


Policy Title:		Chart of Accounts	
	OFFICE OF THE CHIEF FINANCIAL OFFICER	Category	General Ledger
		Administrative Policy #	
		Revision #	
		Review Frequency	As Needed – no less frequently than triennially
Administrative Division	Finance; Controller	Reviewed By	Controller, Chief Financial Officer
BOWC Approval		Last Reviewed/Update Date	
Implementation Date			

1. AUTHORITY

- 1.1. State of Michigan Public Act 279 of 1909, Section 117.4s (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.
- 1.2. Under Michigan Act 2 of 1968, *Uniform Budgeting and Accounting Act* (MCL 141.421, et seq.), the City of Detroit ("City") is required to establish a chart of accounts that conforms to the chart of account requirements prescribed by the Treasurer of the State of Michigan.
- 1.3. The City, Office of the Chief Financial Officer, issued Directive No. 2018-105-004, which provides guidelines related to the chart of accounts.

2. OBJECTIVES

- 2.1. To ensure that the DWSD has an appropriate chart of accounts which complies with all legislative requirements and the needs of DWSD's accounting system users. Objectives are to produce financial statements in compliance with various applicable accounting standards and principles and to provide a systematic arrangement and accumulation, recording and reporting of financial information and transactions

3. PURPOSE

- 3.1. The purpose of this policy is to establish a chart of accounts in accordance with the City's guidance and to provide a systematic method for maintenance of the chart of accounts in order to accumulate, record, and report financial information.

4. DEFINITIONS

"Chart of Accounts" means a categorized listing of all account titles and numbers being used to track revenues, expenditures, assets, equity, and liabilities.

"Dormant" means general ledger strings that are active but have not been used as of the close of the previous 12 months.

"ERP" stands for Enterprise Resource Planning, and is the term used to describe the City's accounting system of record.

5. SCOPE

- 5.1. This policy applies to all general ledger account strings and activities related to the maintenance of the chart of accounts.
- 5.2. This policy applies to all employees coding transactions to any fund or department within DWSD. All employees with authority to code transactions are expected to have a basic understanding of the chart of accounts because all financial transactions and activities utilize this accounting structure.

6. RESPONSIBILITIES

6.1. DWSD

- 6.1.1. DWSD is responsible for administering its chart of accounts and ensuring that it complies guidelines issued by the City of Detroit, including the Chart of Accounts Directive No. 2018-105-004.

6.2. Controller (DWSD)

- 6.2.1. The Chief Financial Officer and the Controller are responsible for administering the chart of accounts, in accordance with this policy.
- 6.2.2. The Controller is responsible for periodic review of the Chart of Accounts including active and dormant accounts.
- 6.2.3. The Controller is responsible for coordinating efforts to modify or update the Chart of Accounts with the City.

6.3. Chief Financial Officer (DWSD)

- 6.3.1. The Chief Financial Officer and Controller are responsible for administering the chart of accounts, in accordance with this policy.

7. POLICY

7.1. General Policy

- 7.1.1. The City is responsible for overall maintenance and administration of the Chart of Accounts.
- 7.1.2. The City's Chart of Accounts consists of 8 segments totaling 42 digits. Each segment has a numerical value and a text description. These segments provide the organizing framework for budgeting, recording and reporting on all financial transactions. An example of the sequence is outlined below:

Fund-Appropriation-Cost Center-Object-Project-Activity-Intrafund-Future
- 7.1.3. All submissions by departments to the Controller's Office to change attributes on accounts or to set up new accounts must be reviewed and approved by the City's Controller's Office after being reviewed and approved by DWSD's Controller and CFO.
- 7.1.4. The City of Detroit Accounting Department may add the new general ledger account string into the ERP once they have received the authorization request.
- 7.1.5. All deactivations and reactivations of general ledger account strings for DWSD must be authorized by the DWSD Controller and CFO.

- 7.1.6. The City may deactivate or reactivate a DWSD general ledger account string once they have received authorization.
- 7.1.7. The DWSD Controller shall perform a quarterly review of general ledger account strings that are considered dormant. All dormant general ledger account strings should be deactivated.

7.2. Reasonable and Necessary Accommodations

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

8. PROCEDURE

8.1. Setting Up New Account Strings – Only the City of Detroit Accounting Department can perform the task of adding new general ledger account strings in the City's ERP.

- 8.1.1. Each change to the Chart of Accounts must be requested by a DWSD employee to the DWSD Controller using a preapproved form and justification for the change.
- 8.1.2. The request form for all chart of account changes must be signed by the DWSD Controller and CFO, acknowledging approval; the forms is then submitted to the City of Detroit Accounting Department.
- 8.1.3. The City of Detroit Accounting Department must approve the request and create the new accounts in the City's ERP.
- 8.1.4. After receiving notification that the string is active in the City's ERP, DWSD employees can begin using the new account.

8.2. Deactivating or Reactivating Account Strings – Only the City of Detroit Accounting Department can perform the task of deactivating or reactivating general ledger account strings in the ERP.

- 8.2.1. Each request to deactivate or reactivate an account string must be submitted by a DWSD employee to the DWSD Controller using a preapproved form and justification for the change.
- 8.2.2. The request form for all chart of account changes must be approved by the DWSD Controller and CFO; the Controller will then submit the form to the City of Detroit Accounting Department to deactivate or reactivate the account strings.

8.3. Reviewing Dormant GL Strings – The DWSD Controller shall perform a quarterly review for dormant account strings.

- 8.3.1. The DWSD Controller shall, once per quarter, run a report showing account strings with no activity in that quarter and review the transaction history for the past 12 months.
- 8.3.2. If an account string has not been used for accounting entries in the previous 12 months, the DWSD Controller may request the City of Detroit Accounting Department to deactivate the account string.
- 8.3.3. If no issues are noted, a memo will be added to the file indicating that the quarterly review has taken place.

8.4. Design of Accounts

- 8.4.1. The design of the Chart of Accounts is handled by the City, in accordance with applicable legislative requirements.