

Time and Labor Charging



**ethics
& Compliance**
SHAPING THE CULTURE



Newport News Shipbuilding
A Division of Huntington Ingalls Industries

"We are Shipbuilders"

INTRODUCTION

All employees are bound by our company Values, Code of Ethics and Business Conduct and company policy to put forth their best effort and act fairly and honestly at all times. On any program, commercial or government, misuse of time is just as wrong as the misuse of any of the company's physical assets. Such misuse takes away from our ability to remain compliant with contracts and other regulations.

Additionally, for those working on government contracts, the correct charging of time is the basic element of compliance and is a legal and ethical responsibility shared by all employees. Accurate charging of time establishes a record of the effort necessary to accomplish a task or process. Such a record helps determine how employees are paid, customers are billed, future work is estimated, costs are allocated and how financial and operational performance is reported. Incorrect or careless time charging can have an impact on any of these areas and could be costly; exposing the company to fines and penalties. Furthermore, employees who deliberately falsify time open themselves and the company to criminal liability and prosecution. Both the company and employee could be barred from participating in government contracts.

The company's time and attendance system creates the official time keeping record for the company. All employees shall record time worked for each day, as applicable, using the appropriate time and attendance system.

All verifiable time records must be recorded and approved daily. Any exceptions must be processed prior to the close of the pay period to which it applies. Any corrections or other exception transactions outside of the pay period for previously transferred records must be handled by a Payroll Request Form and sent to the Payroll Department.

Employees should make changes to their own records directly in the time and attendance system whenever possible by using available collection devices or by direct access where such access is available. Certification reports are generated when someone other than the employee adds, changes, or deletes a charge record in the time and attendance system. Both hourly and salaried employees are required to certify the charges added, changed, or deleted are correct. Certification reports must be returned to the Payroll department within two weeks of the report run date.

RESPONSIBILITIES

Primary responsibility for accurately recording time belongs to the individual employee. It is your responsibility to ensure your time is recorded correctly, reflecting proper labor charges, PTO/ vacation, absence, overtime, etc. In reporting your time electronically, you are certifying it accurately reflects your time worked. Your reputation as well as the company's is on the line.

Above all, if you are unsure about any aspect of your obligations, don't guess... ASK!

Daily Time Charging Responsibilities for Hourly Employees:

- Clock in prior to shift start and Job-in no later than one hour after shift start.
- Immediately Job-in on new charges when changing assignments.
- Clock in prior to the end of lunch; clock out if leaving before or after scheduled shift end.
- Help resolve incorrect charge errors.
- Ensure the charge you are using is correct. The charge should be easy to reference from a work package, department charge list, or some other credible source.
- Make changes to your own time directly via the time clocks, and certify any corrections made to your time by others are correct.

Daily Time Charging Requirements for Salaried Employees:

- Record time after it has been worked every day. All time reporting transactions must be recorded daily and approved by management.
- Record time worked for the respective standard 8-hour shift unless eligible for premium or pre-approved flextime.
- Be accurate and precise in charging to what you are working on.
- Make changes to your own records directly in the time reporting system, and certify any corrections made to your time by others are correct.

Foremen, Supervisors and Managers have the following Time Charging Responsibilities:

- Review and verify time charging records for their employees daily.
- Ensure certification reports are reviewed and returned to Payroll.
- Ensure an explanation and foreman/supervisor/manager signature is provided for any certification report an employee refuses to sign.
- Most importantly, foremen/supervisors/managers must maintain a workplace environment that encourages honesty and makes employees feel free to ask questions if they are not sure.

In addition, all Foremen, Supervisors and Managers must ensure their employees (especially new employees):

- Know to record their time accurately.
- Know the correct charge numbers for the projects/jobs assigned to them.
- Know whom to ask if they have questions about recording their time.
- Know with whom to speak to if they suspect mischarging or time charge falsification, or if they are being asked or directed to incorrectly charge time.
- Know their correct classification as exempt, non-exempt, or hourly and the corresponding differences in recording their time.



TIME CHARGING FALSIFICATION OR MISCHARGING

The largest number of contacts made to the company OpenLine, or for that matter to the hotlines of companies in our industry, involve allegations of time charging irregularities. Serious infractions that are substantiated could and have resulted in discipline up to and including termination of employment. Time charging irregularities generally are of two kinds; time charging falsification and mischarging.

Time Charging Falsification

Time charging falsification is usually an action taken by an individual employee who knowingly misrepresents time worked for some personal gain.

This could take the form of:

- Falsifying the record of hours or overtime hours worked.
- Improper use and recording of paid benefits (PTO/vacation).
- Misrepresenting true attendance to avoid sanction or the need to make up missed time.

Mischarging

Mischarging can be the act of one or more employees. In this case, the proper number of hours may be worked but they are knowingly not charged to the correct contract.

Mischarging can take the form of:

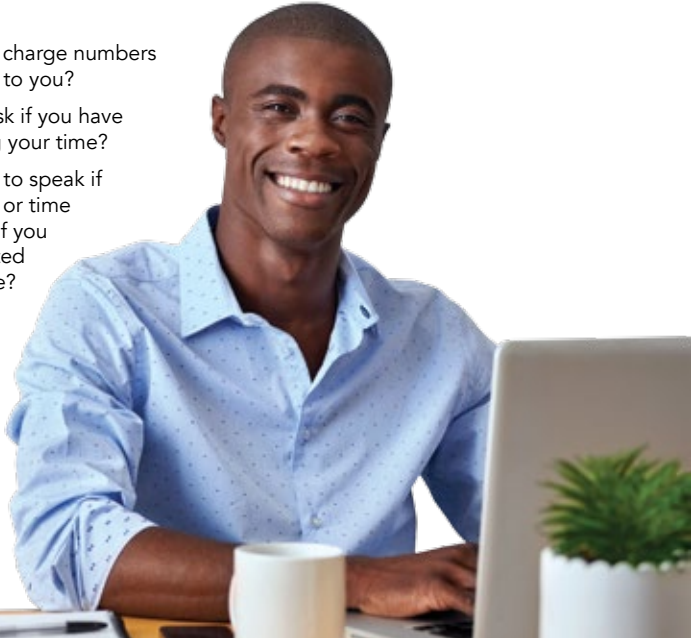
- A supervisor directing an employee to charge to the wrong account or contract (the employee may or may not be aware).
- Charging labor to avoid a cost overrun on one contract to a different contract that has budget available.
- Splitting costs between a number of contracts or accounts without being able to verify the actual time spent on each contract or account.
- Charging to a single job when multiple jobs have been worked.
- Charging an overhead activity (e.g. training) to a contract or vice versa.

THE BOTTOM LINE...

Time charging falsification or mischarging is a crime and can have a serious impact on your job and career and a significant impact on the company. If you are asked or directed to mischarge, or if you are aware of other mischarging practices or time charging falsifications, you must report it to management, an HR Business Partner, a Labor Relations Representative, a Business Conduct Officer (BCO), or call the Company OpenLine 1 (877) 631-0020.

Accurate time charging depends on you.

- Do you know how to make an electronic time entry accurately?
- Do you know the correct charge numbers for the projects assigned to you?
- Do you know whom to ask if you have questions about entering your time?
- Do you know with whom to speak if you suspect mischarging or time charging falsification, or if you are being asked or directed to incorrectly charge time?



TEST YOURSELF

You are working on two direct charge contracts and the company wants you to attend a company briefing on the benefit plan

1. Can you charge the briefing time to the contract you would have been working on at that time? Yes / No
2. Can you split the briefing time and charge half to each contract? Yes / No

You are unclear about the correct charge number to use for a new job you are working on.

3. Can you charge the time on this new job to the contract you usually work on and correct it later if it's wrong? Yes / No
4. Can you charge the time you worked on a contract you know is over budget to a different contract which has unused hours available? Yes / No

After you enter your time, you supervisor incorrectly changes a charge number:

5. Must you agree with this change? Yes / No
6. If you both know the new number to be incorrect, are you both responsible for mischarging? Yes / No

There are four charge numbers available, one for each aspect of the work you are doing:

7. Can you estimate two hours each day for each of the four charge numbers because you didn't pay close attention to time? Yes / No
8. Can you charge most of your work to one charge number? Yes / No

Your group has exceeded the allocated hours on a job order. A decision is made to charge the additional time to an overhead account to avoid billing the customer for an overrun.

9. Does this create a false record of the effort necessary to accomplish the job? Yes / No
10. Are the potential consequences for both the employees involved and the company serious? Yes / No

CORRECT ANSWERS (1.) No. The time used to attend an information session on company benefits should not be charged to the contract labor charge code. Contact your supervisor for the proper overhead charge number. **(2.)** No. You must utilize the charge provided at the briefing to record your time appropriately. **(3.)** No. You must take the time to get the correct charge number. Ask your supervisor or check the authorizing paperwork. **(4.)** No. **(5.)** No. First attempt to correct the problem by discussing it with your supervisor. If you are not satisfied, contact your HR Business Partner, a Labor Relations Representative, a Business Conduct Officer (BCO), or contact the OpenLine, 1 (877) 631-0020. **(6.)** Yes, if you make no effort to correct it, as described in answer #5. **(7.)** No. You should keep track of the time you work on each task. You are responsible for accurately recording your charges at the end of the day. **(8.)** Yes. But only if that accurately reflects the time you worked on that job. **(9.)** Yes. Mischarging is a serious violation that could lead to disciplinary actions up to and including termination of employment. Employees who mischarge time can be held personally responsible and may be subject to fines and criminal prosecution while the company could be barred from participating in current or future contracts.

Huntington Ingalls Industries OpenLine

If you know of a time charging violation, you must report it immediately. If for some reason, you do not feel comfortable talking with your supervisor or any other person, call or write the Huntington Ingalls Industries OpenLine. Calls and letters to the OpenLine are confidential. You do not need to give your name, and you will not get into trouble by calling the OpenLine. The company will discipline any employee who retaliates against another employee, customer or supplier for submitting a question or reporting a suspected violation.

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Huntington Ingalls Industries OpenLine 1 (877) 631-0020

Or write:

Huntington Ingalls Industries OpenLine
4101 Washington Ave,
Bldg. 500-1, Ethics Office
Newport News, VA 23607

Or E-mail:

ReportMisconduct@hii-co.com

Time charge for reading this brochure:

(XXX)1-7818X-1,2,4 (Salaried)

(XXX)2-7818X-0 (Hourly)



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