

COMPLIANCE CHECKLIST: GENERAL, R&D, AND DCCA

(for timekeeping, documentation, and labor laws)

This download contains handy timekeeping compliance checklists for:

- General business requirements
- R&D tax credit documentation
- DCAA compliance

Score Yourself

As you move through each checklist, count the number of items that you can check off. The final number will indicate how high the risk of non-compliance is:

- **0-5 checked (High compliance risk):** Requires immediate attention and a thorough review of your timekeeping and documentation processes to avoid potential implications of non-compliance.
- **6-10 checked (Moderate compliance risk):** Current processes require tweaking to strengthen controls before they become larger issues.
- **11+ checked (Strong process exists):** Existing processes are working well; if you identify any gaps, it won't take much adjustment to close them.

Checklist 1: General Timekeeping Compliance

The [Fair Labor Standards Act \(FLSA\)](#) and the Department of Labor govern general time tracking compliance and mandate that employers must **keep accurate records for time and pay**.

While the FLSA does not require using a specific time tracking method, it is very clear on what time must be captured and the details that need to be included.

Core documentation (non-exempt staff)

The following information must be included on each non-exempt employee's timesheet:

- Employee identifiers (full name, home address, sex, occupation)
- Basis on which wages are paid (hourly rate, salary, etc.)
- The starting day and hour of the workweek
- Hours worked each day

- Overtime hours worked each day
- Total hours worked per workweek
- Total earnings
- Regular rate of pay
- Overtime rates of pay
- Wage additions and deductions
- Payment date and covered pay period

Core documentation (exempt staff)

Salaried workers have **no obligation to track time**. However, you must retain the following payroll records for every exempt member of staff:

- Employee identifiers (full name, home address, sex, occupation)
- The starting day and hour of the workweek
- Wage basis (frequency and amount of pay)
- Total wages per pay period, including any non-discretionary bonuses
- Pay dates and periods
- Dates and durations of all types of time off taken (vacation, sick, holidays, etc.)

Recommended additional documentation for exempt staff

While not mandated by the FLSA, these records are extremely useful in the event of **classification disputes** and are also helpful during audits:

- Up-to-date job descriptions that reflect exempt-level duties
- Evidence that the salary basis is met
- Internal exemption classification review notes or approvals

What a compliant timekeeping process looks like

Whatever timekeeping method you choose, **consistency is key**. It makes timekeeping far easier to oversee and manage:

- Use a single, consistent timekeeping method across the whole organization
- Accurate capture of start/stop times for blocks of activity, breaks, etc.
- Real-time or same day time entry
- Supervisor review and approval
- Document all timesheet corrections and adjustments

Timekeeping policy

To help staff understand their responsibilities around timekeeping, it's best practice to implement a **written timekeeping policy**. Within the policy, detail the following:

- Who must track their time
- How to track time and when

- Rules on recording hours for breaks, meals, and time off
- Supervisor responsibilities for review and approval
- Consequences for time manipulation or falsification
- The policy is accessible and has been distributed to all staff

Additional timekeeping compliance rules

Ensure your organization abides by the following laws:

- Time rounding practices follow the [FLSA 7-minute rounding rule](#) and do not disadvantage employees
- Employees do not work off the clock
- Records are kept for a minimum of 3 years (or more if your state's laws stipulate a longer length of time for recordkeeping)

Checklist 2: R&D Tax Credit Compliance

If your organization engages in research and development (R&D) that is eligible for the tax credit, then additional compliance measures apply.

Core documentation compliance

There's a lot of documentation required for R&D. If you'd like a more detailed checklist, you can use our [R&D Audit Packet Download](#).

Here's a basic overview of the required documentation:

- Records are retained in a sufficiently usable form and detail
- Records are contemporaneous
- An R&D credit file exists with audit-ready documentation
- Proof that each R&D activity meets the four components of the [IRS four-part test](#)
- All R&D project and technical documentation is retained
- All processes of experimentation are explained and documented
- Documentation exists that explains the technical uncertainty being addressed by each R&D project
- Employees involved in qualified research are identified

Time tracking compliance

Labor makes up a significant portion of R&D costs. Therefore, timesheets must be clearly linked to R&D deliverables.

Make sure your timekeeping process enforces the following:

- Daily or contemporaneous time tracking is enforced
- Time entries are linked to specific R&D projects with a clear project identifier
- Non-R&D work is tracked separately and excluded from tax credit claims

- R&D time entries must include:
 - Employee name and role
 - Date and duration
 - Project and task details
 - Project identifier
 - Total labor cost (plus any additional expenses)
 - A clear descriptor of work carried out
 - Links to supporting documentation
- Supervisor timesheet approval and validation is enforced

Take a look at our [R&D Documentation Examples](#) for more info on how to complete a time entry correctly.

Payroll and financial compliance

You can check out the download above for specific payroll and accounting reports that you must retain.

Essentially, all financial information has to match the timekeeping data and hours worked. Check that:

- Labor costs used in the R&D claim match timekeeping records
- Payroll and timekeeping data align
- Project reports show exactly who worked on which R&D activities
- Invoices and contracts contain proof that they were required/used for specific R&D activities

Checklist 3: DCAA Compliance

This final checklist applies to organizations that take on government contracts.

Compliance with the DCAA and FAR regulations is non-negotiable. If you fail an audit, you could end up losing the contract altogether.

While this checklist supports day-to-day compliance, we also have a [Floorcheck Readiness Checklist](#) to help you stay prepared for a surprise audit.

Core documentation compliance

First, here's the documentation that you must retain in accordance with DCAA expectations:

- Historical timesheet data
- Monthly labor distribution reports
- Monthly progress and billing reports
- Payroll registers tied to government contract work

- Contractual documentation, including pricing, statements of work, and transaction exports
- Accounting documentation to show the chart of accounts, segregation of costs, budgets, etc.
- Documented charge/CLIN codes
- All documentation for supporting costs, including subcontractors
- Internal auditing documentation

Policy and training requirements

The timekeeping policy is an important aspect of compliance, and staff must know how and when to track time.

In addition to the policy requirements set out in the general checklist section, you must also implement the following:

- A written timekeeping policy aligned with DCAA and FAR requirements
- Mandatory annual training on timekeeping for all staff (initial training and refreshers)
- Timekeeping training forms part of the new staff onboarding process
- Supervisors receive training for timesheet approval workflows

If you're not sure what to write, feel free to use our [DCAA Timekeeping Policy and Training templates](#).

Timekeeping rules

The rules for DCAA-compliant time tracking are similar to R&D tracking. However, there is an additional obligation for staff to track *all* time, whether it was worked or not:

- Daily time tracking is enforced
- Employees record their own time entries (no proxy entry)
- All hours are tracked under "Total Time Accounting" (paid and unpaid hours, overtime, and all time off)
- Direct labor is tracked separately from indirect labor
- Time entries are assigned the correct charge/CLIN code
- Time entries are linked to specific projects, tasks, and labor categories
- Time entries contain a brief yet clear explanation of work carried out

Approval workflows

The DCAA also demands robust approval workflows that verify the data is complete and accurate:

- Employee signature or confirmation is assigned to all timesheets
- Supervisor approval and validation are applied to all timesheets
- All timesheet corrections and adjustments are documented and timestamped

- All timesheet corrections and adjustments contain a documented explanation
- Timesheet data is locked after approval
- An audit trail of timekeeping activity is maintained

Timesheet security and integrity

Lastly, there are additional layers of security required for DCAA timekeeping that exist specifically to prevent data manipulation.

Implement the following measures:

- A segregation of duties between payroll and time tracking oversight (payroll cannot approve or edit time data)
- Employees track their own time only and are responsible for doing so
- Role-based access controls for time data are enforced
- Timekeeping records are retained for at least 4 years
- Data is kept secure but retrievable when necessary

Final Step: Close the Gaps

If these checklists revealed any gaps in your timekeeping process, the final step is to remediate them so you're not in breach of compliance.

To aid the process, we recommend switching to digital timekeeping software because it has built-in compliance measures, making it much easier to stay on the right side of the rules.

We also encourage you to use the links we have provided above, since they contain useful resources and templates designed to support your compliance efforts.

Lastly, if you make any significant changes to your timekeeping process, train staff on the updates so everyone is clear on their duties and how to perform them properly.