

BOARD OF ALDERMEN

ITEM NO. E(2)

AGENDA ITEM ABSTRACT MEETING DATE: November 27, 2001

SUBJECT: Request to Adopt Resolutions to Update and Automate Check Processing Procedures

DEPARTMENT: Management Services	PUBLIC HEARING: YES ____ NO <u>X</u> __
ATTACHMENTS: A: Resolution to Designate Accounting Officer as a “deputy finance officer” per GS 159-25 B: Resolution to Authorize Accounting Officer to Conduct Bank Transactions on Behalf of Town C: Resolution to Authorize the Town Manager to Use Automated Signatures for Processing Checks D: Analysis: Check-Writing Procedures	FOR INFORMATION CONTACT: L. Bingham Roenigk, Assistant Town Manager Phone: 918-7300

PURPOSE: The Management Services Department, updating current practices, is requesting the Board to approve several resolutions in an effort to effectively administer payables and payroll check-writing processes. The first resolution designates the Accounting Officer as a “deputy finance officer” providing the Town with the necessary backup to sign payables and payroll checks and contracts in the absence of the Finance Officer. The second resolution is one required by the Bank of America changing the bank signature authorization to add the Accounting Officer. The third resolution requests Board approval to authorize the Town Manager to use automated signatures for processing checks.

INFORMATION:

The primary interest of this agenda item is to update the town’s check-writing processes in a cost-effective manner. Currently, the Assistant Town Manager also serves as finance officer for the Town and is the only position in the Town that may sign checks for pre-audit purposes. Per GS 159-25, the Town Manager serves as a “countersigner” and also signs checks. The payables checks are manually signed every week and the payroll checks are signed every two weeks. For contracts, the Town Manager signs on behalf of the Town and the Assistant Town Manager signs the pre-audit certificate on contracts. Contracts requiring an outlay of Town funds are considered legally void without the pre-audit certificate. Purchase orders, checks, and contracts are not considered legally valid without this certificate.

The pre-audit certificate, a primary function of the Finance Officer’s signature, confirms that funds have been appropriated for the obligation and that an unencumbered balance remains in the appropriation sufficient to pay the sums evidenced by the obligation. The Finance Officer, or a designated deputy finance officer, signs checks, purchase orders, contracts, and other legally binding documents with this certificate. The certificate or clause is written as follows:

“This instrument has been pre-audited in the manner required by the Local Government Budget and Fiscal Control Act.” (signed by Finance Officer or designated deputy finance officer)

Please note that this certificate does not apply to payroll checks. These checks are governed by a different statute (GS 159-28(d)). No pre-audit certificate is required for payroll checks if the Town has a separate payroll imprest account. With Bank of America, we have a separate imprest account. Thus, the Town Manager or Assistant Town Manager can sign payroll checks.

Recommendations for Changing Current Practices

The current practices create a situation where the Assistant Town Manager and Town Manager must coordinate our work schedules and be available to sign payables and payroll checks and contracts on a regular basis. The Town does not currently have an automated signature chip for checks as an option for processing checks. Signing checks manually is an unusual practice for Towns the size of Carrboro that have financial system capability to automate the signature. In order to use stamps, GS 159-28.1 requires Board approval (resolution) to allow the use of stamps or other facsimile signatures. Given the upgrade to the MUNIS financial system, town administration requests that the Board consider the option of allowing the use of an automated facsimile signature that is placed in a printer used for processing checks.

The Board in approving the three resolutions (Attachments A, B, &C) will provide a cost-effective way for the Town to administer basic but important financial transactions for the Town in a timely manner. Allowing the Accounting Officer to serve as “deputy finance officer” ensures the Town’s basic financial transactions will not be interrupted or delayed due to the absence of the Assistant Town Manager or Manager. If the Board also approves an automated signature chip, the signature of the deputy finance officer is truly limited to emergencies. Designating a deputy finance officer and automating the signature chip are practices that are also common in other jurisdictions, particularly those that have the MUNIS financial system or similar financial system capability. Using the automated signature chip does not change the management and system review processes that ensure adequate internal control in processing checks.

As a measure of internal control, the automated signature chip can only be activated by authorized personnel. The Management Services Department also has other sufficient internal controls (also described in Attachment D) to protect the Town against misuse of checks.

Automating the signature chip will require a board resolution as will the assignment of deputy finance officer for the Accounting Officer. In addition, the bank requires Board authorization to add signatures allowed for town checks. This action includes persons serving as counter signers as well as those serving in the finance or deputy finance officer capacity. Purchasing a signature chip will cost approximately \$2,000. Sufficient funds exist within the Management Services budget to purchase this chip.

ACTION REQUESTED: The Board is requested to adopt the attached resolutions. The first resolution designates the Accounting Officer as a “deputy finance officer” providing the Town with the necessary backup to sign payables and payroll checks and contracts in the absence of the Finance Officer. The second resolution is one required by the Bank of America changing the bank signature authorization to add the Accounting Officer. The third resolution requests Board approval to authorize the Town Manager to Use Automated Signatures for Processing Checks.