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Roxanne H. Gibson

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MANAGEMENT
ADVISORY SERVICES
PRACTICE AIDS

TECHNICAL CONSULTING PRACTICE AID

12

***Assisting Clients in
Developing an
Employee Handbook***

Roxanne H. Gibson

AICPA

American Institute of Certified Public Accountants

NOTICE TO READERS

MAS practice aids are designed as educational and reference material for the members of the Institute and others interested in the subject of the aid. They do not establish standards or preferred practices. The standards for MAS practice are set forth in the Statements on Standards for Management Advisory Services (SSMASs) issued by the AICPA. However, since the services described in this series of practice aids are management advisory services, the standards in the SSMASs should be applied to them as appropriate.

The MAS Division expresses its appreciation to the author of this practice aid, Roxanne H. Gibson, a personnel consultant. Ms. Gibson practices in Lawton, Oklahoma, and specializes in writing personnel policy and procedure manuals, employee handbooks, position descriptions, and organizational charts.

During the preparation of this document, various members of the 1987-1988 AICPA MAS Technical and Industry Consulting Practices Subcommittee provided information and materials and advised the author and the staff. The members of that subcommittee are listed below.

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The subcommittee gratefully acknowledges the contribution made to the development of this practice aid by other subcommittee members.

***Assisting Clients in
Developing an
Employee Handbook***

Roxanne H. Gibson

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Preface

This MAS practice aid is one in a series intended to assist practitioners in applying their knowledge of organizational functions and technical disciplines in the course of providing management advisory services. An AICPA study has subdivided such knowledge into seven areas: executive planning, implementation, and control; finance and accounting; electronic data processing; operations (manufacturing and clerical); human resources; marketing; and management science. Although these practice aids will often deal with aspects of those seven areas in the context of an MAS engagement, they are also intended to be useful to practitioners who provide advice on the same subjects in the form of an MAS consultation. MAS engagements and consultations are defined in *Statement on Standards for Management Advisory Services No. 1*, issued by the AICPA.

This series of MAS practice aids should be particularly helpful to practitioners who use the technical expertise of others while remaining responsible for the work performed. For members employed in industry and government, MAS technical consulting practice aids contain information that may be useful in providing internal advice and assistance to management.

MAS technical consulting practice aids do not purport to include everything practitioners need to know or do to undertake a specific type of service. Furthermore, engagement circumstances differ, and, therefore, practitioners' professional judgment may cause them to conclude that an approach described in a particular practice aid is not appropriate.

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Scope of This Practice Aid

Some business owners are not comfortable with formalized policies for hiring, firing, rewarding, or developing employees. Instead, they make personnel policy decisions based on personal preferences. But that is an inconsistent and time-consuming way of managing personnel and can breed employee resentment. Eventually, most business owners find that personnel administration is more successful when personnel policies are uniformly applied and documented in a handbook accessible to everyone.

Most companies, even those with just a few employees, would benefit from an employee handbook. Usually this handbook answers the most important questions employees ask about such subjects as salary review, holidays, benefit programs, and leaves of absence. It keeps all employees informed about company regulations regarding such items as working hours and meal breaks and advises them about policy changes. The handbook may also contain information about procedures required to comply with the policies. In addition, it provides supervisors with the support needed to enforce policies. A well-drafted handbook can inspire employee loyalty and productivity, but a poorly drafted handbook can tie a company's hands and result in disputes on policies.

This practice aid provides guidance to practitioners who assist clients in writing an employee handbook. The Appendix presents illustrative material, including a sample engagement letter, a sample project schedule, and a sample handbook outline. Employee handbooks can be legally binding for both the employer and employees. Since each state's employment laws vary, the practitioner or client should consult legal counsel before issuing an employee handbook to make sure that it does not contradict federal or state law.

Definitions

Policy. A rule governing organizational behavior. Policies may be developed to prevent recurrence of problems that have arisen in the past, as well as to prevent employee confusion in areas that management considers important. Using established policies helps managers make decisions in areas outside their expertise. Policies ensure some consistency in behavior and allow managers to concentrate on decisions in areas where they are most experienced and knowledgeable.

Procedure. A specific direction on how to perform a particular activity. Organizations need consistent decision making based on well-developed, but not excessively restrictive, policies and procedures. Written procedures are needed only for the most vital areas. Some organizations discourage managerial initiative by developing procedures for everything.

Handbook. A book or booklet containing information on a particular topic. An employee handbook consists of management's specific policies related to personnel issues and procedures for complying with the policies. Usually, the handbook explains the reasoning and other details about the policies.

Typical Engagement Situations

In the following situations, an employer would benefit from developing an employee handbook.

- Informal policies are applied inconsistently. *Example:* Two supervisors are given different sick leave benefits for similar situations.
- Lines of personnel policy authority and responsibility are unclear. *Example:* Not all staff members know who recommends and approves raises.
- The organization's workforce has grown or is expected to grow rapidly. *Example:* A company expecting sales to increase substantially in the next six months will increase its workforce. Management wants policies communicated clearly and uniformly.
- Certain business decision making is becoming decentralized. *Example:* The owner plans to delegate more decision-making power to management but wishes to ensure consistent personnel policies.
- Because of expansion, an organization requires a more formal method of communicating policies. *Example:* A company plans to open another warehouse or branch sales office with fewer management and administrative personnel present to communicate policies.
- Government regulations require compliance. *Example:* Policies of the Occupational Safety and Health Administration (OSHA) and the Equal Employment Opportunity Commission (EEOC) mandate adherence to certain standards and consistency of employee treatment.
- New owners plan to implement certain employee policies that have been effective in other situations. *Example:* A privately held company plans to adapt and implement its policies in a newly acquired, publicly held corporation.

Engagement Considerations

In deciding whether to accept an engagement to prepare an employee handbook, the practitioner considers the following factors:

- Will client management help the practitioner develop and review the handbook?
- Will client management actively use and support the handbook?
- Does the practitioner know or can he or she learn about regulations affecting personnel policies?
- Has the practitioner developed a handbook for his or her own firm?
- Can the client describe existing personnel policies?

Understanding With the Client

When undertaking an engagement to develop an employee handbook, the practitioner needs to reach an understanding with the client. Certain common elements of an understanding, such as the engagement's objectives, benefits, scope, scheduling, and the roles of the client and the practitioner, are discussed in the following paragraphs. An engagement letter is recommended. Exhibit 1 is a sample engagement letter.

Engagement Objectives

The client's purposes for developing an employee handbook can vary greatly, depending on the client situation, and therefore need to be clearly established. Some typical objectives are as follows:

- Communicate the company's mission and related goals.
- Establish a current and comprehensive source of company personnel policies.
- Communicate employees' legal rights and obligations to employees and employers.
- Clearly define lines of authority for personnel matters within the organization.
- Provide an instrument for consistent application of personnel policies.
- Provide uniform use of personnel-related documents and software.

Engagement Benefits

- Goals that are consistent with the mission statement
- Consistency and objectivity in administration of policies
- Avoiding problems before they develop, thereby minimizing crisis management
- A fresh look at existing policies to determine the need for revision

Engagement Scope

The scope of the engagement may be narrow, limited to only documenting existing policies, or it may be broad, including updating existing policies and recommending new policies. It may also include provisions for supplements to the handbook and periodic review.

Scheduling

A schedule for all engagement activities, including starting and ending dates, is important. The practitioner and the client can then allocate staff resources on a timely basis. Exhibit 2 is a sample project schedule.

Roles of the Practitioner and the Client

The roles of client management and staff and the practitioner need to be clearly defined. To ensure the engagement's success, the practitioner needs to determine who has authority and responsibility to speak for management. This step is important because the handbook will have no value or use if it contains incorrect information.

Engagement Approach

Fact-Finding

The practitioner can gather pertinent information through observation, interviews, and review of written materials. A physical inspection of the client's premises provides an excellent overview of operations and helps the practitioner gain insight into the level of detail required for the policy handbook. The practitioner may be accompanied by a client representative or may walk through alone.

To elicit careful responses in interviews, the practitioner needs a comfortable environment that is free of distraction. Talking with key management is especially important because policies are issued by those in higher authority. In particular, the chief operating officer or owner-manager, financial officer, personnel director, and line managers need to be interviewed. Exhibit 3 presents suggested questions for these individuals. Not every question will result in a response reflected in the personnel handbook, but the practitioner needs to gather pertinent data to allow management to determine the handbook's scope.

Even a client who does not have an existing employee handbook probably has a good deal of written material relating to policies and overall operations. Such materials as employee policy memos, annual reports, advertising literature, and financial statements can help the practitioner learn about current policies.

Preparing the Outline

After completing the fact-finding phase, the practitioner analyzes the policy and operations information and develops a moderately detailed outline of the handbook. The outline's purpose is to present a proposed content structure to client management, so it need not be overly detailed. Management reviews the outline before the practitioner drafts the handbook. Exhibit 4 is a sample outline. Since the contents of an employee handbook may vary based on company circumstances and management's instructions, the information listed in exhibit 4 should serve as a guide, not a model, for actual content. Subjects not listed in the sample outline may be appropriate for specific clients.

Drafting the Employee Handbook

In most states, a nonunion worker, unless he or she has an individual contract, is employed at will. Either the employee or employer can terminate the employment relationship at any time for any legal reason. "Just cause" is not necessary. A poorly drafted handbook can change that relationship. In states where employee handbooks are enforceable, the courts will interpret vague provisions of the handbook in favor of the employee. For example, if a handbook lists specific work rules, a court might say that an employee cannot be disciplined for conduct that is not prohibited.

The employee handbook needs to be written so that it does not restrict the company's flexibility to manage properly and, when necessary, to discipline employees. It should also state that it does not constitute an employment contract and that employees work at the company's will. The handbook needs to specify that it is only a source of general information and is subject to modification. Exhibit 5 is a sample disclaimer covering these points.

Following are a few topics generally discussed in employee handbooks that require particularly careful drafting.

Hours and Vacations

The handbook should specifically state that the company reserves the right to change work hours and vacations due to business conditions and company needs. If employees are aware of this possibility in advance, it will lessen discontent. The handbook also needs to specify at what point an employee earns vacations and what happens if an employee leaves the company before taking earned vacation time.

Overtime and Holiday Pay

These provisions require careful wording to prevent excessive overtime and stop employees from using the same hours more than once in calculating overtime.

Drug and Alcohol Policies

To protect themselves and their employees, many companies have instituted drug and alcohol policies, including preemployment screening, postaccident testing, and the right to conduct searches. A clearly written policy makes it harder for employees to assert a right of privacy that allows them to hide drugs or alcohol.

Employee Benefit Plans

The employee handbook should not attempt to describe the benefits available under the plans. It should only mention that the plans exist and refer readers to informative literature describing the plans in detail. If the handbook does describe specific benefits, the company risks exposing itself to liability if the information is vague or incorrect.

A good employee handbook presents facts and ideas so that readers easily understand them and focus on what is being said rather than how it is said. Clarity and conciseness are vital. If readers do not understand what is written, they cannot use it. If the material conveys the wrong meaning, it can be even more harmful. In addition, unnecessary and irrelevant information should be excluded.

Each chapter, section, paragraph, and sentence should have a central purpose, and everything in each of the elements should contribute to its development. Sentence length requires careful study. Lengthy sentences can be broken into smaller units. Too many short sentences, however, may weaken cohesiveness. As with sentences, paragraphs should vary in length, with the aim of avoiding several consecutive long or short paragraphs.

Abbreviations should be used sparingly. The first time a term with an abbreviated form appears, the abbreviation should be placed in parentheses after the term. This method enables the reader to recognize the abbreviation when it appears again.

The handbook may use capitalizing, underlining, and italics to stress certain points. Overuse of these devices, however, may weaken their effectiveness and decrease readability.

The practitioner should set a rule for treating numbers. For example, all numbers under ten may be spelled out when they appear in text matter and figures used for numbers ten and higher.

Exhibit 6 presents additional illustrative sections of an employee handbook. Exhibit 7, "Rules-of-Conduct Agreement," is a sample of the type of agreement many employers require their employees to sign.

Reviewing of Draft by Management

The practitioner distributes a draft of the handbook to all key management personnel, including everyone who provided policy input and others identified by top management. After reviewing their comments, the practitioner prepares a

final draft and presents it to the client for approval and sign-off. Management has responsibility for the final content of the handbook, and a statement to that effect in the sign-off form is appropriate.

Determining the Handbook's Structure

Two basic page-numbering systems are available. One system numbers the pages in the entire handbook consecutively. For example, a 150-page handbook would be numbered 1 through 150. The second system numbers each section of the handbook individually and has page numbers begin again with each new section. For example, 1-1, 1-2, 1-3; 2-1, 2-2, 2-3. The latter method allows easier revision within sections.

A practitioner who chooses to number the pages consecutively may want to leave space on each page to allow for revisions. Then the pagination will change only slightly with each revision. In addition, a revision date may be added in the bottom left corner. For example:

| | | |
|--------------|-----------------------------------|----|
| Revised 1/XX | Personnel Policies and Procedures | 17 |
|--------------|-----------------------------------|----|

If users are to insert the revisions into the handbook, insertion instructions and a master page index need to be issued along with the new pages. The index provides users with a current list of page numbers and date codes so that they can be sure their manuals are up to date.

Tabbed index pages are valuable to people who refer to the handbook regularly. Tabbed pages make it easy to locate information, thereby saving time and encouraging greater use of the manual.

The practitioner considers several factors before selecting the binding for the handbook. These factors fall into the categories of updating requirements, quantity, and use.

Updating. A loose-leaf or three-ring binder makes it easy to remove or replace individual pages or small sections that require frequent updating. A client who makes major revisions according to a predetermined schedule may prefer to use a more permanent binding and replace the entire handbook periodically.

Quantity. A client who needs a small quantity of handbooks will probably want to use a stock-item, rather than a custom-made, binder. A stock-item binder can be customized by hot stamping, silk screening, or inserting printed card-stock paper into the front and spine.

Use. For easy handling, the handbook's bulk and weight need to be kept within reasonable bounds. Plastic comb bindings, although attractive, lie flat and usually are not durable.

Conclusion

As smaller businesses evolve into larger ones, they often confront pressures that require them to establish a more formal approach to policy administration. Many businesses that resist this formalization will be plagued by inconsistent and ineffective personnel management. CPAs can help eliminate this weakness by developing employee handbooks for clients, when appropriate. The assistance may also provide practitioners with opportunities to observe weaknesses in client operations that can lead to other MAS engagements.

Illustrative Material

Exhibit 1

Engagement Letter

CPA & Company
One Citicenter Place
Anywhere, USA 11111

January 5, 19XX

Mr. John Smith
ABC Company
10 Maney Street
Anytown, USA 00000

Dear Mr. Smith:

This letter confirms our understanding that CPA & Company will assist ABC Company in developing an employee handbook. ABC management will use the handbook as a general guide to personnel-related decision making and will give it to employees for specific information on personnel policies and procedures. ABC Company is responsible for the handbook's content, which may be considered legally binding. Therefore, ABC Company should have legal counsel review the handbook before distributing it.

Engagement Approach

We request that you appoint an individual on your staff as project coordinator and that this individual help us assemble all existing written personnel policies and procedures before the engagement starts. After reviewing the documentation, we will interview you and other key personnel to better understand current personnel practices and solicit suggestions for improvement or additions. We will also review available handbooks used by other businesses in your industry to determine if any industrywide personnel practices are appropriate for your organization.

We will then prepare a draft handbook based on the fact-finding information. At a minimum it will cover the following topics, which you have identified as necessary:

- Code of business conduct
- Employment laws
- Employment policies
- Work rules and habits
- Security
- Attendance and work hours
- Wages and salary

- Benefits
- Staff development
- Change in status

ABC staff whom you designate will review the draft and CPA & Company will revise it as appropriate. CPA & Company will also prepare suggested procedures for maintaining the handbook and internal controls for assessing compliance with applicable law.

The engagement will be complete when we deliver a final management-approved version of the employee handbook to you. Subsequent review by legal counsel is not within the scope of this engagement.

Timing and Fees

We anticipate starting our engagement on June 1 and completing it within three months. We base our fees on time expended at our standard hourly rate, plus any out-of-pocket expenses. We estimate the fee for this engagement at \$XX,XXX. We will bill you monthly, and the invoices are payable on receipt. If you wish to increase or decrease the engagement's scope, we will discuss it with you and adjust the fees as necessary.

Please signify your acceptance of this engagement by signing this letter and returning one copy to us.

Sincerely,

Peter Jones, CPA & Company

Accepted by _____
John Smith, ABC Company

Date

Project Schedule

| <i>Task</i> | <i>Dates</i> | |
|--|--------------|------------|
| | <i>Begin</i> | <i>End</i> |
| Practitioner gathers and reviews initial information. | | |
| Practitioner interviews key personnel. | | |
| Practitioner prepares a detailed outline of handbook for management approval. | | |
| Practitioner develops and sends rough draft to managers. | | |
| Managers review draft handbook and prepare comments for discussion. | | |
| Managers meet with practitioner to discuss changes in rough draft. | | |
| Practitioner prepares and sends second draft to managers. | | |
| Managers and practitioner meet to discuss final changes. | | |
| Practitioner makes appropriate changes and sends final draft to designated department or printer for final copies. | | |
| Managers receive final copies and schedule meetings to discuss formalized policies with entire staff. | | |

Suggested Interview Questions

These questions are typical for interviews. Most have a direct bearing on the contents of the employee handbook. Others provide the practitioner with necessary client background information. The practitioner may have already received answers to some of these questions during preliminary research. Additional questions may come to mind as the interview progresses.

Questions for the Chief Executive Officer

1. What is the history of this company? How did it achieve its current status?
2. What goals do you have for the company regarding dollar volume, expansion, other activities, new products, staff, and so on?
3. What are the company's major strengths and weaknesses?
4. What is the company's business philosophy?
5. What is the company's organizational structure?
6. Has the company made any unannounced plans that may affect the preparation of the employee handbook?
7. Does the company hire executives from outside or does it develop and promote them from within?
8. What are the company's procedures for hiring top executives?
9. Broadly describe the company's employee benefit program.

Questions for the Chief Financial Officer

1. What is the company's policy for travel and entertainment expenses and how are such expenses monitored?
2. What systems and controls are used to detect and prevent staff theft of assets, such as cash, supplies, and tools?
3. Who signs company checks?
4. What is the company's policy toward employees who accept bribes or convert company funds or property? Exactly how is this policy implemented?

Questions for the Director of Personnel or the Manager Responsible for Personnel Matters

Personnel Department Organization

1. If a formal organizational chart does not exist, can you describe the chain of command in your department?
2. Do you currently have a formal set of personnel policies?
3. If not, what policies are there and how are they enforced?
4. Is a brochure or other means used to welcome new staff and explain essential company policies?

5. If not, how is this function handled?
6. Does the company have a policy for:
 - a. Giving references for former staff members?
 - b. Checking references and educational claims of prospective new staff?
 - c. Employing people who have an arrest record?
 - d. Employing people who have a prison record?
 - e. Employing people who have physical disabilities or health problems?
 - f. Employing people who have worked for competitors?
 - g. Employing people under the age of eighteen?
7. If there are periodic company social functions, what are they, when do they occur, and how are they planned? By whom are they administered? Who establishes and controls budgets?

Employee Wages and Benefits

8. What benefits do staff members receive?
9. Does the company have a wage-administration system, and if so, how does it operate?

Recruitment and Termination

10. How are prospective new staff members located, evaluated, hired, and trained?
11. Does the Personnel Department use any manual or set of procedures for—
 - a. Preparing “Help Wanted” ads?
 - b. Conducting executive searches?
 - c. Evaluating résumés?
 - d. Interviewing prospective staff members?
12. Who decides to discharge staff members?
13. Explain the full procedure for discharging staff members.
14. Does the company conduct an exit interview? If yes, who conducts it? If no, why not? What are its objectives?
15. How extensively are departmental managers involved in the hiring process? How does this work?
16. Does the company use employment agencies? Does it pay fees?
17. What is the policy on using temporary staff? Who determines the need? How is continuation of need monitored? Who purchases such services?

Promotion

18. What are the company's policy and system for internal advancement?

Evaluation, Review, and Awards

19. Is there a system for periodic staff member review and evaluation? What role do department managers play?

20. Does the company give awards for—
 - a. Outstanding services?
 - b. Suggestions?
 - c. Referrals?
 - d. Anniversaries of employment?
 - e. Retirement?
 - f. Safety?
21. Who determines the budget for such awards and how is it administered? If awards are tied to company functions such as banquets, luncheons, and picnics, who plans and administers them? Explain the entire process.

Education

22. Does the company encourage continuing education? If yes, how does it do so?

Retirement

23. Does the company have a retirement program? If yes, explain how it works.

Records

24. How are personnel records maintained? Who is responsible for maintaining them? Who has access to personnel records?
25. What is the system for keeping records of staff work hours (for payroll), authorized and unauthorized days off, and so on?

Strengths and Weaknesses

26. What are the company's greatest strengths in its personnel practices?
27. What are the company's greatest weaknesses in its personnel practices, and what are your recommendations for improvement?

Questions for the Production Manager

1. If a formal organizational chart does not exist, can you describe the chain of command in your department?
2. Are you kept informed of company objectives? How?
3. Is there a company safety program? How is it promoted and administered? Who is in charge of it?
4. What is the procedure for taking care of staff members who are injured on the job? How and to whom are injuries reported?
5. What is the system for—
 - a. Scheduling vacations?
 - b. Reporting absences?
 - c. Reporting tardiness?

Outline for an Employee Handbook

- I. Introduction
 - A. Brief company history
 - B. Company philosophy
 - C. Directions for using and updating the manual
- II. Code of Business Conduct
 - A. Drugs and intoxicants
 - B. Outside activities
 - C. Community, charitable, and other activities
 - D. Statement of confidentiality
 - E. The company and politics
 - F. Summary
- III. Employment Laws
 - A. Affirmative action
 - B. Age Discrimination Act
 - C. Federal Child Labor Law
- IV. Employment Policies
 - A. Hiring procedures
 - B. Employment application
 - C. The interview
 - D. Checking references
 - E. Recruitment procedures
 - F. Probationary status
 - G. Required personnel papers
 - H. In-house transfers
 - I. Rehiring former staff members
 - J. Employment of handicapped
 - K. Employment of veterans
 - L. Retention of applications
 - M. Fair Labor Standards Act
 - N. Staff member classification
 - O. New staff member orientation
 - P. Employment at will
 - Q. Termination statement
 - R. Cross-training
- V. Work Rules and Habits
 - A. Occupational Safety and Health Act (OSHA)

- B. Emergency procedures
 - C. Staff safety training
 - 1. First aid
 - 2. Accident prevention
 - D. Customer injuries
 - E. Solicitations
 - F. Accepting gifts
 - G. Dress and grooming
 - H. Smoking
 - I. Outside employment
 - J. Customer service
 - K. Personal telephone calls
 - L. Mailing system
 - M. Sexual harassment
 - N. Disciplinary procedure
 - O. Memo on staff counseling
 - P. Reimbursement approval
 - Q. Company purchase and supply
- VI. Security
- A. Theft
 - B. Bomb threats
 - C. Fire
 - D. Weather-related catastrophes
 - E. Flood
 - F. Arrival/departure security
 - G. Access before and after hours
 - H. Access to records and software
- VII. Attendance and Hours of Work
- A. Attendance
 - B. Rest periods and meal breaks
 - C. Hours of work
 - D. Records of hours worked
 - E. Overtime
 - F. Absences
 - G. Punctuality
- VIII. Wages and Salary
- A. Administrative guidelines
 - B. Merit increases
 - C. Pay periods
 - D. Payroll deductions
 - E. Social security

- F. Unemployment compensation
- G. Garnishments
- H. Equal Pay Act
- IX. Benefits
 - A. Disclosure of benefits
 - B. Health care
 - C. Workmen's compensation
 - D. Sickness and disability
 - E. Medical leave of absence
 - F. Accidental death and dismemberment
 - G. Credited services
 - H. Vacations
 - I. Length of service
 - J. Holidays
 - K. Leave of absence
 - 1. Military
 - 2. Child care
 - 3. Educational
 - 4. Personal
 - 5. Maternity/paternity
 - L. Marriage
 - M. Jury duty
 - N. Voting
 - O. Funeral leave
 - P. Parking
 - Q. Employee activities
 - R. Employee suggestions
 - S. Company privileges
 - T. Tuition reimbursement
- X. Staff Member Development
 - A. Schools and training
 - B. Seminars and workshops
 - C. Nonexempt employee performance appraisals
 - D. Exempt employee performance appraisals
- XI. Change in Status
 - A. Change of personal status
 - B. Promotions
 - C. Internal staff member status change
 - D. Terminations
 - E. Resignations
 - F. Exit procedures

Disclaimer

Confidential

For internal use by company staff members only. Not to be published or reproduced.

This employee handbook does not constitute an employment contract for any period of time but merely sets forth policies and procedures in effect on the date it was issued. This handbook may be amended periodically without prior notice to staff members.

Initial and ongoing employment is based on "employment-at-will" principles. Each staff member has the right to sever his or her employment with the company. The company retains the right to terminate the employment of any staff member, with or without notice and with or without cause.

Personnel Policies

Work Hours

The normal work day schedule is eight hours, on average, plus a meal break of one hour. The regular work week is forty hours, plus meal breaks. Actual starting and quitting times vary from department to department, depending on the work flow in the department. Generally, the clerical staff works from 8:00 A.M. to 5:00 P.M. and all other employees work from 7:30 A.M. to 4:30 P.M.

Work includes the following:

- Working on the job
- Participating and contributing toward the principal activity of the company
- Preparing the work area
- Learning a job
- Correcting work

Work includes travel time if it is—

- During regular working hours.
- The result of an emergency call outside regular working hours.
- Outside regular working hours as the result of a one-day special assignment.
- Time spent by a driver transporting fellow employees to a work assignment.

Work does not include meal breaks, travel time as a passenger outside regular working hours, and unauthorized time spent getting ready for work prior to regular working hours.

Meal Breaks

One meal break of a maximum of one hour is to be provided during each work shift. Employees working beyond the eight-hour work day receive a meal break for each additional four hours worked. Changes in the time employees take meal breaks must be approved by a supervisor. Employees use the time clock to report meal breaks.

Meal breaks are not work time and are not compensated. Employees may not waive their meal breaks.

Each department schedules its own meal breaks. It is important that each employee leave for meals on time to prevent delays that upset the schedules of others.

Truck drivers take one-hour meal breaks. Shipping/receiving area personnel take meal breaks from 12:00 P.M. to 1:00 P.M. Freight will not be received or signed for during this time. Store employees take meal breaks in hourly shifts as assigned by the supervisor.

Accounting department employees take meal breaks from 12:00 P.M. to 1:00 P.M., except for one person, who remains to answer telephone calls. The telephone assignment may be rotated among employees. The telephone answerer's meal break will be from either 11:00 A.M. to 12:00 P.M. or 1:00 P.M. to 2:00 P.M.

Records of Work Hours for Employees Paid by the Hour

Employees use a time card to keep an accurate record of hours worked. Employees clock in and out daily as follows:

- When reporting to work, employees are to clock in.
- Employees are to clock out at the beginning of their meal break and clock in when the lunch break is over.
- At the end of the day, employees are to clock out.

Time cards are for two-week periods. Any time off should be designated as due to sickness, *personal emergency*, holidays, and so on. At the end of each two-week period, the employee signs his or her time card, certifying correctness. An employee who falsifies a time card is subject to discipline and possible termination.

Employees are not to clock in or out for other employees. An employee who breaks this policy is subject to discipline and possible termination.

If an employee forgets to clock in or out, the supervisor needs to approve the written-in time on the same day it occurred, not at the end of the pay period.

Supervisors are required to maintain control of employees' time cards. Supervisors review time cards for accuracy, verifying time recorded and accumulated regular hours and overtime hours. Supervisors then sign the cards.

Overtime

Work assignments within the company are completed during normal work hours. The department manager authorizes any overtime work ahead of time.

Overtime begins when a nonexempt employee works more than forty hours in a one-week period. Paid holidays, paid leave days, paid vacation days, and unauthorized absences, during which an employee did not work, will not be counted as hours worked in computing weekly overtime.

The rate of pay for overtime is 1½ times the employee's normal pay rate. Time off, in lieu of overtime pay, is an option available to the employee if approved by the supervisor.

Casual Overtime

Casual overtime is unscheduled and not expected to continue for more than a few days. It occurs infrequently and cannot be predicted. An example is overtime required to meet an emergency caused by machine breakdown, unexpected absenteeism, or temporary heavy production demand. Supervisors must approve casual overtime beforehand.

Scheduled Overtime

Scheduled overtime occurs with regularity and usually can be predicted. For instance, if a supervisor announces that a certain number of people will have to work ten hours overtime for the next six weeks to meet an unusual production demand, this is classified as scheduled overtime. Supervisors must approve this overtime beforehand.

Miscellaneous

An employee eligible for overtime is paid according to policy and may not waive the right to overtime compensation. Compensatory time off may be granted to exempt employees at the discretion of the appropriate supervisor.

Attendance

All employees work their full shift when possible. All absences are reported, and the office manager records them. A dependable attendance record is extremely important. Because of the nature of our work, most positions are hard to fill with substitutes.

Employees are not expected to work, however, when illness or a personal emergency makes absence necessary. Employees should take reasonable care of their health to maintain a prompt and regular attendance record.

Absences

Even if an absence involves consecutive days, each instance is recorded as one occurrence for performance appraisal purposes.

Excused Absences

When approved by the appropriate supervisor, absences for the following reasons are excused and may be eligible for full or partial compensation according to the policy governing that absence: holidays, vacation, jury duty, military leave (for example, National Guard duty), and other approved absences.

Unexcused Absences

An employee contacts the supervisor as soon as possible on the date of an absence, but no later than one hour after the beginning of the work shift. Failure to do so results in an unexcused absence, which will not be compensated.

Rules-of-Conduct Agreement

Everyone at [organization] is working for the same goals: growth, profit, security, and career success. We expect you to obey company policies and set high personal standards to help yourself and the organization achieve these goals.

If you engage in any of the following activities, which are harmful to the success of our company, you will be subject to immediate dismissal:

- Theft
- Destruction or misappropriation of property
- Dishonesty of any kind
- Manipulation of documents
- Alteration or falsification of records
- Use of or impairment by alcohol and marijuana and the illegal use of controlled drugs while on the premises
- Unauthorized disclosure of confidential information

We are confident that you will always observe the rules of good conduct. Please read the employee handbook to become familiar with the policies and procedures that govern you on your job. Your signature on this form attests to the fact that you have read and understood the handbook and will abide by the policies set forth in it.

I have read the above statements. The personnel manager has explained the policies and procedures governing the company and my job. I understand what is expected of me as an employee.

Employee Signature

Date

Personnel Manager Signature

Date

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