The Company That Lost a Lawsuit Because They Couldn't Find Employee Documentation

Why documentation is your strongest defense, and how proper HR records reduce risk.

$87,000	$23,000+	0 records
judgment paid	in the company's own legal fees	to support the termination

HR Compliance · Employee Documentation · Performance Management · Risk Reduction

The situation

A 25-employee company terminated a long-time employee for poor performance. The supervisor had talked with the employee about problems several times, but nothing was written down, and the employee had received a positive review the year before.

What happened

The former employee sued, claiming the termination was retaliation for an earlier complaint. When counsel asked for records, the company could not produce:

- **Performance records** — no documented warnings, coaching notes or improvement plan.
- **Policy acknowledgments** — no signed handbook acknowledgment for the employee.
- **Consistent practice** — other employees with similar issues had not been terminated.
- **Organized files** — what records existed were scattered across email and paper folders.

Why it mattered

Without documents, the case came down to conflicting memories, and the timing looked bad: the termination came a few months after the employee's complaint. The company lost at trial and paid an $87,000 judgment plus more than $23,000 in its own legal fees.

What good documentation shows

Record	What it proves
Dated coaching notes and written warnings	The employee knew about the problem and had a chance to improve.
Signed policy acknowledgments	The employee knew the rules.
Consistent discipline across employees	Decisions were based on conduct, not on a complaint.
Organized, secure personnel files	Records can be found quickly when needed.

What should have been done

- Document performance conversations the same day, with facts and dates.
- Use progressive discipline consistently, with the employee's acknowledgment.
- Collect signed handbook acknowledgments from every employee.
- Have HR or counsel review terminations, especially after a recent complaint.
- Keep personnel files complete, organized and access-restricted.

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The outcome

After the verdict, the company trained every supervisor on documentation, adopted a simple coaching-note form and audited all personnel files. Within a year, every file had a signed acknowledgment, and terminations now go through an HR review checklist.

Self-check: could this happen to you?

- ☐ Do you have documented performance feedback for every employee?
- ☐ Are disciplinary actions written down with dates and details?
- ☐ Has every employee signed a handbook acknowledgment?
- ☐ Are similar problems handled the same way for everyone?
- ☐ Could you defend your last termination with documents alone?

Want to talk through what this means for you?

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