



Support Your DCAA Compliance Strategy With Kronos Workforce AutoTime

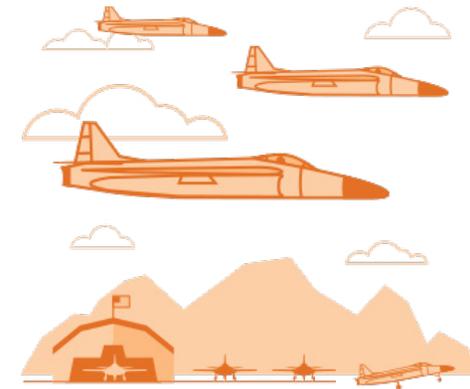


Securing a federal contract is a lucrative opportunity for defense contractors — yet it's an opportunity that presents strict compliance requirements that are unique to government contracting. Each year, billions of dollars in federal contracts are examined by the Defense Contract Audit Agency (DCAA) to ensure that government dollars are spent properly on labor-related expenses. It is up to the contractor to track this information, and since the outcome of a DCAA audit is critical to a contractor's ability to secure future business, preparation is key.

This solution brief discusses how an automated timekeeping and labor-tracking system can help prepare defense contractors for a successful DCAA audit, and reviews some of the possible risks of not meeting DCAA compliance standards.

What does the DCAA require?

The DCAA's focus is identifying and evaluating all activities that contribute to or have an impact on proposed and incurred costs related to government contracts.¹ Labor is typically one of the largest expense on the contract, so government contractors can stay audit-ready by having the right tools and solutions in place to accurately track employee time. By choosing an easy-to-use solution that minimizes disruption and provides your workforce with valuable information, you can engage your employees while staying prepared for an audit.



When choosing a workforce management solution, it is important to consider the following capabilities:

- Security controls and built-in validations that mitigate the risk of misusing or “cheating” the system
- Intuitive and user-friendly design, with training programs for new users and for any changes in the software
- Automatic reconciliation of payroll time and labor
- A software audit trail that identifies when records are updated and by whom
- Clear processes for review and approval of submitted time
- Configurability for unique labor rules and policies, and the ability to assign different levels of security within the system to employees and supervisors

It's not just about the software. To stay on track for compliance, organizations should also follow the practices outlined below:

- Effectively train employees on timekeeping processes and on any changes to those processes
- Clearly delineate responsibilities for different labor-related activities, such as time submission and approvals, payroll, invoice payments, etc.
- Periodically reviewing processes and controls to make sure they are effective
- Providing written materials instructing employees on how to properly record and correct their time

¹ Defense Contract Audit Agency (2012). DCAA Manual No. 7641.90. Retrieved from http://www.dcaa.mil/Content/Documents/DCAAM_7641.90.pdf

What happens if I don't pass a DCAA audit?²

Organizations that fail a DCAA audit face strict consequences. Failing a DCAA audit or submitting inconsistent or false labor information can have the following impacts:

- Loss of existing contracts and ineligibility for government-contracted business in the future
- Criminal charges against the contractor, its employees, managers, etc.
- Monetary penalties that can prevent a contractor from receiving payment on a contract or force the contractor to return a payment it's already received. The contractor also can be held liable for any penalty-related fines.

In addition, a contractor could face an unfavorable judgment under the False Claims Act, which was enacted to protect whistleblowers who expose government contractor fraud. Contractors found guilty under this act could be required to pay up to three times the amount of the government's losses, plus an additional fine.

Negative results from a DCAA audit can be financially damaging to an organization and prevent future participation in government contracting altogether. Ensuring compliance with DCAA standards should be top of mind for government contractors of all types and sizes.

A workforce management solution for DCAA compliance

Designed for aerospace and defense companies, **Kronos Workforce AutoTime™** is the comprehensive workforce management suite that simplifies time and attendance and labor management. Users can accurately capture, evaluate and report on labor data, creating a complete audit trail. The solution can be configured to your organization's unique requirements and integrates seamlessly with well-known ERP systems to maintain data integrity. With security levels built into the solution, you have control over which individual users are able to perform various tasks in Workforce AutoTime. Automating complex attendance policies and labor costing with Workforce AutoTime will bring consistency to your labor management strategy while helping you stay audit-ready.



Kronos delivers workforce management solutions to **80%**
of the Fortune Top 20 Aerospace and Defense Companies.

² DCAA website (2017), www.dcaa.mil

Full Labor Tracking for Your Entire Workforce

Workforce AutoTime accommodates labor tracking for every employee, including temporary workers brought on to help organizations meet the strict deadlines that often accompany a government contract. These employees fall under the same DCAA guidelines as your full-time workforce, but Workforce AutoTime allows you to clearly distinguish between employee and non-employee labor, which ultimately reduces the risk of potential fraud and misreporting of labor expenses by creating a separation of duties. Here's how:

Employee time is logged by the employee and approved or corrected by managers. Non-employees log their time the same way, but their time is reviewed/corrected by the external contract agency. This creates a separation of duties because invoices are ultimately reviewed by the contracting agency supervisors. Companies can assign security rights to specific people to approve submitted invoices, but the approver cannot make changes to that invoice — they can simply review and either approve or reject it. This division of duties helps reduce risk of fraud or misreporting of expenses.

Total Time Accounting

The DCAA has long accepted the total time accounting (TTA) method to ensure that labor costs are allocated to the correct projects. This involves recording and allocating labor equally across all hours worked. All hours, including uncompensated overtime, must be recorded and paid at a proportionate rate to the employees' total wages.

Workforce AutoTime's TTA feature automates labor calculations, can be configured to consider compensated/uncompensated labor, and has the flexibility to be run manually or at period end. These features ease the administrative burden on the payroll staff and give organizations yet another key element that can help ensure a successful DCAA audit.



Workforce AutoTime in Action

The DCAA uses documented audit programs³ that help measure contract compliance against various requirements. Let's look at how Workforce AutoTime rises to the challenge against these review elements:

General Audit Requirements ⁴	Example of a Workforce AutoTime Use Case
Management Review	Workforce AutoTime's intuitive management review feature gives managers a real-time view into their employee's labor activities and provides all necessary details for the review process.
Employee Awareness Training	Organizations can deliver messages to employees right at the time clock or send messages through the web, ensuring that employees are updated on system changes or any timekeeping requirements.
Labor Authorization/Approvals	Managers can electronically sign employee timecards to approve the labor — a method long accepted by the DCAA. AutoTime's charge element filtration functionality lets managers pre-authorize which jobs an employee may charge.
Timekeeping	Workforce AutoTime's integrated timesheets display all payroll and labor information in a single screen, and automatically reconcile all time and labor charges.
Labor Distribution	Companies need to be able to prove where work was performed, who performed it, and what each employee accomplished. Workforce AutoTime simplifies this process and enables employees to be more efficient, facilitating the collection of labor data and automatically transmitting it to your ERP system. Workforce AutoTime helps capture accurate data, helping you make better business decisions.
Labor Cost Accounting	Reconciling payroll and labor charges for exempt employees adds complexity in achieving DCAA compliance. Workforce AutoTime addresses this problem with its configurable total time accounting module, ensuring that every labor charge for the pay period will receive a pro-rated portion of payroll charges. This prevents projects from going without cost allocation.
Payroll Preparation and Payment	With a robust rules engine that accurately calculates total hours and premium classifications earned by each employee, as well as a seamless integration that transmits payroll information to your payroll provider, Workforce AutoTime supports the payroll process from start to finish.
Labor Transfers and Adjustments	Employees are expected to track their labor as they perform it in real time, but often an employee works on several different jobs in the same day. This introduces the possibility that mistakes could occur, so it's essential to have a software audit trail of all labor adjustments. Workforce AutoTime provides this information by recording who made the change, when it was made, and why.

³ [http://www.dcaa.mil/Home/AuditProgramsDirectory?title=Introductory information on the Government auditing process.](http://www.dcaa.mil/Home/AuditProgramsDirectory?title=Introductory%20information%20on%20the%20Government%20auditing%20process)

⁴ CAM, January 25, 2016, Chapter 5, Audit of Policies, Procedures, and Internal Controls Relative to Accounting and Management Systems, accessed at http://www.dcaa.mil/Content/Documents/cam/Chapter_05_-_Audit_of_Accounting_and_Management_Systems.pdf.

Investing in a workforce management solution to track time and labor information is critical to supporting your DCAA compliance strategy. Kronos Workforce AutoTime can help you stay prepared for an audit by:

- Integrating with top ERP systems
- Providing a full audit trail of all user activity
- Allowing you to track labor in real time
- Automatically reconciling time and labor data
- Offering functionality for leave and absence management, schedule management, etc.
- Providing built-in system reports and ad hoc reporting capabilities
- Enabling flexible configuration and multilevel user security

Government contractors can have peace of mind that they're taking the necessary steps to support compliance while driving efficiencies in their organization with Workforce AutoTime.



To learn more about how Workforce AutoTime can help aerospace and defense companies accurately track labor costs to drive efficiencies and support compliance, please visit www.kronos.com/products/workforce-autotime today.



www.kronos.com