



Ishpi Information Technologies, Inc.

**Time Recording Policy
2018**

Time Recording Policy

POLICY STATEMENT

It is the policy of *ISHPI* that all *ISHPI* employees accurately account for all hours worked. This policy is accomplished by establishing and maintaining effective labor charging procedures, requiring periodic employee training, and assessing the process through periodic self-audits and reviews. Adherence to this policy is mandatory for all employees, including personnel responsible for reviewing and monitoring time recording and accounting labor practices, and ensuring that proper charges are made to direct and indirect labor accounts. This policy describes the procedure by which those records are kept and are written in compliance with Defense Contract Audit Agency (DCAA) Audit Manual sections 5-909 – 5-909.1 Review of Time Keeping.

Managers and supervisors are responsible for managing staff and work assignments consistent with this policy, and for ensuring that *ISHPI* employees follow this policy.

Each new employee will be briefed on the *ISHPI* Time Recording Policy by Human Resources on their first day of employment. *ISHPI* will send annual refresher training to its employees each year.

PURPOSE

The purpose of this policy is to prescribe *ISHPI's* time recording requirements to its employees. It is the responsibility of all employees, managers, and supervisors to accurately account for and document the time spent in support of direct and indirect activities. Adherence to the following procedures ensures effective and consistent controls throughout the time recording process.

Timesheets are the **official document** used for job cost accounting, billing, and payroll. As an official document signed by the employee and manager or supervisor, the timesheet is subject to review by DCAA, outside accountants, and other agencies. Discrepancies can place *ISHPI* at risk for debarment from performing contracts for the Federal Government.

ISHPI prepares billings for Government contracts from its time recording records, and inaccurate time reporting on such records may result in Government allegations of “mischarging” against both the employee who engages in such practices and *ISHPI*. Civil and/or criminal penalties could be imposed against either or both parties. Firm disciplinary action may also be taken against employees and management for intentional, repeated violations of this policy. Employees must report any case of suspected mischarging to his or her manager or supervisor immediately. Employees who fail to follow these guidelines will be subject to disciplinary action, up to and including termination of employment and possible federal penalties. Accordingly, *ISHPI* has established policies and procedures for accurately recording time. Adherence to this policy is mandatory to ensure compliance with Government acquisition regulations and Generally Accepted Accounting Practices (GAAP). Completed timesheets are the formal record on which company accounting is based.



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RESPONSIBILITIES

Employee

Every employee is personally responsible for complying with this policy in its entirety. No one, including an officer of the Company, is authorized to make exceptions to, changes to, or to permit practices that are contrary to this policy. If you are given instructions contrary to these guidelines, please notify a member of senior management immediately.

It is the responsibility of the employee to ensure that their time is accurately recorded to all charge codes under which they performed work during a given labor reporting period. Time spent on a given task may only be charged to that task.

Management

It is the responsibility of the manager or supervisor to ensure that time recording training is provided to new employees and that each new employee review the *ISHPI* Time Recording Policy on their first date of hire. Managers and supervisors are responsible for informing their employees of the applicable charge codes to be used for their work activities and for reviewing and approving timesheets to ensure accuracy of all time charges. Managers and supervisors shall provide ongoing time recording refresher training as required. Management is ultimately responsible for the accuracy of all labor recording.

BASIC SYSTEM

The basic system used to account for time is a timesheet maintained by each individual employee. *ISHPI* has implemented time recording using the Nexonia commercial software application. Nexonia provides for time recording entry, tracking, and approval and provides the necessary audit trail.

ISHPI's labor reporting period is a period of time consisting of 14 days, starting on a Saturday and ending on a Friday. Calculated, it is the nominal eight (8) hour days times the number of work days in the period.

COMPLETING TIMESHEETS

Work Activities

Each employee is responsible for submitting their own timesheet. Unless subject to the extenuating circumstances described below (e.g. temporary timesheet), no employee may complete a timesheet for another employee or make corrections to the timesheet of another employee.

Timesheets will be **completed daily at the end of each workday; however, no later than 9:00AM the following business day**. The smallest unit that shall be entered is one-quarter hour. The information on the timesheet reflects actual time spent on each direct or indirect activity.

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If an entry error is made on an unapproved timesheet, the employee will immediately correct the error and provide a brief note describing the change and the reason for the correction. The manager or supervisor is responsible for reviewing the correction and the note to ensure compliance.

If an entry error is made on an approved timesheet, the employee must notify their manager or supervisor of the error. It is the manager or supervisor's responsibility to notify the Accounting Specialist of the need for a correction. The same process will be followed as for an unapproved timesheet; however, the timesheet will need to be unlocked and the employee will correct the error in the web-based system. The employee must provide a sufficient and relevant explanation for the correction. The manager or supervisor must review the correction and re-approve the timesheet.

With the exception of PTO, leave without pay (LWOP), holidays, and military leave, timesheets may not be completed in advance and cannot be submitted to the employee's manager prior to the end of the labor reporting period.

Time may be spent on a variety of different categories:

- Direct Contract Activities
 - Projects/Contracts

- Indirect Activities
 - Overhead
 - G&A
 - B&P (bid & proposal, time spent preparing a formal proposal)
 - Independent Research and Development (IR&D) - Includes basic research, applied research, development, and other concept formulation studies. *ISHPI* management specifically designates projects which fall into this category
 - Training - For exempt employees, includes time spent in receiving internal and external training that is mandated by the company. This does not include career enhancement training. For nonexempt employees, includes all training approved by the employee's manager/supervisor and sponsored by *ISHPI*

- Paid Leave
 - PTO
 - Sick Leave - for certain Service Contract Labor Standard (SCLS) covered employees only
 - Holiday
 - Parental
 - Bereavement
 - Jury Duty
 - Military

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- Unpaid Leave
 - LWOP – for use in approved circumstances such as Family Medical Leave Act (FMLA) coverage, and extended military leave

For direct charge contracts, Accounting will assign project numbers at the time a contract is available for charging. Managers are responsible for informing employees of the correct projects to charge. Employees need to know, prior to engaging in the activity, which charge code will be charged for any corporate activity. When uncertain, they should immediately consult their manager or supervisor.

Submission and Approval

The manager or supervisor approving the timesheet has two primary responsibilities. The first is to review the timesheet for completeness and accuracy. The second is prevention of fraud or abuse. If there is any indication that an employee may have intentionally falsified a timesheet, the manager or supervisor will immediately bring the matter to the attention of Human Resources.

Timesheets are submitted immediately after they are completed. Timesheets must be reviewed and approved by the manager or supervisor and will be locked once approved by the manager or supervisor.

In extenuating circumstances only, a manager or supervisor may complete a temporary timesheet for an employee if that employee is unable to complete their timesheet due to illness, disability, incapacity, or inability to access the time recording system. In these instances, managers shall complete the timesheet entries for each missed daily entry with PTO. Immediately upon returning to work, the employee must correct the timesheet, note the reason for the change, and sign. The employee's manager or supervisor must approve prior to submission.

The manager's or supervisor's signature on the timesheet indicates that the information is complete and accurate to the satisfaction and knowledge of the manager or supervisor. It is the responsibility of the manager or supervisor and the employee to assure accuracy and validity of the timesheet.

Non-Work Activities

Hours for time incurred on non-work activities, regardless of where the activities are performed, should not be recorded. Non-work activities are typically self-initiated personal activities. *ISHPI* anticipates that exempt employees will commit time to their general, professional enhancement. Examples of non-work activities include:



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Improve technical, administrative, and/or management skills and knowledge

Reading professional or technical material for general purposes, attending demos, colloquia, professional society meetings, etc.)

Community involvement

Participating in community service and professional functions.

Training and other opportunities not mandated by the Company

Attending non-mandated company-sponsored training classes for exempt staff; attending non-mandated benefits and program meetings offered by *ISHPI*; participating in or sponsoring mentoring programs, etc. Note: Training activity or proposal work may be included as direct labor when specifically required by the contract.

Other activities

Attending parties and other social events; discussing non-work related matters with customers, colleagues, or competitors; taking smoking or social breaks; voluntary, informal work group discussions; and commuting to and from work unless involved in productive work activities.

TIME RECORDING BY CATEGORY OF EMPLOYEE

Non-Exempt Employees

Non-exempt employees are defined as employees who are covered by the overtime provisions of the Fair Labor Standards Act (FLSA) and are entitled to receive overtime pay in accordance with applicable law. Federal law requires that non-exempt employees be compensated at overtime rates for all hours worked in excess of 40 hours per workweek. *ISHPI* requires prior authorization before any non-exempt employee, either direct or indirect, works overtime hours. In states that have established guidelines that differ from the federal guidelines, the state guidelines will be followed by *ISHPI*.

Any overtime performed by these employees must be approved by the manager or supervisor and the Government customer, **in writing**, prior to incurring the overtime hours.

Exempt Employees

Exempt employees are defined as employees who are exempt from the overtime provisions of the FLSA because they meet the specific criteria for an executive, professional, sales, or administrative employee as defined by the FLSA. Full-time exempt employees must account for the full number of hours available in the timesheet period.

Exempt employees are generally not eligible for overtime pay except in rare, pre-approved circumstances, as directed by *ISHPI*'s government clients.

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Part-time exempt employees should record the hours they work, as pre-determined by their part-time status. The manager or supervisor must be made aware of any deviations from the agreed-upon work hours prior to fewer or more hours being charged by the employee.

LEAVE

Paid Time Off (PTO)

PTO is for use in connection with vacations, short-term illnesses, personal business, family care, Government or client closure which does not coincide with *ISHPI*-recognized holidays, and other needs which may require time off from work.

Non-exempt employees must enter PTO (or sick leave if applicable; see below) for any hours not worked during a standard workday. Once the PTO balance is exhausted, the employee must stop charging this code. Negative PTO balances are not permitted. The employee will not be compensated for hours that are not worked and not attributable to a PTO charge code, unless otherwise required by State or Federal law.

Full-time exempt employees may use PTO for any hours that are missed for a partial or full workday due to either sickness, disability, or personal reasons. Once the PTO balance is exhausted, the employee must stop charging this code. Negative PTO balances are not permitted. Any missed hours may also be made up during the labor reporting period in which the missed hours occurred. Full-time exempt employees must account for the full number of hours available in the labor reporting period.

Part time exempt employees do not accrue PTO.

Record time not worked due to inclement weather or emergencies (e.g., snow, fire, earthquake) as PTO if the office or customer site is officially closed. If authorized by your manager or supervisor to work at home or another location, hours will be charged to the appropriate charge number, as directed by the manager or supervisor.

Sick Leave

Sick leave is available to some covered SCLS employees in accordance with Executive Order (EO) 13706, Establishing Paid Sick Leave for Federal Contractors. The criteria of the EO must be met in order for sick leave to be available to the SCLS employees.

Holiday

All full-time employees are granted paid leave for ten holidays per year, which align with the Federal government's annual observed holiday schedule. Employees should record hours to the holiday charge code corresponding to the annual holiday schedule. If an exempt employee is required by management to work on a holiday, the employee should arrange with management an alternate day, within thirty (30) days of the actual holiday, to take the holiday. If a non-exempt



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employee works on a holiday, they will receive holiday pay plus wages at their straight-time rate for the hours worked on the holiday.

If an employee is on leave of absence when a holiday occurs, they are not eligible to receive paid holiday hours until returning to work full-time.

ISHPI-recognized holidays include the following:

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|-----------------------------|------------------|
| New Year's Day | Labor Day |
| Martin Luther King Jr's Day | Columbus Day |
| Presidents' Day | Veteran's Day |
| Memorial Day | Thanksgiving Day |
| Independent Day | Christmas Day |

Other Paid Leave

All full-time employees with six months or more of service are eligible for Parental Leave, Bereavement Leave, Jury Duty Leave, and Military Leave following submission and approval of required documentation.

Leave Without Pay (LWOP)

Non-exempt employees may not use the LWOP charge code. Any hours not worked that are not charged to PTO or sick leave are not accounted for on the timesheet.

Exempt employees, with manager or supervisor and Human Resources approval, may charge LWOP, in full day increments only, for work absences due to mitigating personal reasons, sickness, or disability. However, the PTO balance must be exhausted before an employee is permitted to take LWOP. In cases where the remaining PTO balance is less than one full day, the PTO balance shall be exhausted and any remaining hours from the full day absence shall be deducted from the employee's pay. Any missed hours may also be made up during the pay period in which the missed hours occurred. Full-time exempt employees must account for the full number of hours available in the labor reporting period.

FLOOR CHECKS

Floor Checks are audits of *ISHPI's* time recording process and are used to measure compliance with policy. Floor checks may be conducted by *ISHPI* employees, external advisors, or Government auditors (DCAA). All audit results are communicated to *ISHPI* management.

External

DCAA is responsible for auditing contractors who perform work for federal agencies and may conduct unannounced, on-site audits of *ISHPI's* compliance with this Time Recording Policy. They will request access to current timesheets for all employees and select random employees for interview. Always comply with such requests and answer any questions posed by DCAA honestly. Managers shall not interfere with the audit or impede the auditors' access to employees.

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Auditors who perform floor checks in secure facilities should have appropriate clearances. Under no circumstances should you compromise security access requirements for a floor check.

The following questions may be asked by DCAA floor check auditors:

- Who is your supervisor?
- What is your method of time entry?
- What is your employee ID number?
- What project are you currently working on?
- Who gives you your project assignments?
- What is the charge code?
- What is the nature of the work you are performing?
- How are projects assigned to you and how do you know what Project # is appropriate?
- Are you entering your own time?
- Are you reviewing and noting corrections to your edited time?
- Does the Project # you are charging match the project you are working on?

It is incumbent upon each employee to know the answer to these questions. Should you have any questions, please consult your supervisor or manager.

Internal

ISHPI will conduct periodic internal audits of employee labor practices to ensure compliance with the Time Recording Policy. *ISHPI* may conduct daily floor checks of timesheet preparation in the *ISHPI* electronic time recording system or in-person with employees. Careless or improper preparation of timesheets may lead to suspension without pay and/or termination. Randomly selected employees are reviewed with no advance notification. Management evaluates results of the floor checks performed.

TIME RECORDING POLICY VIOLATIONS

Failure to comply with the *ISHPI* Time Recording Policy will result in disciplinary actions (e.g. written reprimand, suspension without pay, or termination). Disciplinary actions will follow the process outlined below:

First instance of non-compliance within one calendar year. The employee's manager will receive a written notification and reminder of the *ISHPI* Time Recording Policy. The manager will be responsible for contacting the employee and discussing the violation, providing any required time recording training, and identifying a plan for correction.

Second instance of non-compliance within one calendar year. The employee and the manager will receive a written notice and reminder of *ISHPI* Time Recording Policy. A written reprimand will be placed in the employee's file by Human Resources. The employee will be required to complete on-the-job time training with their manager. The manager will be required to

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acknowledge the completion of training to Human Resources via email within 10 working days of the infraction.

Third instance of non-compliance within one calendar year. An employee's third instance of non-compliance with the *ISHPI* Time Recording Policy within one calendar year may be a basis for dismissal and termination for cause.

Human Resources will monitor and report on each noted instance of non-compliance and report their findings to management. Human Resources will be responsible for updating the employee's file for each instance of non-compliance.

Hotline

Failure to comply with all requirements of this policy can also lead to allegations of "mischarging" and to personal and corporate liability resulting in criminal and civil penalties against employees and *ISHPI*. All employees are encouraged to immediately report suspected "mischarging" to *ISHPI* Management or the DoD WhistleBlower Hotline at (800) 424-9098.



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Employee Acknowledgement Page

I understand and agree that:

I have carefully and thoroughly read *ISHPI's* Time Recording Policy.

I understand the requirements of *ISHPI's* Time Recording Policy set forth and agree, without reservation, to follow this policy.

I further understand that if I am found to be in violation of any policy or procedure as outlined within *ISHPI's* Time Recording Policy, I will be subject to disciplinary action, up to and including termination.

Employee's signature: _____

Employee's typed or printed name: _____

Date: _____

***Please note that if you review this policy via the TriNet employee self-service portal, and sign with an electronic signature, you are not required to sign/return this Acknowledgement Page.**