

**20 NCAC 03 .0409 EXEMPTION FROM PREAUDIT CERTIFICATE REQUIREMENT FOR ELECTRONIC PAYMENTS**

(a) To qualify for an exemption from the preaudit certificate requirement in G.S. 159-28(a1) or G.S. 115C-441(a1) for electronic payments, a local government, public authority, or local school administrative unit, herein referred to as "the unit," shall do the following:

- (1) The unit's governing board shall adopt a resolution authorizing the unit to engage in electronic payments as defined by G.S. 159-28 or G.S. 115C-441;
- (2) The unit shall have an "encumbrance system." As used in this Rule, an "encumbrance system" means a system of written policies and procedures for tracking obligations. The system may be manual, maintained as part of the unit's accounting system, or a combination of the two;
- (3) The unit's governing board, or finance officer if authorized by the unit's governing board, shall adopt a written policy outlining procedures for preauditing obligations that will be incurred by electronic payments. The written policy and the procedures shall provide internal controls that shall ensure the following:
  - (A) there is a budget, project, or grant ordinance appropriation authorizing the expenditure;
  - (B) that sufficient budgeted 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) that the amount of the transaction is recorded in the unit's encumbrance system;
- (4) The unit shall provide training to all personnel about the written policy and the procedures that shall be followed before undertaking an electronic payment; and
- (5) Each quarter, the unit shall provide its governing board a budget-to-actual statement that includes the following:
  - (A) budgeted accounts;
  - (B) actual payments made;
  - (C) amounts encumbered, including electronic obligations; and
  - (D) the amount of the budget that is unobligated for all major funds.

(b) Units that comply with Subparagraphs (a)(1) through (5) of this Rule shall not be required to affix the preaudit language required in G.S. 159-28 (a1) or G.S. 115C-441 (a1) to electronic payments transacted with:

- (1) charge cards;
- (2) credit cards;
- (3) debit cards;
- (4) gas cards;
- (5) procurement cards; or
- (6) electronic funds transfers.

*History Note: Authority G.S. 159-28(f)(3); 115C-441(f)(3); Eff. November 1, 2017.*