BERKELEY LAB

July 7, 2005

To: Division Directors
From: Graham Fleming, Deputy Director; Jeffrey A. Fernandez, Chief Financial Officer

Subject: Time Reporting Practices

Please share and discuss the following memo with all of your managers, supervisors, superintendents, principal investigators and mentors.

In a recent audit of the Laboratory's time and effort reporting system, Internal Audit found non-compliance with our time and effort reporting policies and procedures and other internal control weaknesses. There were three areas where significant improvements are needed: 1) actual timekeeping and effort reporting practices; 2) excessive labor adjustments (i.e., resource adjustments); and 3) inadequate procedures to ensure compliance with overall Laboratory policy. Laboratory policy requires that pay and time reporting be accurate and timely both in the reporting of time worked (by job or project) and time off (by category of leave).

It is every employee's responsibility to account for and certify their time accurately and on time. Each supervisor must certify/approve the accuracy of the time and effort reported by his or her subordinates, either electronically or on a time sheet produced by our electronic timekeeping system (LETS). In the absence of the supervisor, only another supervisor or manager may approve time.

We are *required* by public law and our contract to follow these policies. Not complying with these requirements could place us in violation of the False Claims Act and our labor costs could be deemed "unallowable". This would place us at risk for loss of funding.

We expect for our leadership to be responsible for accurate time reporting. In particular,

1. Every employee must follow Lab policy. Employees must input and certify (by releasing) their time and effort and supervisors must approve it.
2. By no later than July 31, 2005, Divisions should strengthen these controls by developing guidelines to ensure completion and collection of all required employee manually signed and/or supervisor manually approved timesheets.
3. Individual budget plans are to be used as guidelines only, actual time and effort must be reported accurately. Divisions will need to provide specific guidance on proper distribution of time and effort.
4. Labor adjustments should be reduced significantly and be well justified.
5. Divisional management should routinely monitor periodic compliance reports (reports are under development) to ensure all time is being released and approved.

A cross-functional team of Operations, Divisions, and OCFO staff will develop a comprehensive assessment of current practices, identify root causes of findings noted by Internal Audit and review any other applicable effort reporting deficiencies to enable them to provide recommendations for corrective actions with targeted completion dates.

In the meantime we ask each Division Director to communicate these expectations to their staff.

If you have any questions or comments, feel free to discuss them with either of us, David McGraw or Dr. Chu.

CC: Dr. Steven Chu
David McGraw
Division Deputies
Business Managers

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