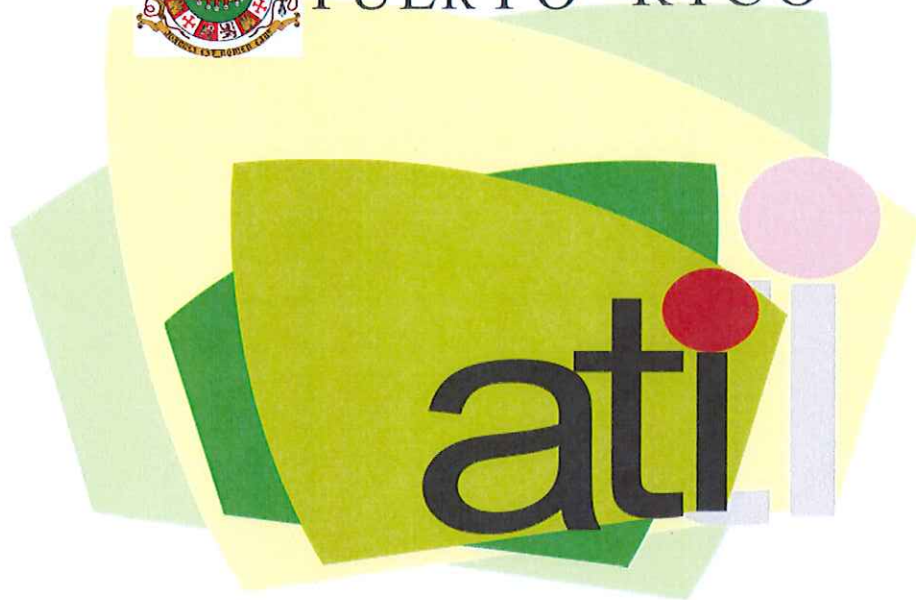


# BUDGET

ATI-0008-2015



ESTADO LIBRE ASOCIADO DE  
PUERTO RICO



**PUERTO RICO INTEGRATED TRANSIT AUTHORITY (PRITA)**

*FINANCIAL OPERATIONS POLICIES AND PROCEDURES*

1	PURPOSE.....	3
2	SCOPE AND APPLICABILITY .....	4
2.1	Legal Basis: .....	4
3	OBJECTIVE.....	5
4	BUDGET BASIS .....	6
4.1	Operating Budget .....	6
4.2	Capital Improvement Budget .....	6
5	BUDGET REQUEST .....	6
5.1	Operating Budget .....	6
5.2	Capital Improvement Budget .....	7
6	BUDGET FORMULATION.....	7
6.1	Operating Budget .....	7
6.2	Capital Improvement Budget .....	8
7	BUDGET APPROVAL AND AMENDMENT .....	8
8	BUDGET CALENDAR.....	8
9	BUDGET CONTROL.....	9
9.1	Operating Budget .....	9
9.2	Capital Improvement Budget .....	10
10	BUDGET ANALYSIS AND REPORT .....	11
10.1	Budget vs. Actual Variance Analysis .....	11
10.2	Annual National Transit Database.....	15
11	SEGREGATION OF DUTIES .....	15
12	Definitions .....	15
13	Appendix.....	17
13.1	Organization Chart .....	17
14	ADOPTED & VALIDATE BY:.....	18
15	EFFECTIVENESS, REPEAL AND APPROVAL.....	18



Regulation Number or Procedure: **ATI-0008-2015**

DEPARTAMENTO DE TRANSPORTACIÓN Y OBRAS PÚBLICAS

PUERTO RICO INTEGRATED TRANSIT AUTHORITY (PRITA)

Title regulation or procedure:

**BUDGET**

Approved by:

**Alberto M. Figueroa Medina, PhD, PE,**  
Executive Director

Validate By:

**Juan A. Vázquez Acevedo,**  
Chief Financial Officer

Date of Revision:

17th of December, 2015

Work Unit:

**Administration and  
Finance**

Date of approval by the Board of

Directors: **12-17-2015**

Notes:

## 1 PURPOSE

The purpose of these procedures is to provide guidance on the Budget process for the Authority. The intent of these procedures is to ensure that the Authority controls its economic resources and disbursements effectively and efficiently, and that its officers and employees follow adequate instructions for the formulation and monitoring of the annual budget.

The budget is more than just a single document—it is a year-long cycle whose different phases offers the public access to evaluate how resources are raised and spent and, ultimately, the budget's desired outcomes. Budget procedures are designed to:

- Establish adequate controls over resources in order to establish, approve and control the budget process ensuring that the Authority does not overspend the amount allocated,
- Forecast cash flows to assist in ensuring adequate funding for operations and all projects based on planned expenditures and anticipated revenues,
- Assist in allocating resources in relation to the Authority's needs and objectives, and,
- Measure performance of the Authority throughout the fiscal year.

These procedures will assist the Authority in managing its limited resources in conjunction with the requirements to provide services. In addition, these desk procedures will encourage timely processing throughout the organization to ensure the proper recording of its transactions.



## 2 SCOPE AND APPLICABILITY

The scope of these procedures will address the specifics of the steps required to request, formulate, approve, and control the budget through the annual business cycle. These procedures will also, at a minimum:

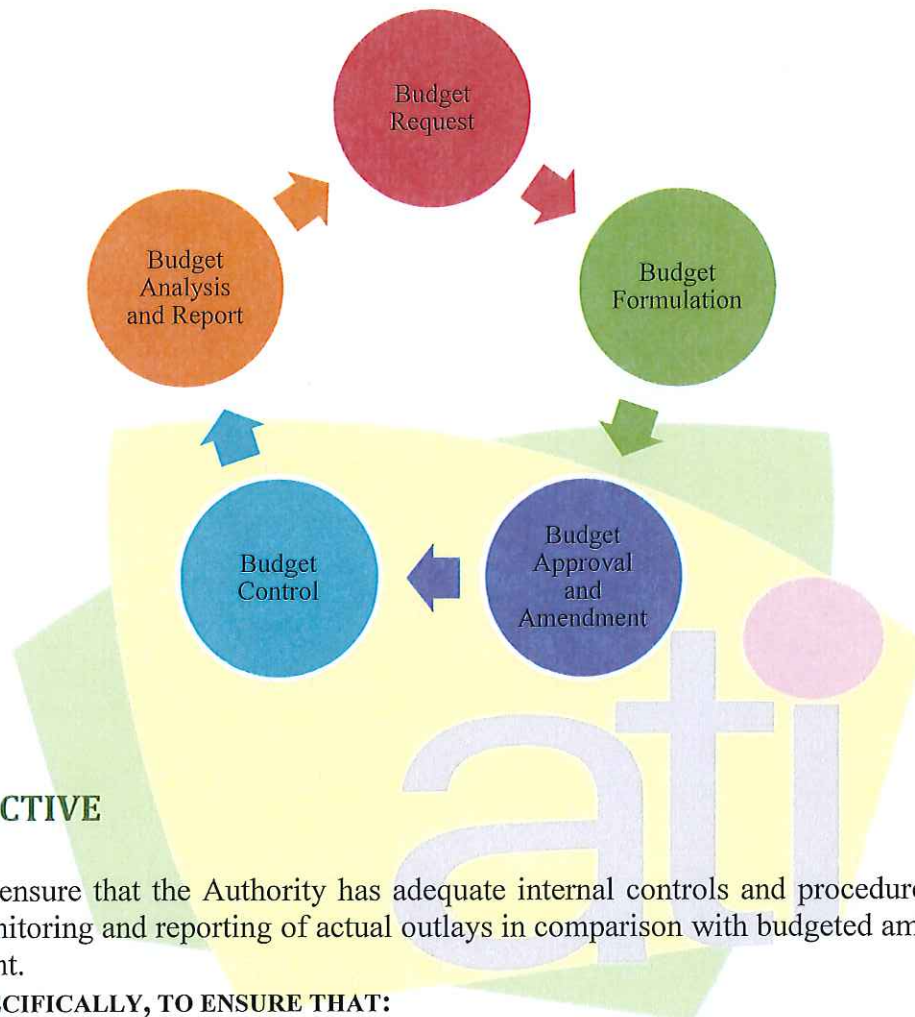
- Provide the Authority with the tools to develop the budget based on its needs and plans consistent with GAAP and the reporting requirements associated with Federal Financial Reporting.
- Provide the Authority with the processes to ensure it can operate in a fiscally responsible manner, provide management with timely results of operations during the year, and to have a mechanism to report on the sources and uses of funds in comparison to activities and results of operations.
- In addition, the procedures will assist in providing resolution to the findings identified in the FMO reviews and A-133 audit reports. These findings relate to various discrepancies in the budget and budget tracking procedures.

### 2.1 Legal Basis:

These regulations are promulgated pursuant to the powers conferred to the by its organic law, as amended. This policy complies with the provisions of Act No. 170 of August 12, 1988, as amended, known as the "Uniform Act of the Commonwealth of Puerto Rico Administrative Procedure". By provision of its organic law, budget allocations from the General Fund, Special Funds any other special funds in the custody of the Authority which are created from time to time, or any other funds that the Authority receives through provision of law or legislative allocation will be accounted for in the central accounting system of the Department of Treasury (PRIFAS) and deposited in the Government Development Bank.

*G.F.M.*  
*J.F.*

The chart below illustrates the full budget cycle.



*A. F. M.  
J. M.*

### 3 OBJECTIVE

- To ensure that the Authority has adequate internal controls and procedures in place for monitoring and reporting of actual outlays in comparison with budgeted amounts for each grant.
- **SPECIFICALLY, TO ENSURE THAT:**
  - Controls are adequate to ensure budgets are properly adopted.
  - Appropriate separation of responsibilities exists between budget preparation and approval.
  - Procedures provide assurance that approvals and funding commitments are received from the FTA and from appropriate state/local agencies/authorities before spending commitments are entered into.
  - Budget controls provide management with an adequate metric with which to monitor the Authority's performance.
  - Actual results are contrasted with the budget and analyzed effectively on a timely basis.
  - Budget revisions are made only when justified and properly authorized.

## 4 BUDGET BASIS

### 4.1 Operating Budget

Each department in charge of administering a program is responsible for developing the assumptions (basis) of their budget. This basis shall be prepared by evaluating the projections of each program, taking into account the needs of the public interest. Resource Managers will evaluate budget projections based on previous fiscal year expenditures.

Funds or economic resources is also an important element which is estimated based on product or services sold to the public, contributions from the federal government, short term loans, long term loans, (bond) interest, and other income. This documentation shall be submitted to the Budget Office no later than the date specified in the Budget Calendar.

Expenditures will be estimated based on the experience of previous years, taking into account the new business expected to develop the Authority during the year.

### 4.2 Capital Improvement Budget

Pursuant to the Authority's enabling Act, documentation for all budget programs for the corresponding year, be it either Investment Programs or Capital Improvement Programs, will be submitted to the Office of Management and Budget (OMB).

9.7.14.  
G. M.

## 5 BUDGET REQUEST

### 5.1 Operating Budget

- The Budget Office shall acquire information about the estimated resources for the next fiscal year.
- The Budget Office shall inform different organizational units about the general rules and instructions, including **documenting key assumptions**, on preparing budget estimates no later than the date specified in the Budget Calendar. Appropriate forms will be used to standardize the submission of budget request.
- Organizational units shall take the following steps to prepare their budget requests under reasonable assumptions: forecast the program work for the next fiscal year, estimate the resources that will be needed to accomplish the work, and conduct calculations on the



amount of appropriations based on the estimated resources. **All key assumptions need to be documented.**

- A discussion regarding the reasonableness of the budget request shall be conducted before the management submits its budget request to the Budget office.
- The Budget Office will send the appropriate forms for the units to submit their request for funds by the date established by the Office of Management and Budget (OMB) and in accordance with federal regulations.
- The different organizational units shall submit their budget requests **with key assumptions** no later than the deadline specified in the Budget Calendar.
- The Budget Office, in collaboration with the Bureau of Economic Research, will estimate and justify the corresponding disbursements and administrative expenses capitalized amounts.

## 5.2 Capital Improvement Budget

- The Bureau of Program prepares the capital improvement budget request for the budget year. It will include a list of projects scheduled to be conducted in the next fiscal year. This request will include investments made for construction, design and property acquisition.
- This budget request shall be prepared based on the four-year or five-year Capital Improvement Program/Investment Program, Capitalized purchases, and Administrative Expense & Resource Estimates for the budget year.
- This request must be submitted to the Budget Office **with key assumptions** to prepare the budget no later than the date specified in the Budget Calendar.

*9.7.11*  
*QFB*

## 6 BUDGET FORMULATION

### 6.1 Operating Budget

- The Budget Office will prepare an annual budget of revenues and operating expenses with the objectives and programs of the Authority. **Key assumptions** should also be included. The annual budget shall be proposed and submitted to the Director of Budget Office.
- The Director shall have the authority to review, reduce or increase the budget requests of the various organizational units, prior or subsequent to the preparation of the annual budget.

## 6.2 Capital Improvement Budget

- The Budget Office shall make reasonable adjustments on the capital improvement budget submitted by Bureau of Program. The budget amount shall not exceed the total amount originally assigned to.
- The Budget Office will present the budget **with key assumptions** to the Director. The Director shall have the authority to review, reduce or increase the budget requests of the various organizational units, prior or subsequent to the preparation of the annual budget.
- During the period specified in the Budget Calendar, the Budget Office will coordinate appointments for the Area Directors and Advisors Offices to meet with the Director of Budget Office to present and discuss further budget recommendations. The Director or his authorized representative is responsible for making decisions on a final budget presented to the Secretary.

## 7 BUDGET APPROVAL AND AMENDMENT

- The Director of Budget office shall review the budget and adjust the budget, if necessary, before approving the Budget.
- Once the budget is approved by the Director of Budget office, it shall be submitted to the Secretary for final approval.
- The Secretary shall authorize the budget to be effective as of July 1st of each fiscal year.
- The Budget Office has the authority to incorporate changes deemed to be reasonable into the budget originally submitted. Step 1 through 3 shall be followed once the amended budget is ready.

*A.F. M.*  
*[Signature]*

## 8 BUDGET CALENDAR

Responsible Party	Actions	Deadline
Budget Office	General rules and instructions on preparing budget estimates with appropriate forms shall be provided to all organizational units.	15-Feb
All Organizational Units	Submit Operating Budget request to Budget Office	20-Mar
Bureau of Program	Submit Capital Improvement Budget request to Budget Office based on Capital Improvement Program/Investment Program	15-Apr



Bureau of Economic Research	Submit estimated revenue to the Budget Office	30-Apr
Budget Office	Formulate the annual budget	May 01 to May 15
Budget Office	Coordinate meetings for Director of Budget Office and other Offices to discuss the annual budget	May 16 to May 31
Budget Office	Incorporate recommendations and decisions from the meetings to the annual budget	June 1 to June 14
Budget Office	Submit the Annual Budget to the Director of Budget Office for approval	15-Jun
Director of Budget Office	Submit the Budget to the Secretary for final approval	20-Jun
Budget Office	Respond to the questions or requests from Legislature and/or OMB regarding the approved Budget	No later than the date designated by the Legislature or the OMB as applicable

## 9 BUDGET CONTROL

### 9.1 Operating Budget

- The departments acquire personnel, materials, equipment and services that they request through the approved budget. The Budget Office will participate in reviewing such requests to determine whether they are budgeted or if it can be acquire through a transfer of funds. Also it is responsible for authorizing the transfer of funds.
- The Budget Office will review the actual expenses against the budget approved to determine significant variances.
- The Office of Accounting and Finance, in collaboration with the Budget Office, is responsible for recording the transfers and expenses incurred during the period. Also, they shall issue a monthly comparative report or statement including the original budget, transfers, expenses and changes so that the responsible person know the status of their budgets and have better control of the budgets.
- The Office of Pre-intervention and budgetary control will participate in ensuring the legality and transparency of tax documents arising in the implementation of the operations of the Authority.
- The Bureau of the Treasury will report the available resources by issuing monthly statements to the Budget Office.

*Handwritten signature: G.F.M. J.B.*

## 9.2 Capital Improvement Budget

- Operational areas subject to the Office of Budget requests funds related to capital improvements under the Work Program to be done by the Director and approved by the Secretary. The Budget Office will monitor this budget.
- The Budget Office will verify the expenditures against budget every two months.
- The Budget Office shall be informed of any changes in the capital improvement budget, such as elimination of projects, rescheduling the start dates etc. so that the Budget Office can make appropriate adjustments and transfers.
- The Budget Office will prepare and conduct transfers of capital improvement budget, by first obtaining the approval of the Director and the Secretary.
- The Office of Program Area, in collaboration with the Budget Office, will ensure that the capital improvement budget is met fully and do not exceed expenditure projections established by year.
- The Office of Program Area and Special Studies evaluate the status of projects to determine if they are undertaken as scheduled. The Budget Office shall be informed of any extraordinary circumstances that may affect the capital improvement budget so that it can make appropriate adjustments in time.
- The Office of Accounting and Finance, in collaboration with the Budget Office, issues monthly comparative report or statement including the original budget, transfers, expenses and changes so that the responsible officer knows the status of their budgets and have better control of the budgets.
- The Office of Accounting and Finance shall also prepare a monthly report including advances granted, amount spent, the outstanding balance of settlement and number of related transfers of funds. This report need to be submitted to the Director of the Department of Transportation and Public Works for record keeping.
- The Budget Office shall review the monthly comparative report for all Improvement Programs and provide comments to the respective Executive Director.
- Transfers of funds to the Department of Transportation and Public Works for the implementation of projects must be approved by the Budget Office, prior to the signing any project contracts or agreements.

*A. F. M.*  
*Chlo.*



## 10 BUDGET ANALYSIS AND REPORT

In addition to the reports mentioned above in the Budget Control Section, another budget analysis and report shall be conducted as part of the Authority's monthly reporting responsibility.

### 10.1 Budget vs. Actual Variance Analysis

Entities within the Authority have prepared spreadsheets used to document significant budget variances on a monthly basis. Many budget variances arise from unscheduled expenses such as overtime and fuel. These variances are being reviewed and analyzed on a monthly basis. The spread sheet below can be used by entities within the Authority on an "As Needed Basis" to track and report on significant variances.

#### Step 1. Calculate Variances

Below is the general table for variance calculation

	Current Period				Year to Date		
Line Items	Budget	Actual	Variance	Variance %	Budget	Actual	Variance
<b>Revenue</b>							
Line Item 1							
Line Item 2							
Line Item 3							
Line Item 4							
Line Item 5							
<b>Expenditure</b>							
Line Item 1							
Line Item 2							
Line Item 3							
Line Item 4							
Line Item 5							

*G. F. M. J. J. K.*

#### Step 2. Investigate Variances

Any line item with more than 15% variance from Budget should be investigated to identify the causes. Due to the nature of governmental accounting, expenditure is the focus of the variance analysis. The Authority should be able to analyze variances by comparing the details of actual expenditure to the original plan (budget). The notes on assumptions underlying the budget estimates will be useful to help the Authority analyze the financial information. It is important to recognize the cause so that appropriate action can be taken if necessary. Possible reasons for variances include:

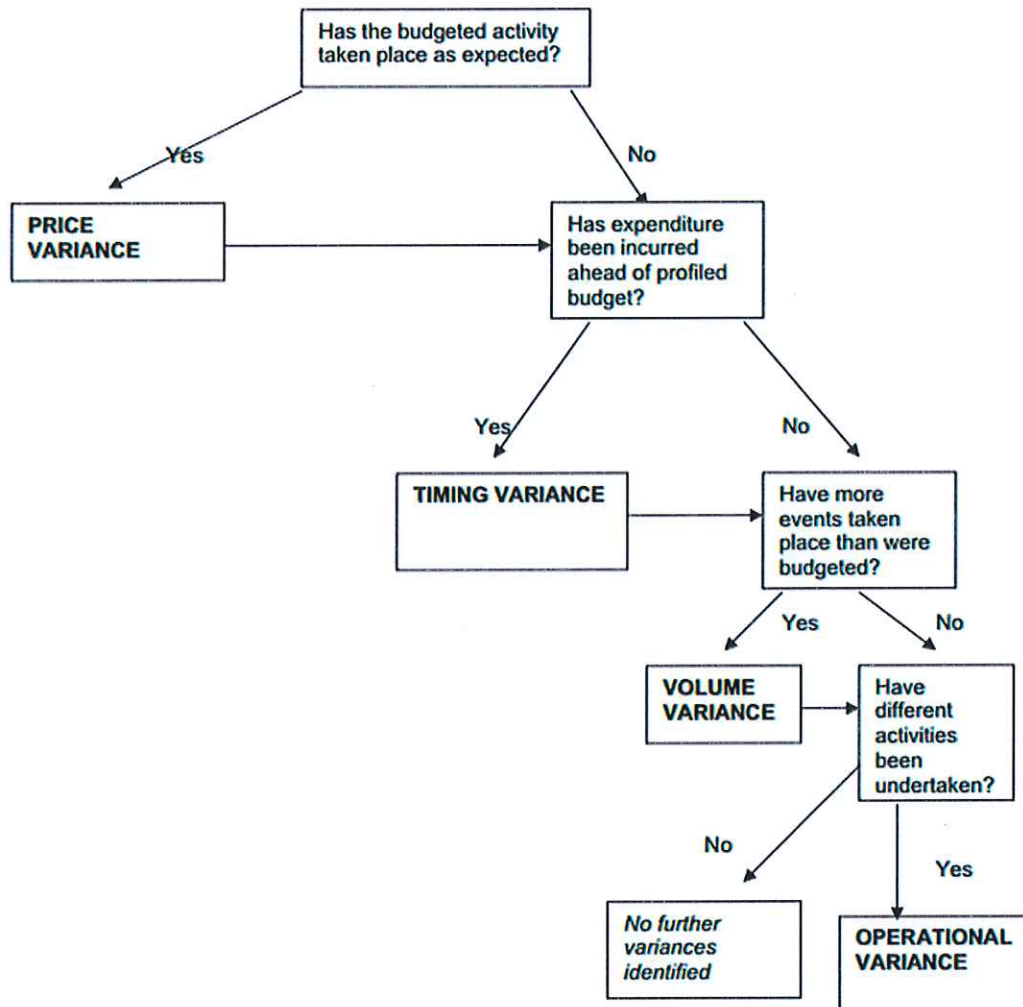


- activity volume variances;
- price variances –the standard unit cost for a day delegate rate was more or less than the actual rate;
- timing differences (planning variances) – an event was expected to take place in one month but was deferred and took place in a later month;
- Different methods of delivery for events/activities have been decided upon (operational variances) – one large event was planned but it turned out to be more practical to run a number of smaller events.

a.f.u.  
off.

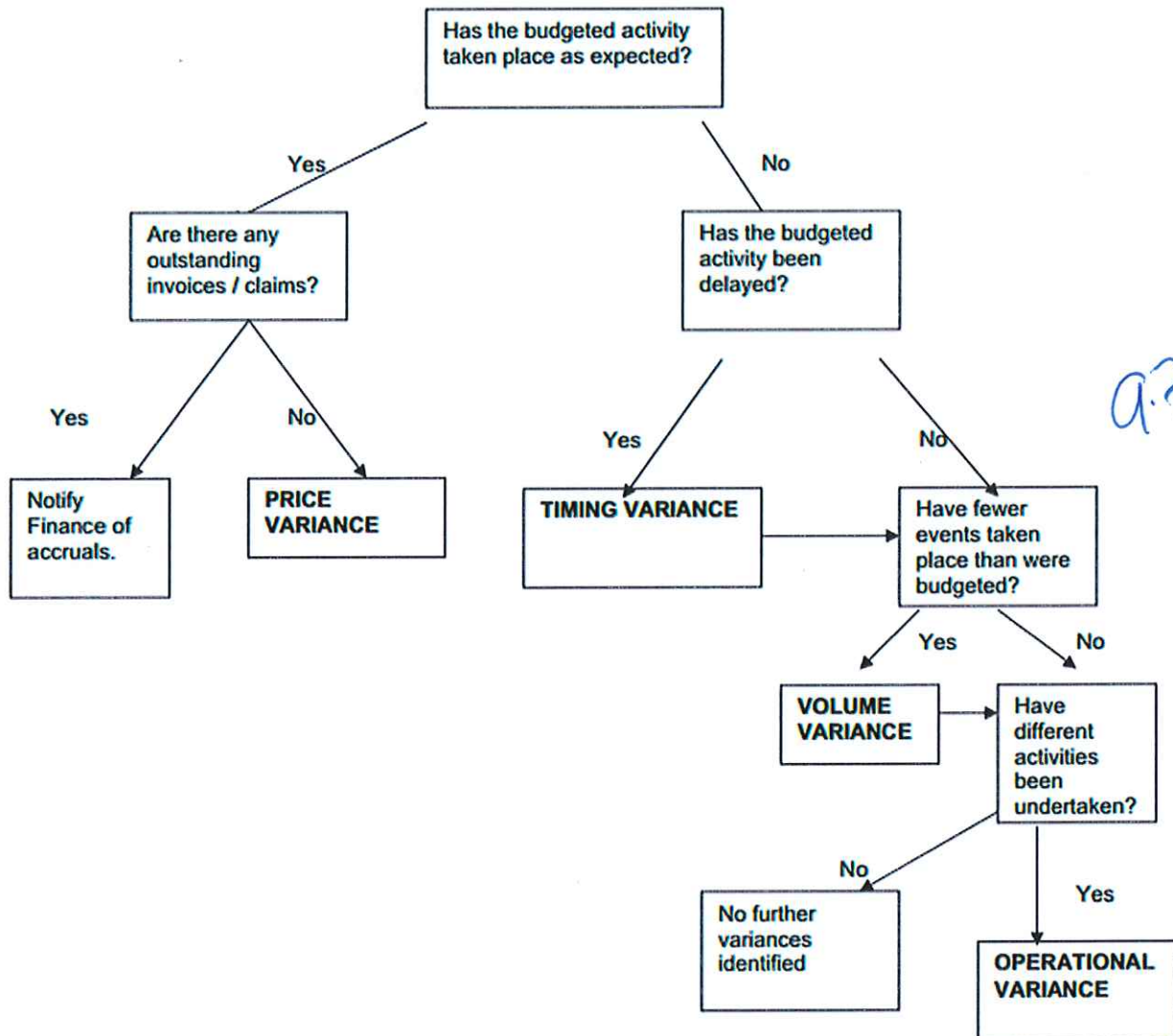


If the variance is unfavorable, namely, overspent:



9.7.14-  
qf.

If the variance is favorable, namely, underspent:



### Step 3. Take Appropriate Actions

After identifying the causes, appropriate actions should be taken.

1. Whether the causes will happen again;
2. What is the financial effect?
3. Whether the Budget needs significant amendments; and
4. If there are any implications for future budget formulation and project implementation.



## 10.2 Annual National Transit Database

Procedure regarding the NTD report is covered under Financial Reporting and General Accounting Procedures.

## 11 SEGREGATION OF DUTIES

Segregation of duties is critical to effective internal control; it reduces the risk of both erroneous and inappropriate actions. In general, the budget approval functions vs. the requesting/formulation functions. When these functions cannot be separated, a detailed supervisory review of related activities is required as a compensating control activity. Segregation of duties is a deterrent to fraud because it requires collusion with another person to perpetrate a fraudulent act. Specific examples of segregation of duties are as follows:

- The person who provides budget guidance to Department Heads should not be the person who prepares the budget requests.
- The person who prepares the budget requisitions should not be the person who reviews the budget request.
- The person who reviews the budget submission should not be the person who approves the budget submission.
- The approval should be independent of the requisitions and department level review processes.

*g.f.m.*  
*g.f.*

## 12 Definitions

- a. **PRITA** – The consolidated entity from Puerto Rico Maritime Transportation Authority, Puerto Rico Metropolitan Bus Authority, and Puerto Rico Metropolitan Highway Authority.
- b. **Budget Office** – The organizational unit responsible for formulating and monitoring the Authority's annual budget, and assisting the implementation of work in the most economical and efficient way at administrative levels.
- c. **Operating expenses** – Any expenses incurred by the Authority to perform its duties. Normally these are administrative expenses.
- d. **Improvements** – The projected project construction, reconstruction, acquisition of machinery and equipment, and other programs based on the Five-year Investment Program,
- e. **Budget** – A plan designed to achieve goals in a given time which includes an estimate of the resources required with the resources available.
- f. **Budget requests** – Requests submitted to report the estimated resources needed to achieve the goals set by organizational units.

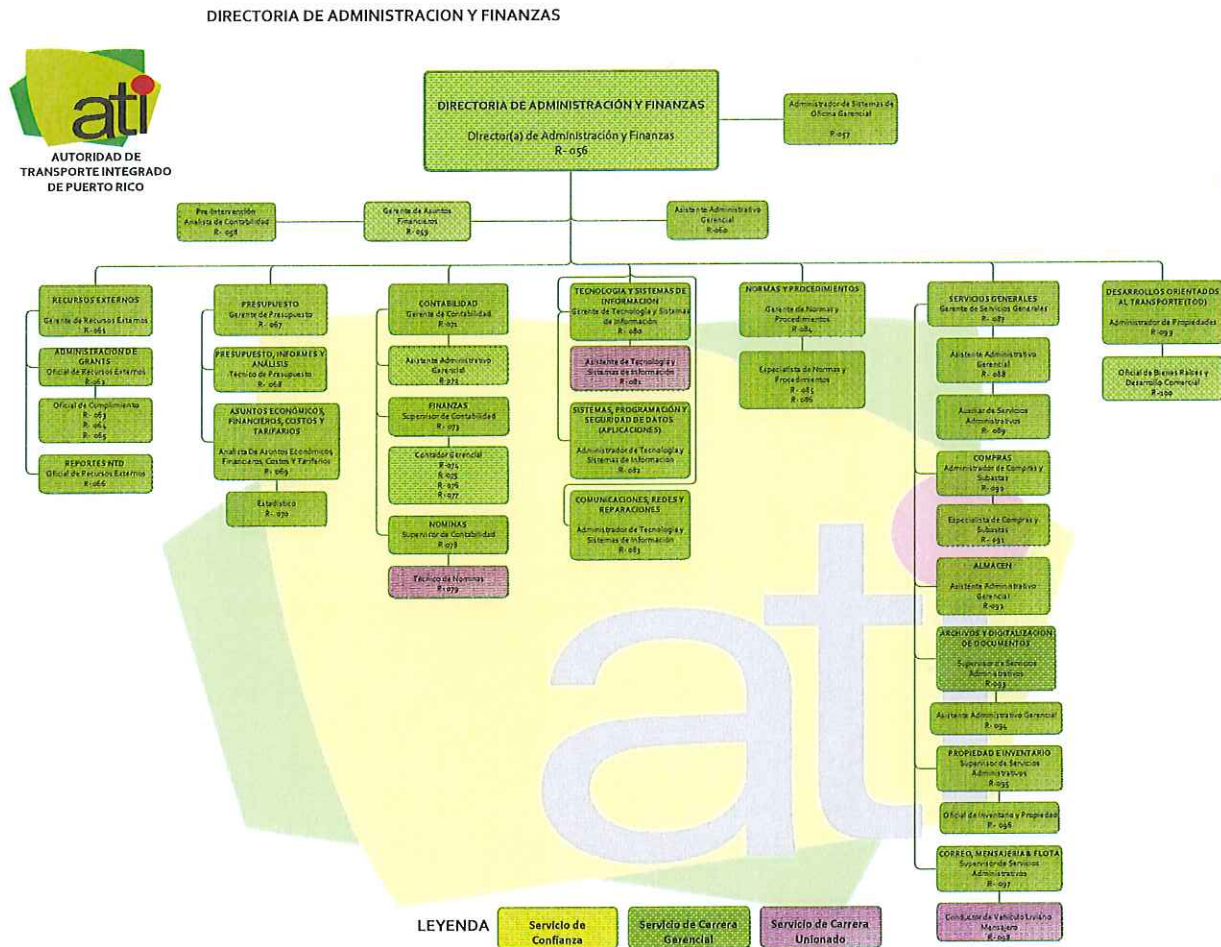
g. **Secretary** – Secretary of the Department of Transportation and Public Works.

h. **Budget Calendar** – The schedule of the budget cycle, including budget request, formulation, approval and amendments. When the last day to present or submit documents is a Saturday, Sunday or legal holiday shall be submitted on the next business day.

a.f.y.  
off.




### 13.1 Organization Chart



a. f. u.  
Cf.



## 14 ADOPTED & VALIDATE BY:

  
\_\_\_\_\_  
Juan A. Vázquez Acevedo  
Chief Financial Officer,  
Puerto Rico Integrated Transit Authority (The Authority)

17th of December, 2015

DATE

## 15 EFFECTIVENESS, REPEAL AND APPROVAL

This procedure, shall be valid from the date of approval by the Board of Directors of the Puerto Rico Integrated Transit Authority.

  
\_\_\_\_\_  
Alberto M. Figueroa Medina, PhD, PE  
**Executive Director**  
Puerto Rico Integrated Transit Authority

17th of December, 2015

DATE

Duly approved by the Board of Directors of the Puerto Rico Integrated Transit Authority, in regular meeting held on the 17th of December, 2015

  
\_\_\_\_\_  
Miguel A. Torres Díaz  
**Chairman of the Board**  
Puerto Rico Integrated Transit Authority

17th of December, 2015

DATE

