



***Timekeeping**

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- * Agenda
 - * Timekeeping Issues
 - * Requirements
 - * Implementation
 - * Training

***Agenda**

- * Timekeeping tops the list as one of the most critical aspects of business management.
- * If you have employees, there are timekeeping issues
 - * These issues include:
 - * Accuracy (from both employer and employee perspective)
 - * Compliance (DOL, IRS, DCAA)

***Issues**

- * Both employers and employees are concerned about accurate timekeeping. Neither wishes to feel cheated out of the work or the pay.
- * Good timekeeping systems should provide both parties with some assurance as to the accuracy of time worked.
- * This is also true of exempt salaried employees
 - * Employers want to feel they are there and working
 - * Employees want it known how hard they are working

*** Accuracy**

- * There are few areas of our lives more closely regulated than labor. Laws and regulations exist on the federal, state, and even the local level.
- * Complexity ranges from the Davis Bacon Act to local minimum wage and safety measures.
- * On the IRS side, reporting and tax treatments are critical considerations.

*** Compliance**

- * The diversity of compliance issues outside of DCAA fall outside of the scope of this presentation.
- * But....
- * Contractors need to be aware of all compliance issues even if DCAA is not.
 - * An excellent example is the tax regulations prohibiting W2 income to LLC members

*** Compliance**

* **Timekeeping Procedures.** Timekeeping procedures and controls on labor charges are areas of utmost concern. Unlike other costs, labor is not supported by external documentation or physical evidence to provide an independent check or balance. The key link in any sound labor time charging system is the individual employee. It is critical to labor charging internal control systems that management indoctrinates employees on their independent responsibility for accurately recording time charges. This is the single most important feature management can emphasize in recognizing its responsibility to owners, creditors, and customers to guard against fraud and waste in the labor charging function. To be effective, the internal controls over labor charging should meet the following criteria:

*** DCAA**

* Despite the importance DCAA seems to place on timekeeping practices, they provide their auditors with only general guidance on what they want out of timekeeping practices.

* Specific practices are restricted to

- * Manual Timesheets (CAM 509.1)
- * Automatic Timesheets (Cam 509.2)

*** DCAA**

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(1) There should be a segregation of responsibilities for labor-related activities; for example, the responsibility for timekeeping and payroll accounting should be separated. In addition, supervisors who are accountable for meeting contract budgets should not have the opportunity to initiate employee time charges. It is recognized that, for a very small company, this type of segregation may not be possible, whereas for a larger company, this type of segregation would be required in order to have good internal controls over labor costs.

(a) Procedures must be evident, clear-cut, and reasonable so there is no confusion concerning the reason for controls or misunderstanding as to what is and what is not permissible.

(b) Maintenance of controls must be continually verified and violations must be remedied through prompt and effective action, which serves as a deterrent to prospective violations.

*** General Concerns**

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(2) Individual employees must be constantly, although unobtrusively, made aware of controls that act as an effective deterrent against violations. Many businesses accomplish this by emphasizing the importance of timesheet preparation in staff meetings, employee orientation, and through the posting of signs throughout the workplace that remind employees of the importance of accurate and current timesheets.

*** General Concerns**

* Detailed instructions for timesheet preparation should be established through a timekeeping manual and/or company procedure. Those instructions should indicate that the employee is personally responsible for:

- * (1) Recording his/her time on a daily basis.
- * (2) Recording time on the timesheet

*** General Guidance Preparation**

* (3) The correct distribution of time by project numbers, contract number or name, or other identifiers for a particular assignment. To ensure accuracy, a listing of project numbers and their descriptions should be provided to the employee and maintained in the work authorization system electronically or in a hard copy for the employee to refer to it as needed.

*** General Guidance Preparation**

* (4) Changes to the timesheet. Procedures should be in place that identify the original time charge, the corrected time charge, and documentation from the employee indicating his/her concurrence with the change.

*** General Guidance
Preparation**

* (5) Recording all hours worked whether they are paid or not. This is necessary because labor costs and associated overheads are affected by total hours worked, not just paid hours worked. Therefore, labor rate computations and labor overhead costs should reflect all hours worked. Unpaid hours worked are termed "uncompensated overtime." Solicitations over the simplified acquisition threshold contain the provision at FAR 52.237-10, Identification of Uncompensated Overtime, which details disclosure requirements for uncompensated overtime.

*** General Guidance
Preparation**

* (6) Certifying the hours on the timesheet reflect the hours worked and the appropriate cost objective at the end of each work period.

*** General Guidance
Preparation**

* Comments

- * This general guidance does a pretty good job covering *timesheet* preparation both electronic and manual.
- * It does not address automatic timekeeping such as mechanical punch cards or badges.
- * The major difference here is that automatic timecards are focused on employees with a single cost objective and fringe benefit time is handled by other forms/means.

*** General Guidance Preparation**

* (1) The supervisor should approve and cosign, all timesheets.

* Yeah, a couple of problems

*** DCAA Policy Expectations**

* (2) The supervisor is prohibited from completing an employee's timesheet unless the employee is absent for a prolonged period of time on some form of authorized leave. If the employee is on travel status, the supervisor for the employee may prepare a timesheet. Upon his or her return, the employee should turn in his/her timesheet and attach it to the one prepared by the supervisor.

* A couple of problems here:

- * Assumes all payroll activities are linked to timesheets (not a bad idea but not necessary (unauthorized leave, bonus)
- * How do you staple an electronic timesheet?

*** DCAA Policy Expectations**

* (3) The guidance should state that the nature of the work determines the proper distribution of time, not availability of funding, type of contract, or other factors.

* Well, yeah....

*** DCAA Policy Expectations**

* (4) The company policy should state that the accurate and complete preparation of timesheet the employee's responsibility. Careless or improper preparation may lead to disciplinary actions under company policies, as well as applicable Federal statutes.

* In addition, DCAA wants to remind employees that mischarging, even through their employers, is considered a criminal act by DCAA and subject to criminal action.

*** DCAA Policy Expectations**

* Contractors implement effective timekeeping utilizing a couple of tools

- * Recorder
 - * Electronic Timesheets
 - * Manual Timesheets
 - * Automatic Timesheets
- * Policy & Procedures
- * Training and Assessment

*** Implementation**

*Training should occur as follows:

- * New employee orientation
- * Annual refresher for all employees
- * Change in environment
 - * Government requirements
 - * Contractor change (new software)

***Training**

* Assessment should be ongoing as part of management.

- * Do your own floor checks.

***Assessment**

*Training should be on three levels

- * Employee (All)
- * Supervisors
- * Accounting/HR

***Training**


