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| POLICIES AND PROCEDURES MANUAL | SOUTHERN RESEARCH |
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| Time Reporting | New Topic 07/17/15 |

Policy Statement

Time reporting is the process by which Southern Research (SR) gathers labor hours and cost data. SR will maintain a system of time reporting for labor hours which ensures that compensation and leave policies are appropriately administered and that labor costs are accurately and consistently assigned or allocated to cost objectives based upon actual time worked.

Total Time Accounting (TTA)—Timekeeping

Southern Research Institute’s policy is that all employees will record and report time charges based on total time accounting. All time worked related to Southern Research (SR) official business must be recorded on the SR timesheet, regardless of the number of hours. This requirement applies to all employees (hourly and salaried) with the following exception for salaried employees:

*Incidental time spent by salaried employees working on unallowable activities during periods which are considered outside the normal work hours (refer to SR “*[*Marketing, Public Relations, and Business Development Cost Policy*](file:///Y:\finance\Marketing%20Public%20Relations%20%20Business%20Development%20Costs.pdf)*” regarding activities which are unallowable under US Government contracts). Southern Research policy, consistent with its US Government contractual clauses, does not require salaried employees to record incidental/immaterial time worked on certain unallowable activities unless an employee frequently works on these activities outside of normal working hours*.

A salaried employee is defined as an employee exempt from the Fair Labor Standards Act (FSLA).

For purposes of this policy standard business hours are from 7:45 a.m. to 4:30 p.m. local time with 45 minutes for lunch and normal business days are Monday through Friday. Employees are expected to conduct their work within these hours/days. However, the Company permits flexible time schedules and employees may vary their working hours with the consent of their supervisors. Further, it is also expected that employees working shift time or on a customer site will vary their working hours in accordance with circumstances.

For questions concerning total time accounting including the exception for certain unallowable activities worked outside of normal working hours, the point of contact is Jill Cordle, Controller.

Total Time Accounting---Cost Accounting and Cost Estimating

SR policy generally requires total time accounting (with limited exceptions as noted above) which means that salaried employees exempt from FLSA overtime potentially work uncompensated overtime (i.e. hours worked without additional compensation which are in excess of 40 hours per week and/or 8 hours per day). SR policy permits compensation of salaried employees for hours worked in excess of 40 hours/week under certain circumstances and with Vice President approval. In terms of accounting for uncompensated overtime, SR Labor Distribution and Project Status Reports will reflect actual hours worked and the application of the employee’s straight time rate predicated on a 40 hour workweek. Hence, all direct/project costs will be consistently charged at the effective straight-time rate and any distributed labor which exceeds the actual payroll costs will be credited to the overhead pool (the pool which is the corresponding base for the employee direct labor). Additionally, SR bids/proposals will consistently reflect the employee’s straight-time rate for purposes of estimating direct labor; however, the impact of the projected uncompensated overtime will be reflected as a credit in the forecasted overhead rates.

Discipline

The time sheet is a legal document important in substantiating charges eventually billed to clients. The timesheet, with only limited exceptions as noted in SR’s [detailed timekeeping procedures](file:///Y:\finance\Total%20Time%20Accounting-Time%20Reporting%20Policies%20and%20Procedures.pdf), should remain under the control of, and be completed by, the individual who will eventually sign it and attest to its accuracy. The timesheet controls both the amount of pay the individual receives and the distribution of salary charges to project or other accounts.

Failure to record time accurately will be subject to discipline, up to and including termination.

Related Topics

Topic 221 – Hours

Topic 227 – Time Sheets

Topic 663 – Positive Discipline

Topic 120 - Code of Business Conduct and Ethics