



Legislation Text

File #: 21-246, **Version:** 1

TITLE:

Pre-Audit Certification for Electronic Payments

PURPOSE: The purpose of this agenda item is to request authorization from the Town Council to engage in electronic payments in accordance with North Carolina Administrative Code 20 NCAC 03.0409.

DEPARTMENT: Town Manager and Finance

CONTACT INFORMATION: David Andrews; Arche McAdoo, 918-7439

INFORMATION: The Local Government Budget and Fiscal Control Act (LGBFCA) requires the Finance Officer to affix a Pre-Audit Certification on all obligations and disbursements. For obligations, the pre-audit must:

- a. Ensure that there is an appropriate budget ordinance or project/grant ordinance appropriation authorizing the obligation;
- b. Ensure that sufficient monies remain within the appropriation to cover the amount that is expected to be paid out during the current fiscal year if accounted for in the budget ordinance, or to cover the entire amount if accounted for in a project or grant ordinance; and,
- c. Record the amount of the transaction in the encumbrance system.

For disbursements, the pre-audit must:

- a. Ensure that the amount claimed is payable;
- b. Ensure that there is a budget ordinance or project/grant ordinance;
- c. Ensure that sufficient monies remain within the appropriation to cover the amount that is due to be paid out; and,
- d. Ensure that the local government has sufficient cash to cover the payment.

Currently these pre-audit certifications are done manually on paper documents. However, on electronic transactions it is not practical to affix a pre-audit certification. In recognition of the increasing volume of electronic transactions, the Local Government Commission adopted rules to exempt a local governments from affixing the pre-audit certification to electronic transactions. (Note: This does not mean that a local government is exempt from performing the pre-audit.)

The Town has on occasion received requests from vendors to be paid by ACH. While Automated Clearinghouse (ACH) payment is a common method of vendor payment across all types of industries and organizations, local governments have not been able to fully take advantage of this process until now. The Finance Team has started to explore the feasibility of paying vendors by ACH rather than check. This will not only increase staff productivity and reduce costs, but also improve security of the payment process, especially since check payments attract fraudulent behavior.

In order for the Town to be exempt from affixing a pre-audit certification on electronic transactions, the LGC

requires the governing body to 1) adopt a resolution authorizing the use of electronic payments; and, 2) adopt written policies and procedures for pre-auditing obligations that will be subject to electronic payment. The governing body may develop these policies and procedures or delegate this task to the Finance Officer. The attached resolution, Section 2, delegates this to the Finance Officer; however this can be modified to have Council perform this task if so desired. Upon adoption of the resolution, the LGC requires the Finance Officer to provide da budget to actual statement by fund at least quarterly that includes: budgeted accounts, actual payments made, amounts encumbered(including electronic obligations), and the amount of budget unobligated.

FISCAL & STAFF IMPACT: There is no fiscal impact to adoption of the attached resolution.

RECOMMENDATION: That the Town Council adopt the attached resolution authorizing the Town to engage in electronic payments.