Mandatory Floor Check Guidance

(12/11/08 per 1/1/08 policy)

Requirement:

Floor checks are a key assessment used by the Defense Contract Audit Agency (DCAA) and by Battelle's Internal Audit to confirm the adequacy and accuracy of our labor system. Due to poor performance in floor checks, DCAA has issued past opinions that our Labor System is inadequate in part. To address these issues, PNNL conducts a tiered floor-check process to provide targeted training, reinforce time reporting requirements and compliance, and to identify corrective actions where issues may be present. While these actions have led to positive results in recent DCAA floor checks, this performance must be sustained to maintain a DCAA opinion of our labor system as adequate.

In addition to evaluating compliance in areas of prior findings – the floorcheck process will also be adjusted to evaluate other risk areas as necessary, including:

<u>All staff - Management Validation of Time Reported</u> - IG (Inspector General) concerns around internal audit findings indicated potential issues with staff accuracy of reporting. Given that management review and approval is considered a key internal control regarding accuracy of time charging, the Financial Management System floor checks include a management validation step in follow-up to the training. This is to reinforce management expectations for review and approval of time cards.

<u>Exempt - Hours Worked but Not Charged (aka uncompensated overtime)</u> – Recent DCAA and internal audit have had concerns about **exempt** hours not charged and the result on cost allocation, and basis for retroactive adjustments (corrections). These issues have resulted in a change to our labor policy (effective January 1, 2008).
The changes are as follows:

1) Distinction of scheduled work time

- Work performed during regular work schedule **must be charged** (and therefore auditable by DCAA during floor checks)
- Staff may "donate" (not charge) time only
    1. outside of regular work schedule or location (e.g. home, weekends, before or after work schedule)
    2. inside regular work schedule only for limited self directed professional development activities

2) Adjustments to manage Chargeable Hours will be limited

- **No adjustments to a prior week's work time** after certification/approval
- Upper tolerance limit reduced to 80 hours (was 140)
- Adjustments to absence time limited (preceding 13 weeks and calendar year)

3) "Check the box" goes away

Process:

The attached questionnaire is required to be completed by the business office or Financial Management System (FMS) representative for each staff member identified in their review list. After the floor check and form have been completed, the form is to be signed by the representative conducting the floor check. A staff member who fails a floor check question will continue to be subject to FMS follow-up floor checks to ensure that he/she understands and complies with time charging policies and procedures. FMS floor check questionnaires will also include a management approval validation step that is not part of the Business Office floor check.

For more information staff can access the SBMS subject area on *Time Reporting and Charging Requirements*.

Questions, Appropriate Answers and Background:

<u>Questions 1-4 are for ALL staff</u>

1. **Daily Recording - Do you record time as frequently as necessary per SBMS policy?**

   The staff member accurately completes their ETR time form each day. Daily time reporting is required for all staff. *Management MAY allow exceptions for <u>exempt</u> staff who meet the following criteria, but those staff must record and certify time no less than weekly: 1) charge only one project or pool or 2) split their time consistently between specific projects or pools.*

   NOTE: ETR displays the Subacct in the description field to provide better assessment of subacct changes.

   Daily recording outside of ETR (e.g., calendar, lab notebook) is allowed, as long as the hours are transcribed into ETR at the end of the week. Once transcribed into ETR, interim records no longer need to be maintained. <u>Note</u>: A staff member using a record book during the week would need to be able to demonstrate this if floor checked and no hours are recorded, or be able to answer clearly regarding their practice and what is required if responding to a prior week where they have not retained records.

   If the staff member is away from their normal location at the end of the day, the timecard must be completed within a reasonable period upon return (e.g. within 3 hours of the start of the next workday). In any event, a staff member is required to have their time card marked complete or certified prior to the 6:00 P.M. deadline each Friday.

Timecards should only be completed in advance when the staff member expects to be unavailable. Staff should not be pre-filling the timecard at the beginning of the week.

If this review is conducted late enough in the week to determine if the staff member has complied with the daily time reporting policy, no further action is required. If early in the week, look at form history for the prior week (see instructions in step 5) to determine if the staff member has been recording daily when required.

Why it's important: Daily recording is deemed necessary by DCAA to support the accuracy of labor charging. Especially in our business model, where staff may have cause to charge to multiple cost objectives, multiple clients, as well as private and government work. Non-exempt given their pay for hours worked is directly linked to in/out times. To simplify the process – all staff should be expected to record daily. If DCAA reviews before the end of the week, they will follow up after the floorcheck to assess whether a staff member complied with requirements the entire week.

Note: If the staff member is not using a daily ETR reminder – it is available on the PNNL installer, and they should install it. If they do not want to install it due to computer issues, they should be using something of its equivalent (Outlook).

2. Did the staff member certify his/her time card in compliance with SBMS policy? Certified by 6pm, Completed by their Manager and Certified upon Return, or unexpectedly unable (sick, documented system crash) to certify and certified upon return.

Prior to 6:00 p.m. each Friday, the staff member certifies the timecard in ETR, indicating that, according to their knowledge, the information entered on the timecard is true and accurate. The staff member must certify their own timecard and cannot ask another person to do so.

If the staff member is not available to complete **and** certify by the Friday 6:00 p.m. deadline, they are expected to make every effort to ensure that their time is appropriately reported before the deadline, as follows:

- **Complete and certify including estimated time:** Under normal circumstances, timecards should not be completed in advance of time worked. However, if the staff member **expects** to be away at the end of the workweek and unable to meet the deadline, they complete and certify the timecard before leaving the office for the week including estimated time. If actual time worked differs than that estimated, the staff member makes any needed corrections and recertifies the timecard upon their return (see the Correcting Timecard Errors section). This also applies to staff members who have not completed their day as of the Friday 6:00 p.m. deadline.
- **Manager or administrator records appropriate work or absence time and marks timecard complete**: If the staff member is ill or otherwise unavailable to complete and certify the timecard by the deadline, the staff member's

manager or administrator completes the time form as appropriate on their behalf and marks it complete. When the staff member returns to work, they review the information entered, make any needed corrections, and certify the timecard as accurate.

Staff members with uncertified timecards as of the 6:00 p.m. Friday deadline, and not marked complete by their manager or administrator, will receive a notification that they were out of compliance with time charging policy. If the staff member has not already done so, they are to complete and certify their time card upon their return.

Remind the staff member that DCAA audits include a follow up of the time card to ensure these actions are taken.

Why it's important – completion and certification indicates that the labor cost data is complete and accurate and can be relied upon for billing and management purposes – without this step there is no way to ensure that the data meets this criteria.

3. Charge Code Work Authorization - Can the staff member access the work authorization for their charge codes through ETR?

Staff must be able to access the ETR work authorization unassisted. If after you have determined that they are unable to do this and failed this question, please demonstrate how to access the work authorization and have them do it again.

Staff are free to seek out other information to further support their authorization IN ADDITION to the ETR access, but not in place of. If a staff member feels that the information could be improved, they should contact the project manager or business office to request that it be improved. If the authorization is not completed, notify the responsible person and request that it be completed as soon as possible.

How: Staff can access their work authorizations by 1) right clicking on a work package in ETR and selecting "Work Authorization", or 2) by clicking on the "…" to the right of the charge code to access the personal charge code list which also provides a Work Auth button. If staff members use **Macs**, they can access their work authorization by holding down the "Apple" key and clicking with their mouse. **ETR Help FAQs provide instructions**. It is critical that staff know how to access work authorizations and can demonstrate this ability. If they struggle, show them the different ways and remind them that the ETR Help FAQs will also tell them how. Note: point out that the work authorization also provides hyper links to the project management reports which provides more information on the project – this may help the staff member view them as more valuable.

Why it's important: The ability to access the work authorization provides staff with information that can help them determine that their charging is correct. This was a corrective action implemented based on DCAA observations that verbal approval of *charge codes (or yellow sticky authorization) did not provide staff with consistent access to information needed to assess whether the charge code they were given was correct for the work they were performing. This lack of access reduced DCAA confidence in the accuracy of our labor charges.*

4. **If the staff member corrected a prior week certified timecard, did he/she understand and use the change code correctly?**

The staff member should be able to confirm that time cards can be changed prior to certification as accurate, and after that they may only be changed as follows

- To correct errors or estimates, using the appropriate reason code (including reallocation of charge code as appropriate – e.g. follow on activities)
- Exempt staff to manage chargeable hours, limited to adjusting paid absence (within the last 13 weeks of the current calendar and fiscal year).

Why it's important: DCAA usually asks staff to explain times they have gone back and changed their time cards, and why. Looking for staff who are inappropriately changing their time (e.g. moving hours from one project to another). It's important that changes are limited to appropriate corrections (of errors or estimates). This will be an important time to remind exempt staff of the change.

See – reason code attachment.

<u>Questions 5-6 are for EXEMPT staff only</u>

5. **If, exempt, can the staff member access and explain their chargeable hour goal report without assistance?**

Staff can access their chargeable hours goal report two different ways. The easiest way is to click on the "Goal Report" button in ETR next to the "Save" and "Certify" buttons. The other way is from the dropdown menu. Staff can go to "Reports" and then "Web Reports". Staff members need to be able to explain how variances occur in chargeable hours and what acceptable performance is both during the year and at fiscal year end. Variances in chargeable hour goals occur when a staff member charges more/less hours in a week than scheduled. For example, if a staff member charges 45 hours in week one and 38 hours in week two, his/her chargeable hour variance would be +3 hours. SBMS policy dictates the acceptable range of chargeable hour variances and is included below:

- At the end of the fiscal year, chargeable hours must be within 1% below and 80 hours above.
- During the fiscal year, increased flexibility is allowed; however, variances in chargeable hours can be no more than 40 hours behind or 80 hours ahead of the cumulative annual goal.

Why it's important: While we require staff to allocate their work time by the hour (our billing unit is hourly based), according to Washington State Labor Law exempt staff members cannot be treated like hourly employees. Therefore the Chargeable Hours Goal was implemented to support the expectations of 'exempt' staff not being required to account for 40 hours of work and/or absence each week. Because time charged/billed does not impact salary paid (and hence actual labor cost incurred), a key tenet of DCAA and DOE acceptance of this policy was that staff would be held accountable for an appropriate chargeable hours goal to minimize variances between labor cost billed and labor cost incurred.

6. Exempt staff appropriately recorded all hours worked during their work schedule at the work location

Exempt staff must record all hours worked during their work schedule at their work location. They do not have to record hours worked outside of their regular work schedule (i.e. home, weekends, before or after work schedule). If they state that they did not charge other hours, they must be able to clearly and unequivocally define the hours as one of the following self directive professional activities:

- Peer reviews performed as a professional courtesy
- Conceptualization of new ideas outside of the scope of current projects and prior to the point of making a decision to submit a formal proposal to a client
- Building or maintaining expertise including development activities of a personal or professional nature (e.g. attending seminars or lectures, staying current on areas of expertise or professional interest)
- Mentoring staff as a professional courtesy
- Other clearly self-directed work related activities of a professional development nature

Why it's important: Battelle's flexible reporting policy supports the status that exempt staff members are not required to account for a standard 40-hour work week, but are paid for the 'job' which often requires additional hours. However, staff still must charge or bill their time based on work performed during their work schedule at the work location (e.g. Richland campus for Richland staff). This new policy was implemented as a condition for DOE acceptance of our flexible time charging policy, to limit the hours when a staff member can "pick and choose", avoid requiring staff to record every hour worked, and avoid attempting to spread that cost on a pro-rated basis.

Does the staff member require additional floor check training?

If at conclusion of the review the staff member the staff member has failed any of the PRIMARY questions, they will remain or be added to the Financial Management System list for a subsequent floor check. Supporting questions are just that, and do not need to be used to determine a pass/fail.

Share Results with Manager

It is important to share the results with the manager and staff member. All results should be shared. If a staff member passed, let them know it. If they passed, but you have concerns about a weakness you noted, or if they did not pass, share the results with them and their manager (not necessarily in the same message). This should also communicate what follow up actions they may expect (additional floor checks, and the three strikes rule). In addition, the FMS floor checks will include a formal management validation action (see below).

Exhibit: Timecard Change Explanation Codes

Effective Date: **January 2008**
Point of Contact: Payroll Accounting

When changes are made to a previously certified timecard, an explanation code must be selected from a drop-down menu in ETR. The following table lists the available codes, along with a description and example for each code.

Code	Description / Example
TE	Transposition error. This code should be used when a staff member transposes numbers when entering a charge code into ETR. **Example**: Staff member originally entered M39245 when the correct charge code was M39254.
CE	Charged in error - picked wrong charge code number. This code should be used when a staff member inadvertently uses the incorrect charge code while filling out their timecard. **Example**: A staff member may have a predetermined list of charge codes to pick from when filling out their timecard. If the staff member chose M39000 off of the list when they should have chosen M45160, they should utilize the CE code when changing their already certified timecard at a later date.
WC	Given incorrect charge code by requester of service. This code should be used when a staff member is originally given an incorrect charge code to use and is subsequently changing it to a correct one at a later date. **Example**: Staff member is instructed to use M12345 by service requester but is informed at a later date to use M45678.
AE	Difference between actual and estimated time for hours recorded. This code should be used when time charged to a particular project or pool estimated earlier in the day/week does not reflect the actual time the staff member worked on that project or pool or when a staff member has a change in schedule related to absence hours. **Example #1**: A staff member estimated Friday morning that they would work on charge code M39156 for 4 hours Friday afternoon. The timecard was then certified and submitted to their manager for approval. At close of business Friday the staff member actually needed to charge M39156 for 3 hours of work and 1 hour to M12345. The staff member would correct their timecard using the AE code in this situation. **Example #2**: If a staff member coded 40 hours of vacation on their timecard and certified it for their manager's approval, but later canceled their vacation, they would use the AE code when correcting their timecard for their hours actually worked. **Example #3**: A staff member estimated Friday morning that they would work 8 hours on Friday, and then certified their timecard and submitted it to their

	manager for approval, but unexpectedly became ill during the day. The staff member would use this code when correcting their timecard from "RW" to "S" hours.
MC	Managing chargeable hours goal. This code should be used to adjust the number of hours/hour types on prior timecards. Adding work hours (e.g., "RW" hour type) to a prior week's timecard is not allowed for this purpose. **Example #1:** An exempt staff member missed several days of work at the beginning of a quarter due to illness, but will exceed the chargeable hours goal at the end of the quarter. The staff member would use this code to correct their timecard from "S" to unrecorded time.
FO	Charge code changed due to transition to follow-on project. This code should be used when follow-on work for a project is approved. A follow-on project is a logical extension of the current work under a new project number. **Example**: If a staff member originally charged project 11234 on their timecard, but later learned they should have been charging follow-on project 22456, they would use the FO correction code when correcting their labor in ETR.
HT	Incorrect Hour Type Used. This code should be used when a staff member uses the incorrect hour type on their timecard. **Example**: A staff member used the "V" (paid vacation) hour type on their timecard when they should have used the "VX" (unpaid vacation) hour type. When correcting their timecard, the staff member would use the HT correction code.
RC	Management reporting correction - done for management reporting reasons. This code should be used when a staff member is changing time charged from one charge code to another within the same project or pool. This correction may be needed to accurately report labor cost for management reporting purposes. **Example**: If a staff member originally charged M58803 (coded to pool 90011) and later needed to change the charge to M39391 (coded to pool 90011, also) this correction code would be used.
0	Other; none of the above correction reasons apply (requires documentation and Business Office approval). A staff member who changes a previously certified timecard for any reason other than those listed above would use the Other correction code. The reason for the change should be documented and provided to the appropriate Business Office.

Financial Management System (FMS) - Manager Validation/Checklist
(FMS only - this step is **not** part of the Business Office floorchecks)

The attached management validation should be emailed out to the manager related to the floorchecked staff member's time card. An example email is provided to use if like, but not required.

- ☐ Complete the header information including the time of the manager's approval. If the manager did not approve on the following Monday (anytime before midnight on Monday or Tuesday if Monday was a holiday), note whether this was the only time card that was not approved.

- ☐ Advise in the email that the staff member was selected for a FMS floorcheck based on results of a past floor check, and provide results of the current floor check – if they did not pass advise that they will be subject to additional floorchecks. (Note, staff who fail three floorchecks – same question, may be subject to disciplinary action.)

- ☐ Request that the manager complete the validation questionnaire and return it via email to yourself and Pam Romero within one week of receiving it. If they do not complete it by that deadline, please follow up.

(Manager Name),

(Staff member name) was selected for an additional floor check based on the results of the floor check performed by their business office, internal audit or DCAA.

(A) (staff member name) successfully passed all of the required elements.
(B) (staff member name) successfully pass all the required elements of the floor check, however I would like to point out the following weaknesses that you may want to discuss with (him/her).
(C) (staff member name) is still having trouble with (xxxx) and I have reviewed the requirements with (her/him) to make sure (he/she) is prepared for a DCAA floor check. (staff member) will be subject to further internal floorchecks until (he/she) passes. Note, a staff member failing three floorchecks may be subject to disciplinary action.

Please take a moment to complete the below Checklist related to your review and approval of (Staff member's) timecard for the week ending XXXX.

Once you have completed it, please reply via email to me, and copy Pam Romero.

Thanks,

(your name)