



CITY OF DETROIT  
OFFICE OF THE CHIEF FINANCIAL OFFICER

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**CFO DIRECTIVE**  
**No. 2018-101-018**

**SUBJECT:** Accounts Payable  
**ISSUANCE DATE:** July 26, 2018  
**EFFECTIVE DATE:** July 26, 2018

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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 the City disburses funds for valid business reasons after receiving the proper documentation and required authorization.
- 2.2. To designate ACH payments as the primary payment method required for all City of Detroit payments. ACH payments support a more efficient and automated payment process by electronically transferring funds directly into the payment receiver's bank account.

3. PURPOSE

3.1. To establish the City of Detroit's ("City") Accounts Payable policy.

4. SCOPE

- 4.1. This Directive applies to all departments, divisions, and agencies.
- 4.2. This Directive applies to Accounts Payable disbursements for goods and services received from the City's suppliers, and miscellaneous disbursements such as payroll corrections, jury duty and poll worker pay.
- 4.3. This directive applies to all entities that use the City's accounts payable services including authorities, component units, or other government entities.
- 4.4. This Directive does not apply to employee travel and reimbursement which is covered under a separate Directive.
- 4.5. This Directive does not apply to the City's Water and Library departments which process and maintain their applicable invoices.

5. RESPONSIBILITIES

- 5.1. The Deputy CFO – Controller/ Chief Accounting Officer shall implement and periodically update this Directive.
- 5.2. The Deputy CFO – Chief Procurement Officer shall be responsible for distributing this Directive to current suppliers.

5.2.1. Suppliers shall adhere to this Directive to avoid delays in receiving payment.

## 6. POLICY

### 6.1. General

- 6.1.1. All supplier invoices shall be for valid business purposes and must be supported with proper authorization/approval.
- 6.1.2. All payment requests shall be for valid business purposes and processed centrally by the Office of the Controller – Accounts Payable department using the ERP Accounts Payable module.
- 6.1.3. Payment requests shall be processed only after the actual receipt of goods and services unless specifically authorized by the Deputy Chief Financial Officer – Controller/Chief Accounting Officer.
- 6.1.4. The City shall make all payments to suppliers via ACH.
- 6.1.5. Funds shall only be disbursed to the actual suppliers providing the goods and services (or to the supplier’s contractually named agent), and not to secondary parties such as non-profit organizations, mutual funds, or religious organizations.
- 6.1.6. Suppliers that do not adhere to this Directive may be restricted from submitting bids or may have substantial delays in receiving payment. Any current suppliers that do not adhere to this Directive will have payments delayed until corrective action has been taken.

### 6.2. Invoicing

- 6.2.1. All of the following are acceptable methods for supplier invoice delivery to Accounts Payable:
  - 6.2.1.1. Supplier Portal (for all purchase order suppliers)
  - 6.2.1.2. Centralized email designated by Office of Departmental Financial Services (“ODFS”) (for non PO Suppliers)
- 6.2.2. Acceptable Forms of Invoices:
  - 6.2.2.1. Supplier Invoices – Must be original unless received through the supplier portal (iSupplier). Emailed and faxed copies are acceptable in certain circumstances. Supplier statements are not considered acceptable documentation.
  - 6.2.2.2. Check Requests – Requires the attachment of supplier invoice(s) or supporting document(s) to substantiate payment.
  - 6.2.2.3. SOA Spreadsheet Upload – Typically used for payroll advances, poll-worker payments, jury duty payments, income tax refunds and property tax refunds. These payments requests must come from authorized personnel.
  - 6.2.2.4. EDI Supplier Punch out – Electronic invoicing for certain suppliers approved by Purchasing.
- 6.2.3. Acceptable Forms of Authorization:

6.2.3.1. 3-Way Matching – Invoice, purchase order and receiving document are matched in the Cloud ERP Accounts Payable Module.

6.2.3.2. Check Requests – Require signature from authorized approver as defined by the City’s Authorized Signature Record.

6.2.3.3. Email – Requires authorization from an authorized approver as defined by the City’s Authorized Signature Record document. This type of authorization can only be used for processing supplier payments utilizing the spreadsheet upload template. Supporting documentation for these payments are kept at the specific departments (payroll, elections, or Jury payments).

#### 6.2.4. Invoice Requirements

6.2.4.1. The following criteria must be met before invoices can be processed:

6.2.4.1.1. Invoices must be addressed to the City.

6.2.4.1.2. Invoices must contain supplier/supplier name, business address, description of goods and/or services provided and the amount of remuneration requested.

6.2.4.1.3. If goods and/or services were procured using a purchase order, the invoice must contain the applicable purchase order number.

#### 6.2.5. Purchase Order Invoices

6.2.5.1. Purchase order invoices require a 3-way match (purchase order, receipt and invoice) unless pre-payment is properly authorized by the Deputy Chief Financial Officer – Controller/Chief Accounting Officer. Unsuccessful 3-way matching in ERP Accounts Payable module will result in invoice processing delays and the system will automatically place the invoice in a Not Validated status until the issue is resolved.

#### 6.2.6. Non-Purchase Order Invoices

6.2.6.1. For non-purchase order payment requests, the Preparer, who initiates a payment request cannot be the Approver of the same transaction, as all transactions require approval from management. Also, the Preparer of the transaction shall not be the recipient of the funds disbursed.

6.2.6.2. Non-purchase order invoices are of the following types:

- Utility bills and other similar non-purchase order invoices
- Registration fees (e.g. conventions, conferences and seminars)
- Subscriptions, periodicals and manuals
- Membership and dues
- Reimbursements and Refunds
- Rents/Leases
- Postage
- Benefits

- 6.2.6.3. Non-purchase order invoices outside of the types listed in 6.2.6.2 require approval of the Deputy CFO – Contracting & Procurement/ Chief Procurement Officer and Deputy CFO – ODFS, or their designee.

### 6.3. Disbursement

- 6.3.1. All payment requests shall be supported by proper documentation, authorization/approval, and general ledger account coding prior to processing, as confirmed by Accounts Payable.

#### 6.3.1.1. Acceptable Forms of Proper Documentation:

6.3.1.1.1. Supplier Payment Requests – Requires an original invoice unless received through the supplier portal. Emailed and faxed copies are acceptable in certain circumstances. Supplier statements are not considered acceptable documentation.

6.3.1.1.2. Check Requests – Requires the attachment of proper documentation to substantiate payment (i.e. utility bill or dues invoice).

6.3.1.1.3. SOA Spreadsheet Upload – Typically used for payroll advances, poll-worker payments, jury duty payments, P.O. suppliers being paid non-p.o. (requires original invoice). These payments requests must come from authorized personnel.

6.3.1.1.4. EDI Electronic Invoices – Electronic invoicing for certain suppliers approved by Purchasing with Punch Out capability.

#### 6.3.1.2. Acceptable Forms of Authorization:

6.3.1.2.1. 3-Way Matching – Invoice, purchase order and receiving document are matched together in ERP Accounts Payable Module.

6.3.1.2.2. Check Requests – Require signature from authorized approver as defined by the City's Authorized Signature Record.

6.3.1.2.3. Email – Requires authorization from an authorized approver as defined by the City's Authorized Signature Record document. This type of authorization can only be used for processing supplier payments utilizing the spreadsheet upload template. Supporting documentation for these payments are kept at the specific departments (payroll, elections, or 36<sup>th</sup> District Court).

- 6.3.2. Transactions can only be validated by the Accounts Payable supervisor or manager and are posted in ERP through a system-generated process.

### 6.3.3. Purchase Order Payment Requests

- 6.3.3.1. Purchase order payment requests require a 3-way match (purchase order, receipt and invoice) unless pre-payment is properly authorized by the Deputy Chief Financial Officer – Controller/Chief Accounting Officer.

### 6.3.4. Non-Purchase Order Payment Requests

- 6.3.4.1. Non-purchase order payment requests are generally used for the following items:

- Utility bills and other similar non-purchase order invoices
- Registration fees (e.g. conventions, conferences and seminars)
- Subscriptions, periodicals and manuals
- Membership and dues
- Reimbursements and Refunds
- Rents/Leases
- Postage
- Benefits

6.3.4.2. Non-purchase order payment requests outside of the types listed in 6.3.4.1 must be approved by the Deputy CFO – Contracting & Procurement/ Chief Procurement Officer and Deputy CFO – ODFS, or their designee.

6.3.4.3. For non-purchase order payment requests, the preparer, an authorized City employee, who initiates a payment request cannot be the approver of the same transaction, as all transactions require approval from management. Also, the preparer of the transaction shall not be the recipient of the funds disbursed.

6.3.4.4. For non-purchase order payment requests, the approver, an authorized City manager or supervisor, who is not the initiator of a payment request, ensures the transaction is appropriate for final processing. The approver shall not be the recipient of the funds disbursed

#### 6.4. Lost or Damaged Checks

6.4.1. Submitting a claim for a lost or damaged check shall be the sole responsibility of the payee listed on the check.

6.4.2. Office of the Treasury shall be responsible for reviewing and approving claims for lost or damaged checks.

6.4.3. Office of the Controller - Accounts Payable department shall be responsible for issuing replacement checks only after Treasury has approved the claim.

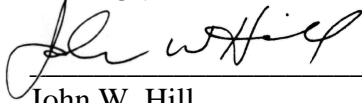
#### 6.5. Payment Voids

6.5.1. Treasury shall be responsible for reviewing and approving all supplier payment voids.

6.5.2. Office of the Controller – Accounts Payable department shall be responsible for cancelling supplier payments in the Accounts Payable sub-ledger module.

6.5.3. Any payment not clearing the bank after 180 days from the date of issuance shall be subject to being voided.

APPROVED



John W. Hill

*Chief Financial Officer, City of Detroit*