

Wage and Hour Payroll Audit Checklist for California Employers

This checklist is designed to assist California employers in conducting a self-audit of their wage and hour practices.

By using this checklist, employers can take important steps toward maintaining compliance with California wage and hour laws. Regular self-audits are a key practice for ensuring legal compliance and protecting your business. In addition, regular self-audits of wage and hour compliance may reduce potential penalties available under the Private Attorneys General Act (PAGA).

Carefully review each question in the checklist, considering your current wage and hour practices, and answer by marking “Yes” or “No” based on your actual practices and records. If any of your answers are “No,” it indicates a potential area of non-compliance. In such cases, consult with legal counsel to ensure you understand and comply with all relevant laws and regulations. Near the end of the checklist, we've provided references to relevant laws for the topics discussed. Please note that some items on the checklist reflect best practices rather than specific legal requirements.

Disclaimer

This checklist should not be construed as legal advice. Please note that this checklist is an informational tool to help employers identify and correct potential areas of non-compliance that can arise under the California Labor Code, including under PAGA. This checklist does not cover every potential wage and hour claim or issue under the Labor Code, and completing this checklist does not guarantee compliance with all aspects of the California Labor Code or protection from PAGA claims, nor should this checklist be deemed a cure for existing PAGA claims or alleged violations identified in an aggrieved employee’s PAGA claim notice filed with the Labor and Workforce Development Agency (LWDA). If you receive a PAGA notice or have other legal concerns, consult legal counsel experienced in handling PAGA actions immediately. These claims have unique procedural rules and strict timelines for potentially curing Labor Code violations and reducing PAGA penalties.

Alternative Workweek Schedules

Yes No

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|--------------------------|--------------------------|---|
| ☐ | ☐ | If applicable, have you adopted alternative workweek schedules through a validly adopted agreement in compliance with the specific requirements and procedures outlined in the California Labor Code? |
| | | If you have a properly adopted alternative workweek schedule(s), do you compensate employees at the applicable overtime rates for any work performed beyond the agreed alternative schedule(s)? |

Notes:

Complaint and Dispute Resolution

Yes No

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| ☐ | ☐ | Have you established a clear process for employees to report wage and hour issues? |
| ☐ | ☐ | Do you address and resolve complaints promptly and without retaliation? |

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Employee Handbook and Training

Yes No

Do you have an employee handbook that contains legally compliant policies on the following areas:

Yes

No

Confirmation of Receipt of Wage and Hour Policies?

Yes

No

Payment of Wages?

Personnel Payroll Records?

Expense Reimbursements?

Reporting Time Pay?

Final Pay?

Split Shift Pay?

Lactation Accommodation?

State Sick Leave?

Makeup Time?

Timekeeping Requirements and Off-the-Clock Work?

Meal and Rest Breaks?

On-Call and Standby Time?

Wage and Hour Training Policy?

Overtime for Nonexempt Employees?

Pay Differentials?

Pay for Mandatory Meetings/Training?

Have you trained managers and supervisors on all of the above-listed policies?

Do you take appropriate corrective action with managers and supervisors who do not comply with the above-listed policies?

Notes:

Exempt Employees

Yes No

If you have employees classified as salaried or exempt, have you confirmed that they meet both the specific duties and salary basis tests under California law for executive, administrative, professional or other applicable exemptions?

Do you pay exempt employees on a salary basis; i.e. are the employees paid their full salary for every week in which they perform any work?

Do you adjust exempt employees' salaries as needed every January 1 to ensure they continue to meet the applicable California salary test?

Notes:

Expense Reimbursement

Yes No

Do you reimburse employees for necessary expenses incurred in the course and scope of their employment, which may include cell phone, internet, home office supplies, mileage, training-related expense, uniforms and special tools or equipment?

Do you reimburse employees promptly after they incur and submit documentation for necessary expenses?

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Final Pay

Yes No

When you terminate or lay off an employee, are their final wages, including any earned and unused vacation/PTO hours, paid to them immediately at the time and place of termination?

If an employee quits with 72-hours' notice or more, are their final wages, including any earned and unused vacation/PTO hours, paid to them on their last day of work?

If an employee quits with less than 72-hours' notice, are their final wages, including any earned and unused vacation/PTO hours, paid within 72 hours after notice is given?

If you fail to pay wages due upon discharge or resignation, do you pay the affected employee the proper waiting time penalties (e.g., an amount equal to the employee's daily wage for each day the wages remain unpaid, up to a maximum of 30 days)?

Notes:

Lactation Accommodation

Yes No

Do you provide a reasonable amount of break time to accommodate an employee who needs to express milk?

Do you provide lactating employees with the use of a private room or other location (that is not a bathroom) to express milk and does the room meet all the following requirements:

Yes

No

Is it safe, clean, and free of toxic or hazardous materials?

Does it contain seating and a surface to place a breast pump and other personal items?

Does it have access to electricity or alternative devices (such as extension cords or charging stations) allowing operation of an electric or battery-powered breast pump?

Do you also provide lactating employees with access to a sink with running water and a refrigerator suitable for storing breast milk close to the employee's workspace.

Do you have a lactation accommodation policy that you provide to employees upon hire?

Notes:

Makeup Time

Yes No

Do you allow employees to request makeup time for personal obligations in writing, specifying the date and time for the makeup work?

Do you ensure that makeup time is worked within the same workweek and that employees do not exceed 11 hours in a day or 40 hours in a week without receiving overtime pay?

Do you maintain records of makeup time requests and approvals?

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Meal and Rest Breaks

Yes No

Do you provide nonexempt employees with a 30-minute unpaid meal break if they work more than five hours per day?

Does the meal break begin no later than 4 hours and 59 minutes into the employee's shift?

Do you provide a second 30-minute unpaid meal break if the employee works more than 10 hours per day?

Do you allow the first meal break to be waived by mutual consent if the employee works no more than six hours per day? If so, do employees sign a written meal break waiver?

Do you allow the second meal break to be waived if the first meal break was not waived and the employee works no more than 12 hours per day? If so, do employees sign a written meal break waiver?

Do you use a reliable timekeeping system to accurately record start and end times of all meal breaks?

Do you regularly review time records to ensure meal breaks are being taken as required?

Do you provide nonexempt employees with a 10-minute paid rest break for every four hours worked or major fraction thereof?

Are rest breaks scheduled in the middle of each work period, if practicable?

Do you pay one additional hour of pay at the employee's "regular rate of pay" for each workday that the meal or rest break is not provided (up to a maximum of two hours of premium pay per workday)?

Do you ensure that on-duty meal periods are used only when the nature of the work prevents an employee from being relieved of all duty and, if so, do you have a written agreement with the employee for on-duty meal periods, stating that the employee may revoke the agreement in writing at any time?

Do you allow employees to leave the premises for meal and rest breaks?

Do you relieve employees of all duties during meal and rest breaks, including by not requiring them to remain on call, carry a phone or radio, or respond to calls or texts while on break?

If applicable, do you follow the specific meal period rules for certain industries or occupations as outlined by Industrial Welfare Commission (IWC) orders or other regulations?

Notes:

Minors

Yes No

If you employ minors, do you have a valid work permit for each minor employee?

Are you aware of and do you adhere to all applicable restrictions on the nature and length of work performed by minors?

Notes:

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Minimum Wage

Yes **No**

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| ☐ | ☐ | Do you ensure that all employees are paid at least the current state minimum wage as specified by California law? |
| ☐ | ☐ | Are you aware of and do you comply with any local minimum wage ordinances that may establish a higher wage rate than the state minimum? |
| ☐ | ☐ | Do you understand that any agreement with an employee to work for less than the minimum wage is invalid and unenforceable? |

Note: Different minimum wage requirements may apply to employees in certain industries (e.g., fast food workers).

Notes:

Overtime Pay

Do you pay nonexempt employees one and one-half times their "regular rate of pay" for:

Yes **No**

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|--------------------------|--------------------------|--|
| ☐ | ☐ | All hours worked over eight in a single workday? |
| ☐ | ☐ | All hours worked over 40 in a single workweek? |
| ☐ | ☐ | For the first eight hours worked on the seventh consecutive day of work in a workweek? |

Do you pay nonexempt employees double their "regular rate of pay" for:

Yes **No**

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|--------------------------|--------------------------|---|
| ☐ | ☐ | All hours worked over 12 in a single workday? |
| ☐ | ☐ | All hours worked over eight on the seventh consecutive day of a workweek? |

Yes **No**

If your employees receive any compensation in addition to their hourly wage, such as commissions, shift differentials, piece work earnings, and non-discretionary bonuses, are you factoring that compensation into the "regular rate of pay" for purposes of paying overtime?

Note: Different overtime requirements may apply to employees in certain industries.

Notes:

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Paid Sick Leave

Yes No

Do you ensure that employees are provided with paid sick leave using one of the following methods allowed?

- The statutory mandated accrual method — one hour for every 30 hours worked;
- An optional accrual method that provides no less than 24 hours by the 120th day and 40 hours by the 200th day;
- An alternative accrual method for new hires;
- A pre-existing employer policy (a policy in effect prior to January 1, 2015); or
- A lump-sum approach.

Do you allow employees to use earned paid sick days for their own, a family member's or a designated person's illness, preventive care or for specified purposes related to being a victim of, or having a family member who is a victim of a qualifying act of violence or crime, or for jury duty or to appear in court as a witness?

Do you require employees to provide reasonable advance notice only if the need for sick leave is foreseeable?

Do you provide written notice to employees about their paid sick leave rights at the time of hire?

Do you keep records of hours worked, paid sick days accrued, and paid sick days used for at least three years?

Do you identify any employees who may be exempt from the provisions of the Healthy Workplaces, Healthy Families Act, such as those covered by qualifying collective bargaining agreements?

Notes:

Pay Deductions

Yes No

Do you only make deductions from employee pay for reasons authorized by law (e.g., tax withholdings, garnishments) or after receiving written authorization from the employee for specific purposes (e.g., health insurance premiums, retirement contributions)?

Do you ensure that wages are not deducted for ordinary business costs or losses (e.g., cash shortages, breakage, or loss of equipment) unless it is proven to be caused by the employee's dishonest or willful act or gross negligence?

Do you ensure that deductions do not reduce wages below the minimum wage required by law?

Do you pay your exempt employees for the full day for any day in which they perform work (i.e., do not make partial day deductions from your exempt employees' salaries)?

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Paying Employees

Yes No

Are nonexempt employees paid for all hours that they work, including pre- and post-shift work, travel time, meeting time, work performed from home and on-call time?

Do you pay nonexempt employees based on their actual timekeeping punches; i.e. not rounded time entries?

Do you pay reporting time pay at the employee's "regular rate of pay" when an employee:

Yes No

Reports to work as scheduled and is given less than half of the scheduled hours;

Is required to report to work a second time in any one workday and is given less than two hours of work on the second reporting; or

Is called in to work on a day other than their normal work schedule?

Are you aware of the exceptions to reporting time pay, such as circumstances beyond the employer's control?

If you have employees who are paid commissions, do you have signed written commission agreements with each employee?

If you have employees who work on-call or standby time, have you confirmed whether that time is controlled or uncontrolled and if it is controlled time, are you paying the employee at least the applicable minimum wage?

Do you pay nonexempt employees for all hours worked at least twice each calendar month on designated paydays that meet the following timing requirements?

- If you use a twice monthly payroll schedule where wages are earned between the 1st and 15th, and the 16th and the end of the month, payment for work performed between the 1st and 15th days of the month is made by the 26th day of the same month, and payment for work performed between the 16th and the end of the month is made by the 10th day of the next month; or
- If you pay employees weekly, biweekly or semimonthly, wages are paid within seven calendar days of the end of the pay period during which wages were earned.

Are salaried exempt employees paid at least once per calendar month on a designated payday?

Do you post a notice specifying the regular paydays and the time and place of payment in a conspicuous location in the workplace?

Note: Different pay schedules may apply to employees in certain industries (e.g., farm laborers, vehicle dealers).

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Required Notices and Postings

Yes No

Do you provide the *Wage and Employment Notice to Employees* (Labor Code section 2810.5) to all nonexempt employees at hire?

Do you have the following posted in your workplace:

Yes

No

Minimum Wage Order?

The Wage Order that applies to your business?

Any local minimum wage orders that apply to your business?

The paid sick leave poster created by the California Labor Commissioner?

Notes:

Timekeeping and Records

Yes No

Do you maintain accurate records of employees' full names, Social Security numbers, addresses and birth dates (if under age 18)?

Do you use a timekeeping system that accurately records all hours worked by nonexempt employees?

Do you maintain accurate records of all hours worked by nonexempt employees, including start and end times, meal periods and overtime?

Do you use an acknowledgement in your timekeeping system that requires employees to affirm the accuracy of their timekeeping records and the provision of meal and rest breaks?

Do you record total wages paid each payroll period, including any deductions made?

Do you retain copies of payroll and personnel records for the duration of employment plus at least four years?

Do you comply with requests from employees (including former employees) to inspect or copy their payroll records and provide the requested records within 21 calendar days of receipt of the request?

Do you comply with requests from employees (including former employees) to inspect or copy their personnel records and provide the requested records within 30 calendar days of receipt of the request?

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Vacation/PTO

Yes No

Do you pay out all earned and unused vacation/PTO time to employees upon termination, whether by discharge or resignation?

Is the payment for accrued vacation /PTO time made at the employee's final rate of pay?

Do you ensure that employees do not forfeit accrued vacation time; i.e. you do not have a "use it or lose it" policy for vacation/PTO?

If you have a cap on accrual of vacation/PTO, is it reasonable; i.e. is it at least 1.5 times the amount of vacation/PTO that an employee can accrue in one year?

Notes:

Wage Statements

Yes No

Do you provide itemized wage statements (i.e., "pay stubs") to employees semimonthly or at the time of each wage payment?

Does each wage statement include the following information:

Yes No

Gross wages earned?

Total hours worked (except salaried exempt employees)?

Number of piece-rate units earned and any applicable piece rate (if applicable)?

All deductions, including taxes, disability insurance, and health premium payments?

Net wages earned?

Inclusive dates of the pay period?

Name of the employee along with the last four digits of their social security number or an employee identification number?

The name and address of the legal entity that is the employer?

All applicable hourly rates in effect during the pay period and the corresponding number of hours worked at each hourly rate by the employee?

Amount of available paid sick leave hours?

Any missed meal or rest break premium payments made during the pay period?

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Relevant Laws

1. [Alternative Workweek](#): California Labor Code (Lab. Code) Sec. 511; Industrial Welfare Commission (IWC) Wage Orders Sec. 3 — Allows for alternative workweek schedules under certain conditions.
3. [Expense Reimbursement](#): Lab. Code Sec. 2802 — Requires employers to reimburse employees for necessary business expenses.
4. [Final Pay](#): Lab. Code Secs. 201-203 — Covers the timeline and requirements for payment of final wages upon termination or resignation.
5. [Lactation Accommodation](#): Lab. Code Secs. 1030-1034;
6. [Makeup Time](#): Lab. Code Sec. 513; IWC Wage Orders Sec. 3 — Allows for makeup work time under specific conditions.
7. [Meal and Rest Breaks](#):
 - a. Lab. Code Sec. 226.7; IWC Wage Orders Secs. 11-12 — Mandates meal and rest breaks for employees and penalties for violations.
 - b. Lab. Code Sec. 512; IWC Wage Orders Secs. 11-12 — Specifies requirements for meal and rest periods during work hours.
8. [Minimum Wage](#): Lab. Code Secs. 1182.12, 1197; IWC Wage Orders Sec. 4 — Establishes the minimum wage requirements.
9. [Minors](#): Lab. Code Secs. 1285-1312; IWC Wage Orders Sec. 12 — Addresses the rules for employment of minors.
10. [Overtime Pay](#): Lab. Code Sec. 510; IWC Wage Orders Sec. 3 — Defines the rules for overtime pay.
11. [Paid Sick Leave](#):
 - a. Lab. Code Secs. 233-234 — Provides for the use of sick leave and prohibits retaliation for using sick leave.
 - b. Lab. Code Secs. 245-249 — Establishes requirements for paid sick days, accrual, usage, and employee rights.
12. [Pay Deductions](#): Lab. Code Sec. 224; IWC Wage Orders Sec. 8 — Details permissible deductions from employees' wages.
13. [Pay Periods](#): Lab. Code Sec. 204 — Specifies the requirements for regular pay periods and timely wage payments.
14. [Reporting Time](#): IWC Wage Orders Sec. 5 — Requires employers to pay employees a minimum amount if they report to work but are not put to work or are given less than half of their usual or scheduled day's work.
15. [Timekeeping Records](#): Lab. Code Sec. 1174; IWC Wage Orders Sec. 7 — Requires employers to maintain accurate records of employees' hours and wages.
16. [Vacation](#): Lab. Code Sec. 227.3 — Outlines the requirements for vacation pay and accrued vacation time.
17. [Wage Statements](#): Lab. Code Secs. 209, 226; IWC Wage Orders Sec. 7 — Requires detailed and accurate wage statements to be provided to employees.

Additional Resources

[California Department of Industrial Relations Labor Commissioner Guidance](#)
[Industrial Welfare Commission Wage Orders](#)
[Workplace Posters](#) (available for purchase)
[CalChamber Wage & Hour Toolkit](#) (available for purchase)
[CalChamber Labor Law Helpline](#) (membership required)
[CalChamber HR Library](#) (membership required)
[CalChamber Employee Handbook Creator](#) (subscription required)

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