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1. Subject: Direct Cost for Exempt Labor	2. Guideline Ref (if applicable): 16	3. Control Number: 3
4. CA#, WBS#, or Functional Area: All CAs, WBSs, and Direct Labor		

5. Description:

REQUIREMENT: ANSI GL # 16: Record direct costs in a manner consistent with the budgets in a formal system controlled by the general books of account.

DISCUSSION: Direct cost must be assigned to a project consistent with the pertinent budgets in order to achieve effective performance management. A project cost-charging structure established in the accounting system should help ensure that actual costs collected are directly compared with associated budgets for that work. This is to be supported by a contractor's accounting manual/procedures identifying the methodology of handling various actual costs.

OBSERVATION/FINDING: FRA is not in compliance with ANSI Guideline #16 because there is not an auditable trail beyond submitted employee time records that would validate whether salaried exempt employees' efforts are allocated to multiple projects proportionate to their actual effort. Hours recorded may or may not represent total hours actually worked.

Through review of FRA policy and procedures documentation and interviews with both accounting department and project personnel it has been determined that the FRA timekeeping system/process does not capture total hours worked. Also, there are no detailed procedures regarding recording of time worked and there is no adequate guidance to support consistent/accurate recording of time when charging to more than one project/task. Timekeeping is accomplished using two different methods; 1) manual timekeeping records (paper based) and 2) electronic timekeeping through the Fermi Time and Labor System (FTL).

1) The paper based process for exempt employees requires monthly submittal of leave hours only that is used to determine "hours worked." The process requires a second step to allocate regular hours worked to projects/tasks by reporting a percentage of time which is applied to hours worked (based on standard time which may not be total hours worked). There is no formal guidance/procedure which defines the process for tracking hours worked by project needed to determine the percentage allocation. This is left up to the individual.

2) The electronic FTL system requires weekly submittal of hours worked using one of two methods "actual hours worked or on the basis of a standard work week". Reporting actual hours worked is encouraged. The FTL process will convert total hours worked to a standard work week automatically if total hours worked is recorded. The FTL system is an improvement over the paper based process as it provides the capability for the employee to record time for more than one charge number. However, it does not require the capturing of total time worked. The FRA labor capture policy only "encourages" reporting actual hours worked, and does not require all hours reported.

There is no standard FRA procedure (written or otherwise) defining how employees are to keep track of actual hours as worked throughout a pay period. Through interviews with project staff it was observed that some track hours throughout the day and others at the end of a week. There is no documented exempt employee guidance or procedure to define how time worked is to be tracked throughout a pay period, e.g., daily with the lowest unit of measure of 30 minutes. It was also observed that there are differences between organizations as to whether staff are instructed (informally, no written documentation provided) to capture all time worked. The FESS Organization (treated as a "chargeback") instructs their staff to record all hours worked and their costs are assigned to projects/tasks based on total hours worked. The determination of exempt labor cost for the FESS Organization is derived using a different method than the other FRA Organizations but is not documented in the timekeeping policy or procedures.

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The timekeeping systems/processes (for exempt employees working more than one project or charges time to more than one task within a project) as defined creates an internal control weakness allowing for unnecessary inaccuracies in how exempt employees record their time in relation to work assignments.

ATTACHMENTS:

- 1) Fermi National Accelerator Laboratory Labor Capture and Distribution Policy and Procedure
- 2) Fermilab Accounting Policies & Procedures, pages 202 to 205 (chargeback)
- 3) Fermilab Accounting Policies & Procedures, pages 131 to 132 (effort worksheet)

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