



CITY OF DETROIT
OFFICE OF THE CHIEF FINANCIAL OFFICER

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CFO DIRECTIVE
No. 2018-101-017

SUBJECT: Cash Management
ISSUANCE DATE: May 24, 2018
EFFECTIVE DATE: May 24, 2018

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 establish responsibilities over the cash management functions of the City.
- 2.2. To establish practices to help ensure the accuracy of cash balances and the efficient use of surplus funds.
- 2.3. To minimize cash handling by City employees.

3. PURPOSE

- 3.1. To establish the City's policies regarding bank account management, cash receiving and accounting, bank accounts and reconciliations, and liquidity management.

4. SCOPE

- 4.1. This Directive does not address cash disbursements, which is addressed under separate Directives.
- 4.2. This Directive should be reviewed in conjunction with the City's policy concerning cash handling.

5. RESPONSIBILITIES

- 5.1. The Deputy CFO- Treasurer and Deputy CFO- Controller / Chief Accounting Officer shall ensure operations are designed and monitored in a manner consistent with this Directive.

6. POLICY

6.1. General

- 6.1.1. Acting through the Chief Financial Officer, the Office of the Treasury is the sole banking and cash management officer of the City.
- 6.1.2. No City department is permitted to contract with private banks and financial services providers to perform cash management functions. All City departments must contact the Office of the Treasury if the department believes there is a need to contract with a private bank or financial service provider.

- 6.1.3. Any City department which directly performs cash receiving or accounting must have authorization from the Treasurer.
- 6.1.4. The Treasurer, under the CFO's direction, shall assure the periodic review of banking services including, but not limited to, the following:
 - 6.1.4.1. Periodically initiating a process of competitive procurement in accordance with state and local laws and regulations, for major banking services.
 - 6.1.4.2. Having contracts for banking services that specify services, fees, and other components of compensation.
 - 6.1.4.3. Evaluating the relative benefits and costs for paying for services through direct fees, compensating balances, or some combination thereof.
 - 6.1.4.4. For banking services, when appropriate, preference will be granted to those institutions which are a Detroit-based business, as defined by the City's procurement ordinances.
- 6.2. Bank Account Management
 - 6.2.1. The Treasurer and Chief Deputy CFO / Finance Director shall be signers on all City bank accounts. Other City employees may be added, with the approval of the Treasurer.
 - 6.2.2. Requests to open or close bank accounts or use any banking services (i.e. lockbox or credit card acceptance) must be approved by the Treasurer.
 - 6.2.3. Only the Office of the Treasury shall be authorized to perform any on-line banking.
- 6.3. Cash Receiving and Accounting
 - 6.3.1. The Office of the Treasury shall establish policies concerning cash handling to govern the acceptance of payments Citywide and to ensure the safety of cash assets and the timely deposit of monies received.
 - 6.3.2. All banking transactions shall be recorded in the cash management system on a daily basis.
 - 6.3.3. All cash outflows must be properly supported and authorized. Procedures shall include daily reconciliation of cash pools.
- 6.4. Bank Reconciliations
 - 6.4.1. The Office of Controller is responsible for performing all bank reconciliations for all bank accounts.
 - 6.4.2. Bank accounts shall not be used to track funds in lieu of proper accounting. The number of bank accounts shall be minimized to the greatest extent possible, consistent with Federal, State, or local laws and regulations.
 - 6.4.3. All bank accounts shall be reconciled to the general ledger no later than 30 days after the month-end.
 - 6.4.4. Each bank reconciliation is required to have a preparer and approver. All bank reconciliations should be prepared and approved by different staff at the appropriate level.

6.4.5. Each bank reconciliation should be cleared of all variances, no later than 60 days of the month-end, and any outstanding items after that must be escalated to the Deputy CFO- Controller / Chief Accounting Officer and the Treasurer. All variances identified that require a journal entry (JE) must be created and posted by someone other than the preparer or approver of that bank reconciliation.

6.5. Liquidity Management

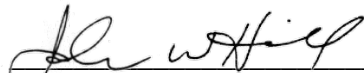
6.5.1. In order to optimize earnings, City Funds shall be deposited into the City's main cash pool unless a segregated account is required by State, Federal or other guidelines (i.e. bond documents).

6.5.2. All activity and balances in the City's bank accounts shall be monitored by the Office of the Treasury to assess the cash required to meet daily obligations and ensure adequate funds are available.

6.5.3. The Office of the Treasury shall prepare detailed cash flow analyses which shall identify major revenues and expenditure types and their expected timing. The Office of the Treasury shall also identify reserves and other balances that could be invested longer term.

6.5.4. Surplus cash shall be invested in accordance with State law and the City's policies concerning investments.

APPROVED



John W. Hill

Chief Financial Officer, City of Detroit