CITY OF DETROIT
OFFICE OF THE CHIEF FINANCIAL OFFICER

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CFO DIRECTIVE
No. 2018-105-002A

SUBJECT: Period Close
ISSUANCE DATE: December 21, 2018
EFFECTIVE DATE: December 21, 2018
AMENDED DATE: February 25, 2021

1. AUTHORITY

   1.1. State of Michigan Public Act 279 of 1909, Section 4s(2), as amended by Public Act 182 of 2014, states the Chief Financial Officer shall supervise all financial and budget activities of the city and coordinate the city's activities relating to budgets, financial plans, financial management, financial reporting, financial analysis, and compliance with the budget and financial plan of the city.

2. OBJECTIVES

   2.1. To ensure all ERP Cloud sub-ledgers are closed in an orderly and timely manner at the end of each accounting period.

   2.2. To ensure the financial transactions utilizing a 3rd party system are reflected in the General Ledge timely and accurately.

   2.3. To ensure all manual adjustments are recorded after the close of the sub-ledgers and before the close of the accounting period.

3. PURPOSE

   3.1. The purpose of this Directive is to prescribe a process for closing the books each and every month at a certain time so that financial reports can be generated, reviewed, analyzed, and distributed.

4. SCOPE

   4.1. This Directive is limited to the routine closing of the ERP Cloud sub-ledgers and the General Ledger.

5. RESPONSIBILITIES

   5.1. The Deputy CFO – Controller/Chief Accounting Officer, in coordination with other Deputy CFOs, shall be responsible for setting the month-end closing schedule. The Chief Accounting Officer shall also be responsible for the administration and oversight of this Directive and may update this Directive.

   5.2. All Deputy CFOs shall ensure that all financial-related processes occurring within their Division(s) are designed in a manner consistent with this Directive.

6. POLICY

    6.1. General:

        6.1.1. Office of the Controller shall be responsible for coordinating all aspects of the month-end close process.

        6.1.2. The Office of the Controller shall establish the order and timing in which the modules are to be closed (soft close), the timing for posting any manual adjustments not captured through the sub-ledger systems and the timing of the close of the General Ledger (hard close).

        6.1.3. All financial transactions captured in 3rd party systems must be reflected in the General Ledger during the accounting period in which the transaction occurred.

        6.1.4. An annual close calendar shall be developed and distributed to all internal stakeholders of this process prior to the start of the new fiscal year.

    6.2. Sub-Ledger Closing (Soft Close):

        6.2.1. Office of the Controller shall be responsible for communicating the month-end closing schedule for the entire fiscal year prior to the start of the new fiscal year. The month-end close schedule shall take into account holidays and weekends. Communications shall be distributed at least one week prior to the end of each accounting period as a reminder and for any new staff impacted by this process. The Controller's Office shall post the annual close calendar on the City's intranet for ease of reference.

        6.2.2. All ERP Sub-ledgers are to be closed on the last day of the month with the exception of A/R & Fixed Asset sub-ledgers.

        6.2.3. The A/R & Fixed Asset Modules are to be closed on or before the 5th business day following the period to be closed.

        6.2.4. The sub-ledgers to be closed are as follows:

            6.2.4.1. Budgetary Control.

            6.2.4.2. Accounts Payable.

            6.2.4.3. Purchasing.

            6.2.4.4. Project Portfolio Management (PPM).

            6.2.4.5. Accounts Receivable.

            6.2.4.6. Fixed Assets.

            6.2.4.7. Cash Management.

        6.2.5. All sub-ledger closing procedures shall be in accordance with the Internal Control Policy (CFO Directive 2018-105-006).

    6.3. Reconciliation and Manual Adjustment Phase:

        6.3.1. Once the sub-ledgers are closed, transactions that would otherwise have been processed through the applicable sub-ledger shall be processed through the General Ledger directly.

6.3.2. Month-end revenue/receivable and expense/payable accruals shall be processed through the General Ledger directly.

6.3.3. During the period after the soft close but before the hard close, any known adjustments and/or corrections shall be made directly through the General Ledger.

6.3.4. During this period, the Office of Departmental Financial Services (ODFS), Treasury, and the Office of the Controller shall be responsible for processing all known accounting adjustments into the General Ledger specific to the areas they are responsible for (may be subject to change). This shall include financial transactions from 3rd Party Systems such as DAH, Detroit Tax, BSA, and other systems outside of ERP accumulating accounting transactions.

6.3.5. All reconciliation and manual adjustment procedures shall be in accordance with the City's Internal Control Policy. Segregation of duties shall be present between those initiating a particular action and those authorized to approve transactions.

6.4. General Ledger Closing (Hard Close):

6.4.1. Closing of the General Ledger shall occur after completion of the Reconciliation and Manual Adjustment Phase, described in Section 6.3 of this Directive. Once the General Ledger is closed, no more adjustments can be processed for the closed period.

6.4.2. Closing of the general ledger shall occur on the 10th calendar day of the month following the period that is to be closed.[1]

6.4.3. The Controller's office shall control the closing of the general ledger every month.

7. DEFINITIONS

7.1. *3rd Party Systems:* computer system housed outside of Cloud ERP. Data from these systems are brought over into the General Ledger manually or via interface.

7.2. *Accounting Period*: refers to a calendar month. Each calendar month represents an accounting period.

7.3. *ERP Cloud:* financial system to be closed at the end of each month.

7.4. *Sub-Ledger*: refers to modules within the ERP system where transactions are processed and the details of the transaction are housed.

APPROVED

Eric S. Higgs
Deputy CFO- Controller / Chief Accounting Officer, City of Detroit

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[1] Except for Treasury Municipal Taxes, the closing of which shall occur on the 15th calendar day of the month following the period that is to be closed.