



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

- Common procedures include:
 - 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

DCAA Labor Evaluations

- 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

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- 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

Common Real-Time Procedures

- 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

Common Real-Time Procedures

- 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

Questions/Comments

