



# **Employment Case Studies:** Insights Into Wage and Hour Violations

Provided by Employco USA, Inc.



## Introduction

The U.S. Department of Labor's (DOL) Wage and Hour Division (WHD) is tasked with enforcing federal minimum wage, overtime pay, recordkeeping and child labor requirements of the Fair Labor Standards Act (FLSA), as well as the Family and Medical Leave Act (FMLA) and a number of other employment standards and worker protections.

Generally, the WHD will initiate an investigation after a current or former employee files a complaint. A WHD investigator may visit an employer to provide information about the application of and compliance with the laws administered by the WHD. An investigator may also visit an organization to conduct interviews, examine time clocks and ensure all employment notifications are available to employees. Additionally, they may review up to three years of wage and hour records to determine whether there are any violations in an employer's payroll practices.

In addition to complaints, the WHD selects certain businesses and industries for investigation. For example, the WHD often targets low-wage industries due to high rates of violations, the employment of vulnerable workers and rapid industry changes, such as growth or decline. Occasionally, several organizations in a specific geographic area will be examined.

In fiscal year 2025, the WHD recovered more than \$295 million in back wages owed to nearly 177,000 workers, averaging \$1,465 per worker. The WHD also collected more than \$58.7 million in penalties in fiscal year 2025, nearly a 64% increase compared to penalties collected in fiscal year 2024.

This report contains case studies published in 2025 and 2026 that explore the most recent, real-world examples of employers found to be in violation of wage and hour laws. These case studies include snapshots of violations and general guidance on how employers can prevent similar issues. Employers can examine these case studies to learn from the mistakes of others in comparable industries and avoid FLSA wage and hour violations.

# Real-world Case Studies



**Honolulu, Hawaii**—A staffing agency and cleaning contractor providing housekeeping and janitorial services to businesses, hotels and resorts will pay \$3.8 million in back wages, liquidated damages and civil money penalties to [settle](#) a lawsuit filed by the DOL.

## What went wrong:

- The staffing agency and cleaning contractor failed to pay 1,133 employees overtime at a rate of 1.5 times their regular rate of pay for hours worked in excess of 40 hours in a workweek over more than a three-year period.
- The staffing agency and cleaning contractor willfully misclassified housekeeping and janitorial employees as independent contractors.
- The staffing agency and cleaning contractor frequently falsified pay records to conceal labor law violations. They did this by altering or manipulating time and attendance records to reduce reported hours or by deducting unpaid time for which wages were owed, and by failing to maintain accurate records of employees' wages, hours and other conditions of employment.
- The FLSA requires employers to pay nonexempt employees at least the minimum wage and 1.5 times their regular rate of pay for hours worked in excess of 40 hours in a workweek and maintain accurate records of all hours worked and employee wages.



**Livermore, California**—A roofing contractor will pay nearly \$2 million in back wages and damages and an additional \$56,314 in penalties to [settle](#) a lawsuit filed by the DOL.

## What went wrong:

- The roofing contractor failed to pay 158 employees the required overtime rate of 1.5 times their regular rate of pay for all hours worked over 40 in a workweek.
- The contractor also failed to keep accurate time records, resulting in FLSA recordkeeping violations.
- Under the FLSA, nonexempt employees must be paid 1.5 times their regular rate of pay for all hours worked over 40 in a work week. Employers must also keep accurate time records of all hours employees work.



**Wausau, Wisconsin**—A multicounty medical care partnership will pay \$162,486 in back wages and liquidated damages to [resolve](#) a DOL lawsuit.

## What went wrong:

- The medical care partnership failed to pay 68 case managers all wages owed for off-the-clock work, including overtime.
- The partnership also violated the FLSA's recordkeeping provision by failing to record hours worked by employees.
- The FLSA requires employers to pay employees for all hours they are "suffered or permitted to work" and keep accurate records of all hours worked by employees.

# Avoiding Violations

As illustrated by these case studies, complying with the varied and complex requirements of employment laws can be difficult. These laws also change frequently, making compliance an ongoing challenge for employers. Therefore, employers should regularly review their wage and hour obligations and ensure their organizations remain compliant. Below is general guidance related to the case studies, categorized by violation type.



## Worker Classification

For a worker to be protected by the minimum wage and overtime pay requirements of the FLSA, the worker must be an “employee” of the employer, meaning that there is an employment relationship between the worker and employer. Independent contractors do not have these protections. Whether a worker is an employee or an independent contractor under the FLSA is determined by looking at the economic realities of the worker’s relationship with the employer. If the economic realities show that the worker is economically dependent on the employer for work, then the worker is an employee. If the economic realities show that the worker is in business for themselves, then the worker is an independent contractor. The economic realities of the entire working relationship are examined to determine whether a worker is an employee or an independent contractor. Employment under the FLSA is not determined by technical concepts, common law standards of control or the label the employer uses; it is broader than the common law standard often applied to determine employment status under other federal laws.

Some employers prefer to hire independent contractors to avoid the costs of overtime wages, employee benefits, unemployment compensation contributions and workers’ compensation liability. This preference can lead employers to misclassify employees as independent contractors. Misclassifying employees has become an increasing concern for governments, courts and regulatory agencies. Employers that misclassify employees can be liable for costly fines and expensive litigation if a worker should have been classified as an employee and did not receive a benefit or protection they were entitled to receive by law.

In the Honolulu, Hawaii, case study, the staffing agency and cleaning contractor willfully misclassified housekeeping and janitorial employees as independent contractors. Therefore, the WHD found that the employees were deprived of their rightful overtime wages. The failure to properly classify employees violates the FLSA’s minimum wage and overtime requirements.

To avoid similar violations, employers should regularly evaluate current working relationships. Conducting regular worker classification audits can allow employers to promptly identify and rectify any misclassifications. In addition, employers can develop clear engagement processes and policies for incorporating independent contractors into an organization’s workforce, including the use of independent contractor agreements, to help ensure a smooth, legally compliant collaboration.



## Overtime Compensation

The FLSA requires employers to pay covered, nonexempt employees overtime wages—at a rate of 1.5 times their regular rate of pay—for all hours worked in excess of 40 hours in a workweek. The FLSA does not automatically require overtime pay just for working on Saturdays, Sundays, holidays or regular days of rest.

Overtime compensation is calculated on a weekly basis. An employee’s workweek is a fixed and regularly recurring period of 168 hours—seven consecutive 24-hour periods. It may begin on any day at any hour. An employee’s overtime compensation is based on their regular wage rate. An employee’s regular wage rate represents the average compensation an employee receives per hour during a workweek. An employee’s regular wage rate can vary from week to week and may be different from the employee’s contractual rate of pay. To calculate an employee’s regular rate of pay for a specific period, employers must divide the employee’s total

wages for a workweek by the number of hours the employee worked during that workweek. Unless an exemption applies, averaging hours over two or more weeks is not permitted. Some employers use a variety of tactics to avoid paying these wages, including unlawful ones.

In all the case studies presented in this report, the employers failed to pay their employees overtime compensation. In addition, in the Honolulu, Hawaii, case study, the staffing agency and cleaning contractor altered and manipulated employee time and attendance on payroll records to reduce the number of hours employees actually worked to avoid paying overtime. Failing to pay employees overtime at a rate of 1.5 times their regular rate of pay for all hours worked in excess of 40 hours in a workweek violates the FLSA's overtime provisions.

To avoid similar violations, employers should ensure they diligently record all hours that employees work. In addition, employers must properly calculate employees' regular rate of pay to ensure they receive overtime compensation at 1.5 times their regular rate for any hours worked in excess of 40 in a workweek. Employers should also consider developing and regularly reviewing workplace timekeeping and compensation policies to avoid costly mistakes.



### **Recordkeeping Requirements**

The FLSA requires employers to maintain accurate records of all hours worked and employee wages. While the FLSA does not require these records to be kept in a particular form, it does require that the records include certain identifying information about employee wages, hours worked and other data and information. Employers may use any clear format, such as paper, microfilm or electronic, with reproductions identifiable by date or pay period and readily producible upon request. The information contained in these preserved records must be complete and accessible. The FLSA requires employers to preserve certain records for at least three years, including payroll records, collective bargaining agreements, and sales and purchase records. Records on which wage computations are based, such as timecards, piecework tickets, wage rate tables, work and time schedules,

and records of additions to or deductions from wages, must be retained for two years.

In all the case studies presented in this report, the employers failed to maintain accurate records required by the FLSA. For example, in the Honolulu, Hawaii, case study, the staffing agency and cleaning contractor falsified pay records by altering or manipulating employee time and attendance on payroll records to reduce the number of hours employees actually worked or by deducting time for which payment was owed as unpaid time. In addition, the staffing agency and cleaning contractor failed to maintain accurate records of employees, wages, hours and other conditions and practices of employment. In the Livermore, California, case study, the roofing contractor failed to keep accurate time records. In the Wausau, Wisconsin, case study, the medical care partnership failed to record hours worked by employees. Failing to keep accurate hour and wage-related records or intentionally falsifying records violates the FLSA's recordkeeping requirements.

To avoid similar violations, employers should ensure that their record retention policies and practices align with FLSA requirements. Establishing clear, consistent time recordkeeping policies and implementing adequate recordkeeping systems can help employers collect FLSA-required data and information, reduce errors and create a defensible audit trail. Employers can also train their workforce to understand current FLSA recordkeeping requirements, including how to accurately track hours worked hours and meal and rest breaks. Employees should also know how to identify potential recordkeeping violations or issues, such as missed time punches, and how to report them.



### **Compensable Time**

The FLSA requires employers to pay employees for all hours they are "suffered or permitted to work." These hours are known as work hours or compensable time. Compensable time includes all hours during which an individual is actually performing productive work and all hours an employee is required by their employer to remain available for the next

assignment. Compensable time does not include periods where an individual is relieved of all obligations and is free to pursue their own interests. It also includes time worked even if the work is not requested, authorized or scheduled, where the employer knows or has reason to know the work is being performed. For example, if an employee voluntarily continues to work at the end of their shift to finish an assigned task or to correct hours, that time is considered work hours and is compensable. To determine how much of an employee's time is compensable time, employers must determine whether the employee is on duty or engaged in principal activities, as well as how rest periods or travel time affect an employee's hours of work.

In the Wausau, Wisconsin, case study, the medical care partnership failed to pay case managers all wages owed for off-the-clock work. The failure to pay employees for off-the-clock work generally violates the FLSA's compensable time requirements.

To avoid similar violations, employers should determine whether an employee is "on duty" when calculating the employee's compensable time. Working off the clock, working before the shift ends or attending work meetings may be considered compensable time under the FLSA. Establishing adequate recordkeeping systems and implementing sensible time-tracking policies are vital to prevent FLSA violations. To ensure that systems and procedures are functioning properly, employers should conduct periodic, internal audits to review work hours and payroll records.



## Conclusion

As these wage and hour violation case studies demonstrate, employers are subject to a wide range of wage and hour regulations, and noncompliance can result in significant financial penalties. Therefore, it's vital that employers seek professional guidance before making costly employment decisions. Learning from the mistakes in these case studies may allow employers in similar industries and situations to avoid major violations and prevent DOL audits.