

TIMEKEEPING AND LABOR REPORTING

The purpose of this section is to delineate LTE policy and procedure for recording time worked using the Costpoint timekeeping system. An integral part of the company's labor hour management system is the accounting and recording of work activity. The timesheet provides the means to assign labor hours to the correct direct and indirect charge numbers and to determine proper billing to customers and payment to employees.

These procedures establish the basis for compliance with the requirements of labor reporting for purposes of attendance and for identifying job cost detail.

Each employee is responsible for recording and verifying all hours worked on their timesheet daily, to properly reflect time worked, compensable absences, and non-compensable absences during the timesheet period. If requested by management, or internal/external auditors, the employee must be able to provide specific information on work activities and timesheet preparation.

Managers are responsible for review and approval of their employees' timesheets. The manager is expected to have direct knowledge of each employee's work activity, schedule, and attendance. Managers are responsible for verifying that the timesheet information is accurate and complete. Timesheets are to be finalized, approved, and submitted no later than the 16th (for the timesheet period of the 1st thru the 15th) and 1st (for the timesheet period of the 16th thru the last day of the month) of each month for the previous timesheet periods.

If special means, such as faxing, e-mailing, or phone transmittal must be used for the completion of the timesheet, the manager is responsible for ensuring prompt and accurate submittal of timesheets. Each manager is assigned an alternate manager to verify and approve timesheets when absent.

Definitions

Exempt Employee: An administrative, professional, or executive employee who is not subject to the overtime provisions of the Fair Labor Standards Act and the Walsh-Healy Public Contracts Act.

Non-Exempt Employee: An employee who is paid for time recorded, and who is subject to all the provisions of the Fair Labor Standards Act and the Walsh-Healy Public Contracts Act, including overtime.

Direct Labor: Any labor an employee can specifically identify to a final cost objective.

Indirect Labor: Any labor that is not normally identifiable as being incurred for any one defined final cost objective and should be charged as indirect. Indirect labor will be accumulated in the appropriate indirect cost pools.

Fair Labor Standards Act: The Fair Labor Standards Act (FLSA) establishes minimum wage, overtime pay, recordkeeping, and child labor standards affecting full-time and part-time workers in the private sector and in federal, state, and local governments.

Overtime: The hours worked by an employee in excess of 40 hours per week. **Employees are to record all overtime hours worked on their timesheet, whether compensated or uncompensated.**

Non-Scheduled Overtime: Hours worked in excess of an exempt employee's standard work schedule for which overtime compensation is not authorized. Management is responsible for planning and managing work so that it can be accomplished during an Employee's standard work schedule. Occasional non-compensated overtime is inherent in the scope of work expected of exempt employees.

Customer Directed Overtime: Overtime scheduled at the specific request of a customer for work performed at a non-LTE facility. Funding for this overtime must be reimbursable. Advanced management approval is not required. As required, a specific Costpoint Charge Code, with amplifying instructions, will be established to support government directed additional labor hour execution.

Total Time Accounting

Total Time Accounting embraces the practice of entering the total actual labor hours worked in any one particular day, including both exempt and non-exempt employees. The United States Federal Government prefers that:

“The contractor should have procedures to ensure that all hours worked are recorded, whether they are paid or not, to assure the proper distribution of labor costs. This is necessary because labor rates and labor overhead costs can be affected by total hours worked, not just paid hours worked.”

It is LTE's policy to use Total Time Accounting for recording time daily for every employee. Therefore, each employee, regardless of their standing in the organization, will enter the actual number of hours worked in the corresponding field of their timesheet no later than the end of each work day. Under no circumstances should the employee fail to record any hours worked during the course of a day.

LTE requires every employee to record and report **all activities** directly assignable to specific charge numbers, whether direct or indirect. Properly recording all time by the conclusion of the employees' workday is imperative for accurate and complete payroll and job cost data.

Timekeeping is the basis upon which all LTE employees are paid and customers are billed. It is therefore essential to have a comprehensive and accurate timekeeping system.

LTE Work Week & Timesheet Period

The LTE workweek begins at 12:01 a.m. Monday and continues through 12:00 p.m. the following Sunday. LTE employees are paid semi-monthly, on the 10th and the 25th. To coincide

with this pay schedule LTE has two timesheet periods each month. The first timesheet period begins at 12:01 a.m. on the 1st day of each month and concludes at 12:00 p.m. on the 15th of each month, payable on the 25th day of the month payday. The second timesheet period begins at 12:01 a.m. on the 16th of each month and concludes at 12:00 p.m. on the last day of the month, payable on the 10th day of the month payday. If any Timesheet period concludes on a weekend day, employees are expected to finalize and submit their timesheets during the next regularly scheduled working day.

Timesheet Instructions

LTE requires that all employees submit labor timesheets at the end of each semi-monthly work schedule, which coincides with company payroll and labor distribution requirements. It is company policy to have all employees accurately identify and record all labor charges on their labor timesheets daily. It is expected that all employees are accountable for and execute an eight (8) hour standard workday. Employees on Direct Labor contracts will meet contract specified required hour levels of effort.

Non-exempt (hourly) employees must make up time off during the workweek in which the time off is taken or use their vacation time for hours not worked. The manager is responsible for ensuring that time made up is consistent with company standards of productivity, safety, and management requirements.

Exempt (salaried) employees who request personal time off must charge accrued leave or leave without pay. Exceptions must be coordinated with the supervisor and documented in the comments section of the timesheet. Please note that LTE does not have a “compensatory time off” policy!

LTE uses the licensed Costpoint for electronic timekeeping management. To aide in timesheet management, each employee is issued a Work Authorization Letter (WAL). Employees that work on contract as direct labor, their charge code(s) are based on contract they are hired to work.

- The WAL is the document that provides individual employees *targeted* percentages of time utilization for a given timesheet period that is NOT chargeable to a customer or otherwise reimbursable; also known as Indirect Labor charges.
- Employees that work direct labor are given authorized access to their assigned charge code(s) only by the accounting department. Hours are monitored and managed by their Project Manager.

Direct Labor and/or Indirect Labor (Exempt):

- a. When each assignment is completed and/or at the end of each workday, record on your electronic timesheet the number of hours worked by direct and/or indirect account number, Work Order (WO), Task Number (if applicable), or other applicable charge code. This must be recorded directly onto the electronic timesheet.

b. At the end of the employee's workday, the employee must enter and save the total hours worked, whether paid or unpaid, into the electronic timesheet. **All** hours should be recorded, regardless of whether they were pre-authorized or approved. Employees may record their actual hours to the nearest half (.5) hour.

c. No earlier than two hours before the end of the employee's semi-monthly work schedule or no later than noon (Eastern Time), 9:00 a.m. (Pacific Time) the following day (16th and 1st of each month) the employee must ensure that all hours worked have been entered and properly segregated by direct/indirect charge code. After verifying their individual charges, the employees must electronically sign and save their own timesheet within Costpoint's Time Collection System.

NOTE: All Employees:

- Under no circumstances should anyone sign another person's name on a timesheet or initial a correction using another person's initials or electronic signature.
- Under no circumstances (except for scheduled vacation or for other paid time off for the full week or at the end of the Employee's work week) should anyone pre-sign their own timesheet and turn it over to their manager or any other person.

Manager Responsibilities: Review employee timesheets to verify that:

a. All labor charges accurately reflect activities performed for that reporting period in accordance with approved WAL or CAL.

b. All corrections have been properly made and detailed explanations (when necessary) have been provided.

c. The timesheet is completed and has been electronically signed by the employee.

d. Approve timesheets using the electronic approval process in Costpoint's Time Collection System and submit the approved timesheet electronically at the end of the employee's semi-monthly work schedule but no later than 12:00 noon (Eastern Time), 9:00 a.m. (Pacific Time) of the day following the conclusion of the work schedule (i.e. 16th and 1st of each month). If that day happens to fall on a weekend or holiday, then all timesheets should be approved and submitted by 12:00 noon (Eastern Time), 9:00 a.m. (Pacific) of the next business day.

e. When an employee is on a trip, vacation, or out ill and cannot complete their own timesheet, the manager must complete the timesheet charging the proper cost objectives or overhead accounts and sign his/her own name (Manager's name) in the space provided for the employee's signature. Then the manager must submit the Timesheet to his/her own immediate manager for review and approval.

f. If a change is necessary on an absent employee's timesheet, managers will make and initial the change in the system and provide a detailed explanation.

Upon the employee's return, managers will discuss the change and if an error has been made, process a correction. If later adjustments are necessary, managers will process a labor transfer form through the appropriate accounting channels.

NOTE: All Managers

- Under no circumstances should a manager sign another person's name on a timesheet or initial a correction using another person's initials. If it is necessary to sign or correct a timesheet in an employee's absence, managers will at all times sign their own names and not the employee's name.
- Under no circumstances (except for scheduled vacation or for other paid time off for the full week or at the end of the Employee's work week) should a manager accept a pre-signed timesheet from anyone or sign a time card prior to verification of accuracy and completeness of data entered on the time card.
- Managers are also responsible for periodically observing employees' arrival and departure times to ensure that employees are not clocking in/clocking out improperly.

Compliance Review

Periodic unannounced floor-check audits will be conducted to monitor compliance of policy concerning preparation and approval of labor timesheets. The following progressive corrective actions will be directed to those individuals who are in violation of proper labor and attendance reporting procedures:

- A. A verbal and written reprimand will be issued initially warning the employee and their supervisory manager of the timesheet violation.
- B. A second infraction will require the employee and their supervisory manager to attend a training class on the proper time recording practices.
- C. Subsequent infractions will be treated according to company policy, but will include additional training, reporting requirements, and possible termination.

Accrued Leave

The LTE Accrued Leave Policy provides leave to full-time and part-time employees as part of the employee benefit package. We consider this policy to be generous and comparable with the industry standard. Accrued leave is NOT just 'vacation' but is paid time away from the workplace for any reason non-work related. Consistent with LTE's review of all employee policies, implementation of the following policy is with full recognition that current employees have varying amounts of accrued leave and this policy revision will have differing impacts. Please refer individual and specific questions to the Human Resources Director.

Accrued leave is earned leave for eligible part-time employees. This leave is accrued on a pay period basis in the amount of 5 hours per month, regardless to the amount of time worked, and

will be allowed to maintain 80 hours of accrued leave each year ending December 31.

Accrued leave is earned leave for eligible full-time employees. This leave is accrued on a per pay period basis. The following will apply to full time employees only.

1. The President will randomly monitor timesheets with accrued leave for policy compliance.
2. New employees accrue 5 hours of paid leave per pay period (120 hours, or 3 work weeks annually) when hired through the **first five years** of employment.
3. New employees will accrue 6 hours of paid leave (144 hours, or 18 work days annually) **after** five years of employment.
4. After 10 years of employment, employees accrue 7 hours of paid leave per pay period (168 hours, or 21 work days annually).
5. Accrued leave can be used at the employee's discretion for vacation/personal time off, sick time, family and medical leave (FMLA), or other personal reasons.
6. Employees can borrow up to 40 hours of leave per year (i.e., take 'advance' leave) to support emergencies or scheduled time off. If an employee leaves LTE, the employee will pay back the leave that was borrowed from their last pay check.
7. Employees will be allowed to maintain 160 hours of accrued leave each year ending December 31.
8. Employees should complete their timesheets at the end of each day. All employees must account for 8 hours on a standard workday. Use of notes and coordination with your supervisor are required.
9. Employees on Direct Labor contracts are required to meet the contract level of effort.
10. When an employee leaves LTE with a positive leave balance, the employee will receive a leave payout on their last pay check for all hours accrued.
11. "Employee Leave Transfer": On a case-by-case basis, LTE will consider employees requesting the transfer of any part of personal accrued leave to another eligible full-time, exempt employee, for their personal use. Such requests must be approved by the appropriate management chain and signed by the President. Such leave hour transfer must NOT be in consideration of any monetary exchange and will be officially reflected in the LTE SpringAhead timekeeping leave balance system for affected employees.

Holiday Leave

The LTE Holiday Policy provides paid holiday leave to full-time employees as part of the employee benefit package. LTE provides Ten (10) paid 8-hour holidays per calendar year to be charged to the holiday account on employee timesheets. All of those holidays are company

assigned dates coinciding with recognized Federal holidays that LTE observes and are as follows:

- ❖ New Year's Day
- ❖ Martin Luther King, Jr. Day
- ❖ President's Day
- ❖ Memorial Day
- ❖ Independence Day
- ❖ Labor Day
- ❖ Columbus Day
- ❖ Veteran's Day
- ❖ Thanksgiving Day
- ❖ Christmas Day

LTE offices are closed for business on the above observed holidays. If an employee is required/customer directed, and works on a holiday, he/she can use the hours of holiday leave on another day that the employee chooses as long as it is coordinated with management. The eight hours of holiday leave must be taken within the calendar year. Holiday leave does not rollover to the following year.