



Legal Audit Must Do's

8 Key Areas in Your Business to Review as You Grow

The very words “legal audit” can sound intimidating, but the whole point of this exercise is to ***pour some love into your business***. Use this legal audit as a chance to step back, rejuvenate your focus, fill in any gaps, and cultivate the path you need to take to growth. (Sounds AHHH-MAZING!)

By definition, an audit is a systematic review. Think of it as an inspection, where your goal is to look for what is working well, but also for potential issues or concerns that may arise.

To perform an audit effectively, you need some guidelines, and that's what I have provided here. These are eight areas in your business that should be reviewed as your business grows or changes over time.

1. Entity Formation
2. Contracts
3. Employee/Independent Contractors
4. Intellectual Property
5. Website
6. Business Insurance
7. Compliance
8. Existing Litigation or Disputes

I recommend doing this at least annually, or when you're making large shifts, adding new products/services, or pivoting your business plan.

Need some direction?

I'm here if you need help! You can book a call to discuss any questions as you audit what's working (and what's not!) Also, follow me on Instagram or Facebook where I share more legal tips of the trade! - ***Girija B. Patel, GBPLaw***

DISCLAIMER: The following information is for education purposes only. Please consult an attorney for legal matters specific to your business.



1. Check Your Entity Formation

This how your business is set up. Some common formations are LLC, sole proprietorship, partnerships, etc. Your formation type will determine the amount of liability and protection that you have on your own personal assets (cars, home, etc.) vs. your business assets, too. There are also tax ramifications on each formation.

Focus On:

- Risk Exposure
- Business Growth
- Tax Ramifications (Involve your bookkeeper or CPA here!)
- Potential Roadblocks in Your Business

Questions to Ask:

Do you need a formation type in your business? Is your current formation type serving you well? (I.e. Does it align with the growth you've had? With the exposure of risk and liability that your business might have?) If you have a partnership, do you have a company agreement? Does it offer guidance if the partnership dissolves or other common scenarios?

To Do: Create a Company Agreement

A company agreement is so key, especially if you have any type of business partnership. It defines the partnership relationship and if/when something happens, how to navigate those roadblocks. This could be anything; a partner needing to exit the agreement or a change in marital status that affects the financial side of the business. Circumstances do happen, and a company agreement can give guidance.

2. Review Your Contracts

It's always important that your contracts grow or morph with your business, too. Remember, the goal of a contract is to clearly communicate the expectations and requirements of both parties to build a solid working relationship. A review of your current contract verbiage and clause inclusions can help keep your business relationships solid and successful.

Focus On:

- Any Recent Legal Issues/Concerns
- Pain Points

Questions to Ask:

Have you encountered any legal issues in the past year? Could those have been mitigated with contract changes? Are there any potential issues your business and you could face? Does your contract protect your client and you reasonably? What are some recurring pain points? Can you get ahead of those with tweaks to your contract?

To Do: Create an Ongoing List of Pain Points

As they come to mind or present themselves in the day-to-day of your business, this running list can be reviewed often. You might want to address anything that reoccurs in your contracts or possibly even analyze whether you might need a new contract all together.

3. Look at Your Employee/Independent Contractors

As a business owner, it is important to bring awareness of how your business operates to best set the expectations for the team. Make sure your contracts and/or employee handbook are representative of where your business is at and are aligned with your goals.

Focus On:

- Safety and Health Measures (especially during COVID)
- Employee Handbook
- Human Resource Policies

Questions to Ask: *How is your business functioning with the hired workers? Are there safety measures in place, especially relevant right now during the pandemic, and have they been communicated? Do you have an employee handbook, and if so, when was the last time you reviewed it? Do you have contracts in place with your hired workers? Have there been any issues or are there any pain points that need to be addressed in those?*



4. Intellectual Property Review

You've worked so hard to create the tools and resources that support your business, so take time to review whether or not you're protecting those items properly. Analyze what sort of items you have created for your business and what you are using frequently. This will help determine what needs protection.

Focus On:

- Revenue Building Items Created
- How This is Addressed in Your Contract
- Website Terms and Conditions

Questions to Ask: *Have you created any revenue building items that need protection? (These could be paid or unpaid. Examples: Lead magnets that take your ideal client to your revenue building models, courses, ebooks, webinars, other opt-ins, etc.) Do your contracts protect your copyright and trademark? (This includes your website terms and conditions, which is a type of contract!)*

To Do: Add in the Proper Protection

Build in the proper copyright and trademark protection by letting your audience know it's yours.

The format for this is:

Copyright: ©DATE COMPANY NAME All Rights Reserved

Trademark: Add a ™ next to your brand mark

You might also decide to take it to the next level, and register your copyright with the US Copyright Office or register your trademark with the USPTO.

5. Check Your Website

When it comes to reviewing your website from a legal audit standpoint, here are the key areas you need to focus on:

1. Accuracy of what you're selling
2. Accuracy of what you're promoting. Be sure there are clear and distinct disclaimers of #ad or #sponsored posts on social media, blogs, etc.
3. Accuracy of the Privacy Policy. First, is there one on your website? If not, please start there! This is required by law so you must have it on your



website. If there is a Privacy Policy, does it accurately reflect your company's policy?

4. Accuracy of the website's Terms and Conditions. This is the lay of your website land! Let your users know how they can use your website and the expectations you have from them. Include Intellectual property ownership clauses, Refund Policy, disclaimers, disclosures, and other important information to your business and business policies.
5. Include affirmative check boxes next to your Terms and Conditions and Privacy Policy. This is a 'must' before anyone downloads or purchases anything. This way they must acknowledge that they know the terms of use, they agree to the terms of use, and you've given them notice of the terms of use.

6. Look at Types of Business Insurance and Coverage

There are several different types of business insurance that might be beneficial to your business. As part of your legal audit, take time to assess your insurance needs. Work with an insurance provider to be sure you're clear on what is covered and what is not.

Examples of Types of Business Insurance:

- General Liability
- Professional Liability (for doctors, accountants, other professionals giving advice or providing services)
- Product liability
- Loss of Business and/or Damage to Business Equipment

Questions to Ask: *Have there been any "sticky" situations or "close calls" that are worth noting? When was the last time you compared coverages? What might your business need in the future? Does it make sense to add/change your insurance coverage?*

7. Review Compliance with Industry Requirements

Some businesses are in industries that require 3rd party audits. So when you're



performing your own internal legal audit, look for areas that will be susceptible to these external audits. This would include permits or licenses you might need or maintain. Choose to address those in advance, and stay in legal compliance.

8. Review Existing Litigation or Disputes in the Business

If you have any existing litigation (and hopefully, you don't), be sure to follow up on the status of the matters and what your next actions steps might be internally or externally.



Girija B. Patel, J.D.



www.gbplaw.com

Just a little disclosure, I'm based in Texas and licensed to practice in Texas, so I may share information about Texas laws and requirements. For legal advice in Texas or if you are based in another state, you will want to hire consult an attorney licensed to practice law in your state. Thank you for joining our GBP Law Family and while I enjoy sharing tips of the trade with everyone, please remember that this Outline does not constitute legal advice and this outline is meant for informational purposes only. It does not establish attorney-client relationship between us. If you need legal help with any matter relating to your business, I recommend seeking out the advice of an attorney who can help you specifically. Additionally, for further questions about tax or accounting, I advise reaching out to other professionals which include CPAs, tax attorneys, and other consultants that can offer extra assistance to help propel you to the next stages of your business.

If you need legal help with any matter relating to your business, I recommend seeking out the advice of an attorney who can help you specifically. Additionally, for further questions about tax or accounting, I advise reaching out to other professionals, which include CPAs, tax attorneys and other consultants that can help protect your business and take it to new levels.