



AI Compliance Checklist

What you need before your next audit.

Prepared by Catalyze · February 2026

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Executive Summary

AI hiring is under regulatory scrutiny. Five frameworks now govern how companies use AI in employment decisions. Enforcement is active – NYC Local Law 144 is already issuing violations, the EU AI Act takes effect August 2026, and the EEOC is pursuing class actions exceeding \$1M in settlements.

78%

**of companies deploy AI
in hiring**

31%

**have enforcement-level
governance**

47%

**gap = unprotected
exposure**

This checklist covers four subjects broken into 24 discrete areas with 70+ questions. Use it to assess your current readiness and identify gaps before your next audit.

How to score your readiness:

HIGH RISK

0-8 items checked

MODERATE RISK

9-16 items checked

AUDIT-READY

17-24 items checked

Sources: AIHR State of AI in HR Report; Deloitte State of AI in the Enterprise; NYC DCWP Enforcement Data; European Parliament AI Act Final Text

Section 1: Governance & Policy

Do you have the organizational framework to manage AI risk?

AI Governance Policy

- Formal AI governance policy is documented and approved by leadership
- Policy covers all AI systems used in employment decisions
- Policy is reviewed and updated at least annually
- Policy is accessible to all stakeholders involved in hiring

Compliance Ownership

- Designated AI compliance owner or committee exists with clear authority
- Named individual or team accountable for AI compliance
- Reporting line to C-suite or board established

Vendor Inventory

- AI vendor inventory is maintained with risk classification for each tool
- All AI hiring tools cataloged with vendor, purpose, and data processed
- Each tool classified by risk level (high-risk per EU AI Act criteria)

Incident Response

- Incident response plan exists for AI-related complaints or regulatory inquiries
- Process for handling candidate complaints about AI decisions
- Escalation path for regulatory inquiries or audit requests

Executive Reporting

- Board or executive reporting on AI compliance risk is scheduled regularly

Training Program

- Employee training program covers AI ethics and compliance obligations
- HR staff trained on when and how AI is used in their workflows
- Hiring managers understand AI tool limitations and override procedures

Section 2: Bias Testing & Fairness

Can you demonstrate that your AI hiring tools do not discriminate?

Independent Bias Audit

Bias audit completed by an independent third party within the last 12 months

Required by NYC LL144. Best practice for all jurisdictions.

- Audit covers disparate impact across race, gender, ethnicity, and age
- Audit results are documented with methodology and findings

Pre-Deployment Testing

- Adverse impact testing is performed before deployment of any AI hiring tool
- Four-fifths rule analysis completed for all protected categories
- Testing repeated after any model update or retraining

Ongoing Monitoring

- Continuous monitoring is active for bias drift after deployment
- Automated alerts for statistical shifts in outcomes by protected group
- Monitoring cadence documented (monthly, quarterly, or continuous)

Bias Testing & Fairness (continued)

Public Disclosure

- Audit results are published or made available as required by jurisdiction

📄 NYC LL144 requires public posting of bias audit summary on company website.

Remediation Plan

- Remediation process exists for when bias is detected
- Clear steps for pausing, investigating, and correcting biased tools
- Documentation of all remediation actions taken

Impact Assessment

- Impact assessment completed for high-risk AI systems

📄 Required by Colorado AI Act (effective June 2026). Must be updated annually.

- Assessment covers purpose, data inputs, expected outcomes, and risk mitigation
- Assessment is updated after significant changes to the AI system

Section 3: Transparency & Candidate Rights

Do candidates know AI is being used, and can they challenge it?

Candidate Notice

Candidates are notified that AI is used in the hiring process before it is applied

- Required by NYC LL144 (10 business days before use) and EU AI Act.
- Notice is clear, specific, and provided in the candidate's preferred language
- Notice specifies what AI tool is used and what decisions it informs

Human Review Process

Candidates can request a human review of any AI-assisted decision

- Required by EU AI Act for high-risk AI systems.
- Process is documented and communicated to candidates
- Human reviewers are trained and have authority to override AI recommendations

Explainability

- AI scoring is explainable in plain language
- Every AI-generated score or recommendation includes a clear rationale
- Explanations avoid jargon and are understandable to non-technical audiences

Transparency & Candidate Rights (continued)

Opt-Out Option

- Candidates can opt out of AI-assisted evaluation without penalty
- Alternative evaluation process exists for candidates who opt out
- Opting out does not disadvantage the candidate in the hiring process

Appeal Mechanism

- Appeal mechanism exists for candidates who believe they were unfairly assessed
- Candidates are informed of their right to appeal
- Appeals are reviewed by qualified humans, not the same AI system

Human-in-the-Loop

- Human oversight is maintained for all final hiring decisions

📄 71% of companies let AI reject candidates without human review – that is an enforcement target.

- AI informs but does not make final employment decisions
- Hiring managers review AI recommendations before acting on them

Section 4: Documentation & Record Retention

When regulators request records, are you ready?

Automated Documentation

- Compliance documentation is generated automatically for every AI-assisted decision
- Audit trail captures what data was input, what AI recommended, and what action was taken
- Documentation is timestamped and tamper-evident

Record Retention

Records are retained for the required period per applicable jurisdiction

California requires 4-year retention for AI hiring records. NYC audits require annual retention. EU AI Act requires records for the system's lifetime plus 10 years.

- Retention schedule is documented and enforced
- Records cover all protected categories and decision outcomes

NYC Public Posting

- NYC Local Law 144 bias audit summary is posted on your website

Must be posted on company careers page or AI tool's page. Updated annually.

Documentation & Record Retention (continued)

Vendor Agreements

- Data processing agreements with AI vendors address compliance obligations
- Contracts specify vendor responsibilities for bias testing and documentation
- Contracts include audit rights and data access provisions
- Contracts address liability allocation for discriminatory outcomes

Jurisdiction Mapping

- Documentation exists for each regulatory framework you are subject to
- NYC LL144 compliance documentation
- EU AI Act conformity assessment (if processing EU resident data)
- Colorado AI Act impact assessment (if operating in Colorado)
- California record retention compliance
- EEOC Title VII selection procedure documentation

Review Cadence

- Regular compliance reviews are scheduled and documented
- Annual review at minimum; quarterly recommended
- Review findings are documented and shared with leadership

Quick Reference: Regulatory Deadlines & Penalties

NYC Local Law 144	Active Now	Annual independent bias audit + public posting + candidate notice	\$500-\$1,500/violation. 1,000 unaudited candidates = \$1.5M.
EU AI Act	Aug 2026	High-risk classification, conformity assessment, human oversight, data governance	Up to €35M or 7% of global annual turnover
Colorado AI Act	Jun 2026	Annual impact assessments, developer and deployer documentation, ongoing monitoring	State enforcement, AG action
California AI Requirements	Active	Anti-discrimination compliance, 4-year record retention for AI hiring decisions	State enforcement with 4-year lookback
EEOC Title VII	Active	Employer liable for vendor AI that discriminates. Selection procedure standards apply.	Class actions typically \$1M+ in settlements

About this checklist

This checklist is provided as a general readiness tool and does not constitute legal advice. Regulatory requirements vary by jurisdiction and are subject to change. Consult qualified legal counsel for guidance specific to your organization.