



Day&Zimmermann

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Policy: Labor Time Accounting

Policy No.: 1326

Responsible Officer: Senior Vice President, Finance and CFO

1.0 Purpose

The purpose of this policy is to provide an overview on the Company's time management and accounting control over labor charging.

2.0 Definitions

2.1 Timesheet: A tool that the Company uses to keep track of the time each individual works by cost object during a certain period of time.

2.2 Cost Object: A compilation of costs being separately measured. Examples of cost objects include: cost center, internal order, or work breakdown structure ("WBS") element.

3.0 Policy

3.1 Labor and Labor-Related Costs Time Accounting

The Company is responsible to provide an operating environment which is conducive to the proper accounting of labor and labor-related costs. The Company's accounting records for labor and labor-related costs must be accurate and supportable. The reliability and accuracy of the Company's labor charging systems is essential. Regardless of the labor charging system in place, there must be procedures, controls, and an audit trail of documentation to support the labor and labor-related costs.

The Company must have internal controls in place that are evident and well-defined. The internal controls should be regularly reviewed, maintained, and updated, as necessary, to ensure effectiveness.

3.2 Timesheets

Employees must complete timesheets in accordance with *Policy 1405-01 – Timekeeping Practices*. The Company has clear, established guidelines for completion of timesheets that emphasize that each individual is responsible for accurately recording all hours worked.

3.3 Review of Timesheets

An individual's supervisor or designated time approver is responsible for reviewing and approving timesheets. The Company's payroll department, as defined by *Policy 1302 – Corporate Accounting, Finance, and Treasury Organization*, is responsible for performing end-of-pay-period procedures designed to identify errors or omissions on an employee's timesheet. If an error or omission is identified, the Company's Payroll Department will inform the employee and instruct the individual to make the necessary corrections prior to processing the payroll.

An individual's supervisor or designated time approver must also review and approve all timesheet corrections. Before a correction can be processed by the Company's Payroll Department, it must be supported by documentation that identifies the reason for the correction along with an approval by the

individual's supervisor or designated time approver. The supporting documentation for a correction is not required to be attached to the timesheet, but should be maintained by the Company's Payroll Department.

Timesheets are source documents and are used to support labor hours worked. Timesheets must be maintained in accordance with *Policy 1106 – Records Retention and Disposal*.

3.4 Training

The Company will provide training on accurate and appropriate timesheet recordkeeping at the time of hire and periodically reinforced throughout the course of employment with the Company. An individual, at any time, can request a refresher training on accurate timesheet recordkeeping.

The training includes, but is not limited to, instruction and guidance on the responsibilities for initial time input, frequency of input, subsequent changes to initial input, and final submission and proper approval procedures.

3.5 Cost Objects

The Company must provide each individual with the cost object to be charged for each type of work to be executed by the individual. A supervisor will provide the cost object, accompanied by instructions, before the work is executed.

3.6 Internal Reviews

At the recommendation of the Staff/Business Unit, an internal review will be performed to provide assurance on effective timesheet recordkeeping controls.