

GOVCON BOOKKEEPING TOOLKIT · RESOURCE 06

DCAA Audit-Ready Timekeeping Checklist

A standalone, floor-check-grade self-audit of your labor timekeeping. Work through every criterion before a Defense Contract Audit Agency (DCAA) floor check, an accounting system review under DFARS 252.242-7006 (the Defense Federal Acquisition Regulation Supplement), or an incurred cost audit — and find the gaps before the auditor does.

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HOW TO USE THIS CHECKLIST

Check each box as you confirm the control is in place. Citations in gray point to the FAR, DFARS, CAS, or DCAA Contract Audit Manual (DCAM) source that creates the requirement. Any unchecked box is a gap to close. Tally your results on the self-assessment scorecard on the final page, then share this with your CPA or accounting team.

1 Total Time Accounting

5 checkpoints

Record every hour worked — paid and unpaid. DCAA's total time accounting principle exists because labor rates are only equitable when all hours worked are in the base. When salaried staff who actually work more than 40 hours record a flat 40, their pay is spread across too few hours — which inflates the hourly labor rate and over-charges the Government.

- All hours actually worked are recorded — including hours beyond the standard workweek and any uncompensated time.**
Total time accounting — a DCAA audit principle (DCAM 6-410.3, interpretive guidance), grounded in allocability under FAR 31.201-4 and consistency under CAS 418.
- Salaried / FLSA-exempt (Fair Labor Standards Act) employees record total actual hours each period, not a fixed 40.**
Recording only 40 understates the labor base and inequitably shifts cost between cost objectives.
- Uncompensated overtime by exempt, direct-charge employees is identified and reflected in labor rates.**
FAR 52.237-10 defines it as hours worked without additional compensation above an average of 40 hrs/wk by direct-charge employees who are exempt from the FLSA — it does not extend to indirect or non-exempt staff.
- The labor-rate method (e.g., effective rate / salary variance) spreads pay across all hours worked, applied consistently.**
Prevents inequitable cost shifting between contracts. Cost Accounting Standards (CAS) 418 binds CAS-covered contractors — small businesses are CAS-exempt (48 CFR 9903.201-1). Allocability principle: FAR 31.201-4.
- Both direct and indirect time is captured — no hour worked is left off the timecard.**
DFARS 252.242-7006(c)(9): labor identified by intermediate or final cost objective.

2 Daily, Contemporaneous Entry

5 checkpoints

Time is recorded by the person who worked it, on the day they worked it. Contemporaneous recording is the single control a DCAA floor check tests most directly — advance entries and after-the-fact reconstruction both fail.

- Each employee records their own time daily — on the day the work is performed, not weekly.**
Daily, by-employee recording is the DCAA floor-check expectation (DCAM 6-404, interpretive guidance) — not a literal phrase in the clause. DFARS 252.242-7006(c)(9) itself requires only that the system identify labor by intermediate or final cost objective.
- No advance entries — time is never recorded before the work is performed.**
Pre-filled timecards are a near-certain floor-check finding.
- No after-the-fact reconstruction — timecards are not recreated days or weeks later from memory.**
Contemporaneous recording is what the auditor verifies during an unannounced floor check. DCAM 6-404.
- Time is recorded to a consistent increment (e.g., tenth of an hour) per written policy.**
Consistency supports reliable labor distribution and reconciliation.
- The electronic system date-stamps each entry so the recording date is provable.**
Establishes contemporaneousness in the audit trail.

3 Labor Distribution to the Right Cost Objective

6 checkpoints

Every hour lands on a specific, valid cost objective and is classified direct or indirect the same way every time. This is where mischarging — the highest-risk labor finding — originates.

- Every hour is charged to a specific cost objective — contract, task order, CLIN (contract line item number), or indirect account.**
DFARS 252.242-7006(c)(9) and (c)(10).
- Direct labor is charged to the benefiting contract; indirect labor to the correct pool.**
Direct: FAR 31.202(a). Indirect: FAR 31.203(b). Distribution: DFARS 252.242-7006(c)(10).
- The same type of labor is classified consistently as direct or indirect across all contracts.**
FAR 31.202(a): no cost charged direct if like costs in like circumstances are indirect (the same consistency CAS 402 requires of CAS-covered contractors).
- A controlled, current charge-code list governs which numbers employees may use.**
Prevents charging to closed, unfunded, or wrong cost objectives.
- Labor distribution reconciles to payroll and to the general ledger every month.**
DFARS 252.242-7006(c)(10) and (c)(11): interim (at least monthly) posting of books of account.
- Charging to a contract stops when its funded value / ceiling is reached.**
Continuing to charge a depleted project to keep it 'open' is a mischarging red flag.

4 Authorization & Approval Trail

5 checkpoints

Two signatures stand behind every timecard — the employee who certifies it and an independent supervisor who approves it — and the right to charge a project is authorized before the first hour is booked.

- Each employee certifies (signs) their own timecard for the period.**
Employee ownership of the labor record. DCAM 6-404.
- A supervisor with direct knowledge of the work reviews and approves each timecard.**
Supervisory review / internal control. DFARS 252.242-7006(c)(1).

- The approving supervisor is not the person who records the employee's time.**
Segregation of duties. DFARS 252.242-7006(c)(1).
- Authority to charge a given project / charge code is documented before the employee uses it.**
Establishes who may work — and bill — against what.
- Approvals are captured with identity and date, by signature or electronic certification.**
Provable, dated approval trail for the auditor.

5 Correction Protocol with Audit Trail

5 checkpoints

Corrections are expected; silent corrections are a finding. The original entry always survives, and every change names who, when, and why.

- Corrections are made by the employee, or with the employee's acknowledgment — never silently by others.**
The employee owns the record. DCAM 6-404.
- The original entry remains visible — never erased or overwritten.**
Paper: single line through, initialed. Electronic: original retained in the change log.
- Every change records who made it, when, and the reason for it.**
Audit trail for modifications. DFARS 252.242-7006(c)(1); DCAM 6-404.
- A correction that changes a charge number is re-approved by the supervisor.**
After-the-fact re-approval closes the loop.
- The system blocks unauthorized or untracked changes to submitted time.**
Locked records plus a complete change log.

6 Electronic Timekeeping System Controls

6 checkpoints

If your timekeeping is electronic, the software has to enforce the controls above — unique identity, an immutable change log, role-based access — and your written policy must match what the system actually does.

- Each user has a unique login; credentials are never shared.**
Attributes every entry to one identifiable person.
- The system keeps an immutable audit/change log of all entries, edits, and approvals.**
Original + modification + approver retained. DCAM 6-404.
- Access is role-based — employees enter only their own time; supervisors approve their reports.**
Segregation of duties enforced in software. DFARS 252.242-7006(c)(1).
- Electronic certification (employee) and approval (supervisor) are captured and time-stamped.**
Functionally equivalent to wet signatures.
- Timekeeping records are retained at least 3 years after final payment on the contract.**
FAR 4.703(a).
- A written timekeeping policy documents the system and matches actual practice.**
DFARS 252.242-7006(c)(1). DCAA verifies that documented policy equals real-world practice.

Self-Assessment Scorecard

Count your checked boxes in each section and record them below. Any section under 80% needs attention before you engage with DCAA.

Section	Items	Checked	Pass / Fail
1. Total Time Accounting	5		
2. Daily / Contemporaneous Entry	5		
3. Labor Distribution	6		
4. Authorization & Approval Trail	5		
5. Correction Protocol	5		
6. Electronic System Controls	6		
TOTAL	32		

SCORING GUIDE

- 90–100% (29–32 of 32):** Audit-ready. Maintain your controls and review annually.
- 75–89% (24–28):** Address gaps before your next floor check or DFARS system review. Most are fixable in 30–60 days.
- Below 75% (under 24):** Material risk. Engage a GovCon-experienced CPA before billing labor on cost-type or T&M (time-and-materials) work.

Floor-check priority: Sections 1 (Total Time Accounting), 4 (Authorization & Approval), and 5 (Correction Protocol) cover the controls a DCAA auditor tests most directly during a floor check. Treat any unchecked box in these three as a stop-and-fix item before your next DCAA interaction — it weighs more heavily than your overall percentage suggests. Floor-check outcomes turn on auditor judgment and materiality, not on any single box.

NEED HELP GETTING AUDIT-READY?

Amerifusion Bookkeeping provides CPA-managed bookkeeping built specifically for government contractors. We design compliant timekeeping and labor-distribution systems, document the policies DCAA expects, and get you ready for floor checks, DFARS system reviews, and incurred cost audits. Schedule a free consultation at amerifusionbookkeeping.com/contact.

Your GovCon Bookkeeping Toolkit:

1. DCAA Accounting System Readiness Checklist
2. Indirect Rate Setup Worksheet
3. Unallowable Cost Quick Reference
4. ICS Preparation Checklist
5. GovCon Chart of Accounts Template

>>> 6. DCAA Audit-Ready Timekeeping Checklist

This document is for informational purposes only. It is not legal, financial, or regulatory advice. Regulatory citations were verified against primary sources (acquisition.gov, dcaa.mil) as of June 2026; verify currency before relying on them. Consult a CPA experienced in government contract accounting for your specific situation.