



LOCAL GOVERNMENT COMMISSION
STATE AND LOCAL GOVERNMENT FINANCE DIVISION

**IMPORTANT INFORMATION AND INSTRUCTIONS
ON THE FY2025 AUDIT CONTRACT (LGC-205)**

For assistance please contact:

LGC.Contract@nctreasurer.com | (919) 814-4300

Changes to the FY2025 Contract Form

Several changes were made to the FY2025 contract form; a summary of changes follows. Please 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 2025 contract form for all FY2025 audits and for all prior year audits for which a contract has not yet been submitted to the LGC.

1) Page 1: Date Audit Will Be Submitted to the LGC

Text below this box has been updated from "Must be within **four** months of FYE" to "Must be within **six** months of FYE."

2) Pages 2-3: Item 2

Text was revised as noted below.

" At a minimum, the Auditor shall conduct the audit and render the report in accordance with GAAS. ~~The Auditor shall perform the audit in accordance with Government Auditing Standards (GAGAS)~~ if the Governmental Unit expended \$100,000 or more in combined Federal and State financial assistance during the reporting period, the Auditor shall perform the audit in accordance with Government Auditing Standards (GAGAS). The Governmental Unit is subject to federal single audit requirements in accordance with ~~auditor shall perform a Single Audit if required by~~ Title 2 US Code of Federal Regulations Part 200 *Uniform Administration Requirements, Cost Principles, and Audit Requirements for Federal Awards*, Subpart F (*Uniform Guidance*) ~~or~~ and the State Single Audit Implementation Act.

Currently the threshold is \$750,000 for a federal single audit and \$500,000 for a State Single Audit. This audit and all associated audit documentation may be subject to review by Federal and State agencies in accordance with Federal and State laws, including the staffs of the Office of State Auditor (OSA) and the Local Government Commission (LGC). If the audit requires a federal single audit in accordance with the Uniform Guidance (§200.501), ~~it is recommended that~~ the Auditor and Governmental Unit(s) should discuss jointly agree, in advance of the execution of this contract, ~~which party is the~~ responsibility for submission of the audit and the accompanying data collection form to the Federal Audit Clearinghouse as required under the Uniform Guidance (§200.512) to ensure proper submission.

Effective for audits of fiscal years beginning on or after June 30, 2023, the LGC will allow auditors to consider whether a unit qualifies as a State low-risk auditee, ~~based upon federal criteria in the Uniform Guidance §200.520(a), and (b) through (e) as it applies to State awards. In addition to the federal criteria in the Uniform Guidance, audits must have been submitted timely to the LGC. If in the reporting year, or in either of the two previous years, the unit reported a Financial Performance Indicator of Concern that the audit was late, then the report was not submitted timely for State low-risk auditee status.~~ Please refer to "Discussion of Single Audits in North Carolina" on the LGC's website for more information.

If the audit and Auditor communication are found in this review to be substandard, the results of the review may be forwarded to the North Carolina State Board of CPA Examiners (NC State Board)."

3) Page 2: Item 6

Text has been updated from “All audits are to be performed and the report of audit submitted to LGC Staff within **four** months of fiscal year end.” to “All audits are to be performed and the report of audit submitted to LGC Staff within **six** months of fiscal year end.”

4) Page 5: Item 27

Text has been updated from “**Financial statement preparation assistance** shall be deemed a “significant threat” requiring the Auditor to apply safeguards sufficient to reduce the threat to an acceptable level.” to “**Preparing financial statements in their entirety** shall be deemed a “significant threat” requiring the Auditor to apply safeguards sufficient to reduce the threat to an acceptable level.”

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 for units are set at six 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 six months after fiscal year end (on or after January 1) are considered late and will trigger a Financial Performance Indicator of Concern (FPIC).

3) Fees Page

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.

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 of 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.

Please note that there is no "grace period" for the submission of an amended contract. If an audit is not submitted on or before the date specified in the audit contract, an amended contract is required.

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