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
DCAA Labor Evaluations

- 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