

ANATOMY OF AN AUDIT

EXAMINING THE COMPLIANCE PROCESS

Maintaining compliance is simply a part of doing business for construction companies. One important component of compliance is employee pay.

The Fair Labor Standards Act (FLSA) is central to US labor law. It's enforced by the Department of Labor (DOL) and monitored by the DOL's Wage and Hour Division (WHD).

The FLSA sets an 8-hour workday, 40-hour workweek, overtime pay and a nationally consistent minimum wage. Businesses that don't comply with FLSA face audits and fines.



IN 2021, WHD:

 **FOUND MORE THAN 24,700 COMPLIANCE ACTIONS**

 **COLLECTED MORE THAN \$36 MILLION IN BACK WAGES FROM THE CONSTRUCTION INDUSTRY**

The FLSA requires employers to keep detailed records on employees' hours worked, start and stop times, total regular earning and total overtime. This information is essential when an audit happens, which could be ANYTIME.

Be prepared by examining what's involved.



WHY WOULD I GET AUDITED?

Companies are typically audited for one of three reasons: a competitor reported you, a random audit, or—most often—an employee complaint.

WILL I KNOW BEFOREHAND?

The DOL may just show up, but they usually give a month's notice. Employers may be represented by an accountant or lawyer during the audit process.

FEAR
ANXIETY
DOUBT

WHAT COULD I BE REPORTED FOR?

The DOL wants to know that your records accurately reflect what your employees worked, and that your workers got paid correctly for those hours.

HOW LONG WILL THE PROCESS TAKE?

It depends on company size, employee number and other factors, but investigations usually take two to four weeks. The auditor may deliberate for a few weeks before deciding whether to issue a citation.

WHAT IS THE USUAL PENALTY?

Audits don't often lead to court, but the WHD will force you to pay back any wages it deems went unpaid. It may also award liquidated damages. Civil money penalties are levied for repeat or willful violations.

CAN I DEFEND MYSELF?

The best defense is having accurate records. However, if you get notice of an audit and can identify and correct the problem before the audit happens, it might help you avoid a fine.

Time tracking software helps you either avoid audits or handle them well by recording accurate hours, breaks and overtime for employees in real time. Digital time records synced directly to your accounting program are much less susceptible to human error and disputes. Cloud-based time tracking software stores records for good, so they're available for easy retrieval if and when you need them.

Need to solve your time tracking challenges?

ExakTime is the construction industry's go-to solution for accurate time tracking. [Learn more](#) about how ExakTime's mobile app, rugged time clocks and kiosk option meets the needs of thousands of construction and contracting companies.