



ClockShark

DCAA TIMEKEEPING REQUIREMENTS TO STAY COMPLIANT

Learn How to Stay Compliant and Avoid Penalties

INTRODUCTION

According to a [study](#) by New York University, there are more contractors performing government work than there are federal employees. The number of contractors being utilized is on the rise in recent years, with the Department of Defense being the agency with the largest number of contractors.

Government contractors are under a great deal of scrutiny when it comes to project estimates, costs, and expenses. Because of this, contractors must be in compliance with regulations and guidelines. The government regulates contractors through audits, meaning that contractors need to be in compliance with rules and regulations at all times, especially with the timekeeping requirements.

Compliance guidelines are extensive, and the repercussions for not meeting DCAA timekeeping compliance can be hefty.

This guide will cover helpful information regarding the requirements to stay compliant with the [DCAA](#) when it comes to electronic timekeeping.

WHAT IS DCAA COMPLIANCE?

The DCAA stands for the Defense Contract Audit Agency, and they work on behalf of the Department of Defense (DoD). The agency themselves does not actually certify any businesses as “compliant.” The DCAA gives recommendations and guidance for contractors so that they can remain compliant with federal laws. Following their recommendations can also ensure that you are prepared for any audits.



For government contractors, the reason for scrutiny by the DCAA is to ensure that funds are being spent properly. Audits assess whether contracts and the costs associated with them are reasonable and that pricing is fair. Labor hours are a large part of project costs and it's important that hours are accounted for.

There are specific requirements when it comes to timekeeping. These requirements vary slightly depending on if you are using a paper time tracking system or an electronic system. However, many of the requirements are the same.



WHY DO BUSINESSES NEED THEIR TIMEKEEPING TO BE COMPLIANT?

In order to be compliant, contractors should use an automated timekeeping system, and establish clear timekeeping procedures. It is of the utmost importance that employees understand they are responsible for recording their time and documenting any changes.

Here is an outline of some important components of timekeeping compliance:

- Employees must record their own time with paper timesheets or a timekeeping system.
- Employees must record their own time, no less than on a daily basis.
- Supervisors are not allowed to record the time of their employees unless there is an extreme circumstance.
- All hours worked by employees must be recorded. This includes both direct and indirect work.
- Job assignments must be made by someone other than the person completing the work.
- Time codes need to be set up, and time must be charged accurately against these codes.
- If you are using paper timesheets, only one timesheet can be used per employee, per period.
- Before a timesheet is submitted for payment, it must be reviewed by both the employee and supervisor. Then a supervisor must sign and approve the

timesheet. Any supervisors who are responsible for approving time cannot be involved in payroll.

- If you are using paper timesheets, any changes or corrections to time already logged must be made to the contract in ink. You also must include a description and reason for the change, record the date and time, and initial the change.

Outside of normal hours, businesses must keep track of labor distribution. It's not only important to document hours, but also hours by projects. This is why job codes are so important, as are employees using accurate codes for each project. It's a best practice to reconcile your project hours at least monthly to ensure accuracy.

WHAT ARE THE CONSEQUENCES OF NOT ADHERING TO DCAA REQUIREMENTS?

Every contractor has the responsibility of maintaining compliance with all government rules and regulations. Because of this, it's important to stay knowledgeable, establish clear procedures, and enforce these procedures.

There are many ways that a contractor that is not in compliance could be exposed. They could be audited, investigated for various reasons, get a request through the [Freedom of Information Act \(FOIA\)](#), or even be a whistleblower.

When it comes to timekeeping, accuracy is of paramount importance. Every hour needs to be accounted for and correct. Any fraudulent reporting of timesheets is a criminal offense according to the False Claims Act. Violations could result in criminal proceedings and serious consequences if a business is found at fault.

The consequences of non-compliance or any illegal or unethical conduct can be hefty.



VOIDED OR TERMINATED CONTRACTS

Contractors can lose a contract, even once it has already started. The FAR gives agencies the ability to void or rescind under certain guidelines.

- If there is a conviction of bribery, conflict of interest, disclosure or receipt of contractor bid or proposal information;
- If there is a conviction of source selection information in exchange for competitive advantage, or a thing of value; OR
- if there has been an agency head determination of any of the following:

CIVIL AND CRIMINAL PENALTIES

Civil penalties are determined per violation, per invoice. The government can take anywhere from \$5,500-\$11,000 for each violation.

Criminal penalties are much more serious and do not just come with monetary consequences. If a contractor is found guilty of criminal penalties, the person who signed the certificate of cost and pricing data could face up to five years of jail time.

DEBARMENT

This is the most serious punishment for a contractor. If the federal government finds a contractor is guilty of certain offenses, they can choose to have them debarred. This would void their current contracts, resulting in heavy losses.

It would also prevent a contractor from soliciting other bids and proposals. Once a contractor has been debarred, their proposals cannot be considered.

HOW TO PREPARE FOR DCAA TIMEKEEPING REQUIREMENTS

Having a working knowledge of the requirements to stay in compliance is the first step. From here, contractors should establish their procedures and make sure that all employees are fully trained on how to comply.

Each contractor has the option of using either a paper timesheet system or an electronic timekeeping system. While the overall standards are the same, there are some specific requirements for each. There are some clear advantages when it comes to DCAA compliance in choosing an electronic system, especially one that is designed to meet DCAA requirements.

WHAT ARE THE DCAA TIMEKEEPING REQUIREMENTS FOR ELECTRONIC SOLUTIONS?

When comparing paper timesheets to an electronic timekeeping system, the benefits greatly favor electronic systems. When it comes to DCAA compliance, using an electronic system can eliminate some of the concerns that come with paper timekeeping:

- **Electronic systems are more accurate, eliminating errors** due to bad handwriting, forgotten hours, misplaced timesheets, and time-theft. With an electronic system, data is transmitted electronically, and with some software, instantly.
- **For daily time-logging, electronic systems are a more efficient solution.** When workers are off-site, there is no need to collect any paper timesheets at the end of the day. Their hours are already logged and can just be uploaded. What are the benefits of electronic timekeeping solutions?
- **Record keeping is much simpler.** Rather than entering all of the data from paper timesheets and compiling reports electronic systems already have all of the information saved and accessible. This would be useful not only for referencing them for internal purposes but necessary if you are ever subjected to an inspection or audit.
- **Creating proposals is easier when you have accurate labor hours,** and it will be much easier to reference your work when the hours are readily available through an electronic system.
- **Records are more secure.** Paper timesheets can always be changed or edited, while electronic records cannot be easily changed.
- **When using paper timesheets, you are relying on employees to remember job codes** and accurately list them on their timesheets. These should be reviewed to ensure they are correct, especially if there is ever an audit or inspection. Electronic systems allow you to set up job codes for each contract, including direct and indirect labor codes. This allows less room for error and better reporting.
- **There are electronic systems that can be easily integrated** into your accounting software, leaving even less room for error.

WHAT ARE THE DCAA TIMEKEEPING REQUIREMENTS FOR ELECTRONIC SOLUTIONS?

When opting for an electronic timekeeping solution, there are some requirements that must be met, such as:

1. Policy

Contractors must keep detailed accounting records for both time records and costs. This includes direct and indirect costs, which encompasses labor costs. Timekeeping systems must be automated, and employees are responsible for accurately recording their times, as well as accurately selecting appropriate job codes. It's important to have clear policies in place for timekeeping and ensure that employees clearly understand your timekeeping system and how to use it.

For electronic timekeeping, password protection is required. Additionally, these passwords will need to be changed periodically. For DCAA compliance, passwords should be changed at least every 6 months.

2. Accurate Reporting

The penalties for labor mischarging are steep. It's critical that employees understand the importance of submitting accurate hours and are using the correct job codes. All direct and indirect costs need to be tracked separately, as well as overtime, PTO, and sick leave.

The hours entered will be submitted to payroll, and the labor hours will be reported to the client. The DCAA is concerned with fair pricing, and time must be charged to clients either daily or by project, so utilizing detailed and accurate reports is crucial.

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3. Daily Time Tracking

In order to maintain compliance with DCAA standards, employees are required to track their own hours daily. Hours must be personally signed off by the employee, which can be done electronically.

There are electronic time tracking systems that have this feature built in it. If there is an instance in which an employee is not able to log their daily hours and sign off on them, a supervisor can print them and manually approve them. However, this should only happen in extreme circumstances.

4. Timesheet Approvals

Both the employee and a supervisor must review any logged hours and check for accuracy. These hours then need to be approved by a supervisor. It's important to note that the supervisor who approves hours cannot be responsible for running payroll. You must have a separate administrator for payroll or use an outside contractor.

5. Document changes

In the event that logged hours need to be changed or adjusted, there needs to be a clear paper trail and documentation to explain why the changes were made. For electronic time tracking systems, they should have a feature that will automatically prompt an employee to enter a reason any time they make a change.

Any notes they enter should be saved under that timesheet. If the change needs to happen after hours have already been logged and time was approved by a supervisor, contractors will need to have a way of keeping an audit trail of the change so it's clear to the government why the change was made.

6. Records

For cost tracking purposes, as well as for audit purposes, any electronic timekeeping system should allow you the ability to attach and store documents alongside timesheets. This can help add a paper trail and include additional information on things like hours logged and time changes.

Additionally, the system should be able to pull reports based on the data and hours that are entered. For DCAA compliance, all timesheets and information on costs and billing need to be issued at least monthly. You should use a system that allows you to pull these reports, as they will be necessary in the case of an audit.

IS CLOCKSHARK DCAA-COMPLIANT?

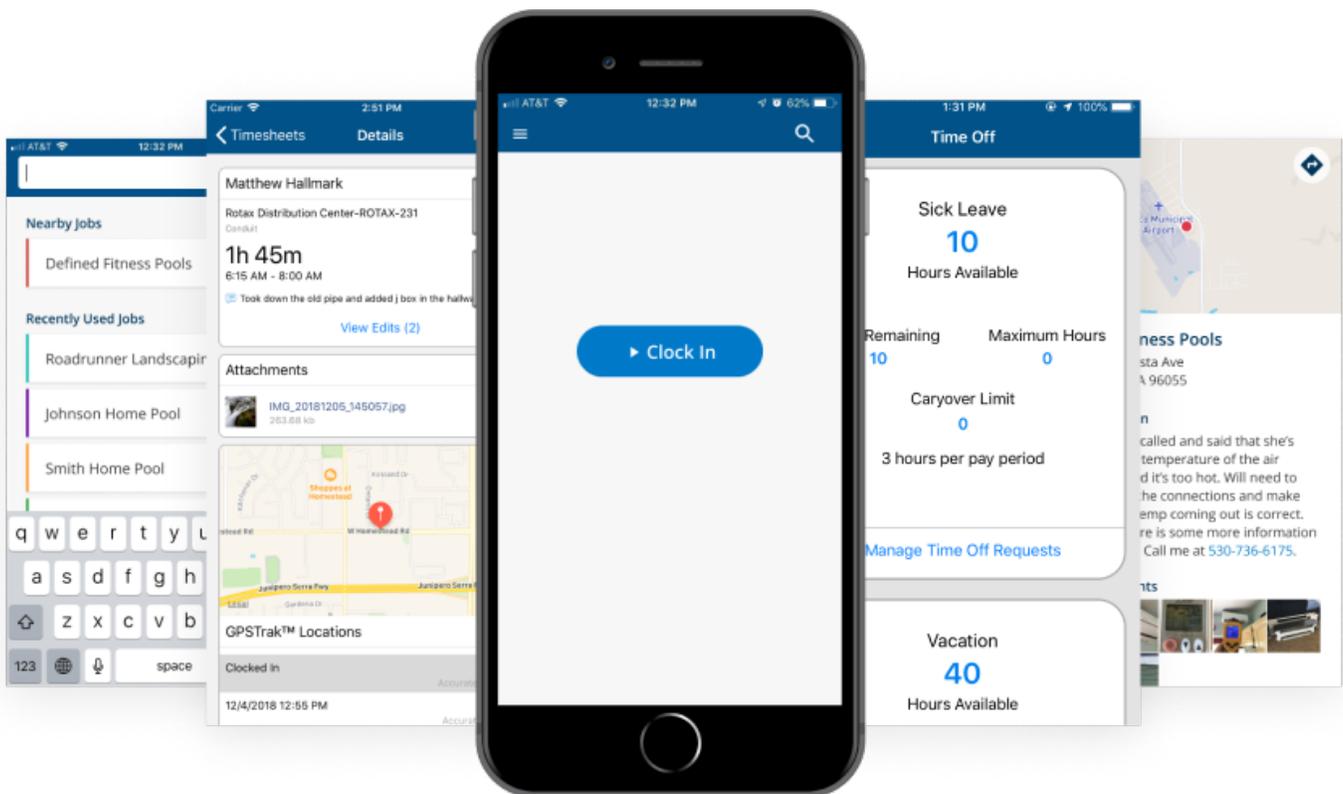
Being DCAA compliant is not a certification, but rather a set of guidelines. It's important to note that compliance relies on the users to follow these guidelines. However, you can offer more protection by choosing a system that is user-friendly, allows for accurate and detailed reporting, and offers features that help you stay compliant when used properly.

ClockShark offers features that allow your team to stay DCAA compliant. Our system tracks all of the necessary labor hours in real-time and allows you to easily create the necessary job codes. Details and accurate reporting will quickly provide you any information you may need for hours and cost projections.

When you have the right tools available, staying compliant is easier. ClockShark offers the right features to make it easy for your employees, supervisors, and administrative staff to follow DCAA guidelines.

EMPLOYEE TIME TRACKING

With ClockShark, employees can easily track their daily hours, and you have the ability to send reminders to employees to clock in right from their [mobile time-tracking app](#).



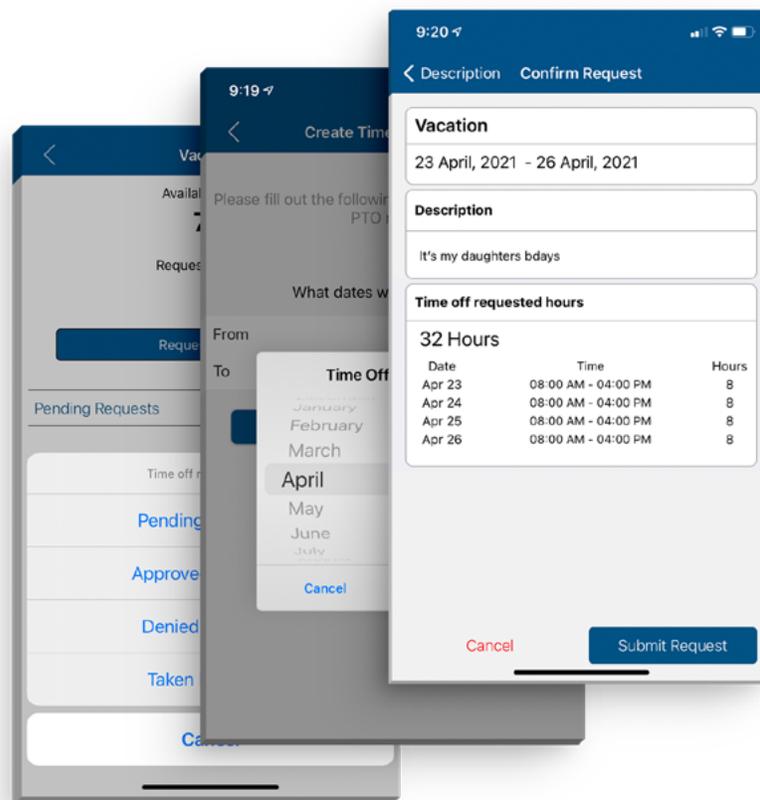
Once an employee has submitted their timesheet for review, the approval process is safe and secure. Contractors can designate managers who can review and approve hours. Any approved timesheets are locked to protect against edits from any staff that does not have appropriate permission. If there are any additional edits or changes made later, these are all saved in the system and documented.

Accurate hours you can trust and detailed reporting and documentation will keep your time tracking in compliance.

SICK AND LEAVE VACATION

ClockShark not only tracks all [paid time off](#) (PTO) and sick leave for compliance purposes, but the system makes it easy for both your employees and accounting team to track as well. Our policy builder allows you to enter how much time is issued, how quickly it should accrue, waiting periods, and maximum balance limits. It takes about 90 seconds to enter your plan, and from there it automatically applies your policy to any employee in your system.

Both your accounting team and employees can see how much time they have used, as well as how much is available to them. Employees can request time off right through the app, and once approved any time off will also show up on a job schedule. This makes scheduling simple, and it takes the guesswork out of tracking any paid leave for auditing purposes.



OVERTIME

Tracking overtime has never been easier with ClockShark. Managers can easily enter any overtime rules that will automatically be applied to employee hours. Even if your overtime policy is unique, ClockShark makes it simple to set up the parameters. These rules can be changed at any time and can be applied to both past and future hour entries. Because the rules are applied automatically, there are no calculating hours and they are available daily.

All labor hours must be accounted for in order to be compliant with DCAA guidelines. This feature allows you to not only track labor hours accurately, but it also eliminates the possibility of calculation errors in pay. This becomes especially important when you have both employees that either make different wages or who are paid differently (hourly versus salaried). In the event of an audit, you will need to have records of both labor costs and total hours. With ClockShark's customizable overtime tracking features, they have you covered.

REPORTING

Data is at your fingertips with ClockShark. You have the ability to pull [time reports](#) for not only payroll, but for job costing, labor codes, overtime, and more. These reports are easily configurable, allowing you to pull data in whatever context you need. Options range from generic reports that cover basic information to reports that drill down on very specific items such as individual employee hours, hours for certain job codes, and more.

The screenshot displays the 'Reports' section of the ClockShark application. On the left, a vertical navigation menu lists various report types: 'Quick Summary Report', 'Job', 'Employee', 'Task', 'Time Tracking', 'Financial', and 'CSV Export'. The 'Job' report is currently selected. The main content area is titled 'Job' and is divided into two columns. The left column, labeled 'Details', provides a description: 'Clock in, clock out, and break times for employees categorized by Job. Includes breakdown of time worked by Task and Employee.' The right column, labeled 'Summary', states: 'Daily total hours for each Job within a selected week.' Below these descriptions, a 'Details' section contains a 'Date Range (Max 365 Days)' input field with the value 'Last 365 Days Mon 4/20/20 - Mon 4/19/21'. There are three checkboxes: 'All Employees' (checked), 'All Jobs' (checked), and 'Include Notes' (unchecked). At the bottom of the details section, there are two buttons: 'View' and 'Download', both with dropdown arrows.



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Additionally, you have the ability to easily integrate these reports into your bookkeeping software. This eliminates both the need for time spent on data entry, as well as the margin of error that comes with transposing labor hours. Having quick access to detailed reports will allow you to show accurate labor hours and costs in the event of an audit.

CONCLUSION

Maintaining DCAA compliance is a team effort and it involves the understanding and participation of all employees. Using an electronic timekeeping system that is user friendly will help your team be successful in following guidelines. Unlike paper timesheets, using electronic time tracking increases accuracy, gives detailed reporting, and ensures that you can easily keep track of all necessary labor hours.

ClockShark not only helps contractors streamline their timekeeping but also ensure your organization is always in compliance. If you are ever faced with an investigation or an audit, you want to make sure that you have documented data you can trust. ClockShark's electronic timekeeping system covers you in every aspect of DCAA compliance when it comes to tracking hours and costs.

To see how an automated timekeeping system can benefit you and your business, you can sign up for a free 14-day trial. See how ClockShark can save you time and money, all while keeping your business DCAA compliant. [Sign up today](#) to get started.