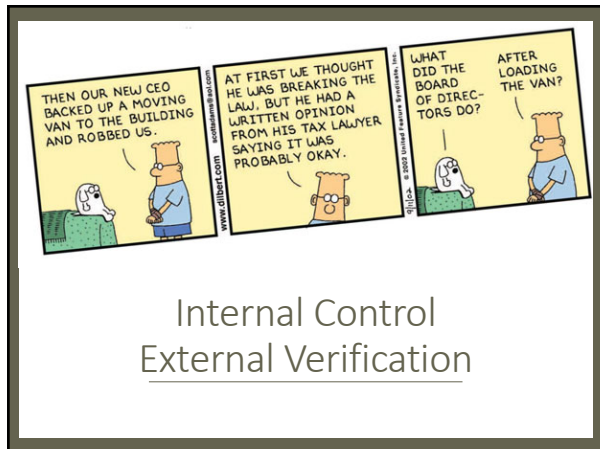




1






2



3

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 ordinance (or project ordinance); **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).*

*Criteria 3. does not apply if money budgeted in a project ordinance.

4



Preaudit Process

Before contract signed, order finalized, PO issued:

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*

5

Preaudit Certificate





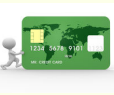
6

*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.


7



LGC Rules for Electronic Transactions

Resolution
Encumbrance System
Policies and Procedures
Training
Quarterly Reports

8



Electronic Transactions

- Preaudit on maximum card limits per month
- Set expenditure categories on each card
- Issue cards per department
- Use deputy finance officers and decentralized encumbrance tracking

9

Deputy Finance Officers



Governing board may deputize any employee or official to perform preaudit process



Decentralize encumbrances




Establish policies and procedures under oversight of finance officer

10



County board of commissioners approves a construction contract award. The county manager is eager to get the deal finalized and meets with the contractors the next day. The county manager and contractors each sign a 3-year contract, whereby the county agrees to pay \$15 million to the contractors for completion of the construction project. The county manager failed to run the contract by finance first.


11



Contract Precondition


"This contract is not executed until the preaudit process is completed according to the requirements of North Carolina General Statute 159-28."

12



Public works department staff routinely have to make purchases from both local vendors and national vendors. The staff finds it too cumbersome to have to process all of their requests through the finance department.

13



Blanket POs Issued to Vendors

- Issue blanket POs to local vendors and preaudit on maximum amount
- Employees may use credit cards/p-cards to make actual expenditures or vendor may invoice for amounts owed

14


Deputy
Finance
Officers



Governing board may deputize any employee or official to perform preaudit process



Decentralize encumbrances



Establish policies and procedures under oversight of finance officer

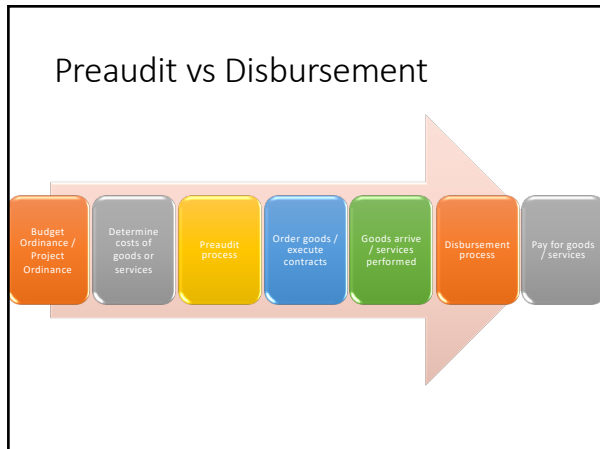
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Fiscal Year End Government Spending

- Annual budget ordinance turns into a pumpkin at midnight on July 1
- Even if outstanding obligations/encumbrances, must re-budget for them in new budget ordinance
- If expenditure included in annual budget ordinance, only preaudit on amount expected to come due in fiscal year in which obligation incurred
- If expenditure included in project/grant ordinance, preaudit on entire amount of obligation

16



17
