

NORTH CAROLINA  
DEPARTMENT OF STATE TREASURER



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STATE AND LOCAL GOVERNMENT FINANCE DIVISION

# Module 4: Preaudits & Disbursements

# Preaudit and Disbursements

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- NCGS 159-28 requires the Finance Officer to preaudit obligations to make sure they are budgeted BEFORE any commitment is made.
- The preaudit ensures that no obligation is incurred without being budgeted and unless funds are available.
- Specific language must be included on agreements, such as purchase orders or contracts, indicating that the document has been preaudited as required by statute.

(a1) Preaudit Requirement. – If an obligation is reduced to a written contract or written agreement requiring the payment of money, or is evidenced by a written purchase order for supplies and materials, the written contract, agreement, or purchase order shall include on its face a certificate stating that the instrument has been preaudited to assure compliance with subsection (a) of this section. The certificate, which shall be signed by the finance officer, or any deputy finance officer approved for this purpose by the governing board, shall take substantially the following form:

"This instrument has been preaudited in the manner required by the Local Government Budget and Fiscal Control Act.

\_\_\_\_\_  
(Signature of finance officer)."

(a2) Failure to Preaudit. – An obligation incurred in violation of subsection (a) or (a1) of this section is invalid and may not be enforced. The finance officer shall establish procedures to assure compliance with this section, in accordance with any rules adopted by the Local Government Commission.



# Preaudit and Disbursements

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- If a unit fails to perform the preaudit process the contract or purchase order is void.
- Finance officer can be held personally liable for payments made against a void agreement.
- Before an obligation is made the Finance Officer must guarantee there are sufficient funds in the budget and in the bank.

**VOID**



# Preaudit and Disbursements

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- Governing boards must ensure this process takes place.
- Support the Finance Officer when they must tell department heads that goods or services that are not budgeted cannot be purchased.
- Preaudit process will help the local government from overspending its budget



# Preaudit and Disbursements

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Governing boards must create a culture where the preaudit process is consistently performed.



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# Resources

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LGC Staff (919)-814-4300

[LGC Website](#)

<https://www.sog.unc.edu>

[www.nclm.org](http://www.nclm.org)

[www.ncacc.org](http://www.ncacc.org)

<https://www.gfoa.org/best-practices--resources>



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## Module 4

1. When does NCGS 159-28 requires the Finance Officer to preaudit obligations?
2. What happens to a contract or purchase order if a unit fails to perform the preaudit?
3. What will the preaudit process help the local government from doing?

