

# California HR Compliance Checklist

For Small & Medium-Sized Businesses • 2025 Edition

California has the most complex employment law environment in the United States. For small and mid-sized businesses, staying compliant isn't optional — the penalties for missed filings, improper pay practices, or inadequate recordkeeping can run into tens of thousands of dollars per violation. This checklist, developed by KPHR's compliance team, covers the core obligations every California employer should have in place. Use the checkboxes to track your status, the calendar to schedule your audit cycle, and the filing tips to build a sustainable compliance practice.

## How to Use This Checklist

- Work through each section and check off items already in place.
- Items marked HIGH RISK indicate common PAGA or DLSE audit triggers.
- Use the Audit Calendar (Section 7) to schedule recurring tasks.
- Add to your KPHR portal to automate reminders and document storage.

- CRITICAL — Statutory deadline or audit trigger
- HIGH RISK — Common source of violations
- MEDIUM — Best practice; address within 30 days
- LOW — Good hygiene; review annually

## SECTION 01 / CHECKLIST

### PAYROLL & WAGE COMPLIANCE

#### Minimum Wage Compliance

Confirm all employees are paid at or above the applicable California state minimum wage AND any applicable local city/county minimum wage (whichever is higher).

■ *Los Angeles, San Francisco, and other cities have rates above the state floor. Check annually in January.*

#### Itemized Wage Statements (Pay Stubs)

Every pay stub must include: gross wages, net wages, hours worked, applicable hourly rates, pay period dates, employer name/address, employee name/SSN (last 4 digits), all deductions, and piece-rate info if applicable. (CA Labor Code §226)

■ *Missing any single element is a standalone wage statement violation — \$50 per employee per pay period.*

#### Overtime Calculation

California requires daily overtime ( $>8 \text{ hrs/day} = 1.5x$ ;  $>12 \text{ hrs/day} = 2x$ ) AND weekly overtime ( $>40 \text{ hrs/week} = 1.5x$ ). Also: 7th consecutive day in a workweek =  $1.5x / 2x$ .

■ *Federal FLSA only requires weekly OT. California's daily rule is a frequent audit trap.*

**Meal Break Compliance**

Employees working >5 hours must receive a 30-min unpaid meal break. Second meal break required for shifts >10 hours. Non-compliant employers owe 1 hour premium pay per violation.

- Document meal period waivers in writing. Missed waivers = unpaid premiums going back 3 years.

 **Rest Break Compliance**

10-minute paid rest break per 4 hours worked (or major fraction thereof). Missed rest = 1 hour premium pay per missed break.

- Track rest breaks separately from meal breaks in timekeeping system.

 **Timekeeping Records**

Maintain accurate records of all hours worked, including start/end times, meal periods, and total daily hours. Records must be kept 3 years.

- Use electronic timekeeping. Paper records are hard to audit and easy to challenge.

 **Final Pay Timing**

Involuntary termination: final paycheck due same day. Voluntary resignation: within 72 hours (or same day if 72-hour notice given).

- Waiting time penalties = daily rate x 30 days maximum. No exceptions for small businesses.

 **Direct Deposit Authorization**

Direct deposit must be employee-authorized. You cannot require direct deposit as a condition of employment.

- Keep signed authorization forms in employee files.

**SECTION 02 / CHECKLIST****NEW HIRE COMPLIANCE & ONBOARDING** **Form I-9 Completion**

Complete Section 1 (employee) on or before first day of work. Complete Section 2 (employer) within 3 business days. Retain for 3 years from hire or 1 year after separation.

- Audit your I-9 binder annually. Civil fines for technical violations: \$272–\$2,701 per form.

 **Federal W-4 and CA DE-4**

Collect both federal W-4 and CA DE-4 withholding forms from every new hire. California withholding is calculated separately from federal.

- Missing DE-4 defaults employee to highest withholding rate — may cause employee complaints.

 **Notice to Employee (Labor Code §2810.5)**

Provide written notice at hire covering: pay rate, payday, employer name/address, workers' comp carrier info, and paid sick leave policy. Update within 7 days of any change.

- Use the DLSE NTE form or a compliant custom version. Free template at dir.ca.gov.

 **Paid Sick Leave Notice**

Inform new hires of their paid sick leave rights. As of 2024, CA requires 5 days (40 hours) of paid sick leave per year.

- Display 'Your Rights Under California's Paid Sick Leave Law' poster at each worksite.

**Workers' Compensation Notice**

Provide new hires with a copy of your workers' compensation carrier and the DFEH pamphlet on workers' comp rights. Post required notices at all worksites.

- *Failure to carry workers' comp insurance is a criminal misdemeanor in California.*

 **CFRA/FMLA Rights Notice**

Employers with 5+ employees must provide notice of California Family Rights Act (CFRA) rights. Notify employees of their right to 12 weeks job-protected leave.

- *CA's CFRA is broader than federal FMLA — applies to smaller employers and covers more family members.*

 **New Employee Report (DE 34)**

Report all new hires and rehires to California's Employment Development Department (EDD) within 20 days of start date. Done via e-Services for Business.

- *Required for child support enforcement. Penalties: \$24/failure, \$490 for conspiracy.*

**SECTION 03 / CHECKLIST****WORKPLACE POSTING REQUIREMENTS**

- Required Federal Posters**  
FLSA (minimum wage), FMLA, OSHA safety, EEO, Employee Polygraph Protection Act, USERRA, and EPPA. All must be posted in a conspicuous location accessible to all employees.  
■ *Download free PDF versions at dol.gov/agencies/whd/posters. Update when regulations change.*
- Required California State Posters**  
CA Minimum Wage, CFRA, Paid Sick Leave, Pregnancy Disability Leave, SB 1343 Harassment training notice, Workers' Comp, Unemployment Insurance, OSHA, Payday Notice, and Wage Orders (applicable IWC Wage Order for your industry).  
■ *Post the specific IWC Wage Order for your industry — not just a generic version. 18 different orders exist.*
- Remote/Hybrid Workforce Posting**  
For employees who never visit a physical office, electronic posting via company intranet, HR portal, or email is acceptable. Document your method.  
■ *Email the poster PDF library to all remote employees and retain the distribution records.*
- Annual Poster Updates**  
Review all required posters every January when new laws take effect. Local minimum wage notices must be updated whenever the local rate changes.  
■ *Subscribe to DIR.ca.gov update alerts to be notified of new posting requirements.*

**SECTION 04 / CHECKLIST****LEAVE LAW COMPLIANCE**

- California Family Rights Act (CFRA)**  
5+ employees: 12 weeks job-protected unpaid leave for qualifying reasons. Broader than FMLA — covers domestic partners, siblings, grandparents, grandchildren.  
■ *Designate CFRA leave promptly. Failing to designate = interference claim risk.*
- Pregnancy Disability Leave (PDL)**  
4+ employees: up to 4 months of PDL for pregnancy, childbirth, or related medical condition. Runs separately from CFRA. Employee can take both (up to 7 months total).  
■ *Provide PDL notice and reinstatement rights in writing. Use DFEH-100 form.*
- Paid Family Leave (PFL) — SDI Program**  
EDD-administered. 8 weeks (increasing to 8 weeks in 2025) of partial wage replacement for bonding with a new child or caring for a seriously ill family member.  
■ *Employer does not fund PFL — but must inform employees of their right to apply.*
- California Paid Sick Leave**  
As of 2024: 5 days / 40 hours per year. Accrual method: 1 hour per 30 hours worked OR front-load full amount on January 1. Must be usable for preventive care and diagnosis.  
■ *Track sick leave usage separately from PTO. Different accrual rules apply.*

**Bereavement Leave (AB 1949)**

Employers with 5+ employees must provide up to 5 days bereavement leave per qualifying loss. Unpaid, but employees may use accrued sick/vacation. Effective January 1, 2023.

- *Update employee handbook to include bereavement leave policy.*

 **Kin Care Law**

Employees may use up to half of their annual sick leave to care for a sick family member. Cannot discipline or retaliate for kin care use.

- *Common violation: disciplining attendance when sick leave was used for kin care.*

**SECTION 05 / CHECKLIST****ANTI-HARASSMENT, DISCRIMINATION & EEO** **SB 1343 — Sexual Harassment Prevention Training**

5+ employees: supervisors must complete 2-hour training every 2 years. Non-supervisory employees: 1-hour training every 2 years. New supervisors within 6 months of hire/promotion.

- *Training must be provided by a qualified trainer. Free DFEH online training available at calcivilrights.ca.gov.*

 **Anti-Harassment Policy**

Must have a written anti-harassment, discrimination, and retaliation policy that includes a complaint procedure, investigation process, and non-retaliation assurance. Distribute at hire and obtain signed acknowledgment.

- *A policy buried in an onboarding packet you cannot produce in discovery = no policy.*

 **Complaint Investigation Process**

Establish a documented process for receiving, investigating, and resolving employee complaints. Investigations must be prompt, thorough, objective, and confidential.

- *Use a third-party investigator for complaints involving owners or senior managers.*

 **DFEH / CRD Notice**

Post the California Civil Rights Department notice on employee rights and how to file a complaint. Include in new hire packet and employee handbook.

- *Obtain from calcivilrights.ca.gov. Available in multiple languages.*

 **Interactive Process for Disability Accommodation**

When an employee requests accommodation (or employer becomes aware of a need), engage in a timely, good-faith 'interactive process' to identify reasonable accommodation options.

- *Document every step of the interactive process. Failure to engage = separate FEHA violation.*

**SECTION 06 / PRACTICAL GUIDE****RECORDS MANAGEMENT & FILING BEST PRACTICES**

Poor records management is how otherwise-compliant employers lose lawsuits. The following practices reduce legal exposure and make audits survivable.

**Recommended Employee File Structure**

- FOLDER 1 — Hiring Documents: offer letter, job description, background check authorization
- FOLDER 2 — Onboarding: I-9 (KEEP SEPARATE), W-4, DE-4, NTE (§2810.5 notice), handbook acknowledgment
- FOLDER 3 — Payroll & Compensation: direct deposit auth, garnishment orders, commission agreements
- FOLDER 4 — Performance & Discipline: reviews, PIPs, warnings, investigation notes
- FOLDER 5 — Leave Records: CFRA/PDL designations, sick leave tracking, accommodation agreements
- FOLDER 6 — Separation: resignation letter or termination notice, final pay records, COBRA notice
- KEEP I-9s IN A SEPARATE BINDER — never in individual employee files (facilitates audits).

**MINIMUM RETENTION SCHEDULE (CALIFORNIA)**

DOCUMENT TYPE	RETENTION PERIOD	AUTHORITY
Payroll records (hours, wages)	<b>3 years</b>	CA Labor Code §1174
I-9 forms	<b>3 yrs from hire OR 1 yr post-termination (whichever is later)</b>	8 CFR §274a.2
Wage statements / pay stubs	<b>3 years</b>	CA Labor Code §226(a)
Personnel files	<b>3 years after termination</b>	Best Practice
Workers' comp records	<b>5 years from incident date</b>	8 CCR §10101
EEO / harassment investigation notes	<b>4 years (statute of limitations + 1 yr)</b>	DFEH guidance
CFRA / FMLA leave records	<b>3 years</b>	29 CFR §825.500
Job applications (not hired)	<b>2 years</b>	CA Gov. Code §12946

**Digital Filing Tips for Small Businesses**

- Use a cloud HR platform (HRIS) with document management — prevents physical loss and enables access controls.
- Never store I-9s in the same digital folder as personnel files — maintain a separate I-9 'cabinet'.
- Set calendar reminders for document expiration dates (especially I-9 re-verification).
- Encrypt all personnel files at rest. California requires 'reasonable security' for employee personal data (CCPA).
- Back up HR records to a secondary location — a single ransomware attack should not destroy your compliance records.
- When using cloud storage (Google Drive, Dropbox), ensure the vendor has a signed BAA if storing health info.

## SECTION 07 / COMPLIANCE CALENDAR

### ANNUAL HR AUDIT CALENDAR

Schedule these tasks on your team calendar. Critical items have statutory deadlines. High-risk items are the most common triggers for PAGA lawsuits and DLSE investigations.

MONTH	COMPLIANCE TASK	CATEGORY	PRIORITY
<b>JANUARY</b>	Distribute W-2s to all employees by Jan 31	Payroll	<span>CRITICAL</span>
	Update Minimum Wage posters (CA state + local)	Posting	<span>CRITICAL</span>
	Review PTO accrual caps — unlimited PTO policy audit	Policy	<span>HIGH</span>
	File Q4 DE 9 / DE 9C with EDD	EDD Filing	<span>CRITICAL</span>
<b>FEBRUARY</b>	Verify all I-9 forms are current; re-verify expiring documents	I-9 Audit	<span>HIGH</span>
	Confirm sexual harassment prevention training completion (SB 1343)	Training	<span>HIGH</span>
<b>MARCH</b>	Audit meal and rest break records for prior quarter	Wage/Hour	<span>HIGH</span>
	Review employee handbook — annual update cycle	Policy	<span>MEDIUM</span>
<b>APRIL</b>	File Q1 DE 9 / DE 9C with EDD (due Apr 30)	EDD Filing	<span>CRITICAL</span>
	Confirm ACA affordability — check employee contributions	Benefits	<span>HIGH</span>
	Audit itemized wage statements for all pay stub elements	Payroll	<span>HIGH</span>
<b>JUNE</b>	Mid-year FLSA / PAGA self-audit — wage & hour exposure review	Compliance	<span>HIGH</span>
	Confirm summer intern classification (employee vs. unpaid intern test)	Classification	<span>MEDIUM</span>
<b>JULY</b>	File Q2 DE 9 / DE 9C with EDD (due Jul 31)	EDD Filing	<span>CRITICAL</span>
	Review independent contractor agreements — AB 5 compliance check	Classification	<span>HIGH</span>
<b>OCTOBER</b>	File Q3 DE 9 / DE 9C with EDD (due Oct 31)	EDD Filing	<span>CRITICAL</span>
	Open enrollment preparation — benefits education for employees	Benefits	<span>MEDIUM</span>
	Audit I-9 binder — flag any 3-year or 1-year post-termination expirations	I-9 Audit	<span>HIGH</span>

MONTH	COMPLIANCE TASK	CATEGORY	PRIORITY
<b>NOVEMBER</b>	Review and update all required workplace posters	Posting	MEDIUM
	Complete supervisor anti-harassment refresher training	Training	MEDIUM
<b>DECEMBER</b>	Year-end payroll reconciliation — W-2 preview & corrections	Payroll	HIGH
	Confirm CA SDI, PFML withholding rates for new year	Payroll	HIGH
	Archive terminated employee files per CA retention schedule	Records	LOW
	Brief leadership on new laws effective January 1	Policy	HIGH

### Every Month — Recurring Compliance Tasks

- Run payroll audit: verify OT, meal/rest break premiums, and wage statement accuracy before processing.
- Review any new hires: confirm I-9 Section 2 completed, NTE issued, DE 34 filed within 20 days.
- Check for new or amended CA/local employment laws (sign up for DIR and DLSE alert emails).
- Log any CFRA, PDL, or paid sick leave usage to ensure no retaliation exposure.
- Review any employee complaints or HR incidents — initiate investigation within 5 business days.

**SECTION 08 / HIGH-RISK AUDIT****PAGA EXPOSURE QUICK-CHECK**

The Private Attorneys General Act (PAGA) allows employees to sue on behalf of the State of California for Labor Code violations. Penalties range from \$100–\$200 per employee per pay period. The following are the most common PAGA triggers identified in California employer audits.

 **Wage Statement Deficiencies**

Missing any of the 9 required elements on pay stubs. Even a formatting change can create a new violation class.

■ *Audit one full pay cycle of pay stubs quarterly. Compare against LC §226 checklist.*

 **Off-the-Clock Work**

Employees performing work before clocking in, after clocking out, or during meal breaks. Common in retail, restaurants, and warehouses.

■ *Audit clock-in/out patterns. Investigate if clock-in is consistently at exactly the shift start time.*

 **Rounding Policies**

Time-rounding systems that consistently benefit the employer are presumptively unlawful. The trend in CA courts is to disfavor rounding entirely.

■ *Transition to actual time capture rather than rounding. Review Donohue v. AMN (CA Supreme Court, 2021).*

 **Expense Reimbursement (LC §2802)**

Employees must be reimbursed for all necessary business expenses, including personal cell phones used for work, mileage, home internet, and uniforms.

■ *Have a written expense reimbursement policy. Pay at the current IRS rate for mileage.*

 **Independent Contractor Misclassification (AB 5)**

California's ABC test presumes workers are employees. IC status requires passing all three prongs: (A) free from control, (B) outside usual course of business, (C) independently established trade.

■ *Audit all 1099 relationships annually. One misclassified IC = joint payroll tax + benefit exposure.*

**Ready to automate your HR compliance?**

KPHR's AI-powered compliance agents monitor California labor law changes, flag violations before they become penalties, automate wage statement audits, and maintain your filing calendar — automatically. Venture-backed with 20+ years of AI development experience.

**Schedule a free compliance assessment | [kphr.com](http://kphr.com) | [hello@kphr.com](mailto:hello@kphr.com)**

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