**Model Disbursement Policy**

Note to Drafter: This model policy is provided by the UNC School of Government and is intended for informational purposes only. It does not constitute legal advice.

1. **Purpose and Scope**

The purpose of this policy is to establish a disbursement process to assure compliance with the provisions of N.C.G.S. § 159-28 that govern the disbursement of public monies. The terms of this policy shall apply to the finance officer, any deputy finance officer(s) duly appointed by the governing board, and any other elected official or employee responsible for the disbursement of public monies.

1. **Disbursement Process for Non-Electronic Payments (e.g., checks and bank drafts)**

When a bill, invoice, or other claim is presented against the town, the finance officer or deputy finance officer shall take the following steps prior to authorizing the disbursement of public monies:

1. **Determine Payable Amount:** The finance officer/deputy finance officer shall determine the amount payable and verify that the amount is due and owing. To do so, the finance officer/deputy finance officer shall:
	1. Confirm that the preaudit process was performed in accordance with the process established in the preaudit policy; and
	2. 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.
		1. If the amount claimed is not due and owing 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 officer/deputy finance officer shall not authorize the disbursement.
2. **Verify Budget Appropriation:** The finance officer/deputy finance officer shall verify that there is still an appropriation authorizing the expenditure annual budget ordinance or project ordinance.
3. **Verify Budgeted Funds Remain:** The finance officer/deputy finance officer shall verify that the budget appropriation contains sufficient funds to pay the amount due. The finance officer/deputy shall consider if: (1) an encumbrance has been previously created for the transactions; or (2) 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.[[1]](#footnote-1)
4. **Affix and Sign Disbursement Certificate:** The finance officer or deputy finance officer 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 officer or deputy finance officer and shall take substantially the following form: “This disbursement has been approved as required by the Local Government Budget and Fiscal Control Act.”
5. **Disbursement Process for Electronic Payments** (charge cards, credit cards, debit cards, gas cards, P-cards, 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 before authorizing the electronic payment:

1. **Ensure the Amount claimed is Payable:** The finance officer or deputy finance officer shall determine whether the amount claimed is payable.
2. **Verify Budget Appropriation:** The finance officer/deputy finance officer 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 officer/deputy finance officer 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, pr 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 officer/deputy finance officer shall ensure there is sufficient cash in the cash account to transfer out to cover the payment.
5. **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 officer or any duly appointed deputy finance officer gives a false disbursement certificate to any contract, agreement, purchase order, check, draft, or other document, the finance officer or duly appointed deputy finance officer, and the sureties on any official bond, are liable for any sums illegally committed or disbursed thereby.

The governing board shall determine, by resolution, if payment from the official bond shall be sought and if the governing body will seek a judgment from the finance officer or duly appointed deputy finance officer for any deficiencies in the amount.

1. The governing board must first amend the budget or project/grant ordinance to make, or increase, the appropriation. [↑](#footnote-ref-1)