


Policy Title:		Accounts Payable Policy	
	OFFICE OF THE CHIEF FINANCIAL OFFICER	Category	Finance
		Administrative Policy #	
		Revision #	
		Review Frequency	As Needed – no less frequently than triennially
Administrative Division	General Accounting	Reviewed By	Controller, CFO
BOWC Approval		Last Reviewed/Update Date	
Implementation Date			

1. OBJECTIVES

- 1.1. To establish and maintain guidelines and internal controls to provide an effective Accounts Payable (A/P) process, from invoice receipt through approval and subsequent payment of obligations.

2. PURPOSE

- 2.1. The Detroit Water and Sewerage Department (DWSD) Accounts Payable policy (the “policy”) is intended to promote an effective and efficient A/P process that ensures DWSD receives proper authorization for payments made for goods and services and that those payments are made in accordance with payment terms as negotiated.

3. DEFINITIONS

“A/P” stands for the Accounts Payable department at DWSD.

“BOWC” stands for the DWSD Board of Water Commissioners. The BOWC members are appointed by the mayor of Detroit.

“Cashiers Refund Voucher” is the form used by the Customer Service department to authorize payment to a customer for a refund owed to them.

“CFO” stands for the DWSD Chief Financial Officer.

“CPA” stands for Contract Purchase Agreement. CPA’s are contracts/agreements in-place with vendors typically for goods and/or for an agreed scope of services with negotiated costs and for a duration of time.

“Damage Claims Memo” is the form used by the Legal department to authorize payment to a customer for payment owed to them as part of a settlement.

“Executive Management” means the Director, Deputy Director and Chief Engineer, Chief Operating Officer, Chief Administrative Officer / General Counsel, Chief Financial Officer (the “CFO”), Deputy Chief Financial Officer, Human Resources Director, Chief Procurement Officer of DWSD, and Financial Controller

“Financial Controller” means the financial controller at DWSD which is the head of the A/P department.

“Fusion” is the financial software system used by DWSD including the A/P department.

“iSupplier” is the vendor portal used by the City of Detroit. All vendors must register with iSupplier in order to receive payment for invoices.

“Purchase Requisitioner” means the DWSD employee who requested the goods or services for which DWSD has received an invoice.

“Non-P.O. Supplier Request Form” is the form the Professional Administrative Analyst (A) must complete and send to the City of Detroit in order to have a customer set up as a vendor in Fusion in order to be paid for damage claims or a customer refund.

“SPO” stands for Standard Purchase Order. For contracts, an SPO encumbers budgetary funds and is limited to the annual budgeted amount for the contract against which receipts and invoices are applied, the three-way match completed, and vendor paid.

4. SCOPE

4.1. This policy applies to all invoices processed by the DWSD Accounts Payable department.

5. RESPONSIBILITIES

5.1. Chief Financial Officer

5.1.1. The Chief Financial Officer (CFO) shall establish the necessary procedures to implement this policy and shall take all necessary measures to ensure this policy is adhered to. The CFO may delegate all or some of their authority under this policy to an appropriate member of Executive Management.

5.2. Financial Controller

5.2.1. The Financial Controller should ensure that the appropriate approvals are being obtained, evidence of review is obtained and a proper segregation of duties exists.

5.3. Office Support Specialist

5.3.1. The Office Support Specialist is responsible for receiving and entering all invoice information into the A/P Tracker.

5.4. Professional Administrative Analyst (A) (“PAA-A”)

NOTE: The use of ‘A’ denotes segregation of duties within the process - i.e., two separate individuals – (A) and (B).

5.4.1. The PAA-A is responsible for the following:

- 5.4.1.1. Entering all invoices received by the Office Support Specialist into Fusion and performing the three-way match between the invoice, purchase order, and receipt.
- 5.4.1.2. For non-SPO invoices, the PAA-A must route the invoice to the appropriate approver for signature and enter the invoice in Fusion.
- 5.4.1.3. For damage claims, the PAA-A must ensure they have a signed “Damage Claims Memo” from the Legal department authorizing payment.
- 5.4.1.4. For customer refunds, the PAA-A must ensure they have a signed “Cashiers Refund Voucher” from the Customer Service department authorizing payment.

5.5. Professional Administrative Analyst (B) (“PAA-B”)

NOTE: The use of ‘B’ denotes segregation of duties within the process - i.e., two separate individuals – (A) and (B).

- 5.5.1. The PAA-B is responsible for updating the A/P Tracker/Aging Report for all invoices that have been paid and providing this report to the CFO on a weekly basis.

6. Policy

6.1. General

- 6.1.1. Payments should only be made for approved DWSD goods and services.
- 6.1.2. All payments must be supported by approved documents including a purchase order, invoice, and receipt (where applicable).
- 6.1.3. Invoices shall be paid within 30 days (unless otherwise negotiated).

6.2. Invoice Receipting

- 6.2.1. The Financial Controller emails all DWSD vendors instructions for submitting invoices on a monthly basis. DWSD requires vendors to send all invoices directly to both the DWSD Accounts Payable department and the DWSD department that requested the service, for their payment authorization. Once the department signs the invoice, they will forward it immediately to A/P for processing.
- 6.2.2. Invoices to DWSD should be submitted by one of the following methods:
 - a. Email invoice(s) to AP-DWSD@detroitmi.gov (preferred method of delivery)
 - b. Vendor Portal (iSupplier)
 - c. Mail invoice(s) to:
Detroit Water and Sewerage Department
c/o Accounts Payable – 7th floor
735 Randolph Street
Detroit, MI 48226
- 6.2.3. Damage Claims must be submitted to the A/P department by the Legal department via a “Damage Claims Memo,” The memo must be signed by an authorized approver (Chief General Counsel or Deputy General Counsel).
- 6.2.4. Customer Refunds must be submitted to the A/P department by the Customer Service department via an approved “Cashiers Refund Voucher.” This voucher must be signed by the Customer Service Manager authorizing approval for payment.
- 6.2.5. Although direct receipt of an invoice to the A/P department is the preferred method, vendors have the option of submitting an invoice via the City of Detroit Vendor Portal (iSupplier) where they will be three-way matched and paid by the City of Detroit.

6.3. Invoice Processing – There are three types of payments the A/P department processes.

6.3.1. SPO Invoices

- a. A three-way match must be performed which matches the invoice to the corresponding SPO and receipt in Fusion.
- b. If the PAA-A is unable to match the invoice to the correct SPO or receipt, they must first contact the Purchase Requisitioner for assistance in determining the correct purchase order and/or receipt. Alternatively, they may contact the vendor.
- c. If the invoice amount exceeds the approved SPO amount, Fusion will not process it for payment.

6.3.2. Non – SPO Invoices

- a. The following types of payments do not require an SPO:
 - > Utility payments
 - > Postage
 - > Permits
 - > Registration expenses
 - > BOWC stipends
 - > Publications
- b. Although an SPO is not required for the above payments, the PAA-A must obtain proper approval before processing. Authorization should be obtained through a written signature on the invoice. Approval thresholds are outlined in the DWSD procurement policy.

6.3.3. Damage Claims/Customer Refunds

- a. When the PAA-A receives an approved “Damage Claims Memo” or “Cashier Refund Voucher”, they must complete a “Non-P.O. Supplier Request Form” and submit it to the City of Detroit to set up the payee as a vendor in Fusion. The payment can then be entered into Fusion for processing.

6.4. Invoice Payment

- 6.4.1. Once the payment has been authorized (or three-way matched), it will be included in the overnight batch-run for validation. If not validated by the system (not three-way matched), a Hold is placed on the invoice and the PAA-A must research and clear the reason for the Hold. If there are no issues with the validation, the City will pay the invoice on the negotiated payment terms.
- 6.4.2. All ACH payments are paid by the City of Detroit on Thursday of each week. All check payments are paid by the City of Detroit on Friday of each week. The DWSD A/P department receives a payment register showing all invoices scheduled for payment one day prior to the scheduled payments.

- 6.4.3. On Monday, the PAA-A must run an “Invoice on Hold” report to identify any invoices that did not pass system validation the week before. They must then research the reason for the Hold and re-process the invoice for payment.

6.5. Reasonable and Necessary Accommodations

- 6.5.1. Management may take reasonable and necessary actions to accomplish the intent of this policy.

7. PROCEDURE

7.1. Invoice Processing:

- a. The following information must be entered by the PAA-A:
 - > Vendor Name
 - > Invoice Number
 - > Invoice Date
 - > SPO Number (if applicable)
 - > CPA Number (if applicable)
- b. If any of the above information is not on the invoice the PAA-A should contact the vendor for the missing information or research within existing files.
- c. The PAA-A must perform a three-way match in Fusion matching the invoice to the correct purchase order and receipt.
 - 1.1.1.c.1. For non-SPO invoices, the invoice must have an authorized signature approving payment.
 - 1.1.1.c.2. For damage claims, the “Damage Claims Memo” must have an authorized signature approving payment.
 - 1.1.1.c.3. For Customer Refunds, the “Cashiers Refund Voucher” must have an authorized signature approving payment.
- d. The invoices entered during the day are run through a batch process in the evening. Any invoices that do not pass validation have a Hold put on them. The PAA-A must determine the reason for the Hold and clear all issues to allow the payment to run through the batch process the following evening.
- e. All invoices that pass validation are paid by the City on the negotiated due date.

7.2. Authorization Thresholds:

- 7.2.1. The authorization thresholds for invoice payments are documented in the DWSD Procurement Policy.

7.3. Reporting

- 7.3.1. The PAA-B provides the A/P Tracker/Aging Report to the CFO on a weekly basis. The Aging report includes the Days Payable Outstanding for all unpaid invoices. The PAA-B will perform inquiries on any questions posed by the CFO.

7.4. Recording Accruals

- 7.4.1. Accruals for unpaid invoices are automatically performed in Fusion monthly. At year end, a manual journal entry must be recorded for the accrual of unrecorded invoices.

7.5. Vendor Setup

- 7.5.1. All vendors must be registered on the City of Detroit vendor portal (iSupplier) in order to be paid for goods and services supplied to DWSD. The DWSD procurement department must notify the City of all new vendors. At such time, the City will notify the vendor via email of the requirement to register. The Vendors must include the following information when registering on iSupplier:
 - a. Tax Payer ID
 - b. Valid Email Address (Remittance Email address)
 - c. Business Classification (MBE, WBE) Certification
 - d. Administrative Contact w/ Valid Email Address, Bank Name, Routing number, Account number
- 7.5.2. For Damage Claims and Customer Refunds where the customer is not already set up as a vendor in Fusion, the PAA-A must complete a Non-P.O. Supplier Request Form and submit it to the City of Detroit to set-up the vendor.

7.6. Monthly Reconciliation

- 7.6.1. The Office Support Specialist performs a reconciliation between the detailed total of all accounts payable outstanding and the balance stated in the general ledger.

7.7. Record Keeping

- 7.7.1. All payment information is recorded on the invoices and filed. A/P records will be maintained in accordance with the Records Retention Policy.

8. EXHIBITS

- 8.1. Exhibit A: Accounts Payable Process Flowcharts

Exhibit A: Accounts Payable Process Flowcharts

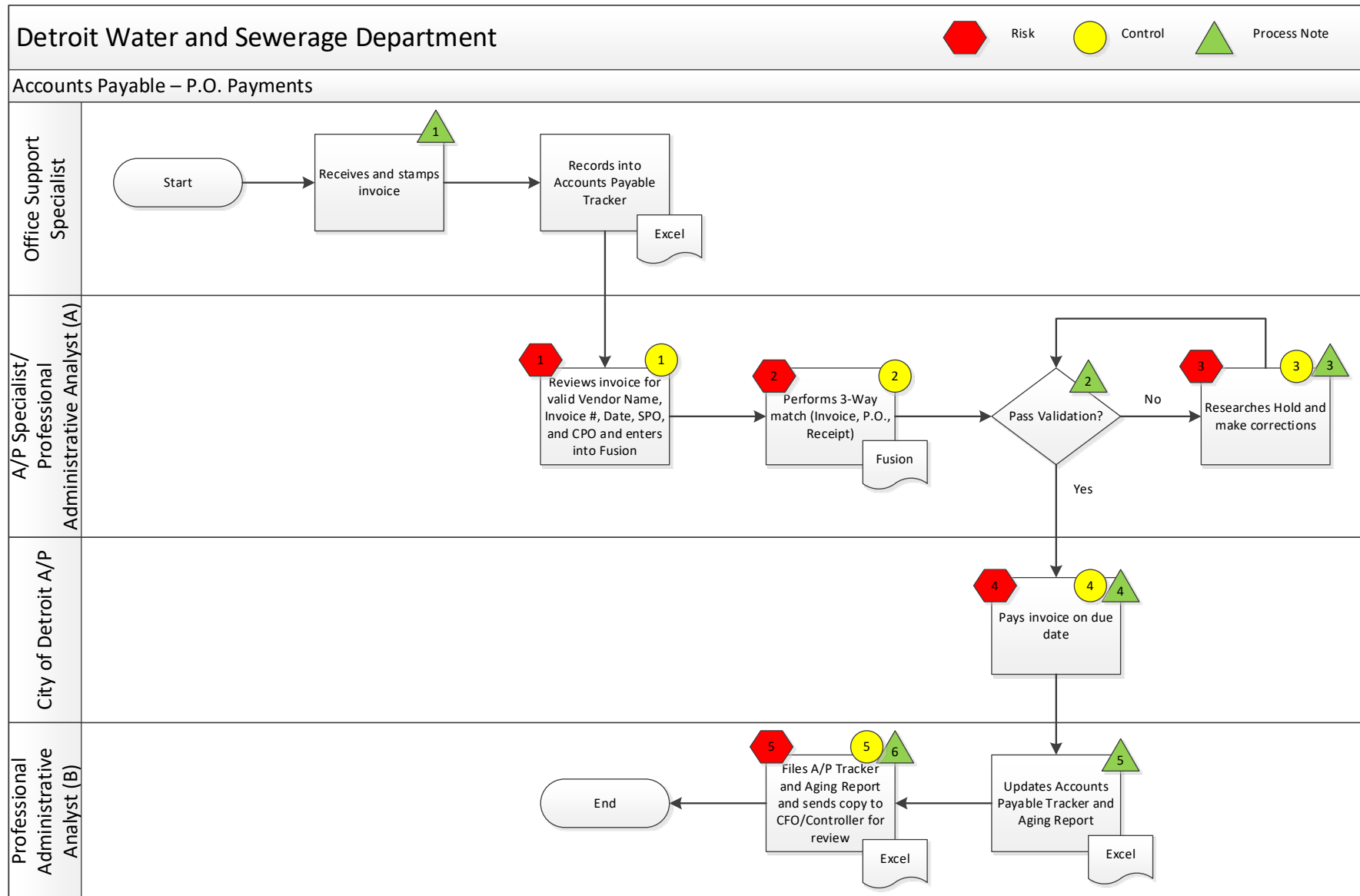


Exhibit A: Accounts Payable Process Flowcharts

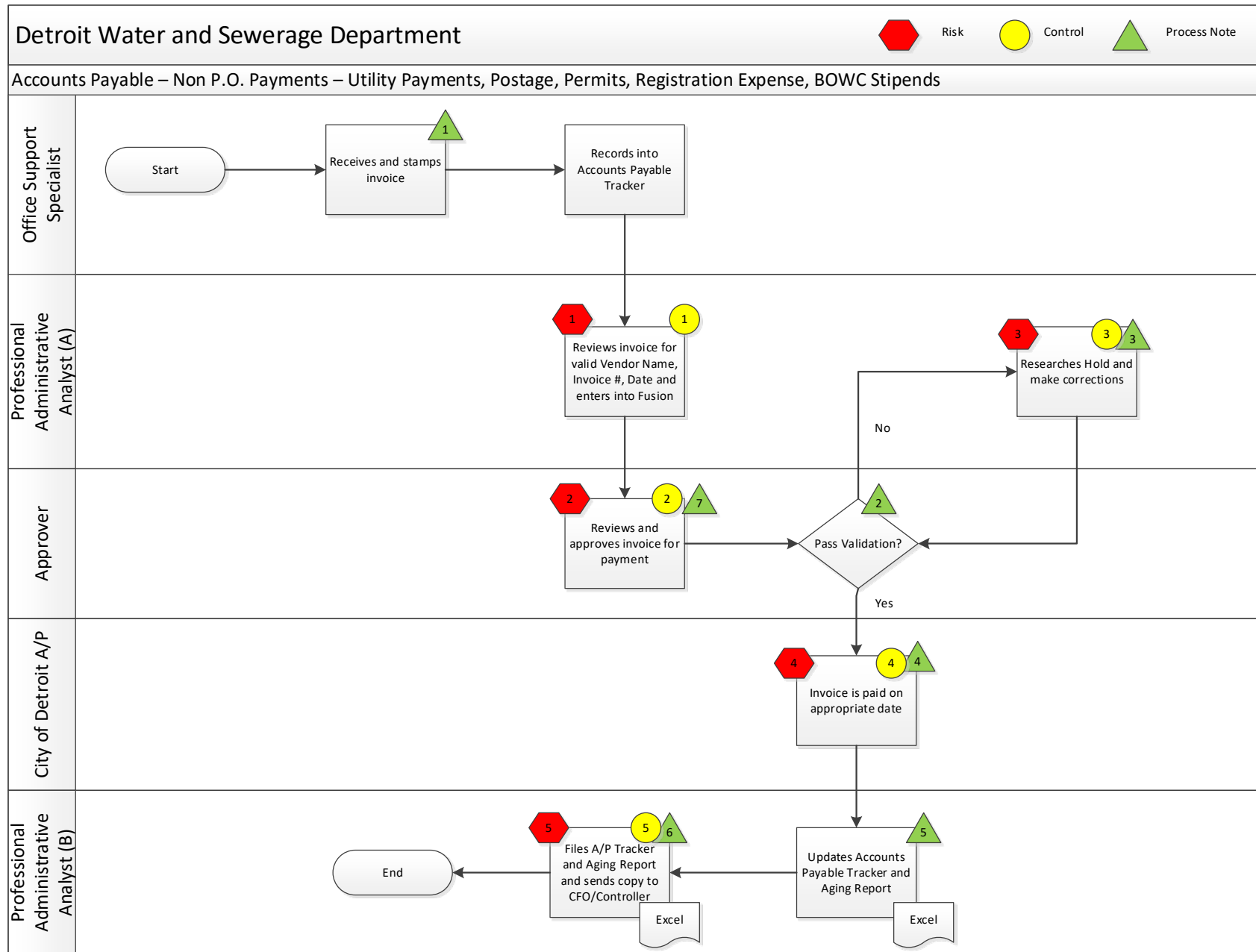


Exhibit A: Accounts Payable Process Flowcharts

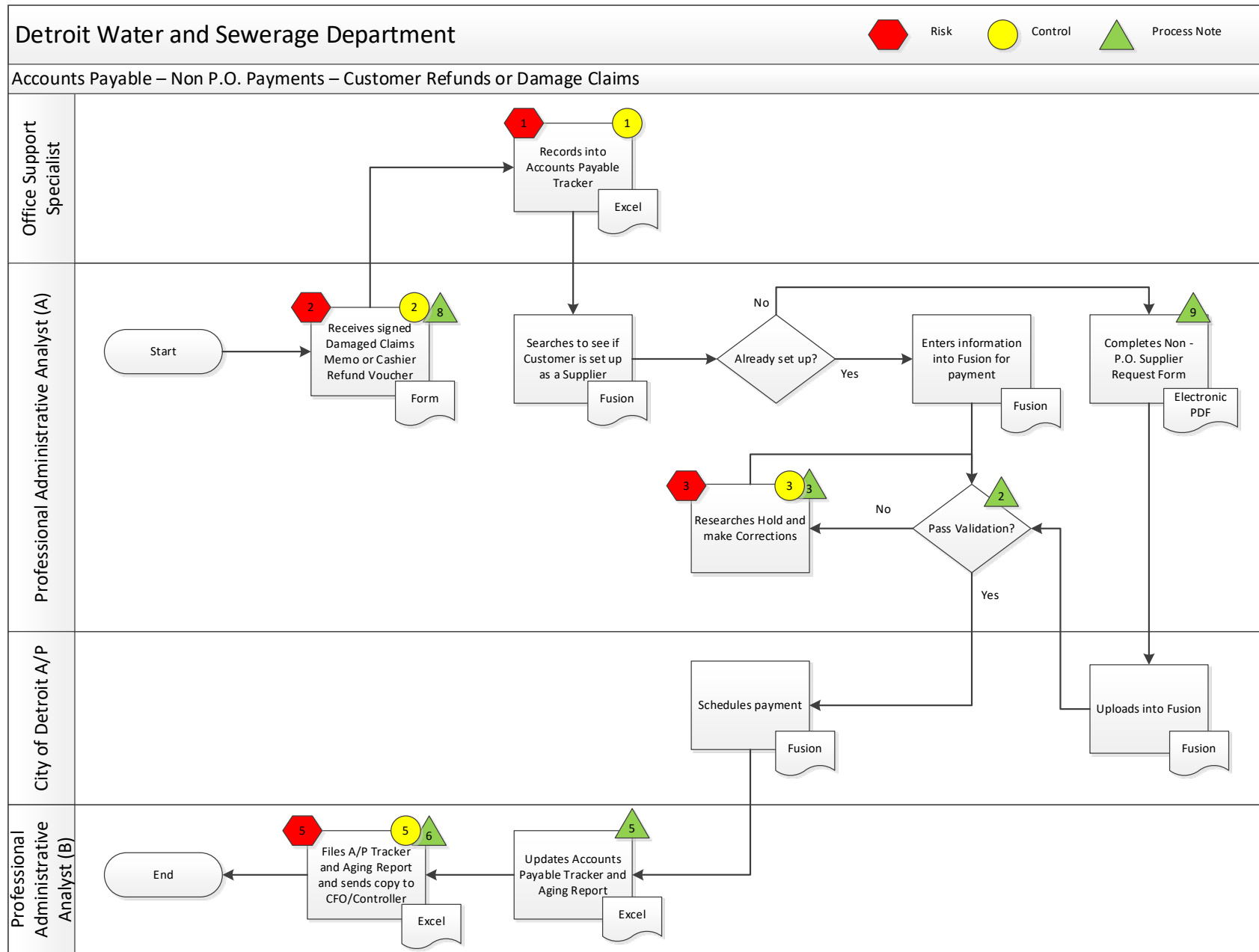


Exhibit A: Accounts Payable Process Flowcharts



Process Notes:

1. Invoices are sent to A/P either by mail, email or is entered by the Supplier directly into the Supplier Portal Page (iSupplier). If the Supplier enters it directly into the Supplier Portal, DWSD does not see the invoice. The invoice is automatically run through the validation and paid by the City (if passes).
2. There is a batch run in the evening where payments are validated.
3. Reasons for a Hold could be that the goods weren't received, fails the funds check, or there is not a matching P.O.
4. Invoice is selected for payment and record updated with payment information (ACH Processed on Wednesdays, Checks Processed on Thursday – Payments available on Friday). Invoices are scheduled to be paid Net 30 in most cases.
5. All payments are recorded on the weekly Payments Register. The Professional Administrative Analyst updates the A/P Tracker and A/P Aging Report based on this register.
6. Hard copy invoices are filed in a cabinet. The scanned invoices and A/P Tracker and Aging Report are saved to a shared drive.
7. The appropriate approver either signs the invoice and returns or they will send an email stating that it is okay to pay. A/P will then attach the email approval to the invoice.
8. Damage Claims Memos come from the Legal Department and Cashier Refund Vouchers come from the Customer Service Department. They have signed approval for payment on them.
9. The Non P.O. Supplier Request Form is a fillable PDF form (electronic).



Risk

1. F.AP.1: Potential risk that invoices are not tracked and paid on time.
2. F.AP.2: Potential risk of unapproved payments being made.
3. F.AP.3: Potential risk of invoices being paid for work not performed or goods not received.
4. F.AP.4: Potential risk of payments being submitted late.
5. F.AP.5: Potential risk that aging reports are not being kept and utilized to ensure payments are made.



Control

1. F.AP.1: All invoices should be sent directly to A/P for entering and tracking.
2. F.AP.2: All payments must be approved via a signed invoice, a matching PO, or a signed Damaged Claim Memo/Cashier Refund Form. Approval is by the Project Manager and follows the same approval thresholds as the requisitions.
3. F.AP.3: If Fusion is not able to perform the 3-way match, a hold is put on the invoice until the Professional Administrative Analyst researches the Hold and clears all issues. In addition, Project Managers review the invoices by line item to ensure work was performed.
4. All invoices are set up in Fusion to be paid Net 30 unless otherwise negotiated to pay later.
5. An aging report for all invoices is kept in Excel and given to management for review.