

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



ATI-0011-2015

ACCOUNTING FOR FUEL UTILIZATION

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ATI-00011-2015		DEPARTAMENTO DE TRANSPORTACIÓN Y OBRAS PÚBLICAS		PUERTO RICO INTEGRATED TRANSIT AUTHORITY (PRITA)			
Regulation Number or Procedure:		Title regulation or procedure: ACCOUNTING FOR FUEL UTILIZATION					
Validate By: Juan A. Vázquez Acevedo, Chief Financial Officer		Approved by: Alberto M. Figueroa Medina, PhD, PE, Executive Director					
Notes:		Date of approval by the Board of Directors: 12-17-2015		Work Unit: Administration and Finance		Date of Revision: 17th of December, 2015	

1 Purpose

The purpose of these procedures is to document the *Accounting for Fuel Utilization* for the Authority. These procedures will ensure adequate accountability of fuel inventory. This accountability includes fuel purchases and fuel usage on a per vehicle basis. Effective recordkeeping will improve the internal controls pertaining to fuel inventory thus strengthening statutory compliance and enhancing management decision making abilities. These procedures complement procedures developed for other areas of accounting, including fixed assets and preventive maintenance.

These procedures will enable the Authority to maintain an adequate process for managing its fuel resource, make optimal purchasing decisions, and identify inefficiencies. In addition, these procedures will permit fuel related transactions to be recorded in a timely manner and provide management with the tools required to make critical decisions regarding its fuel inventory and overall accountability.

2 Scope and Applicability

The scope of these procedures includes specifics steps required to enhance recording keeping for:

FUEL PURCHASING ACTIVITIES

Fuel purchases should only occur when fuel inventory reaches set limits. This information should be provided by the Maintenance Department. Controlling the purchase of fuel, based on known (tracked) fuel utilization will allow the Purchasing Department to time fuel purchases more effectively and also act as an internal control to ensure the fuel utilization is reasonable and it is used for its intended purposes.



The control elements for fuel are:

- Fuel purchases are triggered by information received from the Maintenance Department.
- Fuel purchases are linked, via established metrics, to related vehicle mileage, hours or related vehicle utilization metrics.

■ FUEL UTILIZATION ACTIVITIES

Vehicle fuel utilization needs to be tracked on an ongoing basis to assist in the evaluation of vehicle performance. The fuel utilization information will also serve the purpose of assisting with validating the fuel inventory. *Key considerations include:*

- Recording utilization data when refueling.
- Establishing procedures for tracking physical inventory.
- Establishing procedures to communicate to the purchasing department when fuel inventories are approaching established limits.
- Establishing metrics for various vehicle types related to fuel utilization compared to vehicle utilization.
- Ensuring physical access over the fuel inventory.
- Providing guidance on the adequacy of segregation of duties related to the vehicle fuel utilization processes.

Subsidiary fuel tracking ledgers are presented below to assist in the monitoring and reconciling of fuel activity.

■ FUEL ACCOUNTING AND RECONCILIATION ACTIVITIES

The accounting department is responsible with keeping complete, accurate and current records of the organization's fuel inventory for financial and regulatory reporting. This requires the ability to properly account for inventory on a periodic basis.

The list of accounting issues addressed in these desk procedures includes:

- The volume and cost basis for fuel inventory as an asset; and
- The recording of the fuel expense to the proper expense categories for reporting purposes.

3 Objective



To ensure that fuel utilization is properly tracked and accounted for the Authority's accounting records.

Specifically, to ensure that:

- ❖ Adequate procedures have been established to ensure that the Authority's purchased fuel is only used for authorized vehicles;
- ❖ Purchased fuel is tracked by vehicle;
- ❖ Subsidiary ledgers will be used to account for fuel purchases and fuel usage; and
- ❖ Subsidiary fuel tracking ledgers will be periodically reconciled to the applicable general ledger control accounts.

4 SEGREGATION of Duties

The segregation of functions or duties is an important element in any system of internal control. For accounting control purposes, incompatible functions are those that place any person in a position to both perpetrate and conceal errors or irregularities in the normal course of their job. Segregation of duties is critical to effective internal control; it reduces the risk of both erroneous and inappropriate actions. 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. In regards to recording purchases and receiving, storing, and managing inventory, there must be adequate segregation of duties among those who:

- ❖ Initiate purchase orders;
- ❖ Maintain the purchase journal;
- ❖ Initiate checks for expenditures/inventory purchases;
- ❖ Review, authorize, or sign checks;
- ❖ Prepare or issue debit memos;
- ❖ Edit the vendor master file;
- ❖ Input purchase orders;
- ❖ Authorize inventory purchases;
- ❖ Verify or process receipt of inventory;
- ❖ Schedule inventory production;
- ❖ Receive goods from or transfer goods to inventory;
- ❖ Transfer inventory;
- ❖ Record inventory transactions;
- ❖ Have responsibility for inventory counts;
- ❖ Investigate discrepancies or issues related to expenditures, inventory, fixed assets, and revenue;



- ❖ Maintain access to or custody of inventory; and
- ❖ Maintain inventory records.

5 Procedures

5.1 Accounting for Fuel Purchases (Fig. 1)

The Accounting Department is responsible for coordinating with the Maintenance Department to keep an accurate inventory of fuel. To accomplish this, the Accounting Department will record fuel purchase transactions in its general ledger fuel purchased for the San Juan Maintenance Base and the Fajardo Terminal. This sub ledger information is also maintained in the Fuel Purchase Log by tank at each site and should reconcile back to each purchase of fuel. (See figure 1).

5.2 Accounting for Fuel Usage

5.2.1 Vessels Fuel Usage – San Juan Maintenance Base and Fajardo Terminal (Fig. 2A & 2B)

When vessels are brought in for refueling the follow sequence of events are required to maintain control over the fuel and capture the required accounting information.

- ❖ An authorized employee meets the vehicle at the dock and the fueling begins.
- ❖ After fueling the vessel an authorized employee documents the fuel usage on the vessel fuel log with the following information:

- Date of activity;
- Name of vessel;
- Gallons of fuel used;
- Engine hours for each engine;
- Tank number; and
- Signature of the employee and Captain (or approved delegation).

The vessel fuel log is maintained in the office and transmitted daily at the end of the employees shift to the Accounting Department (see figures 2A & 2B).

5.2.2 ATM Owned Trucks Fuel Usage – San Juan Maintenance Base and Fajardo Terminal (Fig. 3A & 3B)

When vehicles are brought in for refueling the follow sequence of events must occur to maintain control over the fuel and capture the required accounting information.



- ❖ An authorized employee performs the fueling.
- ❖ The authorized employee at the fuel station and the driver document the following information on the truck fuel log:

- Date;
- Fuel tank number;
- Driver name;
- Gallons of fuel added;
- License Tag Number;
- Odometer reading on vehicle ; and
- Signature of the fuel station employee and driver.

The Truck Fuel Log is maintained in the office with the fuel station employee and transmitted daily at the end of the employees shift to the accounting department. (See figures 3A & 3B).

5.2.3 Fuel Tank Log – San Juan Maintenance Base and Fajardo Terminal (Fig. 4A & 4B)

Prior to the close of business on each Friday evening, the authorized employee responsible for managing the fuel tanks at each location (Fajardo Terminal and San Juan Maintenance Base) must perform a measurement of the available fuel in each tank and record the data on the Weekly Fuel Tank Log. Once completed and signed the log should be transmitted to the Accounting Department (see figures 4A & 4B).

5.3 Reconciliation of Fuel Purchases Log to Fuel Usage Log (Fig. 5)

The Accounting Department receives the fuel usage logs from all of the Authority fueling locations on a daily basis. The Accounting Department maintains the fuel purchased log in the Accounting Department. The following reconciliation between the two should occur weekly.

- The beginning quantity of fuel in each tank at each location is recorded at the top of the reconciliation.
- Below the beginning balance are the fuel purchases transactions for the period.
- The beginning balance added to the fuel purchased provides the total fuel available quantity.

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- The fuel usage logs that were provided daily to the Accounting Department from the Fajardo terminal and the San Juan Maintenance Base will be used to complete the fuel used by tank and by vessel/truck.

- The net of the total fuel available less the fuel usage results in the available fuel balance by tank at the end of the period.
- The Accounting Department was provided the weekly fuel tank log for Fajardo and San Juan by the employee at the fueling area. This log represents the quantity of fuel in each tank at the end of the period.

- This fuel balance at the end of the period from the fuel usage reconciliation is compared to the actual fuel quantity in each tank from the weekly fuel tank log.

- Any variances between the fuel usage reconciliation and the weekly tank log must be explained at the bottom of the fuel usage reconciliation. After the reconciliation is complete (including variance explanations) the employee completing the reconciliation and the employee's supervisor must sign and date the fuel usage reconciliation. This reconciliation will provide the Authority with more assurance the fuel is not vulnerable to potential theft or fraud.

- The reconciliation between the fuel purchased and used will provide the accounting department with the information needed to record any losses in fuel and the periodic fuel expense journal entry (see figure 5).

5.4 Authority Vehicles Fuel Usage and Mileage Logs (Fig 6A and 6B)

When employees drive the Authority vehicles the refueling process must include the recording of the following information to maintain control over the vehicle maintenance.

- ❖ Date of transaction;
- ❖ Gallons of fuel added;
- ❖ Cost of fuel;
- ❖ Odometer reading on vehicle;
- ❖ Location – municipality; and
- ❖ Signature of the driver.

The weekly vehicle fuel log is maintained and always under the control of the employee. The employee should electronically submit the log to the Accounting Department on a weekly basis (see figures 6A, and 6B).



5.5 Reconciliation of the Captains and the Supervisors Trip Log (see figures 7A-7C)

The Captain and the supervisor must include the following information in their trip logs before and after each trip:

- ❖ Trip date;
- ❖ Departure and arrival location;
- ❖ Scheduled and actual departure time;
- ❖ Scheduled and actual arrival time; and
- ❖ Description and length of delays.

If the Captain experiences any delays during each trip he must record them in the log with the associated trip. These logs should be transmitted to the Accounting Department daily.

On a weekly basis the Accounting Department should reconcile the number of hours per trip per the Captains Trip Log and the same information per the supervisors' trip log. All variances (example: a delay in movement because of a cruise ship) should be documented (see figures 7A-7C).

5.6 Controls over Power Room and Fuel Keys

Only authorized employees should have access to the power room and the fuel keys. The power room should remain locked at all times and the only employee that should have access is the Authority employee on duty. The employee on duty should be the only employee with a key and the authority to start the fuel pumps. There should only be one key available to the employees on duty and there should also be a key kept by his supervisor in case of an emergency. Only the employee on duty will be authorized to enter the power room and that employee should be the only person authorized to start the fuel pumping into vessels and trucks. The fuel logs for the vessels and the trucks should be kept in the locked power room.

5.7 Controls over Employee Overtime

❖ The schedule for work of the Authority's employees will be assigned in a way that minimizes the need for overtime. In an emergency situation, the Authority may require their employees to work in excess of their working hours or on any day in which the Governor of Puerto Rico authorizes the suspension of services due to an emergency situation. In these cases, prior permission from the supervisor requiring an employee to present for work must be approved by the appointing authority or by



an officer whom he delegates. Supervisors should ensure that when an employee is working it is duly authorized.

- ❖ Employees working in excess of the regular hours (daily or weekly), holidays, meal period, resting days and days granted by the Governor without charge to vacation license are entitled to a rate of double time of their salary.

- ❖ The above provisions do not apply to any employees who perform duties of an administrative, executive or professional nature, as these terms are defined in the Law of Federal Fair Labor Standards.

- ❖ Employees not entitled to overtime will have the right to equal time free from work (compensatory time) for work perform in excess of the established work schedule.

- ❖ The supervisors should coordinate their work schedules in a way that they reduce to a minimum the need to work time in excess of the regular work schedule.

5.8 Use of Maintenance Workers and Crewmembers Interchangeably

Function of maintenance workers and crew members are not interchangeable. The use of non-qualified employees in certain functions raises concerns about the capability of crewmembers to perform safety-sensitive functions aboard the vessels.

The Authority should have a list of specific qualification for the maintenance workers and crewmembers. Only workers who have both met all of those qualifications and who were hired to perform the duties of maintenance can perform those duties. Any other employee performing the duties of a maintenance worker or crewmember poses a safety risk to the passengers aboard the vessel and to the vessel itself.

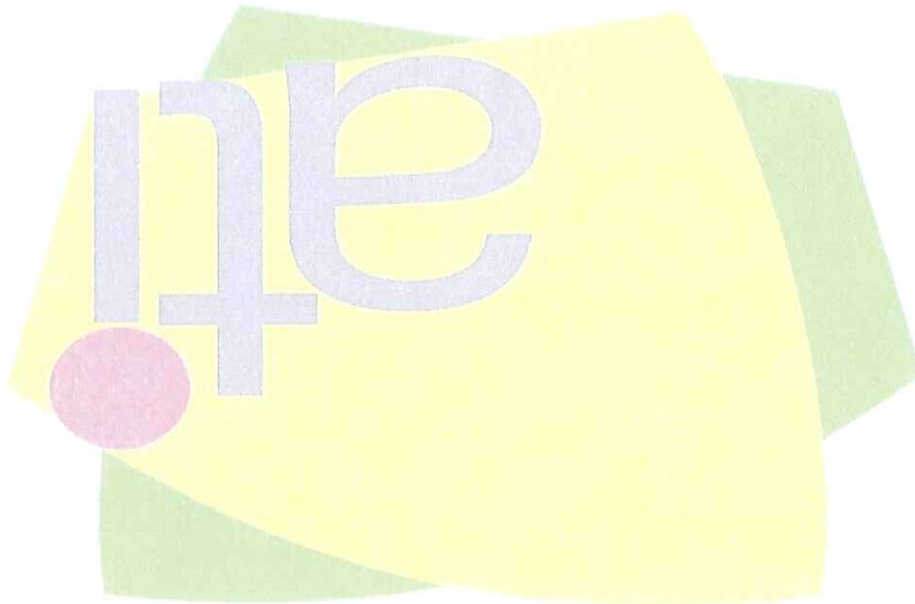
The Authority should verify that all employees that were hired to perform maintenance are qualified by comparing the qualifications for the position to the actual skills of each employee. If any employee is not qualified to perform the duties of the Maintenance group they should be shifted to a different position or their position should be terminated until the individual meets all of the qualification of the Maintenance position. The same is true for crew members.

A review of qualifications for maintenance and crew employees should be randomly performed each quarter by the supervisor of the maintenance and crew employees. The supervisor should also do a random inspection of the Maintenance area to verify that only maintenance workers are performing maintenance on vessels. A random inspection should also be performed of completed work orders. The supervisor should verify that the work was completed by



maintenance staff. These reviews and inspections should be documented and maintained by the Supervisor for internal and external review.

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Authority

Fuel Purchase Log

As of January 10, 2014

Fig. 1.

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Authority									
Daily Fuel Usage Log - Vessel - San Juan Maintenance Base									
January 4, 2014									
Fig. 2B.									
Captain Name:									
Vessel Name									
PRITA Budget									
Code:									
Fixed Asset No:									
Pump Number:									
Activity Date									
Fuel Used (gal)									
Tank No.									
Engine 1									
Hours after Fueling									
Engine 2									
Hours after Fueling									
Engine 3									
Hours after Fueling									
Engine 4									
Hours after Fueling									
Captain Signature									
Fuel Attendant Signature									
Totals									

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[Signature]

Fig. 3A.

Driver Name:	
License Tag No:	
Beginning Odometer	
Reading:	
Fixed Asset No:	

Year:	
Make:	
Model:	

Fuel Used (gal)

Odometer
Reading
after
Fueling

Tank
No.

Drivers Signature _____

Fuel Attendant
Signature

00'0

January 4, 2014

Fig. 3B.

[illegible]

[illegible]

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Tank 1	Tank 2	Tank 3	Fuel Attendant Signature	Supervisor Signature
Gallons in Gallons in	Gallons in Gallons in	Gallons in		

Gallons in Tank 1	Gallons in Tank 2	Gallons in Tank 3
-------------------	-------------------	-------------------

Fuel Attendant Signature

Supervisor Signature _____

Fig. 5.

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Authority		Fuel Usage Reconciliation		January 10, 2014	
General Ledger	01/10/14	Reconciliation			
Average Cost Value of		Fuel per gal			
Fajardo Terminal	\$ -	San Juan Maintenance			
Base	\$ -	Total value of Fuel per			
Logs	\$ -	Total value of Fuel per GL			
Variance	\$ -	Variances by Quarter			
Quarter 1 - 2014		Quarter 2 - 2014			
Quarter 3 - 2014		Quarter 4 - 2014			
Total 2014 Variance		\$ -			
End of Year (2014) Journal Entry		Dr. Fuel (Loss)			
		\$ -			
		Cr. Fuel			
		\$ -			

Fig. 6A.

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Fig. 6B.

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Authority
Captain Trip Log
January 10, 2014
Fig. 7A.

Captain Name:									
Vessel Name:									
Fixed Asset No:									
Trip Date									
Departure Location									
Departure Time									
Scheduled Departure Time									
Actual Departure Time									
Arrival Location									
Arrival Time									
Scheduled Arrival Time									
Actual Arrival Time									
Description of Delay									
Length of Delay Time (hours)									
Totals									
0.00									

Given
1/10/14

[illegible]

Authority		Captain/Supervisor Trip Log Reconciliation		January 10, 2014		Fig. 7C.	
Captain Name:		Vessel Name:		Fixed Asset No:			
Trip Date	Departure Location	Arrival Location	Scheduled Trip Time (hours)	Actual Trip Time (Hours)	Description of Delay	Length of Delay Time (hours)	
Totals						0.00	



7 ADOPTED & VALIDATE BY:

Juan A. Vázquez Acevedo
 Chief Financial Officer,
 Puerto Rico Integrated Transit Authority (The Authority)
 17th of December, 2015
 DATE

8 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

