SAMPLE WORK PRODUCT

HR Due Diligence Risk Assessment

Hypothetical buy-side acquisition | Preliminary executive readout

Prepared by	Jenn Resler, J.M.
Target	Northstar Field Technologies, Inc. (fictional)
Workforce	75 employees and 22 independent contractors across nine states
Transaction	Proposed acquisition by a private-equity-backed strategic buyer
Review basis	Illustrative workforce records, policies, agreements, employee data, and management responses created for this fictional assessment

Executive Assessment

The target presents a manageable but meaningful HR risk profile. No single finding currently indicates that the transaction should stop; however, three high-risk matters require validation and a defined economic or contractual response before signing. The principal exposures involve worker classification, wage-and-hour controls, and retention of business-critical leadership.

DEAL VIEW — **Proceed with conditions: complete targeted diligence, quantify pre-close liabilities, negotiate appropriate protections, and fund a focused integration plan.**

Risk & Cost Profile

Overall	High	Moderate	Low
MODERATE-HIGH	**3 findings**	**5 findings**	**2 findings**

PLANNING CATEGORY	ILLUSTRATIVE ESTIMATE	TREATMENT
Potential pre-close liabilities	**$355K-$840K**	Validate; consider escrow, indemnity, or price adjustment
One-time integration investment	**$220K-$340K**	Fund in value-creation plan and Day 1 budget
Combined planning envelope	**$575K-$1.18M**	Not additive until assumptions and overlaps are tested

Finding counts correspond to the detailed risk register on pages 2-3. Dollar ranges are fictional planning scenarios for potential pre-close exposure and one-time integration work; they are not valuations, reserves, or legal conclusions and require specialist validation.

TRANSACTION RISK REGISTER

Detailed HR Risk Register

Ratings reflect potential transaction impact, likelihood, and readiness of available evidence. Findings distinguish observed gaps from items that remain unverified.

RISK	AREA	PRELIMINARY FINDING	DEAL IMPACT / RESPONSE	STATUS
HIGH	**Worker classification**	Fourteen of 22 contractors appear embedded in core operations; scope, control, exclusivity, and tenure data are incomplete.	Quantify reclassification exposure; obtain counsel review; consider pre-close correction and tailored indemnity.	OPEN
HIGH	**Wage and hour**	Exempt-status rationale is undocumented for 11 roles; time records and off-hours communication practices are inconsistent.	Test duties and payroll data; estimate back-pay exposure; require corrective controls before or immediately after close.	OPEN
HIGH	**Leadership retention**	Four leaders hold critical customer, technical, and operating knowledge. Two have informal transaction-bonus expectations.	Finalize retention packages, succession coverage, and enforceable transition commitments before announcement.	OPEN
MODERATE	**Multi-state compliance**	Handbook is national but not localized for all nine states; leave, final-pay, and posting practices are not centrally tracked.	Complete state-by-state gap review; assign remediation owners; include cost and timing in integration plan.	PARTIAL
MODERATE	**Compensation governance**	No formal salary bands or job architecture; similarly situated employee pay varies materially without documented rationale.	Run pay-equity and compression analysis; model harmonization costs; establish approval controls.	OPEN
MODERATE	**Benefits administration**	Eligibility files show three late enrollments and inconsistent waiting-period application; broker reconciliation is pending.	Reconcile census, plan documents, payroll deductions, and carrier files; quantify correction costs.	PARTIAL
MODERATE	**Employee records**	Twelve I-9 files require correction or verification; personnel records are split among email, shared drives, and local folders.	Conduct privileged remediation plan; centralize records; define retention and access controls.	OPEN
MODERATE	**HR systems and privacy**	Workforce data is maintained in spreadsheets with broad access and limited change history; no formal role-based permissions matrix exists.	Restrict access, preserve audit evidence, and include HRIS/data migration in Day 1 planning.	OPEN

REGISTER CONTINUES

Low-risk findings, rating standards, and priority diligence requests continue on the following page.

RISK REGISTER & REQUESTS

Closing the Decision-Relevant Gaps

Lower-risk findings remain actionable, while targeted requests convert indicated or unresolved matters into transaction-ready evidence.

Remaining Risk Register

RISK	AREA	PRELIMINARY FINDING	DEAL IMPACT / RESPONSE	STATUS
LOW	Employee relations	Two open complaints are documented with interim steps; final investigation conclusions are pending.	Complete investigations, preserve files, and disclose outcome and remediation before close.	PARTIAL
LOW	Turnover and culture	Annualized turnover is 24% in sales and field operations, while companywide exit-reason data is incomplete.	Validate drivers through cohort analysis and interviews; target manager and onboarding interventions.	OPEN

Rating Standard

High	Moderate	Low
Price, protection, timing, or continuity	Remediation, cost, or acceptance	Ordinary closing or integration controls

Priority Diligence Requests

#	REQUEST	OWNER	DECISION ENABLED
01	Contractor agreements, invoices, tenure, work direction, exclusivity, equipment, and conversion history	HR / Operations	Classification exposure and corrective path
02	Two years of payroll, time, bonus, commission, and job-duty data for exempt and nonexempt populations	Payroll / Finance	Back-pay estimate and closing protection
03	Change-in-control, retention, severance, bonus, equity, and other written or informal commitments	CEO / Finance	Transaction and retention cost
04	State work-location roster, leave history, policy supplements, final-pay process, and required notices	HR / Counsel	Multi-state remediation scope
05	Benefits census, plan documents, eligibility files, carrier invoices, deductions, and open corrections	HR / Broker	Benefits liability and Day 1 continuity
06	Employee-relations log, open investigations, agency charges, demand letters, and settlement obligations	HR / Counsel	Contingent liability and disclosure
07	HR systems inventory, access list, data-retention schedule, integrations, and migration constraints	IT / HR	Integration cost, privacy, and data readiness

EVIDENCE & DEAL RESPONSE

Management Validation and Deal Protections

The diligence process tests how stated policies operate in practice, preserves evidence quality, and ties findings to named transaction responses.

Management Interview Priorities

STAKEHOLDER	QUESTIONS TO TEST	WHY IT MATTERS
CEO / Founder	Key-person dependencies; promised compensation; likely flight risks; historical exceptions	Surfaces undocumented obligations and continuity risk
HR / Payroll	Classification logic; timekeeping exceptions; leave administration; record gaps; open corrections	Tests control ownership and reliability of data-room evidence
Operations	Contractor direction; scheduling; field practices; overtime; customer dependencies	Validates how policies operate in practice
Finance	Accruals; payroll liabilities; bonuses; benefits reconciliation; litigation reserves	Connects HR findings to purchase accounting and cash needs
IT / Security	HR-data access; exports; retention; integration dependencies; departure controls	Defines privacy exposure and migration readiness

Evidence Discipline

CONFIRMED	Supported by complete, internally consistent source records.
INDICATED	Supported by partial evidence or management response; validation remains outstanding.
ASSUMED	Used only for planning scenarios and sensitivity ranges; not a factual conclusion.
UNRESOLVED	Decision-relevant information has not been provided or conflicts with another source.

Deal Protections

MECHANISM	USE IN THIS SCENARIO	EVIDENCE / OWNER
Pre-close remediation	Correct priority I-9s, preserve time records, complete open investigations, and document contractor decisions where feasible.	Closing checklist | Seller HR and counsel
Deal protections	Require complete disclosure and evaluate indemnity, escrow, or price treatment for quantified pre-close exposure.	Disclosure schedules and exposure model | Finance and counsel
Retention arrangements	Execute targeted packages for critical leaders with milestones, repayment terms, and transition responsibilities.	Signed agreements | Buyer leadership
Integration funding	Reserve budget for HRIS migration, pay harmonization, policy localization, records remediation, and manager training.	100-day budget | Integration lead

INTEGRATION PRIORITIES

Phased 100-Day Plan

Transaction protections are paired with practical operating actions so identified risks do not simply transfer to the buyer.

100-Day Operating Roadmap

WINDOW	PRIORITY ACTIONS	PRIMARY OWNER	SUCCESS EVIDENCE
PRE-CLOSE	Close high-risk diligence; finalize protections; confirm Day 1 payroll, benefits, access, and communications readiness.	Deal + integration leads	Signed protections and Day 1 checklist
DAY 1-30	Stabilize employee communications; secure HR data; retain critical talent; correct urgent record and eligibility issues.	HR integration lead	Access log, retention actions, issue register
DAY 31-60	Implement state supplements; validate classifications; launch job architecture and compensation review; begin HRIS migration.	HR + counsel + IT	Approved remediation plans and migration test
DAY 61-100	Complete policy rollout and manager training; operationalize metrics; resolve residual findings; confirm control ownership.	Business and HR leaders	Closed risk log and operating dashboard

Final Investment Committee View

CONCLUSION

Proceed, subject to closure of the three high-risk items, validation of the planning range, appropriate contractual and economic protection, and approved funding for the 100-day integration plan.

SCOPE AND RELIANCE

This is an illustrative professional work sample. All organizations, workforce data, findings, estimates, and transaction facts are fictional. It demonstrates HR, compliance, operational-risk, and executive-reporting methodology and is not legal, tax, actuarial, accounting, or investment advice.