



LOCAL GOVERNMENT COMMISSION  
STATE AND LOCAL GOVERNMENT FINANCE DIVISION  
SHARON EDMUNDSON, DEPUTY TREASURER

**IMPORTANT INFORMATION AND INSTRUCTIONS  
ON THE 2023 AUDIT CONTRACT (LGC-205)**

For assistance please contact:  
[LGC.Contract@nctreasurer.com](mailto:LGC.Contract@nctreasurer.com) | (919) 814-4299

**Changes to the 2023 Contract Form**

Several changes were made to the 2023 contract form; a summary of changes follows. Please be sure to carefully read and review the contract in its entirety before using or signing the contract.

**1) Page 1**

Changed "Audit Report Due Date" to "Date Audit Will Be Submitted to LGC" to clarify that the date being provided on the contract is the date the auditor will submit the audit to the LGC, not the due date for the report; the audit report due date is set by the LGC, not the auditor, and is four months after fiscal year end.

**2) Item 2**

Language added to define a unit that qualifies as a State low-risk auditee based upon federal criteria included in the Uniform Guidance §200.520(a), and (b) through (e), as it applies to State awards.

**3) Item 7**

Edits to clarify that the LGC does not require a copy of the AU-C §260 report, commonly referred to as "Governance Letter" unless the auditor cites significant findings or issues from the audit, as defined in AU-C §260.12 - .14.

**4) Item 8**

Language added to require LGC approval for the Alternative Compliance Examination Engagement for auditing the Coronavirus State Local Fiscal Recovery Funds expenditures, as allowed by US Treasury.

**5) Item 29**

Added reference to Administrative Code.

## **6) Fees Page, Item 2**

Edits added to clarify that the Audit Fee information for both the Primary Government Fees and the DPCU Fees (if applicable) should be reported as a specific dollar amount of audit fees for the year under this contract. If any language other than an amount is included here, the contract will be returned to the audit firm for correction.

### **Instructions on Completing the Audit Contract**

#### **1) Contract Forms**

There are two contract forms available:

- Standard Contract
- Contract Amendment (to amend date or fees of original contract)

Note that there is no longer a hospital contract form. Nearly all of the hospital contract language was identical to the standard contract language; therefore, the separate hospital contract has been eliminated and language has been added to the standard contract, as needed, to address hospital-specific exclusions to contract terms.

#### **2) Date Audit Will Be Submitted to the LGC**

Audit report due dates are set by the LGC at four months after fiscal year end. The date provided in this field should reflect the date the auditor will submit the audit report to the LGC. Audit reports submitted after four months after fiscal year end are considered late.

#### **3) Fees Page, Item 2**

The fee section must be completed for both the Primary Government and the DPCU (if applicable).

Paragraph 1 includes information related to independence standards and must be completed, if applicable.

The terms and fees specified in the engagement letter must agree with those in the audit contract. "In case of conflict between the terms of the engagement letter and the terms of this contract, the terms of this contract shall take precedence" (reference contract paragraph 17).

Please be sure that fees must be stated as specific dollar amounts. Any fees presented as descriptions or references will result in the contract being rejected and returned for correction. If the fees are detailed in an addendum, the addendum must be acknowledged in writing by the Governmental Unit.

A report of audit fees paid by each governmental unit is available on the DST website on the [Audit Resources](#) page.

#### 4) Signature Pages

There are two signature pages: one for the Primary Government Unit and one for the DPCU. Please ensure all fields on the pages are completed. Note that all sections require a typed/printed name as well as signature – please ensure both are included in each section.

The pre-audit certificate section for the Primary Government Unit and the DPCU (if applicable) must be signed and dated by the appropriate party. A pre-audit certificate is not required for hospitals.

### Submitting the Contract

**1) Ensure all fields are completed and signatures provided** (as applicable) on:

- page one of the contract
- the fees page
- the signature page(s)

**2) Submit a single PDF file** (following upload instructions below) containing:

- Audit contract
- Engagement Letter
- Peer Review Report  
*(required only if current peer review report is not on file with the LGC – reference contract item 5)*
- Contract addendum *(if applicable)*

**3) Upload the File**

- Access the LGC File Transfer Portal at <https://lqcportal.nctreasurer.com/>
- Select "Contracts" and then "Standard Contracts".
- Complete the information required on the upload form, attach your PDF file and submit.
- Confirmation emails will be sent to all email addresses provided in the upload form.



## Other Important Information

### **LGC Staff Review**

Upon receipt of the contract materials, LGC Staff will review the contract and notify the unit and auditor by email (using the email addresses provided in the LGC File Transfer Portal) that either the contract is approved, or the steps to be taken to secure approval. Please note that this email is your official notice of audit contract approval and a printed copy will not be provided.

### **DPCU Audit Contract Requirements**

If a DPCU is subject to the audit requirements of the Local Government Budget and Fiscal Control Act and a separate audit report is issued for that DPCU, a separate audit contract is required for the DPCU. If a separate audit report is not being issued for the DPCU and is to be included in the Primary Government's audit report, the DPCU must be named with the Primary Government on the audit contract for the Primary Government. The board chairperson of the DPCU must also sign the audit contract in addition to the elected leader of the Primary Government.

### **Submission of Invoices (units other than hospitals)**

A valid contract must be in place for the LGC to approve invoices, and all invoices must be submitted to and approved by the LGC prior to payment.

"All invoices for services rendered in an audit engagement as defined in 20 NCAC 03 .0503 shall be submitted to the Commission for approval before any payment is made. Payment before approval is a violation of law." 20 NCAC 03 .0505

*Note that this section does not apply to hospitals.*

### **Amended Contracts**

If an audit cannot be completed by the date specified in the original contract or if the fees specified in the original contract are modified, the Auditor or Governmental Unit must file an amended contract form (Amended LGC-205). Please refer to the "Audit Contract Amendment Instructions" for details on completing and submitting an amended contract.

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