

Direct and Indirect Labor

FRAUD INDICATORS

- **Distinctive potential mischarging patterns:**
 - **Sudden, significant shifts in charging.**
 - **Decrease in charges to projects/contracts in overrun position or near ceilings.**
 - **A disproportionate percentage of employees charging indirect when compared to the contractor's normal or historical charging practices.**
- **Large number of employees reclassified from direct to indirect or vice versa.**
- **Same employees constantly reclassified from direct to indirect or vice versa.**
- **Weak internal controls over labor charging:**
 - **Employee time cards completed in advance.**
 - **Employee time cards completed by the supervisor.**
 - **Adjustments to time cards without adequate explanation and/or authorization by employee.**
 - **Inadequate processes for work authorization and assignment of charge codes.**
- **Actual hours and dollars consistently at or near budgeted amounts.**
- **Use of adjusting journal entries to shift costs between contracts, Independent Research and Development (IR&D), Bid and Proposal (B&P), commercial work, particularly when made a considerable time after when the costs were originally incurred.**
- **Significant increases or decreases in charging to sensitive accounts.**
- **Differences between what employees are actually working on or observed to be working on and recorded timesheet charges.**
- **Differences between employee timesheet charges and labor accounting records.**
- **Employee's time charged differently than associated travel costs.**
- **Employee's time charged differently than statements in contract status report deliverables submitted to the Government.**