



Preaudit Process

In most units, the preaudit certificate is used as the primary tool of budget administration. The finance officer may simply authorize disbursements as long as cash is available, and funds are budgeted with the preaudit certificate. At times, if the unit's cash reserves are low, the finance officer may refuse to issue any preaudit certificate until he or she feels that adequate funds are available. Units using the preaudit certificate as a primary budget administration tool should have a system to compile and review budget to actual revenue and expenditure information, along with any previously recorded encumbrances, on a periodic basis to ensure that funds will be available to meet the unit's needs throughout the fiscal year and a cash flow system to make sure there is sufficient cash available to pay budget expenditures.

N.C. General Statute 159-28(d) requires that the certificate on a check or disbursement take substantially the following form:

"This disbursement has been approved as required by the Local Government Budget and Fiscal Control Act.

(Signature of finance officer)"

Additionally, units using the preaudit requirements to manage the budget should remember that G.S. 159 28(a) requires obligations to be preaudited as they are incurred. As a unit enters into a contract or agreement requiring the unit to make payments in the future, the current budget must have an appropriation for the obligation and a sufficient amount of the appropriation must be unencumbered to allow for the payment of the obligation at its due date without exceeding the budget. While monitoring the budget through the preauditing process may easily become time consuming as a unit grows, it is an effective technique for maintaining spending within the budget ordinance.

For discussions of the preaudit process and requirement, see Kara Millonzi's posts on UNC School of Government Coates' Canons: New Law Modernizes the Preaudit and Disbursement Processes - Part I, June 25, 2015 and New Law Modernizes Preaudit and Disbursement Processes - Part II, September 24, 2015.