


Policy Title:		Month/Period End Close & Journal Entries	
	OFFICE OF THE CHIEF FINANCIAL OFFICER	Category	Finance
		Administrative Policy #	
		Revision #	N/A
		Review Frequency	As Needed – no less frequently than triennially
Administrative Division	Finance	Reviewed By	Controller; CFO
BOWC Approval		Last Reviewed/Update Date	
Implementation Date			

1. AUTHORITY

- 1.1. The City of Detroit (“City”), Office of the Chief Financial Officer, issued Directive No. 2018-105-003, which provides guidelines for the month end close process, including sub-ledger closing, reconciliation and manual adjustments, and general ledger closing.

2. OBJECTIVES

- 2.1. To establish policies and procedures and to provide an effective process for managing Detroit Water and Sewerage Department’s (“DWSD”) Month End Close process. Objectives are to ensure all ERP Cloud sub-ledgers, 3rd party systems, and manual adjustments are recorded and closed in a timely and accurate manner.

3. PURPOSE

- 3.1. The purpose of this policy is to establish policies and standard procedures for the month end close process, in order to ensure that books are closed and financial reports can be generated, reviewed, analyzed, and distributed. Further, this policy establishes policies for generating daily/monthly journal entries.

4. DEFINITIONS

“Accountant” means an individual that has primary responsibility of supporting DWSD’s financial operations.

“Accounting Period” refers to a calendar month; each calendar month represents an accounting period.

“Chief Financial Officer (CFO)” means an individual that has primary responsibility for managing DWSD’s finances, including financial planning, management of financial risks, record-keeping, and financial reporting. The CFO will act as back-up to the Controller when needed.

“Cloud Journal Entry Form” means an electronic journal entry form that is used to generate entries within the ERP. Forms are maintained electronically and hard copy.

“Controller” means an individual that has primary responsibility of DWSD’s financial statements, general ledger, cost accounting, payroll, accounts payable, accounts receivable, budgeting, and tax compliance.

“ERP” stands for Enterprise Resource Planning and refers to the financial application of which the General Ledger is a module.

“Journal Entry Custodian” means an individual that is an accountant responsible for generating journal entry reports during the month and maintaining journal entry information for external audit testing.

“Journal Entry Log Book” is a manual book, which lists all journal entries in numerical order.

“Month-End Close Checklist” means the checklist used by the Controller, which details all journal entries required each month. The checklist is used to track and ensure all required entries have been made.

“3rd Party System” refers to any application housed outside of the Cloud ERP; data from these systems is brought into the General Ledger through system integration or through manual journal entries.

“Sub-ledger” refers to the modules of the ERP system where transactions are processed and the details of the transactions are housed.

5. SCOPE

- 5.1. The scope of this policy includes month-end and period end closing procedures as well as journal entry procedures.

6. RESPONSIBILITIES

6.1. Accountant

- 6.1.1. The Accountant will prepare journal entries using paper copy forms.
- 6.1.2. After approval of the journal entry by the Controller, the Accountant enters the journal entry into the ERP for release.
- 6.1.3. The Accountant attaches all files (Journal Entry support, signoffs) to the journal entry record in the ERP and files the documents that support each journal entry with the Journal Entry Custodian.

6.2. Controller

- 6.2.1. The Controller develops an annual close calendar, which considers holidays and weekends, and distributes to all relevant process owners and stakeholders. The Controller will consider, as necessary, the annual close calendar developed by the City.
- 6.2.2. The Controller develops a month-end closing schedule and is responsible for coordinating the month-end close process. The schedule is distributed one week prior to the end of the accounting period. The schedule should consider the order and timing in which the modules are to be closed, the timing for posting any manual adjustments not captured through the sub-ledger, and the timing of the close of the General Ledger. The Controller will consider, as necessary, any closing schedules developed by the City.
- 6.2.3. During the month end close process, the Controller completes the Month-End Close Checklist that details all entries required each month as journal entries are

completed, and follows up with the accounting team on the status of outstanding entries.

- 6.2.4. The Controller reviews and approves all journal entries generated by the accounting team.
- 6.2.5. The Controller generates a trial balance and performs an analytical review to verify accuracy. When needed, the Controller investigates balances that appear inaccurate.
- 6.2.6. Upon completion of the month end close process, the Controller initiates the process to generate financial statements for the Board Report.

6.3. Journal Entry Custodian

- 6.3.1. The Journal Entry Custodian (an Accountant) organizes all hard copy journal entries in a binder (one binder per month).
- 6.3.2. The Journal Entry Custodian generates a report from the ERP that lists all journal entries during the month and places the hard copy list in the journal entry binder. This record is stored and provided to the external audit firm for relevant testing procedures.

6.4. Chief Financial Officer

- 6.4.1. The CFO reviews month end financial reports.

7. POLICY

7.1. General Policy:

- 7.1.1. It is DWSD's goal to complete the month end close process within 10 days of month end (i.e., by the 10th of the following month).
- 7.1.2. To facilitate the month end close process, DWSD has developed a Month-End Close Checklist.
- 7.1.3. All journal entries are prepared by an Accountant and approved by the Controller.
- 7.1.4. All journal entries must be supported by a schedule, e-mail, invoice, or other documentation provided by the process owner that mathematically agrees to the entry being made.
- 7.1.5. All entries are logged using a numerically controlled list called the 'Journal Entry Log Book.' The numbering system denotes whether an entry relates to water or sewer. The list is generated on a monthly basis and maintained by the Accounting team.
- 7.1.6. Journal Entries are prepared using the 'Cloud Journal Entry Form' which is a hard copy form that is prepared by the Accountant. This form contains signature of the Accountant preparing the entry as well as the Controller denoting approval.
- 7.1.7. The completed and approved 'Cloud Journal Entry Form' and supporting documentation are maintained both electronically (in the ERP), as well as in hard copy format.

7.2. Month End Reporting

- 7.2.1. At the conclusion of the month end process, the Controller will prepare basic financial statements that will be presented to the CFO and the Board for review.

7.3. Reasonable and Necessary Accommodations

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

8. PROCEDURE

8.1. Daily and Month End Journal Entry Activities

- 8.1.1. Throughout the month, Accountants prepare journal entries. For each entry, a 'Cloud Journal Entry Form' (paper copy form) is prepared. Supporting documentation is required for each entry.
- 8.1.2. The Accountant notes the unique identifier on the 'Cloud Journal Entry Form.' The Accountant preparing the journal entry obtains the unique identifier from the 'Journal Entry Log Book,' a list maintained by the Accounting Department.
- 8.1.3. Upon completion of the 'Cloud Journal Entry Form', the Accountant preparing the journal entry signs the Form, attaches the hard copy support, and places a paper copy of the entry into the Controller's mailbox.
- 8.1.4. The Controller reviews each journal entry for mathematical accuracy and verifies that the entry agrees to the supporting documentation.
- 8.1.5. The Controller signs the 'Cloud Journal Entry Form' to denote approval of the journal entry.
- 8.1.6. The Controller returns the approved entry to the Accountant for entry into the system.
- 8.1.7. The Accountant enters the journal entry into the ERP. If the journal entry is a reversing entry (e.g., an accrual entry), the Accountant marks the corresponding tick box in the ERP. Proper segregation of duties is considered, in that the Accountant that prepared the entry is not the same as the Accountant entering the entry.
- 8.1.8. The Accountant scans the journal entry support and approved/signed 'Cloud Journal Entry Form' and attaches the file to the journal entry record in the ERP.
- 8.1.9. Upon entry into the system, the journal entry is routed to the Controller for posting.
- 8.1.10. The Controller reviews the queue and posts journal entries to the general ledger. The Controller reviews the queue on a daily basis.
- 8.1.11. Upon posting of an entry, the Controller updates the Month-End Close Checklist by denoting that the entries made have been completed.
- 8.1.12. During the month-end close process, the Controller follows-up on the status of outstanding journal entries with each Accountant.
- 8.1.13. The JV Custodian (Accountant) files hard copy support for posted entries in a binder. The JV Custodian maintains these records in hard copy for the financial audit.

- 8.1.14. The JV Custodian (Accountant) generates a report in the ERP of all journal entries entered during the period. A hard copy of this form is stored with the journal entries in the corresponding binder.

8.2. Processing Recurring Entries

- 8.2.1. Each Accountant responsible for preparing journal entries is assigned a specific list of recurring entries. In this way the person becomes familiar with the nature and purpose of their entries and is more likely to spot differences requiring follow up.
- 8.2.2. The assigned Accountant should have an understanding as to the nature and purpose of the entry to the degree that they can thoroughly explain its purpose to someone else.
- 8.2.3. When developing a recurring journal entry, the Accountant is responsible for the following:
- 8.2.3.1. Comparing the journal entry to prior months' entries, confirming that similar amounts/accounts/funds are used.
 - 8.2.3.2. The amounts in each account are numerically consistent (the amounts are likely to be different from month to month, but should not be different by a large percentage).
 - 8.2.3.3. The entry includes a description complete enough for any accountant to read and know the basic purpose for the entry.
 - 8.2.3.4. The entry includes adequate documentation that plainly shows the background for the entry and the documentation included specific audit-type references to the exact amounts in the entry. This means that each amount included in the entry is cross referenced to the exact same amounts in the supporting documentation.
- 8.2.4. Any exceptions to the following activities should be immediately followed up with the Controller.

8.3. Processing Non-Recurring Entries

- 8.3.1. Non-recurring entries are given special attention since they are often made to correct errors or to make other special purpose changes to the general ledger.
- 8.3.2. Non-recurring entries are processed using the same procedures noted in section 8.1 Daily & Month End Journal Entry Activity above.
- 8.3.3. Any questions or concerns related to this procedure should be immediately discussed with the Controller.

8.4. Automated Entries

- 8.4.1. Accounts Payable accrual entries are automated and system generated. These will automatically reverse in the next period.
- 8.4.2. Although depreciation is supposed to be automated by the City, the entry is often not made in time, which requires DWSD to create a manual entry to ensure accurate financial statements. DWSD will then reverse their entry once the City entry has posted.

8.5. Month End Reporting

- 8.5.1. Upon completion of the month end process and corresponding Month-End Close Checklist, the Controller generates a trial balance to determine if accounts are in balance.
- 8.5.2. The Controller compares current month results to prior year results to identify any potential issues.

8.6. Management and Board Reporting

- 8.6.1. Upon completion of the month end process, the Controller communicates with IT in order to initiate generation of the financials for the Board Report.