PURDUE APPLIED RESEARCH INSTITUTE

PARI Time Tracking & Reporting

Purpose

The purpose of this policy is to establish procedures and guidelines for the recording of time in accordance with applicable laws and regulations.

Policy

It is the policy of the Purdue Applied Research Institute ("PARI") to comply with all labor laws, government regulations, and accounting standards and principles. The compliance requirements are set forth in various publications including: Cost Accounting Standards (CAS), Federal Acquisition Regulations (FAR), Generally Accepted Accounting Principles (GAAP), Department of Labor Regulations, and the Fair Labor Standards Act (FLSA). PARI will adhere to time tracking of hours associated with PARI work.

Scope

This policy applies to all PARI employees, who expend resources on behalf of PARI and to Purdue University employees who work on PARI projects or who are otherwise designated to track time associated with their PARI effort, regardless of work location. All persons responsible for timekeeping shall be referred to as Timekeepers in this document and should receive a copy of the Time Reporting Policy and Procedures.

Principles

As a government contractor, PARI is required by law to comply with additional regulations over and above general commercial business standard time charging policies. These additional regulations are codified in the FAR. As such, our time reporting policies must support a sound system for recording of hours worked, collection of labor costs, a determination if labor costs can be recovered under federal government contracts and time (cost) allocation to government cost objectives (contracts or bid & proposal costs). The labor hours reported by timekeepers and approved by the project Principal Investigator, their time approver (or their designee) form the basis for the company's billing/claims to its customers. Accordingly, time collection data must be current, accurate, complete, and in full compliance with this policy. Compliance with this policy requires adhering to proper timekeeping procedures, maintaining adequate systems of internal control, and providing an timekeeping training program. We expect that the Defense Contract Audit Agency (DCAA) will closely monitor compliance with this policy in the near future. PARI is also subject to audit by the Department of Labor.

Procedures

Distribution of Timesheets

PARI utilizes the Clockify electronic timekeeping system ("Clockify"). The system allows those timekeepers designated with access to record hours each day. All new hires will be set up in Clockify at their start date, therefore paper timesheets will not be required.

Timekeeper Instructions for Completion of Timesheets

All timekeepers must strictly adhere to the following policies regarding time tracking.

The timekeeper shall:

- Enter PARI hours worked (or Paid Time Off, "PTO") by way of 'timesheet entry', 'time tracker entry' or 'calendar entry' daily.

- Time is to be recorded in one-quarter hour increments.

- The best practice is to complete timesheet on a daily basis by 10am the next business day.

- Complete timesheet in advance in the case of planned leave or where estimated timesheets are appropriate.

- Submit weekly timesheets to the approver by 10am on Monday for approval.

- Ensure corrections to timesheets and required explanations are made in accordance with the instructions under "Timesheet Changes" below.

- The submission of the timekeeper's timesheet certifies, to the best of their knowledge and belief, that (i) the timesheet is complete, (ii) all hours worked have been reported (as required under PARI time accounting), and (iii) the projects charged are correct and accurately reflect the work performed.

In extreme circumstances such as illness or extended travel result in the timekeeper being unable to complete their timesheet, it is permissible for a Clockify admin to complete the timesheet on behalf of the timekeeper (the Clockify admin must differ from the approver for segregation of duties). Refer to "Completion of Timekeeper's Timesheet by Time Approver" below for specific instructions.

Approval of Timesheets

The approving authority shall normally be the timekeeper's Principal Investigator, direct supervisor, or the supervisor's supervisor.

Timesheets shall only be approved by duly authorized personnel. Approvers may appoint other personnel or project managers to approve timesheets when necessary. The approver must have knowledge of the hours worked, the tasks performed, the accuracy of the project and task codes, the appropriateness of the cost allocation, and have gained this knowledge through observation of the timekeeper's activities or through daily communication with the timekeeper. By approving the timesheet, the time approver or their designee is certifying that, to the best of their knowledge and belief, the number of hours and accounts charged accurately reflect the work performed by the timkeeper.

The approver shall:

- Carefully review each timekeeper's timesheet for accuracy and completeness.

- Review all corrections and ensure the explanation given for each change is adequate.

- Ensure that all timkeepers are aware of the correct project and task codes for each task performed.

- In a timekeeper's absence, complete and submit the timesheet on behalf of the timekeeper. Refer to "Completion of Timekeeper's Timesheet by Time Approver" below for specific instructions.

- Approve the timesheet by electronically "approving" the timesheet.

Completion of Timekeeper's Timesheet

Under normal circumstances, only the timekeeper may complete timesheets. However, when situations such as illness or extended travel result in the timekeeper being unable to complete their timesheet, it is permissible for a Clockify Admin to complete the timesheet on behalf of the timekeeper (the Clockify admin must differ from the approver for segregation of duties).

In such cases, the timekeeper should communicate to the Clockify admin of necessary timesheet entries. In the event that an timekeeper is unable to communicate the need for entries (in a case such as long-term illness) a communication from HR can be used in place of a direct communication from the timekeeper.

The Clockify admin should complete the electronic timesheet on behalf of the timekeeper, electronically submit the timesheet, and notify the project approvers for approval. Upon the timekeeper's return, the timekeeper should review the submitted timecard(s) for accuracy.

Timesheet Changes

All timekeepers should utilize the following procedures to make changes to timesheets.

- *Changes to Timesheets Prior to Submitted Status:* Changes to reported time can be made as needed prior to submitting for approval.

- *Changes to Timesheets After Submitted Prior to*

Approval: Timesheets can be edited while waiting to be approved. In the case of a mistake, the timekeeper can withdraw the submission by clicking X on the pending tag, time can be edited, and resubmitted for approval.

- *Changes to Timesheets After Submitted and Approved:* Once entries are approved, they become permanently locked and you can no longer edit them. Time can be added to previously approved time by adding the identified time and submitting the whole week for approval again, previously approved time cannot be edited.

  Timesheets can be withdrawn, edited, and resubmitted for approval if absolutely necessary. Justification is required in the text field which is subject to review and approval by PARI administration and the Time Approver.

- In the event that a payroll charge is disallowed by an external sponsor, the Program Manager and PARI Finance will review and make the necessary adjustments to properly allocated the charge.

Special Instructions

- **Vacation and Sick Leave**

To the extent timekeepers are eligible for paid leave; timekeepers may charge vacation or sick leave for periods of absence during normal workdays as PTO. PTO may be keyed in advance, thereby allowing timekeepers to complete their timesheets before departing for planned vacation or known sick leave absences. *PTO should be prorated based on PARI appointment if an timekeeper has a PU appointment as well.*

- **Holiday**

Timekeepers eligible for paid holidays will receive holiday pay based on their PARI appointment FTE (part time, full time) and should be prorated based on their FTE if they have a PU appointment as well. Holiday time is keyed as PTO and may be charged in advance, thereby allowing timekeepers to complete their timesheets in advance. Timekeepers are expected to observe the holiday on the date specified by the company.

Holidays will be defined by the Purdue University holiday schedule.

- **Other leaves and Time Off**

PARI defines other leaves and time off (bereavement, military leave, inclement weather, etc.) in accordance with Purdue University's time off policies. These paid leaves should be recorded as PTO. PTO should be prorated based on the FTE of their PARI appointment if an timekeeper has a PU appointment as well.

- **Non-exempt Employee Timecard Considerations**

Non-exempt employees will be required to follow applicable SuccesFactors timecard procedures in addition to recording their time in Clockify. The time recorded in Clockify should mirror the PARI time recorded in SuccessFactors. *Recording time in Clockify does not replace the actions needed to record time in SuccessFactors.*

- **Non-exempt Overtime Premium Pay**

Non-exempt employees will be paid for hours worked in excess of 40 hours per week (or as required by applicable state law). Overtime pay will be calculated according to Purdue policy and should be recorded in Clockify. Non-exempt employees and their time approvers are reminded that overtime pay should be authorized in advance.

- **Uncompensated Overtime**

Salaried, exempt employees, as defined by the Fair Labor Standards Act (FLSA), may be expected to work beyond regular hours, 40 hours weekly, when necessary to meet project deadlines or the demands of their jobs without additional compensation. Salaried, exempt employees annual pay is based on the attainment of work objectives rather than on the hours spent performing the work. Timekeepers should follow the time tracking procedures and record all PARI hours worked daily in their timesheet, even if those hours are in excess of 40 hours per week.

This policy is consistent with PARI's Cost Accounting practices used to accumulate and report

uncompensated overtime hours in preparation of future task order requirements under PARI contracts. Time reporting and labor charging are consistently monitored by Time Approvers/Project Managers and analyzed frequently by the Finance Department.

- **Remote Work**

PARI defines remote work as a flexible work arrangement which allows an employee to do their job from a location other than a central office or laboratory space operated by the employer. PARI follows remote working guidelines as maintained by Purdue University, its parent company (https://www.purdue.edu/hr/workremotely/index.php).

All employees are hired into a position within PARI that identifies them in one of five categories:

- 100% On Campus (In Person)

- Hybrid – 25% Remote/75% In Person

- Hybrid – 50% Remote/50% In Person

- Hybrid – 75% Remote/25% In person

- 100% Remote

Temporary remote work can be arranged if clear expectations of work performance are defined and approved by the time approver. Any temporary remote work that exceeds 22 consecutive working days must be documented by the Change in Duty Station process. It is the responsibility of the employee and/or their time approver to notify PARI Finance of any changes to an employee's work location in excess of 22 working days. This notification must be in advance of the change in work location.

The remote work employee is responsible for tracking time in accordance with this timekeeping policy. The time approver, during the approval process, is responsible for tracking work productivity and supervision of work products to ensure the accuracy of timecards. All remote work employees may be subject to DCAA floor audits which may include speaking directly with a DCAA auditor over the telephone or via video conference. Additional information about these audits is found under the Time Reporting Audits section of this policy.

Adherence to Proper Timekeeping Procedures

Any questions related to this policy or its implementation should be addressed to the timekeeper's time approver, higher-level supervisor, PARI administration or HR.

If a timekeeper does not follow proper time reporting procedures, it will be brought to the timekeeper's attention by the time approver or PARI administration. Every timekeeper must make a concerted effort to comply fully with PARI's stated time reporting procedures. Cases of continued non-compliance by an timekeeper may result in PARI taking whatever disciplinary action it considers necessary to ensure adherence to these procedures, up to and including termination of employment and removal from PARI activities.

Time Reporting Violations

Every timesheet submitted directly or indirectly affects project billings. Violations of PARI's Time and Expense Reporting Policy—that could result in false claims against the government or sponsor—are deemed the most serious and warrants appropriate disciplinary action, including necessary disclosure of an timekeeper's actions to the appropriate government officials. All PARI timekeepers are expected to follow the policies and procedures noted in this manual.

Violations include but are not limited to:

- Falsifying time worked.

- Knowingly or recklessly charging time worked on one contract to another contract.

- Knowingly or recklessly charging time worked on one task to another task.

- Knowingly or recklessly charging time worked on one contract to an overhead or G&A account.

- Knowingly or recklessly charging time worked on an overhead or G&A account to a contract.

- Knowingly or recklessly approving timesheets that

included any of the above incorrect charging; and

- Knowingly or recklessly advising or instructing a staff member to charge time deliberately incorrectly.

Time Reporting Audits

To eliminate violations and assure accuracy in PARI's Time Reporting practice, timesheets are subject to being audited at any time by either Internal or External Auditors, including the DCAA. The most common errors identified in these audits include:

- Time for the previous week is not submitted by 10am on Monday.

- Missing project code.

- Timesheet not submitted in advance when timekeeper (eligible for paid leave) is preparing for scheduled leave.

- Total hours worked not recorded accurately.

- Lack of understanding of account number structure including non-contract time worked.

The Defense Contract Audit Agency (DCAA) will occasionally perform audits of our timekeeping system, as well as periodic Floor Checks of our time reporting policy, procedures and practices. These audits typically include meeting with individual timekeepers. If you are contacted for such an audit, you should be prepared to know and discuss:

- Your functional job title (e.g., Engineering Analyst).

- Current project/contract that you are working on and it's Clockify code.

- Description of the work being performed.

- Documentation that work performed remotely has been monitored and is in alignment with timekeeping records.

- Hours worked on projects.

- The work authorization system:
  - Who Assigns work: PARI Time Approver/Project PI

- Who assigns project code: PARI Timer Approver/Project PI

- Who approves timesheets: PARI Principal Investigator, time approver, or designee

- Who to contact in the case of suspected fraud: PARI HR representative, PARI administration or time approver.

- This PARI timekeeping policy (e.g., daily timekeeping requirements, how to make corrections, etc.)

If you have questions, please discuss with your Principal Investigator, time approver, project manager or a member of the PARI Finance Team.

Summary

This Time Reporting Policy applies to all PARI employees who expend resources on behalf of PARI and to Purdue University employees who work on PARI projects or who are otherwise designated to track time associated with their PARI effort, regardless of work location. Each time approver is required to ensure that their timekeepers are properly trained in PARI Time Reporting Policy and that any and all procedures necessary to support specific account-level timesheet requirements are understood. They must also assure that timekeepers are able to determine the appropriateness of project and task codes assigned, understand timesheet processing and corrections, and are aware that Time Reporting practices are audited and reviewed annually.

Questions regarding timesheets should be directed to your time approver. Any additional questions can be sent to PARI Finance or HR representatives.

Timekeeping Responsibilities

General

It is the responsibility of every timekeeper, every time approver, and the company to ensure full compliance with this policy. Proper timekeeping procedures are essential to the ongoing conduct of our business;

failure to comply with this policy may have a materially adverse effect on our ability to bid, perform, and bill for work performed on Government contracts. Any individual who suspects abuse of, or noncompliance with, this policy should immediately contact PARI's Associate Counsel or PARI's HR Business Partner. Reports of suspected violations may be written (signed or unsigned) or oral. An timekeeper who reports suspected violations would have his/her name held in the strictest confidence.

Timekeepers

It is the responsibility of every timekeeper to: (i) be cognizant of the requirements governing the timekeeping system, (ii) follow all procedures for documenting all hours worked, (iii) record and total hours at the end of each day, (iv) accurately record hours worked against each project and task code, and (v) complete and submit their own timesheet.

Time Approver

It is the responsibility of every Time Approver to: (i) provide guidance to timekeepers on proper timekeeping procedures, (ii) document expectations and evidence of productivity for remote work employees (iii) provide correct project and task codes to timekeepers (iv) provide the Finance team with any project specific codes needed with advance notification, (v) ensure all hours worked have been recorded, and (vi) approve completed timesheets.

Program Manager (If applicable)

It is the responsibility of the Program Manger to: (i) monitor and confirm the timekeeping entries for all participants within the program, (ii) Confirm the project codes, cost allocation and hours are appropriate for all participants within the program, (iii) Confirm appropriate PTO has been logged and is in alignment with the FTE of the participant's position, and (iv) assist timekeepers and time approvers with guidance on timekeeping policies and procedures.

Finance Department

It is the responsibility of the Finance team to: (i) manage Clockify (ii) disseminate, on a timely basis, any changes in policy and procedures, (iii) issue project and task codes for indirect labor charges, (iv) ensure that timekeepers are provided with adequate training to adhere to time reporting policies and procedures. It is the responsibility of the Finance Department to issue project and task codes to time approvers for direct labor charges to contracts, work-in-process capital projects, independent research and development (IR&D), and bid and proposal (B&P) efforts. Project and task codes must be available prior to start of the work effort.

Responsibility

It is the responsibility of the Finance and Accounting Analyst working with other management personnel, to ensure compliance with this policy. It is the responsibility of the Finance and Accounting Analyst to maintain and update this policy, as necessary.

Amendments and Exceptions

Amendments and exceptions to this policy must be in writing and approved by the Chief Operating Officer, Purdue Applied Research Institute.