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Internal Audit Memo

RE: Muskrat Falls Site Timesheet Review

To: Scott O'Brien – Project Manager MF Generation

CC: Lance Clarke – LCP Business Services Manager

From: Jackie Borden, Manager, Internal Audit, Nalcor Energy

Date: October 25, 2017

Review

A timesheet review was conducted for the Muskrat Falls Site and the objective and scope of that review included:

Objective/Scope

Objective: To review and discuss the controls established to review, verify and approve timesheets for personnel working at the Muskrat Falls Site.

Scope: The scope of work was primarily limited to personnel within the Muskrat Falls Site Management Team and the Muskrat Falls Site HSS & ER Team and included:

- process walkthroughs of the timesheet verification and approval process,
- sampling and compliance testing,
- analyses of hours on the Site Security Cardholder Report (entry and exit swipe date and time)

Summary

Process Walkthrough

Analysis/Observations

A walkthrough of the timesheet verification and approval process was provided by the Muskrat Falls Site Manager. Internal Audit noted that there are no formal controls in place for the review and verification of timesheet hours and there is no formal documented procedure followed. Supervisors would be aware that the personnel are on Site and are performing their duties according to their respective scopes of

work. In addition, supervisors have employee turnaround schedules so they know when contractors are on Site and when they are on days off. The MF Site operates on 10 hour days and, therefore, a standard 10 hour day is generally the standard number of hours per day that contractors should be invoicing. All supervisors are aware of this and would be looking at timesheets prior to approval to ensure that Contractors are not billing more than 10 hours. If there are more than 10 hours per day on the timesheet, supervisors will verify that the overtime hours were approved by ensuring that there is an approved overtime form attached the timesheet.

Based on the interview and walkthrough, internal audit identified the following controls/processes in place for the review, verification and approval of timesheets:

1. Hours on timesheets appear reasonable (generally should be 10 hours per day).
2. Days off should be evident on the timesheets (turnaround/days off have no hours in those days).
3. Overtime hours, if applicable have appropriate approved overtime form attached.
4. Appropriate supervisor signs the timesheet.

Conclusion

Based in the interview and walkthrough performed, the controls in place to verify timesheets, although not formal documented procedures, appear to be reasonable to ensure that contractors are billing only for time worked.

Compliance Testing

Analysis/Observations

Internal Audit selected three contractors from the Muskrat Falls Site Team and selected 2 invoices at random and tested timesheet verification and approval to the controls and processes identified during the walkthrough and outlined above. Based on the testing performed, timesheets for the MFG Site Management Team appear to be reasonable, days off are evident, overtime hours are supported by appropriate approved forms, and timesheets were signed by the appropriate supervisor. Results of this compliance testing can be found in Appendix A to this memo

Conclusion

Timesheets for the MFG Site team appear to be in compliance with the MFG Site Management timesheet verification and approval process.

Site Security Cardholder Reports

Analysis/Observations

Internal Audit reviewed an analysis prepared by LCP Finance & Accounting for the Muskrat Falls Site Manager. The analysis used the tracking of the individual's Site Security Access Card Entry and Exit swipe date and time, calculated the number of hours between the entry and exit time for each day and then compared that time to the actual hours the contractor recorded on his/her timesheet and subsequently

invoiced LCP. This analysis was performed on the hours of work for the [REDACTED] Internal audit gathered appropriate data and prepared a similar analysis for the [REDACTED]

[REDACTED] We recognize the fact that the Site Security Access Card was not designed to keep track of an individual's working hours at site. This was considered in our analysis of the data along with the contractor's respective scope of work. The Time Analyses are located in Appendix A to this memo and Observations noted in these contractor time analyses are outlined in Appendix B to this memo.

Conclusion

Based on our analyses of hours on the Site Security Cardholder Report (entry and exit swipe date and time) to hours invoiced by contractors, it appears that increased diligence surrounding entry and exit swipe of security cards could be implemented along with a process for recording time spent on the North Spur (if still applicable). Additionally, analyses of hours could be prepared on a quarterly basis to compare hours spent on the MF Site to the hours invoiced by contractors; but remains a business decision.

Final Comments

Internal Audit would like to extend gratitude to the management and staff involved in this review for their respectful participation in interviews and discussions, their assistance with providing the documentation to support the compliance testing procedures and their prompt replies to information requests throughout the review process.

Attachments:

1. Appendix A – Time Analysis Observations

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