UNIVERSITY OF TOLEDO INTERNAL AUDIT DEPARTMENT
DEVELOP AND MANAGE HUMAN RESOURCES

Control practices

The following control objectives provide a basis for strengthening your control environment for the process of developing and managing human resources. When you select an objective, you will access a list of the associated business risks and control practices. That information can serve as a checklist when you begin reviewing the strength of your current process controls.

This business risk and control information can help you assess your internal control environment and assist with the design and implementation of internal controls. Please note that this information is at the generic business process level and many companies will need to go beyond generic models to address the specific business processes that support the financial and nonfinancial disclosures being made. You can combine the insight of this business risk and control information with your industry-specific knowledge and understanding of your company's environment when conducting internal control assessments and designing and implementing recommendations.

Effectiveness and efficiency of operations
- A. Employee turnover rates are minimized.
- B. The right number of skilled personnel is acquired.
- C. The integrity of employee information is maintained.

Compliance with applicable laws and regulations
- A. Human resource policies comply with applicable laws and regulations.
- B. Adequate records of compliance are maintained.

Effectiveness and efficiency of operations

A. Employee turnover rates are minimized.

Business risks
- The company will incur unacceptably high human resources costs for recruitment, hiring, and training.

Control practices
1. Review and evaluate compensation and benefits on a regular basis.
2. Benchmark compensation and benefits to other companies in the industry and geographical area.
3. Gather employee feedback about satisfaction with compensation and benefits routinely.
4. Conduct employee performance evaluations at least annually.
5. Link employee compensation to the performance evaluation process.
6. Monitor employee turnover rates by department, location, level, and job type regularly.

B. The right number of skilled personnel is acquired.

Business risks
- The company's strategic objectives will not be met.
- Operational efficiency will drop.

Control practices
1. Use forecasting to ensure future staffing needs are met.
2. Develop a workforce management plan to cover a variety of staffing scenarios.
3. Align the human resources strategy for recruitment and hiring with company goals and objectives.

C. The integrity of employee information is maintained.

Business risks
- Human resource records will not be subject to proper security controls.
- The company will incur legal or trade union action if confidential employee information is disclosed.
- Disclosure of confidential information will lower employee morale and loyalty.

Control practices
1. Restrict physical access to personnel records to authorized employees and managers with a genuine need for such information.
2. Monitor personnel accessing human resource records.
3. Implement adequate physical and logical security controls to restrict access to personnel information that is stored electronically.
4. Train human resources personnel in ethical standards and privacy issues.
5. Apply disciplinary protocols to reprimand individuals who improperly use or disclose confidential personnel information.

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Compliance with applicable laws and regulations

A. Human resource policies comply with applicable laws and regulations.

Business risks
- The company will incur fines or other penalties.
- The company will incur bad publicity and loss of reputation.
- The company will have difficulty recruiting quality people for employment.

Control practices
1. Require legal review of all relevant human resource-related laws and regulations.
2. Require that the legal department assist in preparing and then review all human resource policies before they are implemented.
3. Consult with trade unions and regulatory bodies about compliance with laws and regulations and possible future requirements.
4. Monitor the political, lawmaking, and regulatory environments to ensure that company policies comply with industry standards and applicable laws and regulations.
5. Document formally policies and procedures concerning compliance with laws and regulations.
6. Distribute policies and procedures concerning compliance with laws and regulations to managers responsible for the formulation and administration of the company's human resource policies and procedures.
7. Require that supervisory and management personnel attend appropriate training on labor laws and regulations and company policies.
8. Designate a legal officer to oversee compliance with laws and regulations and to be available to advise management about such compliance.
9. Establish formal communications with trade unions to exchange information and views about the company's compliance with relevant laws and regulations and trade union rules.
10. Implement procedures for reporting and handling any violations of laws and regulations.
11. Take appropriate disciplinary action when necessary against violations of laws and regulations.

B. Adequate records of compliance are maintained.

Business risks
- The company will incur fines or other penalties.
- The company will have inadequate documentation to support for hiring and termination decisions.

Control practices
1. Develop written procedures that address the essential documentation requirements that demonstrate adequate compliance with laws and regulations.
2. Use appropriate databases and checklists to ensure appropriate records are received and retained for every employee.
3. Review the validity, accuracy, and completeness of information received by employees periodically.
4. Require that management review and approve all files and documentation scheduled to be destroyed.