

The HR Compliance Starter Checklist.

A starting point for founders and leaders who know something is probably missing but are not sure where to look first. Covers the foundation every organization needs — whether your team is built on W-2 employees, 1099 contractors, or both.

This is not a full compliance audit. It is the first layer — the items that create the most exposure when missing, and the ones Sean checks first in every new engagement. Use it to get an honest read on where you stand.

SECTION 01

Worker Classification

The single most common and most expensive compliance mistake. Misclassifying an employee as a 1099 contractor can trigger back taxes, penalties, and benefits liability — and the IRS and Department of Labor are both actively looking for it.

IF THEY ARE A W-2 EMPLOYEE

- ☐ **Signed offer letter** on file with start date, title, and compensation
- ☐ **Form I-9** completed within 3 business days of start, with acceptable ID verified
- ☐ **Form W-4** completed and on file before first paycheck
- ☐ Added to **payroll system** with correct tax withholding
- ☐ Provided with required **new hire notices** for your state

IF THEY ARE A 1099 CONTRACTOR

- ☐ **Signed independent contractor agreement** defining scope, deliverables, and payment terms
- ☐ **Form W-9** collected before first payment
- ☐ Contractor sets **their own hours and methods** — you control the outcome, not the process
- ☐ Contractor uses **their own equipment** and is not integrated into daily team operations
- ☐ **1099-NEC issued** by January 31 if paid \$600 or more in the year

COMMON MISCLASSIFICATION RED FLAGS

- ☐ A "1099 contractor" works set hours you assign, at a location you control
- ☐ A "1099 contractor" has worked for you continuously for over a year with no defined end date
- ☐ A "1099 contractor" reports to a manager the same way an employee would
- ☐ A "1099 contractor" is doing work that is central to your core business, not a specialized outside service

WHY THIS MATTERS

The test is not what you call someone. The IRS and DOL look at behavioral control, financial control, and the nature of the relationship. If it looks like an employment relationship, it likely is one — regardless of the paperwork.

— SECTION 02

Foundational Documentation

The baseline paperwork every organization with people — employees or contractors — needs in place and easy to produce.

- ☐ A written **employee handbook**, reviewed within the last 24 months, acknowledged in writing by every employee
- ☐ A documented **anti-harassment and non-discrimination policy** that meets your state's requirements
- ☐ Clear **at-will employment language** in offer letters and the handbook, where applicable in your state
- ☐ A **job description** on file for every role, used consistently in hiring and performance conversations
- ☐ A documented **termination and separation process**, including final pay timing rules for your state

— SECTION 03

Wage and Hour Basics

FLSA violations are among the most common compliance findings — and among the easiest to fix once identified.

- ☐ Every employee correctly classified as **exempt or non-exempt** based on actual job duties, not job title
- ☐ **Overtime** calculated and paid correctly for all non-exempt employees
- ☐ Required **federal and state labor law postings** displayed and current
- ☐ **Meal and rest break** policies that comply with your state's specific requirements

— SECTION 04

Recordkeeping

Documentation only protects you if you can find it when you need it.

- ☐ **I-9 forms** stored separately from personnel files, retained per federal requirements
- ☐ **Personnel files** organized, secured, and retained per your state's requirements after separation
- ☐ **Payroll records** retained for at least the federally required period
- ☐ **Contractor agreements and 1099 records** retained and easy to produce if ever questioned

WHAT THIS CHECKLIST DOES NOT COVER

Leave law compliance (FMLA and state-specific leave), benefits administration, board governance for nonprofits, and the policy language itself all require a closer look at your specific organization. That is the work of a full compliance audit — this is the starting point before it.

THE FIRST CONVERSATION IS FREE

Ready to find out what else is missing?

harmonixstrategies.com · info@harmonixstrategies.com · (678) 787-4468