



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

**IMPORTANT INFORMATION AND INSTRUCTIONS
ON THE 2024 AUDIT CONTRACT (LGC-205)**

For assistance please contact:

LGC.Contract@nctreasurer.com | (919) 814-4299

Changes to the 2024 Contract Form

Several changes were made to the 2024 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.

Units of local government that utilize the contract form provided by the LGC must use the 2024 contract form for all FY2024 audits and for all prior year audits for which a contract has not yet been submitted to the LGC.

1) Item 2

In second paragraph, added text underlined below.

“Effective for audits of fiscal years beginning **on or** after June 30, 2023...”

2) Item 7

In second paragraph, added text as noted below.

“For GAAS or Government Auditing Standards audits, if an auditor issues an AU-C §260 report, commonly referred to as “Governance Letter,” LGC staff does not require the report to be submitted unless the auditor cites significant findings or issues from the audit, as defined in AU-C §260.12 - .14. This would include issues such as difficulties encountered during the audit, significant or unusual transactions, uncorrected misstatements, matters that are difficult or contentious reviewed with those charged with governance, and other significant matters. **If matters identified during the audit were required to be reported as described in AU-C §260.12-.14 and were communicated in a method other than an AU-C §260 letter, the written documentation must be submitted.**”

3) Item 16

Deleted the text as shown below. Approval requirements for modifications to contracts depend on units' board-specific policies.

"If an approved contract needs to be modified or amended for any reason, the change shall be made in writing and pre-audited if the change includes a change in audit fee (pre-audit requirement does not apply to hospitals). This amended contract shall be completed in full, including a written explanation of the change, signed and dated by all original parties to the contract. It shall then be submitted to the Secretary of the LGC for approval. No change to the audit contract shall be effective unless approved by the Secretary of the LGC, **the Governing Board, and the Auditor.**"

4) Page 7 (fees table)

Modified the table for reporting audit fees as follows:

- a. Clarified that audit fee is to include both the financial audit and the compliance audit (if applicable).
- b. "Fee per Major Program" was moved out of the "Other Non-Attest Services" section.
- c. Changed "Writing Financial Statements" to "Financial Statement Preparation"
- d. Added a new line: "Total Amount Not to Exceed". This amount should represent the fee the auditor is presenting to the governing board as a "not to exceed" amount so that the finance officer can adequately pre-audit the contract pursuant to North Carolina General Statute [159-28](#).

*Note that the amount entered in "Amount Not To Exceed" will be automatically copied into the "Sum to be Obligated by This Transaction" field in the "Pre-Audit Certificate" section on the following page.

5) Page 8 (Signature Page)

In the "Pre-Audit Certificate" section, a new field was added: "Sum to be Obligated by This Transaction". This field will be automatically populated with the value entered in "Total Amount Not to Exceed" in the table of primary government audit fees on page 7 but may be overwritten as needed. This field provides greater clarity in the audit contract amount being pre-audited by the primary government's finance officer.

6) Page 9 (DPCU Signature Page)

The same changes were made to the DPCU Signature Page as to the primary government signature page (page 8) as described above. Specifically, in the "Pre-Audit Certificate" section, a new field was added: "Sum to be Obligated by This Transaction". This field will be automatically populated with the value entered in "Total Amount Not to Exceed" in the table of DPCU audit fees on page 7 but may be overwritten as needed. This field provides greater clarity in the audit contract amount being pre-audited by the DPCU's finance officer.

Instructions on Completing the Audit Contract Form

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).

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:

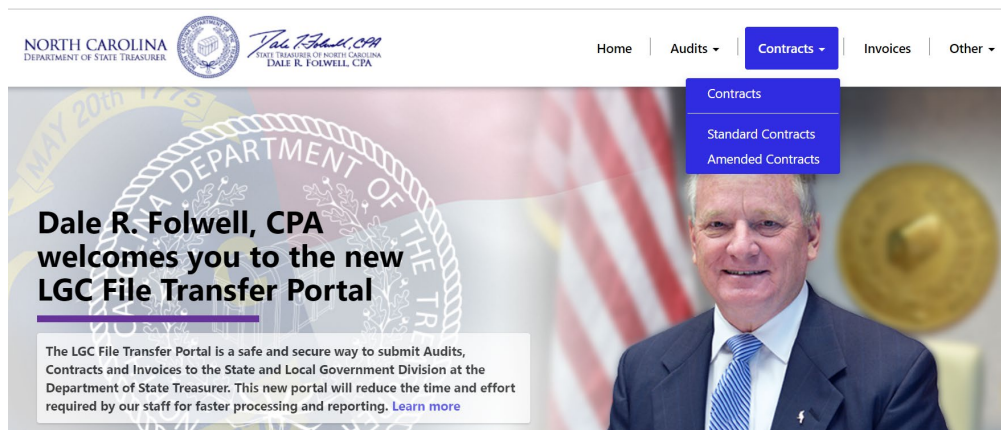
- page one of the contract
- the fees page
- the signature page(s)

2) Prepare a single PDF File:

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

3) Upload the File

- Access the LGC File Transfer Portal at <https://lgcportal.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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