



*KardasLarson's Ultimate Guide:
Why HR Compliance Matters*

General HR & Compliance

The foundation for solid HR practices is built on strong knowledge of workplace best practices and compliance requirements. Speaking of compliance, why is this important for organizations?

- Practically speaking, is it really that important to be compliant?
- What are the chances that an organization's non-compliance will come to light?
- Is the time and money spent on becoming compliant and remaining compliant worth the investment?

Let's review the upside of what being in compliance can do for your organization:

Reputation

Your organization's reputation is critical on several levels:

- In the marketplace;
- For attracting and retaining talent;
- As a business advantage in comparison to your competition; and
- From a public relations perspective in the Town and State where you operate in.

Enhanced Operations and Safety

Work procedures which assure a quality environment, for instance an environment free from discriminatory practices, can translate into a more productive workplace. Solid safety practices which follow Occupational Safety & Health Administration (OSHA) regulations, for instance, can create an overall feeling by employees that their employer cares about them, and respects them.



Attraction & Retention of Talent

We have all experienced the notion that working for a leading organization in your industry is coveted to you and your colleagues – just think of Google and Amazon, or in the non-profit sector organizations such as The United Way. Important factors including compensation and benefits, not to mention policies and practices such as flexible work, on-site health clubs and childcare are huge attractions. None of these factors would be able to overcome the knowledge that a particular organization paid \$100,000 in fines for non-compliance or settled out of court for over \$1 Million for a discriminatory practice.

General HR & Compliance

Let's review what the downside of non-compliance can be:

Potential Fines

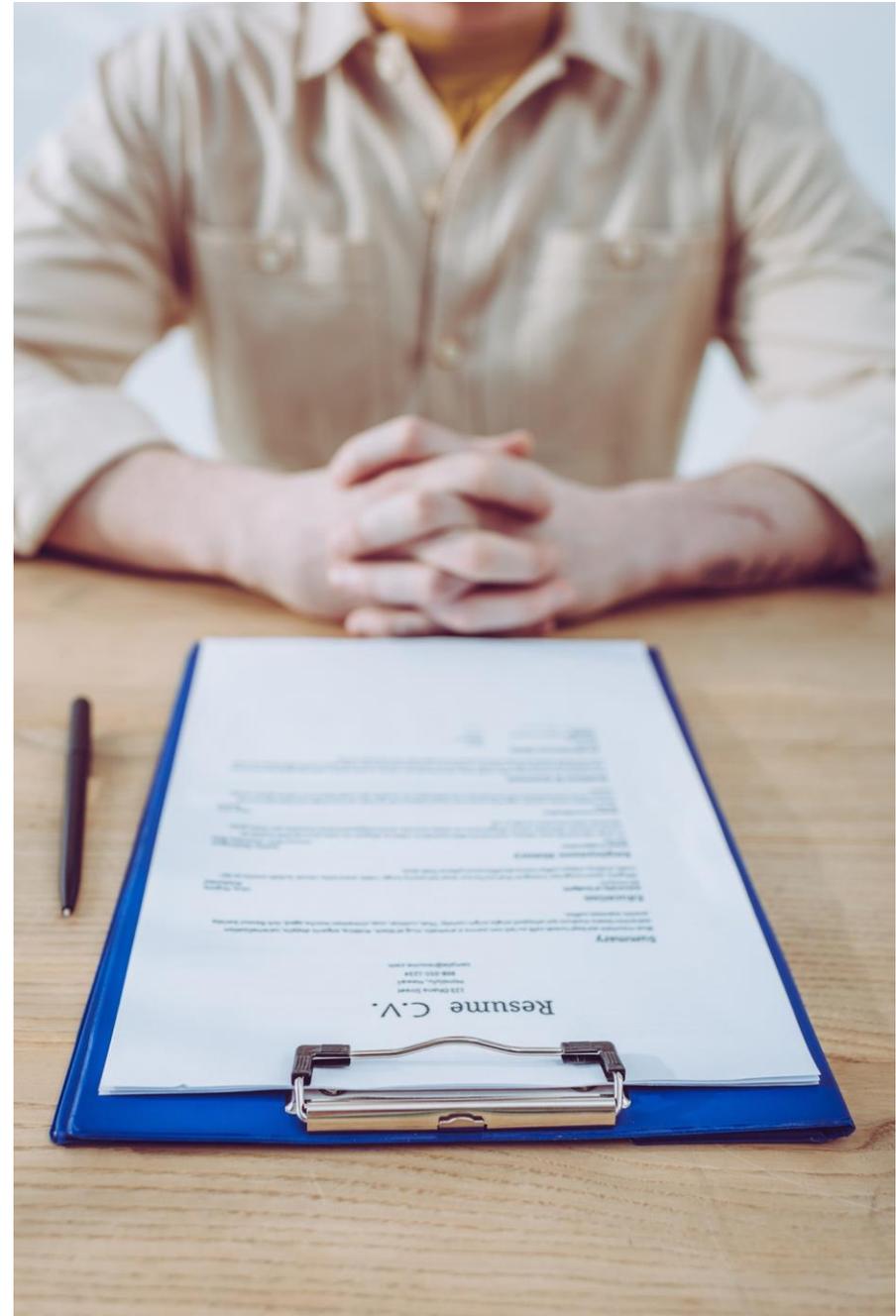
If your organization is found to be non-compliant with various state and federal regulations the fine (s) in many cases can be hefty, and very often are based on the size of your organization driven by, in most cases, the number of employees you have.

According to ADP ([Source](#)), the 5 most common HR Compliance Fines are:

- **FORM I-9** – all new employees must complete section 1 of Form I-9 on or before the first day of employment, and employers must complete the balance of the form within three days of employment.
- **Affordable Care Act** – referred to often as “Obama Care” – “Large” employers must provide coverage to employees that meet minimum value under the act. Additionally, employers must complete notice to employees each year of the coverage available.
- **COBRA** – Required employers must provide continued health insurance to employees and their dependents upon termination when certain events are triggered.
- **Americans with Disabilities Act (ADA)** – Employers cannot discriminate in such activities as hiring, promotion, training, etc. based on disabilities.
- **Fair Labor Standards Act (FLSA)** – Employers must not violate such requirements as minimum wage, overtime pay, and various record keeping requirements.

Certainly, additional high-profile compliance issues, namely sexual harassment and its training requirements in Connecticut and other states for example, easily can be added beyond these top five.

Taking the I-9 compliance as an example completely illustrates the huge impact fines for non-compliance can have on an organization's finances. The standard fines for I-9 non-compliance range from \$230 to \$2,292 per occurrence ranging from a first offense up to and including a third offense. And, these are primarily for technical paperwork errors, penalties due to an employer knowingly hiring and continuing to employ violations begin at \$573 and can range into the tens of thousands of dollars.



I-9 Inspection Overview ([Source](#))

During the one-year period of October 1, 2017 – July 20, 2018, the U.S. Immigration and Customs Enforcement (ICE), through its Homeland Security Investigations unit, conducted 6,093 investigations. Those investigations delivered 675 criminal and 984 administrative arrests. This activity resulted in nearly \$108 million in fines and restitutions, with the largest befalling on Asplundh Tree Experts, Co. - \$95 million. ([Source](#))

FLSA: fines can be \$1,100 per violation, and employers will likely pay two years (up to three if the action was willful) of back pay to the employee.

ADA: Employers who are found to have violated the ADA can have a first time fine of \$55,000 per violation and repeat violations can bring fines of \$110,000 per violation.

Above and beyond fines, employers must be wary of litigation. Litigation can be extremely costly, where some court findings have cost large employers millions of dollars ([Source](#)).

Certainly, the financial impact of fines can single-handedly destroy a small to mid-size organization. But other factors also need to be considered as operational impacts that non-compliance can have on your operation:



Disruption to Organization Operations

If your organization is audited or must respond to a non-compliance or a discrimination complaint or any form of litigation, the time and effort it will take can be monumental – especially for small to mid-size organizations.

According to the Equal Employment Opportunity Commission (EEOC) - "The average time it takes to investigate and resolve a charge was about 10 months in 2015" ([Source](#)).

Certainly, your organization's operations will take a hit if you need to devote resources to spend valuable time in responding to an EEOC charge of discrimination or non-compliance.

Potential Negative Publicity and/or Public Relations

Rest assured, if you don't experience as much business disruption to an audit or investigation that you anticipated, the potential negative publicity you may endure, sometimes over years, certainly will.

One just has to remember what the #MeToo movement has done to giants such as CBS, Wynn Resorts and Hollywood Studios such as Twenty-First Century Fox.

Difficulty of Attracting & Retaining Talent

As was mentioned previously, your organization can have wonderful factors in attracting and retaining talent, but very few factors would be able to overcome the knowledge that a particular organization paid \$100,000 in fines for non-compliance or settled out of court for over \$1 Million for a discriminatory practice.

So, how do you start becoming compliant?

Becoming compliant doesn't happen overnight, but there are a few focuses you can begin to put into place now:

- Conduct a Human Resources (HR) Assessment Audit focused on employment related compliance regulations. Include both Federal and State regulations in the Assessment Audit.
- If your organization lacks the compliance knowledge in-house to conduct such an Audit, contract with an expert from outside of your organization. Remember the large fines that can be levied with non-compliance, and these fines pale as compared to paying for an outside expert to conduct the Audit.
- In parallel with conducting an HR Assessment Audit, go after some of the “low-hanging fruit” of the most common HR compliance fines:
 - Review your I-9s
 - Review if your employees are properly identified as exempt or non-exempt*
- *It's important to note that a complete I-9 or FLSA audit should really be done by a trained HR or legal consultant.
- Work with your employee benefits broker regarding any ACA compliance you are required to follow.
- Consider outsourcing your COBRA Administration to an outside vendor that specializes in managing this.

At KardasLarson, we can help you build this foundation to effectively meet the needs of your business. We are trained in conducting many compliance audits including HR Assessment Audits, I-9 Audits as well as FLSA Audits. We are prepared and ready to assist.



About KardasLarson

Founded in 2004 as a boutique women-owned consulting consortium, KardasLarson focuses on developing and delivering both tactical and strategic human resource (HR) solutions to enhance business results by leveraging your greatest asset – your workforce. Our primary focus is small to mid-size business, municipalities and non-profit organizations. We provide our unique HR expertise based on your unique needs and provide a variety of options from being your part-time HR expert to your full-time strategic HR partner.



KardasLarson has the ability to create a customized HR solution scaled to meet your organization's unique needs reflecting current best practices and compliance with state and federal law.

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