

# TIME AND LABOR CHARGING



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*Test Yourself*

## INTRODUCTION

All employees are bound by our company values, our Standards of Business Conduct and company policies to put forth their best effort and act fairly and honestly at all times. On any program, commercial or government, misuse of time is just as wrong as the misuse of the company's physical assets. Such misuse cuts into our ability to perform our jobs effectively, and to be productive and competitive.

Additionally, for employees working on Government contracts or charging time to indirect efforts, correctly charging your time is a basic element of compliance, and may represent a legal issue which can have significant monetary and potentially criminal ramifications to yourself and to Northrop Grumman. Accurate charging of time establishes a record of the effort necessary to accomplish a task or process. Such a record helps determine how employees are paid, how customers are billed, how we estimate our costs when we bid on new work, how contract costs are allocated, and how financial and operational performance is reported. Incorrect or careless time charging can have an impact on any one of these areas, and could subject the company to loss of contracts or the company and its employees to serious consequences.

## TIME-CHARGING SYSTEMS

Time worked is recorded in a variety of ways throughout the company. Some company business units use a labor or attendance card, and others use an electronic or computerized time recording system. At some company business units, employees record their time on an "exception basis." If there are no variations from the standard work schedule and/or assigned labor charge code, such as unallowable activities, personal, sick or vacation time, employees are not required to fill out a card or an electronic record because the time-keeping system records the time based on pre-established parameters. Such a system puts an added burden on you the employee and your supervisor to be careful about recording variations and to be diligent about correcting the record if you remember in a subsequent week that an unrecorded variation occurred.

In any system, the employee is responsible for correctly recording time worked, and the supervisor is responsible for overseeing the process and approving the accuracy of the time record.

## EMPLOYEE RESPONSIBILITIES

Primary responsibility for accurately recording time belongs to the individual employee. It is your responsibility to ensure that your time is recorded correctly, reflecting proper labor charges, vacation, time and absences, etc. In signing your timecard each week or reporting your time electronically, you are certifying that the timecard accurately reflects how your time was spent during the week. Your reputation, as well as the company's, is on the line. In order to carry out this obligation, you should:

- Record your time after it has been worked every day
- Be accurate and precise in charging what you are working on
- Know where to find documents that authorize your labor charge code, such as the network, internal/external order, job number, or any other term used to describe a code used to segregate and accumulate time charges.
- Follow procedures for completing time-keeping records and correcting errors
- Sign your timecard or use the approval feature in the electronic timekeeping system

Above all, if you are unsure about any aspect of your obligations, don't guess . . . ASK!

## MANAGER/SUPERVISOR RESPONSIBILITIES

Your supervisor also has responsibilities in this area. The supervisor shares with the employee responsibility for ensuring the accuracy of time keeping. Specifically, supervisors should:

- Review and approve the time-charging records of their employees
- Ensure that all employees under their supervision, especially new employees, know their correct classification as exempt, non-exempt or hourly employees, and the corresponding differences in time reporting
- Maintain a workplace environment that encourages honesty and makes employees feel free to ask questions if they're not sure of proper time recording procedures.
- Ensure all employees under their supervision have proper labor charge codes for each work assignment.
- Ensure all employees under their supervision understand proper time recording procedures.

## TIMECARD FALSIFICATION OR MISCHARGING

The largest number of contacts made to the company OpenLine, or for that matter to the hotlines of companies in our industry, involve allegations of timecard irregularities. Serious infractions that are substantiated could and have resulted in discipline up to and including termination of employment. Timecard irregularities generally are of two kinds: namely, timecard falsification and mischarging.

### TIMECARD FALSIFICATION

Timecard falsification is usually an action taken by an individual employee to knowingly misrepresent time worked for personal gain. This could take the form of:

- Falsifying the record of hours or overtime hours worked
- Improper use and recording of paid benefits such as vacation, personal or sick time
- Misrepresenting true attendance to avoid sanction or the need to make up time
- Misuse of compensatory time

### MISCHARGING

Mischarging, on the other hand, can be the act of one or more employees. In this case, the proper number of hours may be worked, but they are knowingly not charged to the correct labor charge code. Mischarging can take the form of:

- A supervisor directing an employee to charge to the wrong labor charge code. The employee may or may not be aware of the wrong labor charge code
- Charging labor for time worked on an overrun fixed-price contract to a cost-type contract
- Splitting costs between a number of contracts or labor charge codes without being able to verify the actual time spent on each
- Charging a single labor charge code when work was performed on multiple labor charge codes
- Charging indirect activity such as training, downtime or paid absence to a contract labor charge code or vice versa

Timecard falsification or mischarging can have a serious impact on your job, your career and the company. If you are asked or directed to mischarge, you must inform management, your local business conduct officer (BCO) or contact the OpenLine.

**Accurate time charging depends on you.**

- 1. Do you know how to complete your timecard or accurately make an electronic entry?**
- 2. Do you know the correct labor charge codes for the projects assigned to you?**
- 3. Do you know who to ask if you have questions about completing your timecard?**
- 4. Do you know with whom to speak if you suspect mischarging or timecard falsification, or if you are being told to incorrectly charge time?**
- 5. Do you know what the rules are with regard to compensatory time and how to record it?**

## TEST YOURSELF

You are working on two direct charge contracts and the company wants you to attend a company briefing on the benefits plan.

Yes No

1. **Can you charge the briefing time to the contract labor charge code you would have been working on at that time?**

 

2. **Can you split the briefing time and charge half to each contract labor charge code?**

 

You are unclear about the correct labor charge code to use for a new job you are working on.

3. **Can you charge the time to the contract labor charge code you usually work on, and correct it later if it's wrong?**

 

4. **Can you charge the time to a contract labor charge code that you know has unused hours available?**

 

After you sign your timecard or submit it electronically, your supervisor incorrectly changes a labor charge code.

5. **Must you agree with this change?**

 

6. **If you and your supervisor know the new labor charge code is incorrect, are you both responsible for mischarging?**

 

There are four labor charge codes available, one for each aspect of the work you are doing:

7. **Can you estimate two hours each day for each of the four labor charge codes because you didn't pay close attention to time?**

 

8. **Can you charge most of your work to one labor charge code if that accurately reflects the time you worked on the job?**

 

Your group has exceeded the allocated hours on a sales order. A decision is made to charge the additional time to an indirect labor charge code to avoid billing the customer for an overrun.

9. **Does this create a false record of the effort necessary to accomplish the job?**

 

10. **Are there serious potential consequences for both the employees involved and the company?**

 

## CORRECT ANSWERS

1. No. The time used to attend an information session on company benefits should not be charged to the contract labor charge code. Contact your supervisor for the proper indirect labor charge code.
2. No.
3. No. You must take the time to get the correct labor charge code. Ask your supervisor or check the authorizing paperwork.
4. No.
5. No. First, attempt to correct the problem by discussing it with your supervisor. If that doesn't solve the problem, seek advice from your next-level manager, your local business conduct officer (BCO), or contact the OpenLine .
6. Yes, if you make no effort to correct it, as described in answer #5.
7. No. You should keep track of the time you work on each task. You are responsible for accurately reflecting your charges at the end of the day.
8. Yes.
9. Yes.
10. Yes. Consequences could include loss of contract for the company and company discipline as well as legal consequences for the employees and the company.