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Comp Time Policies and How They Can Impact Labor Accounting for Government Contractors

By Stephanie Widzinski

The term “Comp Time” is often overused and can mean different things to different people. When DCAA uses the term comp time, they are referring to the excess hours worked by exempt employees and they are interested in how the contractor accounts for these hours. To that end, it is imperative that contractors include in their labor policy how they account for hours worked over the standard 40-hour workweek.

Most contractors follow total time accounting but even with total time accounting the contractor can institute a comp time policy whereby exempt employees can accumulate excess worked hours and use these hours in the future as additional time off.

Under a comp time policy the employer is allowing exempt employees to bank excess hours worked in a timesheet period so the employee can use those hours in the future. This policy allows for employees who work more than 40 hours in a standard workweek to bank the excess hours. This banking of hours would only apply to exempt employees since you are required to pay non-exempt employees for all hours worked. The banking of hours method creates a future liability for your company since employees are simply deferring the payment of these hours to a future period when they take leave. The hours recorded in the timesheet period in which the employee is banking hours would be recorded at the employee’s full hourly rate (no auto adjusting of hourly rate).

One thing to be aware of when offering a comp time policy is that you could potentially be shifting labor cost from one contract type to another. This shifting of cost can occur depending on the type of contract the employee was working on when they recorded the comp time and then what contract they are working on when they take the comp time. For this reason it is important to prepare an analysis of how hours/dollars will be recorded and determine if this method would result in material differences with regards to project costing as well as indirect rate allocation.

One way to minimize any shifting of cost from one contract type to another would be to establish a limited time frame in which the employee can carry their comp time. If your time frame to carry the hours is greater than a complete timesheet cycle, then your potential for cost shifting could increase due to the fact that employees work assignments change over time.

When deciding on a comp time policy it is important to consider and think about your objectives in establishing such a policy. You should also consider your contract mix, what affect a comp time policy will have on your rates and what parameters surround the recording of comp time hours. Additional things to consider includes: will there be a limit on the number of hours the employee is able to bank, will there be a minimum and maximum number of hours that can be deferred in timesheet period, what is done with unused hours?

Whether you are establishing new policies or changing existing policies it is important to always refer back to the Federal Acquisition and Department of Labor regulations.

When instituting a comp time policy, it is important to work with your Human Resource Department as well as your Attorney to ensure that your policy is not in conflict with the Department of Labor. Also be familiar with the following regulations to help ensure you are compliant and provide some comfort that you are ready for DCAA when they review your policies, such as: FAR 31.201- 4: Cost Allocability and Assignability to Final Cost Objectives, CAS 401: Consistency Between Accounting and Bids and Proposals, CAS 418: Proper Allocation Bases for Direct and Indirect Costs, DCAM 6-410.3.d: Acceptable Methods for Recording Labor.