**City Compensation Practices Self-Audit Checklist**

League of Minnesota Cities Human Resources Reference Manual

 Chapter 4, Compensation

Use this checklist of items in the administration of various aspects of employee compensation to ensure compliance with major requirements of state and federal law or to align with best practices in these areas. The [Compensation Chapter](https://www.lmc.org/resources/hr-reference-manual-chapter-4-compensation/) of the Human Resources Reference Manual explains the legal and practical reasons for items included here. You may wish to add city-specific practices or delete items that do not apply to you to create a custom list for your city (use “File: Save As”).

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| **Authority to Establish Terms and Conditions of Employment** |
| ❑ | Our city understands who has the authority to establish and change wages and benefits as dictated by the form of government under which the city operates. |
| ❑ | Our city knows who has authority to approve changes to the city’s overall compensation and benefits plan (e.g., the structure, method for wage increases, across-the-board or cost-of-living increases, etc.). |
| ❑ | Our city knows who has the authority to approve changes that are within the city’s overall compensation and benefits plan (e.g., step movements, promotional increases, etc.) |
| ❑ | Our city knows when a position under consideration is covered by a collective bargaining agreement, realizing that wages and benefits for the position are likely governed by the agreement. |
| ❑ | Our city knows when a position is covered by a civil service system, realizing that wages and benefits for the position may be governed by the civil service commission rules or bylaws. |
| ❑ | Our city knows when a position is operating under an individual employment agreement or contract, and that wages and benefits are likely governed by the individual employment agreement or contract. |

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| **Compensation Issues** |
| ❑ | Our city knows what the city’s personnel policy says about compensation. |
| ❑ | Our city has established a classification and compensation plan for all employee job classes. |
| ❑ | Our city’s classification/compensation plan explains how wage increases (e.g., new hires, step increases, merit pay, cost-of-living adjustments, promotions, transfers, etc.) will be determined and implemented. |
| ❑ | Our city’s classification and compensation plan assigns a salary range (or at least a fixed wage) for each job classification used by the city. |
| ❑ | Our city compares its assigned salary ranges and actual wage rates to the market (competing employers and other cities) at least once every few years. |
| ❑ | Our city allows sufficient aid time for restroom breaks and meals as required by state law. |
| ❑ | Our city allows reasonable unpaid break time for nursing mothers to express milk for nursing her child. Minnesota law also allows that the break time, if possible, run concurrently with any break time already provided to the employee. |
| ❑ | Our city understands we must provide paid leave up to 15 days of military service in each calendar year for qualified periods of military leave. Our city understands we will provide military leave to eligible employees for up to five cumulative years of active duty service. |

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| **Process Issues** |
| ❑ | Our city follows its own personnel policy with regard to wage increases. |
| ❑ | Our city examined its practices with regard to compensation and benefits to ensure similarly situated employees are treated the same. |
| ❑ ❑ | Our city has a form for processing payroll changes (e.g., salary increases, new hires, promotions, etc.) which requires both department head signature and the signature of either the chief appointed official (clerk/administrator) or someone with authority to make hiring/firing decisions on behalf of the city (mayor on behalf of city council).Our city is in compliance with the MN Wage Theft law, including:* Providing each employee with a written notice at the start of their employment (as well as an initial notice for existing employees) including specific information about an employee’s employment status and terms of employment. We understand employers are required to keep a copy of the notice signed by each employee.
* Providing employees in writing any changes to the information in the notice above before the date the changes take effect.
* A list of personnel policies with brief descriptions of each policy that were provided to each employee, including the date the policies were given to the employee
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| **Legal Issues** |
| ❑ | Our city has considered all applicable discrimination laws in establishing its compensation policy. |
| ❑ | Our city has considered the impact on pay equity when establishing its compensation policy. |
| ❑ | Our city, with a population of more than 15,000 annually notifies residents of the positions and base salaries of our three highest paid positions. We fulfill this requirement by doing one of the following: 1) posting the information on the city’s website home page for at least ninety days; 2) including the information in a city publication that is distributed to all residents; or 3) including the information in the annual notice of proposed property taxes. |
| ❑ | Our city updates its pay equity report frequently enough to “maintain” pay equity in-between reporting periods. |
| ❑ | Our city has established a job evaluation system meeting the requirements of the Pay Equity Act. |
| ❑ | Our city follows the proper notice procedures if demoting a veteran. |
| ❑ | In the event our city offers severance pay, that severance amount is in compliance with the limits set forth by Minnesota law. |
| ❑ | Our city follows all applicable open meeting law procedures when compensation is set by the city council. |
| ❑ | Our city reviews the compensation of all staff to ensure no employee is paid above the “salary cap” established in state law (currently 110 percent of the governor’s salary).  |
| ❑ | Our city has reviewed its compensation plan to ensure that none of the payments would be considered an illegal “bonus/gift” as defined by Attorney General Opinions. |

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| **Union Issues** |
| ❑ | If our city closes a council meeting to discuss labor negotiation strategy, we are careful to work with the city attorney and meet all requirements specific to this type of closed meeting. |
| ❑ | If our city receives an order of “status quo” from the Bureau of Mediation Services (BMS) during an organizing drive, we review all upcoming wage and benefit increases to ensure they do not violate the status quo order. |
| ❑ | All wage rates for union-covered positions in our city have been established by negotiation and written into the contract. We include any seasonal or temporary positions that are covered by law. |
| ❑ | Our city has reviewed its union contracts to ensure all compensation and benefits provisions are in compliance and interpreted accurately. |

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| **Payroll Issues** |
| ❑ | Our city has established procedures for collecting and processing withholdings from employee paychecks. |
| ❑  | Our city has reviewed the law on what can and cannot be withheld from an employee paycheck, and also federal and state laws on required tax withholdings. |
| ❑ | Our city has implemented an Improper Deduction and Overpayment Policy (see model [League Model Personnel Policy](https://www.lmc.org/personnel-policy-template/) for sample language). |
| ❑ | Our city reviews legal requirements and withholdings limitations when it receives an order for garnishment. |
| ❑ | Our city tracks overtime and compensatory time for all city employees through timesheets and the payroll system. |
| ❑ | Our city keeps all required records, e.g., those required for state and federal overtime and minimum wage laws. Our city posts the three highest paid positions. |
| ❑ | Our city has established a policy regarding direct deposit of paychecks. |
| ❑ | Our city pays all employees at least once every 31 days as required by state law. Our city also understands there is an exception for volunteer firefighters, first responders, volunteer ambulance drivers and attendants, who may be paid at longer intervals than once every 31 days, provided the city and employee mutually agree to the arrangement. |
| ❑ | Our city provides an earnings statement including specific information required by law about wages paid, hours worked, deductions made, and benefits accrued by an employee in writing or by electronic means each pay period. |
| ❑ | Our city pays employees all compensation due to them promptly (generally within 24 hours unless payrolls require city council approval) for involuntary terminations. |
| ❑ | Our city pays employees all compensation due to them on the next regularly scheduled pay date for cases of voluntary termination (e.g., resignations and retirements). |
| ❑ | Our city honors employee requests for payroll deductions in order to participate in the state deferred compensation plan, as required by state law. |
| ❑ | Our city has reviewed the legal requirements with regard to social security and retirement plan options for elected officials. |

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| **Overtime Issues** |
| ❑ | Our city has established, in writing, the workweek for all employee groups, including any workweeks that are more than seven days for police/fire personnel. |
| ❑ | Our city has established a written overtime/compensatory time policy, including issues regarding improper deductions from pay for exempt employees. |
| ❑ | Our city reviews the exempt/nonexempt status of all its employees periodically. |
| ❑ | Our city notifies employees of their exempt or nonexempt status at time of hire. |
| ❑ | For cities offering compensatory time: Our city has documented the agreement of employees with this practice either through a union contract, timesheet procedures, or a personnel policy signed off at time of hire. |
| ❑ | For cities offering compensatory time to exempt employees: Our city has established a policy where exempt employees earn overtime on a different basis than nonexempt employees. The city has established in writing a limit on the accrual of the compensatory time and that no compensatory time will be paid at the time of termination to exempt employees. |
| ❑ | Our city has reviewed state and federal minimum wage and overtime laws to ensure compliance (e.g., on-call pay, pay for travel and training time, longevity pay, overtime for employees with two city jobs). |