

City of Trinity



Pre-Audit and Disbursement Policy

Adopted on January 8, 2024



Left Blank Intentionally

Table of Contents

Introduction	1
Pre-Audit	2
Re – audit Requirements	2
Initiating the Pre – audit Process	2
Pre – audit Process	2
Exemptions from Pre-Audit Certificate Requirement	3
Pre-audit Process for Electronic Transactions	4
Penalties for Non-Compliance	4
Disbursement	5
Disbursement Process for Non-Electronic Payments	5
Disbursement Process for Electronic Payments	6
Penalties for Non-Compliance	6
Glossary of Terms	8

Introduction

This Pre-Audit and Disbursement Policy establishes a preaudit and disbursement process to assure that City of Trinity obligates and expends funds in compliance with the preaudit requirements set forth in N.C.G.S. § 159-28 and governs the disbursement of public monies.

As required by N.C.G.S. § 159-28(a), the City of Trinity shall not incur an obligation to support any program, function, or activity unless the annual budget ordinance or a project/grant ordinance includes an appropriation authorizing the obligation and an unencumbered fund balance remains in the appropriation that is sufficient to pay the sums obligated by the transaction. The terms of this policy shall apply to the Finance Director appointed by the City Council as the responsible person for the disbursement of public monies.

Per – Audit

Pre-audit Requirements

A preaudit is required by law when:

1. The City of Trinity will enter into a contract or agreement, or place an order for goods or services, that is accounted for in the budget ordinance or a project/grant ordinance; and
1. The City of Trinity will be obligated to pay money by the terms of the contract, agreement, or purchase order, and
2. If the obligation is accounted for in the annual budget ordinance, the City of Trinity anticipates paying at least some of the money in the fiscal year in which the contract, agreement, or purchase order is entered. If the obligation is accounted for in a project ordinance, a pre-audit is required when the first two criteria are satisfied.

Initiation the Pre-Audit Process

Authorized staff who are responsible for entering into contracts, agreements, or purchase orders that obligate the City of Trinity to disburse funds to an external vendor or contractor, shall submit an email request to the Finance Director to initiate the pre-audit process. The request shall include the following information:

- Description of the contract/purchase;
- Any quotes received related to the purchase;
- Bid documents, when applicable;
- Name and contact information of the selected vendor/service provider/contractor.
- Estimated date of delivery of goods or performance of services (the anticipated date upon which payment will be due and owing);
- Identification of the budget appropriation that allows for the expenditure (i.e., which department, function, or project will be paying for the obligation);
- Any additional supporting documentation as required by local policy (e.g., documentation of internal approvals for expenditures),

***Review Purchase Order Request:** The Finance Department shall review submissions of purchase orders for completeness. Incomplete requests shall be returned to the requestor.*

Pre-audit Process

To preaudit an obligation of public funds, the Finance Director or appointed designated finance staff shall take the following steps:

1. **Verify Budget Appropriation:** The Finance Director shall review the annual budget ordinance or a project/grant ordinance to determine whether the ordinance includes an appropriation authorizing the obligation. Obligations of appropriations within the annual budget ordinance shall be reviewed at the budgeted level—either by department, function, or activity.
2. **Verify Sufficient Funds Remain in the Appropriation:** The Finance Director shall verify that there is sufficient unencumbered fund balance in the respective budget appropriation to cover the cost of the obligation as follows:
 - a. For obligations that have been appropriated in the annual budget ordinance, the finance officer/deputy finance officer shall verify that an unencumbered fund balance remains in the appropriation that is sufficient to pay the amount of the obligation that is expected to become due and payable during the current fiscal year.
 - b. For multi-year or continuing contracts accounted for in the annual budget ordinance, the Finance Director shall verify that an unencumbered fund balance remains in the appropriation that is sufficient to pay the amount of

the obligation that is expected to become due and payable during the current fiscal year.

- c. For obligations that support a capital project or grant-project ordinance, the Finance Director shall verify that the project/grant project ordinance includes an appropriation authorizing the obligation and that an unencumbered balance remains in the appropriation sufficient to pay the full amount of the obligation.
3. **Record Encumbrance:** The Finance Director shall ensure that an encumbrance for the obligation is recorded in the annual budget ordinance or project ordinance.
 - a. For appropriations in the annual budget ordinance, the encumbrance shall be for the total amount anticipated to be expended during the current fiscal year.
 - b. For appropriation in a project/grant ordinance, the encumbrance shall be for the full amount of the obligation.
4. **Affix and Sign Preaudit Certificate:** an obligation is reduced to a written contract, agreement, or purchase order requiring the disbursement of funds, the contract, agreement, or purchase order shall include on its face a preaudit certificate. The certificate shall be signed by the Finance Director and take substantially the following form: *"This instrument has been pre-audited in the manner required by the Local Government Budget and Fiscal Control Act."*

Exemptions from Pre-audit Certificate Requirements

In limited circumstances, certain transactions are exempted from the preaudit certificate requirement even when the contract, agreement, or purchase order is in writing. The Finance Director shall still perform the preaudit steps:

1. **Any obligation or document that has been approved by the Local Government Commission.** A preaudit certificate is not required for any loan agreements, debt issuances, and other leases and financial transactions, including audit contracts, that are subject to LGC approval and have, in fact, been approved by the LGC.
2. **Payroll expenditures, including employee benefits.** Salary and benefit changes for current employees, even if in writing, do not require a preaudit certificate.

3. **Electronic payments, which include payments made by credit cards, debit cards, gas cards, or procurement cards (P-Card).** A preaudit certificate is not required to be attached to the writing evidencing the transaction made by an electronic payment.

Pre-Audit Process for Electronic Transactions

1. **Verify Budget Appropriation:** The Finance Department shall review the annual budget ordinance or the respective project ordinance to determine whether the ordinance includes an appropriation authorizing the obligation. The review of the annual budget ordinance shall take place at the budgeted level—either by department, function, or activity.
2. **Verify Sufficient Funds Remain in the Appropriation:** The finance Department shall verify that there is sufficient unencumbered fund balance in the respective budget appropriation to cover the cost of the obligation.
3. **Encumber Obligated Funds:** The Finance Director shall ensure that the amount of the transaction is encumbered in the encumbrance system within either the annual budget ordinance or within a project/grant ordinance.

Penalties for Non-Compliance

If an obligation accounted for in the annual budget ordinance is not pre-audited in accordance with G.S. 159-28(a) or (al), the contract, agreement, or purchase order is void and unenforceable.

If an officer or employee of a local government incurs an obligation in violation of the pre-audit forth in G.S. § 159-28, or gives a false preaudit certificate to any contract, agreement, purchase order, check, draft, or another document, that officer or employee, and the sureties on any official bond for that officer or employee, are liable for any sums illegally committed or disbursed thereby. The City Council shall request payment from the official bond shall be sought.

Disbursement

Disbursement Process for Non-Electronic Payments

When a bill, invoice, or other claim is presented against the City, the Finance Director shall take the following steps prior to authorizing the disbursement of public funds:

1. **Determine Payable Amount:** The Finance Department shall determine the amount payable and verify that the amount is due and owing. To do so, the Finance Director shall:
 - a. Confirm that the preaudit process was performed in accordance with the process established in the preaudit policy; and
 - b. Review the purchase order, contract, or other agreement against the goods received or services to be performed to ensure the contract requirements were satisfied and that the amount claimed is payable.
 - a. If the amount claimed is not due and owed because the goods/services were not received/completed, or if the preaudit process was not performed in accordance with the preaudit policy requirements, the Finance Director shall not authorize the disbursement.
2. **Verify Budget Appropriation:** The Finance Director shall verify that there is still an appropriation authorizing the expenditure annual budget ordinance or project ordinance.
3. **Verify Budgeted Funds Remain:** The Finance Director shall verify that the budget appropriation contains sufficient funds to pay the amount due. The Finance Director shall consider if:
 - a. An encumbrance has been previously created for the transactions; or
 - b. If an unencumbered balance remains in the appropriate sufficient to pay the amount to be disbursed. If sufficient unencumbered funds do

not remain in the appropriation, the disbursement shall not be authorized.

4. **Affix and Sign Disbursement Certificate:** The Finance Director shall include a disbursement certificate on the face of each check or draft on an official depository. The certificate shall be signed and dated by the Finance Director and shall take substantially the following form: *"This disbursement has been approved as required by the Local Government Budget and Fiscal Control Act."*

Disbursement Process for Electronic Payments *(charge cards, gas cards, credit cards, p-cards, and ACH payments)*

Before any bill, invoice, or other claim is to be paid by electronic fund transfer, which includes payments made using charge cards, credit cards, debit cards, gas cards, procurement cards, or ACH payments, the finance officer/deputy finance officer shall take comply with the below disbursement process prior to authorizing the electronic payment:

1. **Ensure the Amount claimed is Payable:** The Finance Director shall determine whether amount claimed is payable.
2. **Verify Budget Appropriation:** The Finance Director shall verify that there is still an appropriation authorizing the expenditure in the annual budget ordinance or a project ordinance.
3. **Verify Budgeted Funds Still Available:** The Finance Director shall verify that sufficient funds remain in the appropriation to cover the amount that is due to be paid out during the current fiscal year if accounted for in the budget ordinance, to cover the entire amount if accounted for in a project/grant ordinance; and
4. **Ensure sufficient cash-on-hand to cover the payment:** The Finance Director shall ensure there is sufficient case in the cash account to transfer out to cover the payment.

Penalties for Non-Compliance

If an officer or employee of a local government or public authority incurs an obligation or pays out or causes to be paid out any funds in violation of the preaudit and disbursement

requirements set forth in G.S. § 159-28, that officer or employee, and the sureties on any official bond for that officer or employee, are liable for any sums so committed or disbursed.

If the Finance Director or appointed designated finance staff gives a false disbursement certificate to any contract, agreement, purchase order, check, draft, or other document, the Finance Director or appointed finance staff, and the sureties on any official bond, are liable for any sums illegally committed or disbursed thereby. The City Council shall make a resolution, if payment from the official bond shall be sought.



Glossary of Terms

Glossary of Terms

Annual Budget Ordinance: an ordinance issued by the governing board which recognizes revenues, authorizes expenditures, and levies taxes for a local unit for a single fiscal year.

Capital Project Ordinance: an ordinance issued by the governing board which authorizes the use of bonds, notes, or debt instruments for the construction or acquisition of a specific capital assets, identifies the estimated revenues that will finance the project, and makes the appropriations necessary to complete the project.

Construction Contract: a legally binding agreement for the design, build, renovation, expansion, and/or repair of real property.

Continuing Contract: a legally binding agreement for goods or services that extends for more than a single fiscal year.

Disbursement Process: the approval and certification process performed before issuing a check or other payment to a third-party vendor or contracting party.

Encumbrance: outstanding monetary obligations that arise from purchase orders and other contractual obligations for goods and services

Grant Project Ordinance: an ordinance issued by the governing board which authorizes the use of grant monies for a specific project, identifies the estimated revenues that will finance the project, and makes the appropriations necessary to complete the project.

Obligation: an executed contract, purchase order, or other agreement reflecting legal commitment to pay money to another person or entity.

Preaudit: the approval and certification process performed before an obligation is incurred to prevent overspending.

Preaudit Certificate: a written or stamped certificate affixed to a written contract or agreement once the preaudit is performed.

Purchase Order: a legally binding document issued by the local government recognizing the agreement for the purchase of goods, supplies, or materials.

Real property Purchase Contract: a legally binding agreement for the acquisition of land, buildings, and other fixtures that are permanently affixed to the land.

Service Contract: a legally binding agreement with private company service providers for the performance of a service (e.g., landscaping services, janitorial services, solid waste collection, engineering services, and audit service contracts).