

Workplace Audits: Preparing for a Financing or Sale



TASTING NOTES

ISSUE 17

Sometimes the best defense is a great offense. Comprehensive workplace audits are a defense designed to assess strengths and address risks before they become liabilities.

Comprehensive workplace audits will allow you to identify and repair issues prior to opening company practices up to scrutiny by a potential investor or buyer. An audit may catch issues that could make a business less attractive in a sale or financing round, which could lead to a price reduction or special indemnity escrow. From a buyer or investor perspective, an audit helps to identify issues and to develop and implement standardized practices across portfolio companies. The following will summarize the audit process, scope of coverage, and the potential benefits resulting from an audit of your workplace practices.

THE STRUCTURE AND SCOPE OF A WORKPLACE AUDIT

OVERVIEW

A workplace practices audit is a proactive and systematic exercise to identify macro trends affecting the workforce and micro issues that may be tackled incrementally. To conduct an audit, the following steps should be taken:

1. Host an initial meeting to define audit scope.
2. Conduct initial document collection.
3. Identify witness interviewees (typically five to eight employees, such as payroll, hiring managers, human resources, etc.).
4. Customize existing audit outlines.
5. Conduct witness interviews.
6. Conduct supplemental document collection.
7. Draft the audit summary.

The cost of an audit can vary greatly depending on the scope, the quality of employment practices, the size of the employer, and how many issues are uncovered. We work closely with our clients to tailor the scope of an audit to fit both your needs and budget requirements.

SCOPE

Your needs will drive the scope of an audit, which could cover some or all the following topics:

- Disability accommodations
- Discrimination and harassment
- Employee classifications
- Employee leave
- Employee onboarding
- Employment policies
- Hiring, promotions, and terminations
- Performance management
- Wage and hour

EMPLOYMENT LAW PERSPECTIVE

From an employer's point of view, the audit may accomplish the following:

- Identify misclassification issues
- Mitigate class-action risks
- Identify multistate compliance issues
- Reveal trends affecting the workforce
- Reveal leave and accommodation issues, which can result in costly litigation
- Create a list of employment practices that, if addressed, improve the overall employee experience

Additionally, audits are helpful for businesses that are either preparing for growth or have grown rapidly and need to upgrade their employment practices.

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