages related to performance levels? _____
- Do employees understand the benefit plans? Can and does HR staff explain them to employees? _____
- Do you have position descriptions for all jobs? _____
- Are performance appraisals and pay tied to the accountabilities described in the position descriptions? _____
- Do employees believe that their pay is based on their performance? _____
- Is there an imbalance in pay practices that indicate discrimination? _____

Legal:

- Are all required legal postings in place? _____
- Is the employee handbook up to date and in line with federal and state employment regulations? _____
- Is the HR staff up to date on employment regulations or do you have a source to do that? _____
- Are managers following the employee handbook and company policies correctly? _____
- Is there a written procedure for an employee grievance system? Is it followed by management and employees? _____
- Is there any outstanding legal cases? _____
- Is someone trained in handling investigations? _____

Workforce Training and Recruitment:

- Do any critical skill shortages exist? _____
- Do you have a succession plan to replace critical positions? _____
- Is there a method to determine training needs? _____
- Is there a workforce planning document for next years HR goals? _____

Other:

- Is there an updated employee handbook? _____
 - Are position descriptions up to date for all jobs? _____
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