



Department of Labor Audits of Apparel Companies Beginning Early April 2016

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Beginning in early April 2016, the United States Department of Labor, Wage and Hour Division ("DOL") will conduct random audits of at least one hundred Southern California companies in the apparel industry.

In addition to confirming compliance with an employer's obligations under the Fair Labor Standards Act ("FLSA") (i.e. minimum wages, overtime and record keeping), the DOL's purpose in conducting the audits is to perform a detailed analysis to determine whether prices paid by manufacturers to its contractors for their goods are sufficient to enable the contractors to pay their workers legally-required wages, when all overhead costs are taken into account. The DOL will also review the amounts that a manufacturer is paid by a retailer to pinpoint whether inability to pay workers stems from the low amount that a retailer pays for goods.

The FLSA, enforced by the Wage and Hour Division, requires that covered, nonexempt workers be paid at least the federal minimum wage of \$7.25 per hour for all hours worked, plus one-and-one-half times their regular hourly rate for hours worked beyond 40 per week. Employers also must maintain accurate time and payroll records.

Employers should consult with counsel regarding an internal audit of their records, policies and practices to prepare for the potential of a DOL audit.



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