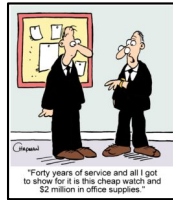
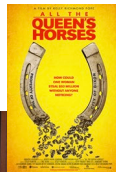
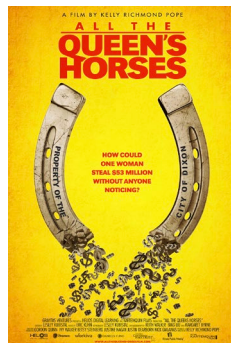


Cash Management, Preaudits, Disbursements: (aka Statutory Internal Controls)



Kara A. Millonzi, millonzi@soq.unc.edu
UNC-CH School of Government





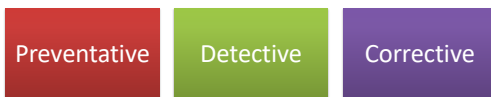
<https://www.youtube.com/watch?v=WAYtaFxlw3M>

How to Lose \$

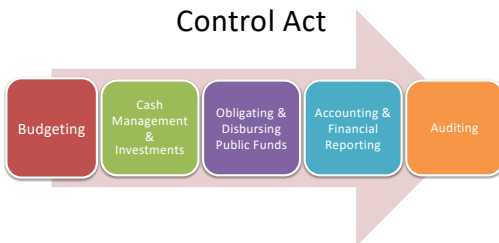


- Employee Mistake
- Employee Misappropriation
- Employee Fraud

Control Activities



Statutory Control Activities Local Government Budget & Fiscal Control Act





- Prepares proposed budget
- Executes adopted budget



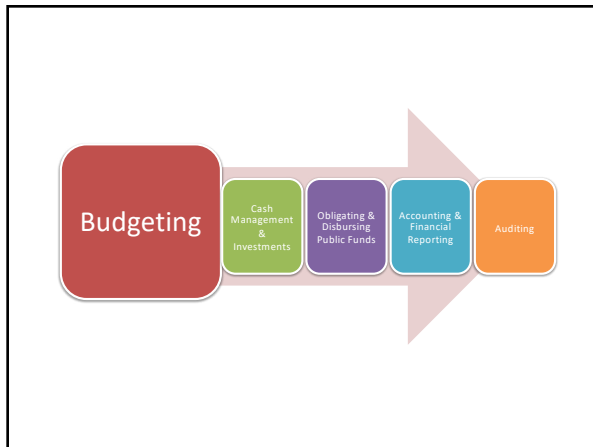
- Maintains accounting system
- Controls bank accounts
- Makes investments
- Approves obligations and disbursements
- Prepares financial reports



- Adopts / amends budget
- Sets fiscal policy
- Supervises budget officer
- Selects official depository(ies)
- Contracts for audit/receives audit report
- Requests and reviews financial reports
- **FIDUCIARY DUTY**




- Approves audit contracts
- Reviews audits
- Issues regulations governing financial management
- Provides assistance in financial management
- Approves debt
- Sells debt
- Assumes financial control in extreme circumstances



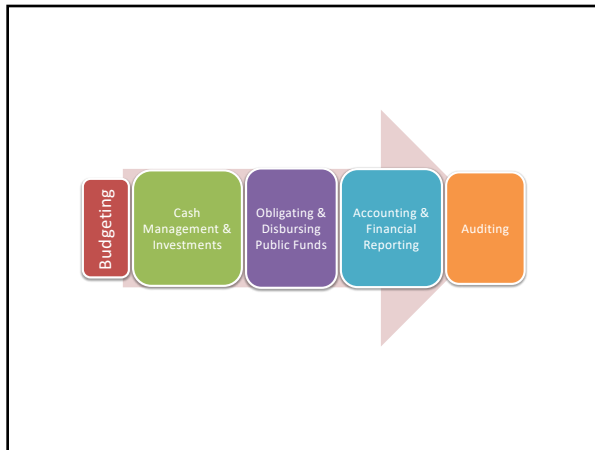
Vending Machine Rule

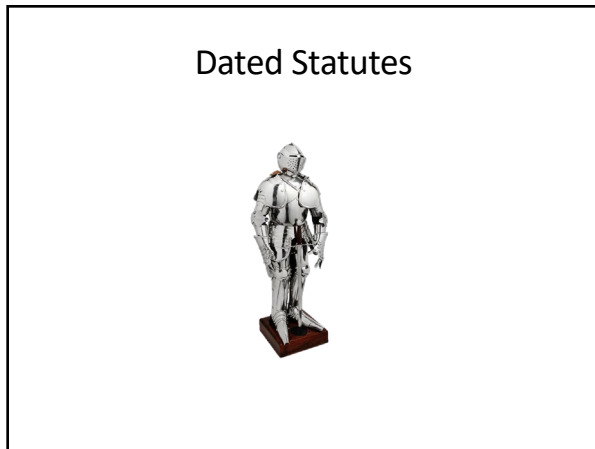
“[A]ll moneys received and expended by a local government or public authority should be included in the budget ordinance [or project ordinance]. . . No local government or public authority may expend any moneys, regardless of their source, except in accordance with a budget ordinance or project ordinance....”

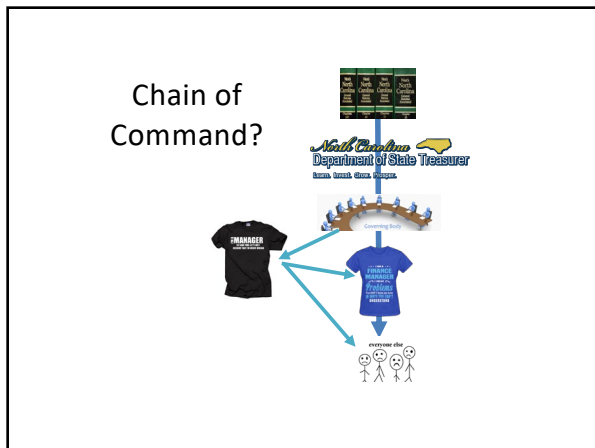


Exceptions:

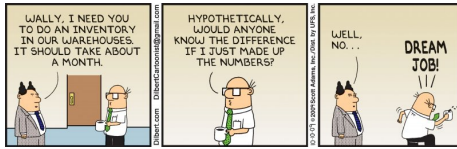
- Moneys accounted for intragovernmental service fund
- Moneys accounted for in a trust or agency fund







Decentralized Units



CASH MANAGEMENT

Daily Deposits: G.S. 159-32



- All moneys “collected or received” by an “officer or employee” of local government or public authority must be deposited daily “with the finance officer or in an official depository” or submitted to a “properly licensed and recognized cash collection service.”
- Finance officer must “audit” collections at least once annually

Petty Cash: G.S. 159-28



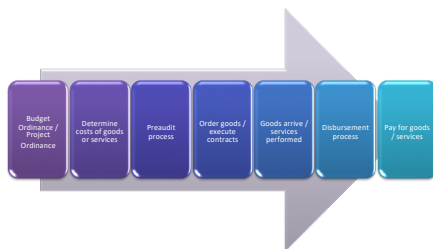
Statutory authority to pay with cash,
if board adopts policy with sufficient
internal controls

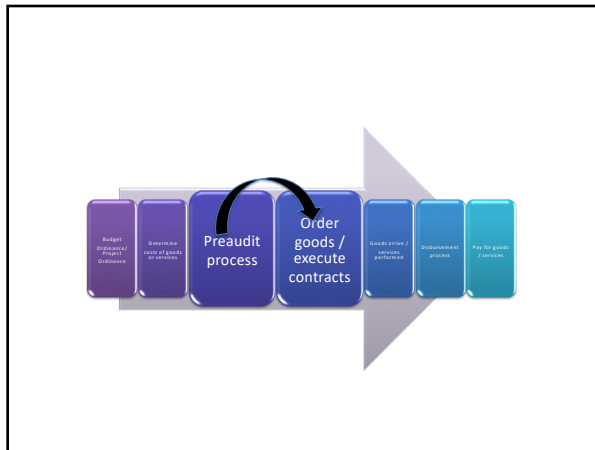
But, daily deposit requirement

\$500 exception

OBLIGATIONS AND DISBURSEMENT

G.S. 159-28





Preaudit Process

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. Affix signed preaudit certificate to any "writing" that evidences contract/agreement/order*



Process triggered when:



1. A local unit enters into contract or agreement (or places an order) for goods or services that are accounted for in the budget resolution; **AND**



2. the local unit is obligated to **pay money** by the terms of the contract/agreement/order; **AND**



3. the local unit anticipates **paying at least some** of the money in the **current fiscal year** (fiscal year in which the contract/agreement/order entered into)*.

Is a Preaudit Required?



City clerk purchases approximately \$40 in supplies (donuts, cookies, drinks) from local Walmart before each board meeting.



County parks and recreation director orders t-shirts in April from Amazon.com for summer sports camp program that begins in June. The cost is \$5.90 per shirt.



County manager hires new finance officer in September for \$56,000 salary.



City planning department places a phone order for \$100 in office supplies in December.



Village advertises for bids for new police station construction project. (The newspaper provides the advertisement for free.)



County enters into contract with town in February to buy water. The rate will be \$6.20 per 1000 gallons plus a \$21 monthly fixed fee.



Town enters into contract with county to provide water to properties in the unincorporated area of the county. County agrees to collect payments from customers and remit money to town. The county will not buy water from the town and will not subsidize the payments from individual customers.



City enters into multi-year construction contract with contractor--\$120,000 is expected to come due this fiscal year; \$340,000 is expected to come due next fiscal year.

If No Preaudit.....



- 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

***Exemptions from Step 3 (Certificate Requirement)**



Contracts approved by the LGC



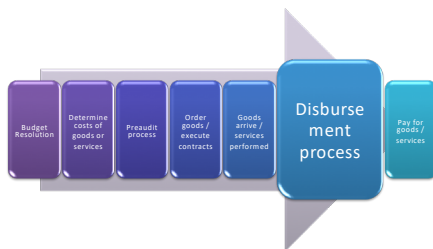
“Payroll expenditures, including all benefits for employees of the [local unit].”



Electronic transactions (charge card, credit card, debit card, gas card, procurement card), if public authority follows LGC rules.

LGC Rules

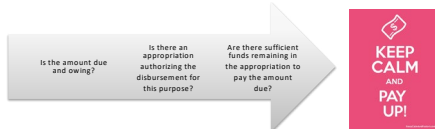
Resolution
Encumbrance System
Policies and Procedures
Training
Quarterly Reports




Before Money is Disbursed...

Finance Officer (or Deputy Finance Officer) must:

1. Check to make sure amount is payable
2. Check to see if there is (still) an appropriation in budget ordinance or project ordinance for amount due
3. Check to see if sufficient funds remain in the appropriation to cover amount due
4. Affix signed disbursement certificate to check, draft or electronic payment*



Disbursement Certificate

 Local Unit 1000 BlueSky Drive Anywhere, NC 27000		My Bank 123 Bank Road	No. 1001 or Date: 12/31/2012
Pay To The Order Of <u>John Smith</u> \$ 100.00		New Banked and 00/100 Dollars	
This disbursement has been approved as required by the Local Government Budget and Fiscal Control Act.			
Memo: _____		56789	

*Exemptions from Certificate Requirement



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



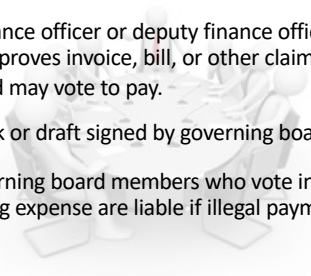
- Payroll expenditures, including all benefits for employees of the local government.



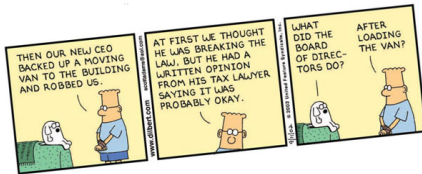
- Electronic funds transfers, **BUT** only if the LGC adopts rules governing these transactions **AND** only if the unit follows the LGC rules

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



Role of Management



Employee Compliance



Sheriff James received \$2,665 check made out to "Washington County Detention"

Sheriff deposited \$2,000 in Sheriff's Office bank account and used rest for Sheriff's Office petty cash

Money used for Sheriff Office purposes

Sheriff did not follow LGBFCA requirements

Jury found Sheriff guilty of EMBEZZLEMENT

How do you handle it?

Department head orders goods without following preaudit process. Invoice arrives and department head submits for payment. What do you do?