

California PAGA Preparedness: The 5-Step, 30-Minute Audit

Are you PAGA reform ready?

The July 2024 PAGA reforms create an opportunity for California restaurants to reduce their liability. The reform rewards proactive compliance and offers significant penalty reductions for demonstrating reasonable efforts to comply with the wage and hour requirements.

Step 1: Meal/Rest Timing Sweep (10 Minutes)

The longest but most critical step. This focuses on whether the **opportunity** for breaks was provided.

- Pull timecards for one recent pay period.
- Confirm that the first meal period starts **no later than the end of the employee's 5th hour of work**.
- Flag any late, short, or missed meal or rest breaks.
- *Note: Employers have a duty to "provide" the meal period, not to "police" it.*

Step 2: Premium Pay Check (5 Minutes)

This step addresses the immediate corrective action required for break violations.

- For any non-compliant break identified in Step 1, verify that a **premium payment** was made.
- A premium payment is **one additional hour of pay** at the employee's regular rate per violation.
- Confirm the premium payment was recorded properly on the employee's itemized wage statement.
- *Note: Total liability is capped at up to two hours of premium wages (one for meal, one for rest) per day.*

Step 3: Expense Reimbursements (5 Minutes)

Failure to reimburse can lead to penalties under Labor Code section 2699(f)(2).

- Spot-check employees who use personal resources (e.g., mobile phones, personal vehicles) for work.
- Verify proper and timely reimbursement was made for expenses, such as mileage or phone stipends.
- *Note: All necessary work-related expenses must be covered by the employer.*

Step 4: Wage Statement Scan (5 Minutes)

Wage statement violations are one of the most common sources of PAGA claims.

- Review a sample of pay stubs to ensure all required details are present and accurate, per Labor Code section 226.
- Key checks include: the legal entity name and address, the inclusive pay period dates, gross/net wages, and all applicable hourly rates.
- *Note: Do not solely rely on your payroll company; verify and backup your own payroll documents.*

Step 5: Document the Audit (5 Minutes)

Documentation is your defense. This 5-minute step makes the other 25 minutes defensible.

- Write down **what** records were reviewed, **what** violations were found, **what** corrections were made, and **who** conducted the audit.
- Even a brief, consistent log in a digital file or payroll system is sufficient to show good faith effort.
- *Goal: Establish verifiable proof that your business has taken "all reasonable steps" to achieve compliance.*

Important: This reform only applies to cases filed after June 19, 2024. Earlier cases follow original PAGA rules.