HR Compliance Audit Checklist for Small Businesses

For US employers with roughly 5 to 100 employees. Use it once a year and whenever something changes: crossing 15, 20, 50 or 100 employees, hiring in a new state, a complaint or agency inquiry, an acquisition, or a new payroll or HR system.

How to use this checklist

1. Set the scope: list locations, headcount and worker types, and use the table on the last page to see which federal laws apply. 2. Gather documents: handbook, offer letters, I-9s, payroll registers, timesheets, leave and training records, complaints. 3. Work through the 8 areas and tick each item that is in place; note the evidence. 4. Record gaps and rank them: **High** (ongoing violation or money owed: act now), **Medium** (risk but no current violation: this quarter), **Low** (process improvement: next review). 5. Fix, document what you changed, and set the next review date.

Audit date: _____ Completed by: _____ Headcount: _____ States: _____

1. Hiring and Form I-9

- ☐ Job ads and descriptions avoid language that excludes protected groups (for example, age or gender preferences)
- ☐ Interview questions are job-related and do not ask about protected characteristics
- ☐ Background and credit checks follow the required consent and notice steps
- ☐ Offer letters state pay, pay frequency, classification and at-will status where applicable
- ☐ A Form I-9 is completed for every employee hired, with Section 1 by the employee's first day and Section 2 within the required time
- ☐ I-9s are stored separately from personnel files and are kept for the required period
- ☐ New-hire reporting to your state is done on time

2. Classification and wage-hour

- ☐ Each worker is correctly classified as an employee or independent contractor
- ☐ Each employee is correctly classified as exempt or non-exempt, based on duties and salary, not job title
- ☐ Non-exempt employees are paid at least the federal, state or local minimum wage, whichever is highest
- ☐ Overtime is paid at 1.5 times the regular rate for hours over 40 in a workweek (and under any state daily overtime rules)
- ☐ Bonuses and commissions are included in the regular rate where required
- ☐ Meal and rest break rules for your state are followed
- ☐ Time records are accurate, and off-the-clock work is not allowed

3. Payroll and tax records

- ☐ Payroll registers show hours, rates, gross pay, deductions and net pay for each pay period
- ☐ Employees are paid on time and on the schedule your state requires
- ☐ Federal, state and local taxes are withheld and deposited on time
- ☐ Form W-4 and state withholding forms are on file for each employee
- ☐ Year-end forms (W-2, 1099-NEC) are issued and filed by the deadlines
- ☐ Deductions from pay are authorised and do not take pay below minimum wage
- ☐ Final pay is issued within your state's deadline

4. Leave and benefits

- ☐ You know which leave laws apply (FMLA at 50+ employees, plus any state or local paid sick or family leave)
- ☐ Leave policies are written down and match the law in each location
- ☐ Leave requests, approvals and balances are recorded
- ☐ Required notices (for example, FMLA eligibility and rights notices) are given on time
- ☐ Employees on protected leave are reinstated as required
- ☐ COBRA notices are sent if you have 20+ employees and a group health plan
- ☐ If you are an applicable large employer under the ACA, coverage offers and IRS reporting are in place
- ☐ Benefits eligibility rules are applied consistently

5. Policies and handbook

- ☐ The employee handbook has been reviewed in the last 12 months
- ☐ Handbook policies match current federal, state and local law in each location
- ☐ Each employee has signed an acknowledgement of the current handbook
- ☐ Required federal and state workplace posters are displayed, and shared digitally for remote staff where allowed
- ☐ Discipline and termination procedures are written and applied consistently
- ☐ Remote work, expense reimbursement and equipment policies are documented

6. Anti-discrimination and harassment

- ☐ A written anti-discrimination and anti-harassment policy exists, with more than one way to report a concern
- ☐ Managers and staff have received harassment-prevention training where your state requires it
- ☐ Complaints are investigated promptly, documented and closed with a written outcome
- ☐ There is a clear anti-retaliation policy
- ☐ Reasonable accommodation requests (disability, pregnancy, religion) are handled and documented
- ☐ Pay is reviewed for unexplained differences between employees doing equal work
- ☐ Hiring, promotion and termination decisions are documented with job-related reasons

7. Health and safety

- ☐ Workplace hazards have been identified and addressed
- ☐ Required safety training is delivered and recorded
- ☐ If you had more than 10 employees during the last calendar year and are not in an exempt industry, OSHA 300, 300A and 301 records are kept
- ☐ The OSHA 300A summary is posted each year when required
- ☐ Serious injuries are reported to OSHA within the required time
- ☐ Workers' compensation coverage is in place in every state where you have employees
- ☐ Emergency procedures and first aid arrangements are documented

8. Records and privacy

- ☐ Each employee has a complete personnel file (offer letter, job description, reviews, discipline, training)
- ☐ Medical records are kept separately and confidentially from personnel files
- ☐ Records are kept for at least the federal retention periods (see table below) and any longer state periods
- ☐ Access to employee data is limited to people who need it
- ☐ Sensitive data (Social Security numbers, bank details, medical information) is stored securely
- ☐ Old records are destroyed securely when retention periods end and no claim is pending
- ☐ Former employees' records are retained, not deleted, when they leave

Which federal laws apply at your headcount

Each law counts employees differently; confirm on the official page. State and local thresholds may be lower.

Law or requirement	Applies to private employers with	What it covers
Fair Labor Standards Act (FLSA)	Most employers, regardless of size	Minimum wage, overtime, recordkeeping, youth employment
Form I-9 employment eligibility	Every employer that hires	Verifying identity and work authorisation of each new hire
Equal Pay Act	1 or more employees	Equal pay for equal work regardless of sex
OSHA serious-injury reporting	All employers, including those exempt from routine recordkeeping	Reporting fatalities, in-patient hospitalisations, amputations and eye losses
OSHA injury and illness records (300 log)	More than 10 employees at any time in the last calendar year (some low-hazard industries are partially exempt)	Recording work-related injuries and illnesses

Law or requirement	Applies to private employers with	What it covers
Title VII, ADA, GINA	15 or more employees	Discrimination based on race, colour, religion, sex (including pregnancy), national origin, disability and genetic information
Age Discrimination in Employment Act (ADEA)	20 or more employees	Discrimination against workers aged 40 and over
COBRA continuation coverage	20 or more employees in the prior year (with a group health plan)	Offering continued health coverage after qualifying events
Family and Medical Leave Act (FMLA)	50 or more employees in 20 or more workweeks in the current or previous calendar year	Up to 12 weeks of job-protected leave for eligible employees
ACA employer shared responsibility	50 or more full-time employees, including full-time equivalents, on average in the prior year	Offering affordable health coverage and related IRS reporting
EEO-1 Component 1 report	100 or more employees (50 or more for certain federal contractors)	Annual workforce demographic report to the EEOC
WARN Act	100 or more employees	At least 60 calendar days' written notice of qualifying plant closings and mass layoffs

Federal record retention (minimums)

Keep each record for the longest period that applies. States may require longer; keep anything tied to a claim until it is resolved.

Record	Minimum federal retention
Form I-9	3 years after the date of hire, or 1 year after employment ends, whichever is later
FLSA payroll records	At least 3 years
FLSA wage computation records (time cards, wage rate tables, work schedules)	2 years
Personnel and employment records (EEOC)	1 year; for an involuntary termination, 1 year from the date of termination
Payroll records under the ADEA	3 years
OSHA 300 log, 300A summary, 301 incident reports	5 years following the end of the calendar year the records cover
Employment tax records	At least 4 years after filing the fourth-quarter return for the year

Prepared by the Payrun Team, October 2026. General information, not legal advice. Employment law changes and varies by state and country; confirm current rules with the official sources (EEOC, US Department of Labor, OSHA, USCIS, IRS; UK: GOV.UK) or an employment lawyer. Full guide with source links: payrun.app/blog/hr-compliance-audit