



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

IMPORTANT INFORMATION AND INSTRUCTIONS ON THE 2022 AUDIT CONTRACT

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

Changes to the 2022 Contract Form

Several changes were made to the 2022 contract form; a summary of the changes follows.

1) Removal of references to charter schools

Under North Carolina [Session Law 2021-58](#) charter schools are no longer required to submit audit contracts, audit invoices, or audit reports to the LGC. Changes were made throughout the contract form to remove references to charter schools, including on Page 1 (removed “or charter holder” from second line) and in Items 16 and 20. Also removed Item 30 which was applicable to charter schools only.

2) Item 1

Added final sentence regarding budgetary comparison information.

3) Item 2

Edits to clarify language regarding accounting standards and requirements.

4) Item 6

Edits to clarify that amending a contract’s submission date does not modify the due date (due date is four months after fiscal year end; amended contract only communicates the date the audit report will be submitted and does not extend the due date).

5) Item 14

Removed reference to Audit Report Reissued Form. The form is no longer required and instead information on the resubmitted audit report is provided by the unit/auditor via the [LGC File Transfer Portal](#), in the “Resubmission Questions” section of the audit upload form.

6) Item 29

Added reference to Administrative Code.

7) Fees page

Clarifying edits.

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.

Additionally, pursuant to North Carolina [Session Law 2021-58](#), the LGC no longer has review or approval authority over charter school audit reports, audit contracts, or audit invoices, so a charter school contract is not provided. Please see [Memorandum 2022-05](#) for details on changes regarding the removal of LGC oversight of charter schools.

2) Audit Report Due Date

The due date provided must be no later than four months after the end of the fiscal year; audit reports submitted after four months after fiscal year end are considered late.

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).

Please be sure that hourly rates or other rates are clearly stated in detail. If the fees are detailed in an addendum, the addendum must be acknowledged in writing by the Governmental Unit.

For units other than hospitals, the 75% cap for interim invoice approval is calculated as 75% of the billings for the last annual audit of the unit submitted to the Secretary of the LGC. *Note that the LGC does not approve invoices for hospitals.*

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.

Be sure to provide current email addresses for the audit firm and finance officer as these will be used to communicate official approval of the contract.

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.

The screenshot shows the website header for the North Carolina Department of State Treasurer, featuring the state seal and the name Dale R. Folwell, CPA, State Treasurer of North Carolina. The navigation menu includes Home, Audits, Contracts, Invoices, and Other. The Contracts menu is expanded, showing options for Contracts, Standard Contracts, and Amended Contracts. Below the navigation is a banner for the LGC File Transfer Portal, featuring a photo of Dale R. Folwell and a text box that reads: "The LGC File Transfer Portal is a safe and secure way to submit Audits, Contracts and Invoices to the State and Local Government Division at the Department of State Treasurer. This new portal will reduce the time and effort required by our staff for faster processing and reporting. [Learn more](#)".

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 on the signature page(s)) 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 due date 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 a contract amendment.

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