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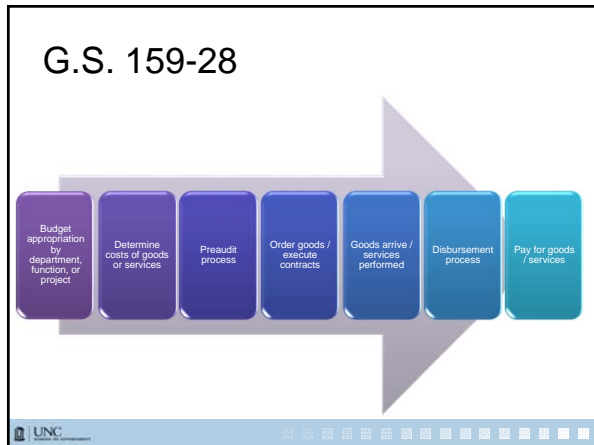
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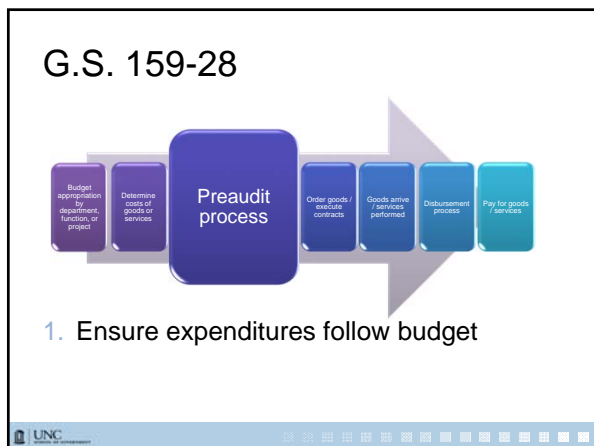
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## G.S. 159-8

"[A]ll moneys received and expended by a local government or public authority should be included in the budget ordinance [or project ordinance]. . .

No local government or public authority may expend any moneys, regardless of their source, except in accordance with a budget ordinance or project ordinance...."

– Exceptions:

- Moneys budgeted in an intragovernmental service fund
- Moneys budgeted in a trust or agency fund




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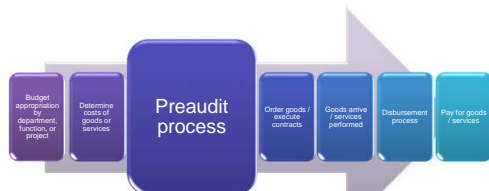
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## G.S. 159-28



1. Ensure expenditures follow budget
2. Alert vendors/contractors that there is budgetary authority for expenditure




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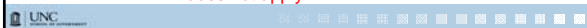
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## Preaudit process triggered when:

1. A unit enters into contract or agreement (or places an order) for goods or services that are accounted for in the budget ordinance or a grant/project ordinance; **AND**
2. the unit is obligated to **pay money** by the terms of the contract/agreement/order; **AND**
3. if the authorization for the obligation is in the **annual budget ordinance**, the unit anticipates **paying at least some** of the money in the **current fiscal year** (fiscal year in which the contract/agreement/order entered into).

\* If the authorization for the obligation is in a project or grant ordinance, criteria (3.) does not apply




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## Preaudit Process

**As of October 1, 2015**

**Before an obligation is incurred**, finance officer (or deputy finance officer) must:

1. Check to see if there is an appropriation in budget ordinance or project ordinance for amount due this fiscal year
2. Check to see if sufficient funds remain in the appropriation to cover amount that will come due this fiscal year
3. ~~Memorialize contract/agreement/order in writing~~
4. Affix signed preaudit certificate to "writing" that evidences contract/agreement/order, **if a writing exists\*\***




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## Preaudit Certificate




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## \*Exemptions from Certificate Requirement



Obligation approved by the Local Government Commission (LGC)

- Most borrowings, certain leases, other financing agreements
- Audit contracts



"Payroll expenditures, including all benefits for employees of the local government."



Electronic transactions (charge card, credit card, debit card, gas card, procurement card)

- **BUT** only if the LGC adopts rules governing these transactions **AND** only if the unit follows the LGC rules




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**UNC**  
SCHOOL OF GOVERNMENT




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- Other laws may require that the contract, agreement, order, etc. be in writing.
  - All city contracts must be in writing; if not, contracts are void unless ratified by governing board (G.S. 160A-16)
  - All contracts involving sale of goods over \$500 must be in writing (G.S. 25-2-201)
  - Contracts for purchases and construction or repair subject to formal bidding must be in writing (G.S. 143-129(c))
  - Audit contracts must be in writing (G.S. 159-34)


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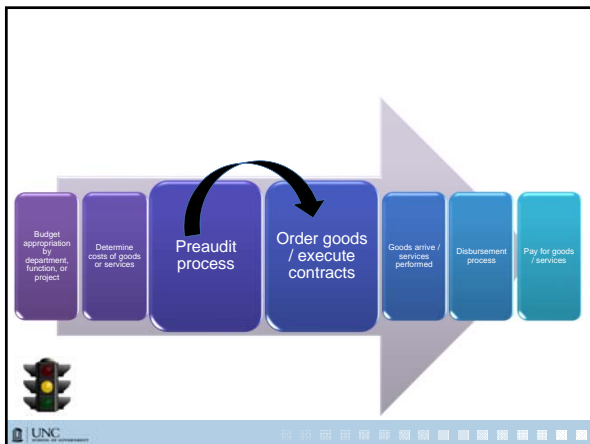
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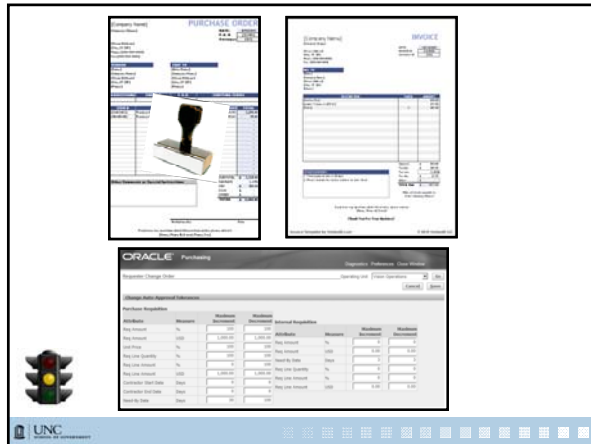
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## Preaudit Penalties

**As of October 1, 2015**

- Contract/agreement/order is VOID and cannot be enforced
- Any individual or officer who enters into contract/agreement /order or causes funds to be disbursed without following statutory processes may be held personally liable for amounts committed or disbursed
  - It is a unit's governing board that must decide whether or not to take action against a finance officer or deputy finance officer




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## Audit Review



- ✓ Preaudit process?
- ✓ Preaudit certificate on all **external documents** evidencing a unit's commitment to pay money to another?
- ✓ Timing of preaudit process /certificate?
- ✓ Training / compliance with process?




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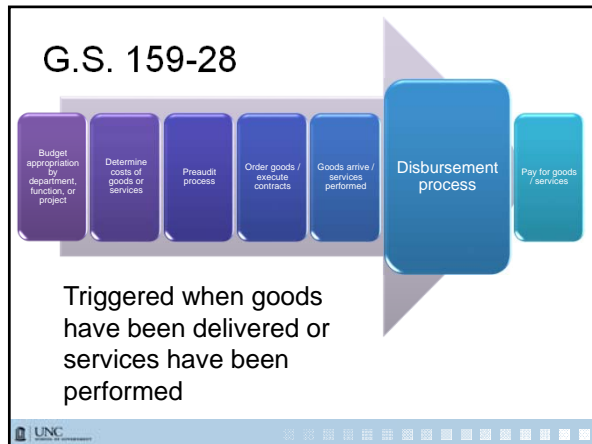
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### Disbursement Process

- Finance Officer (or deputy finance officer):
  - Check to make sure amount is payable
  - Check to see if there is (still) an appropriation in budget ordinance or project ordinance for amount due
  - Check to see if sufficient funds remain in the appropriation to cover amount due
  - Affix signed disbursement certificate to check or electronic payment

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### Disbursement Certificate

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## Disbursement Process

As of October 1, 2015

- Finance Officer (or deputy finance officer):
  - Check to make sure payment is due and owing
  - Check to see if there is (still) an appropriation in budget ordinance or project ordinance for amount due
  - Check to see if sufficient funds remain in the appropriation to cover amount due
  - Affix signed disbursement certificate to check or electronic payment\*




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## \*Exemptions from Certificate Requirement



- Payment for any obligation that has been approved by the Local Government Commission (LGC)



- Payroll expenditures, including all benefits for employees of the local government.



- Electronic funds transfers, **BUT** only if the LGC adopts rules governing these transactions **AND** only if the unit follows the LGC rules




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## Board Override

- If finance officer or deputy finance officer disapproves invoice, bill, or other claim, governing board may vote to pay.
- Check or draft signed by governing board member.
- Governing board members who vote in favor of paying expense are liable if illegal payment




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