



DCAA

DEFENSE CONTRACT AUDIT AGENCY

Real-Time Labor Evaluations

Further information is available in the
Information for Contractors Manual under Enclosure 2, Section 4

Real-Time Labor Evaluation

- What is a Real-Time Labor Evaluation?
- Why does DCAA perform them?
- What will you need to provide?
- Will you receive advance notification?
- Common real-time procedures

What is a Real-Time Labor Evaluation?

- Live real-time examinations designed to test
 - the contractor's compliance with its timekeeping internal controls and procedures; and
 - the reliability of employee time records by verifying that:
 - employees are actually at work;
 - they are performing in assigned job classifications; and
 - time is charged to the proper cost objective.

Why Does DCAA Perform Real-Time Labor Evaluations?

- To test for compliance with timekeeping controls
 - Deficiencies addressed on a real-time basis
- Analysis of current labor charging and cost allocation practices
- In support of Incurred Cost Audits, performed at a later date
 - To determine the accuracy of labor charges to contracts, indirect accounts, or other cost objectives
 - Evaluation performed on a real -time basis since employees are more likely to remember recent events

What Will You Need to Provide?

- A current list of employees & their locations
- Timekeeping procedures
- Procedures for Work at Home program (telecommuting)
- A Point of Contact for employee interviews
 - Will also need an alternate point of contact
 - Separate point of contacts for each location

Will You Receive Advance Notification?

- Labor evaluations are unannounced so we will not call in advance to let you know we are coming or ask for a convenient time to meet.
- The auditor will arrive at your location and request to meet with the point of contact.
- The auditor will request to interview employees at their assigned workstation.

Common Real-Time Procedures

- Evaluating timekeeping procedures/internal controls
- Employee interviews
- Analysis of employee timekeeping practices
- Reconciliation of labor charges with subsequent payroll and labor distribution records

Purpose of Employee Interviews

- Verifying employees exist and are at work
- Labor charges are to the appropriate cost objective
- Verifying employees are performing in assigned job classifications
- Determine if the recorded labor hour charges are a fair representation of the work performed

Labor Evaluation Procedures

- The auditor will ask the employee for a copy of their timesheet upon arrival at their workstation or request the employee open their timekeeping application and input screen
- Other items the auditor may request include:
 - Copies of timekeeping procedures
 - Written descriptions of current projects
 - Employee identification number
 - Authorization for charging current projects

Labor Evaluations Interviews

- The auditor will concentrate on the following:
 - Employee's understanding of timekeeping procedures
 - Procedures for receiving work assignment charge numbers and descriptions
 - How often the employee completes their timesheet
 - Whether the employee includes all hours worked
 - Timesheet submission/approval process

Examples of Interview Questions

- Current job title
- Description of current projects
- Period of performance for current projects
- Charge numbers/accounts used to record time spent on each project
- Percentage of time on each project
- Explain the procedure for revising timesheet

Impact of Work at Home Program

If employee selected for interview is working at home:

- Employee's supervisor interviewed to verify control over employee's work at home schedule
- Auditor will speak to employee over the telephone:
 - Discuss work at home procedures
 - Discuss specific work being performed
 - Request charge number(s) for work performed
- Auditor may also interview employee during a follow -up visit

Post Interview Follow Up

- Obtaining explanations promptly concerning all questionable procedures & practices observed during the floor check
- Auditor may also question management, accounting, or other personnel to further clarify or confirm the employee's statements
- Perform a follow-up of employees that were unavailable on the day of the floor check to verify their existence
- Verifying employee time charges (observations made during the floor check) to the labor distribution for the pay period floor checked

Contractor Response

- Auditor will conduct exit conference to discuss results of the evaluation
- If deficiencies with the DFARS business system criteria are found, the auditor will furnish a draft version of findings to be presented in a business system deficiency report
- Contractor is given an opportunity to respond to findings
- Response can be oral or written
- Response will be incorporated into the report

DCAA Internet Resources

- Guidance**

- [Audit Process Overview – Information for Contractors Manual](#)
 - [Directory of Audit Programs](#)
 - [Contract Audit Manual](#)
 - [Select Area of Cost Guidebook \(FAR 31.205 Cost Principles\)](#)
 - [Links to Acquisition Regulations](#)



- Checklists and Tools**

- [Cost of Money Rates](#)
 - [Incurred Cost Electronically \(ICE\) Model](#)
 - [Contractor Submission Portal](#)
 - [Adequacy Checklists - Preaward Accounting System, Contract Pricing Proposal, Forward Pricing Rate Proposal, Incurred Cost Submission, Termination Settlement Proposal.](#)

- Frequently Asked Questions For Contracting Officers, Contractors and COVID-19**

Small Business Outreach Survey

We would love to hear about your recent experience with the DCAA Small Business Program, as we are committed to providing the best guidance possible and strengthening our nation's Defense Industrial Base. By participating in our survey, you will help us improve our courses, content and provide you with even better support as we continue to grow our program.



Questions/Comments



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