

## Membership Requirements for State Audit Organizations

To be eligible to be a member of the Governmental Audit Quality Center, a state audit organization (SAO) must:

1. Designate a SAO audit leader<sup>1</sup> to have organization-wide responsibility for the quality of the SAO's governmental audit practice.<sup>2</sup> (Effective at admission date.)
2. The SAO audit leader should be a member of the AICPA.<sup>3</sup> (Effective at admission date.)
3. Require the SAO audit leader designated with organization-wide responsibility for the quality of the organization's governmental audit practice (see 1 above) to meet the continuing professional education (CPE) requirements of *Government Auditing Standards*, even if that SAO audit leader would not otherwise be subject to those CPE requirements. (Effective at admission date.)
4. Require the SAO audit leader designated with organization-wide responsibility for the quality of the organization's governmental audit practice (see 1 above) to participate in an annual center-sponsored webcast on recent developments in governmental auditing.<sup>4</sup> (Effective at admission date.)
5. Establish policies and procedures specific to the organization's governmental audit practice to comply with the applicable professional standards and center membership requirements. These policies and procedures must be documented and appropriately communicated. (Effective within six months of an organization's admission date.)
6. In addition to meeting the quality control standards requirement for monitoring, establish annual internal inspection procedures that include a review of the organization's governmental audit practice by individual possessing current experience and knowledge of the accounting and audit practices specific to governmental audits.<sup>5</sup> The engagements inspected should be representative of the organization's governmental audit practice considering the number and different types of governmental audits (e.g., audits performed under the Single Audit Act Amendments of 1996 and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations* (referred to as single audits), program-specific audits as defined under OMB Circular A-133, and other compliance audits and attestation engagements performed under various federal, state or local agency audit guides) and the various locations at which those audits are performed. The internal inspection results specific to the organization's governmental audit engagements should be made available to the organization's peer reviewer. Further, the organization's monitoring process should include a review of the organization's compliance with the center membership requirements. (An organization must establish annual internal inspection procedures within three months of its admission date.)
7. Make publicly available information about its most recently accepted peer review, performed under the National State Auditors Association's *Peer Review Program*, as determined by the Executive Committee.<sup>6</sup> (Effective at admission date.)
8. The SAO peer review team should include at least one member who is employed by another center member SAO. (Effective for peer reviews commencing on or after Jan. 1, 2011.)
9. Periodically file the center information about the organization and its governmental audit practice, and agree to make such information available for public inspection, as determined by the Executive Committee.<sup>7</sup>
10. Pay dues as established by the Executive Committee.
11. Comply with additional requirements as may be established by the Executive Committee and approved by the AICPA Board of Directors.

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## References

- <sup>1</sup> A state audit organization (SAO) leader refers to an individual who serves in a position similar to that of a partner in a CPA firm. For example, it may be the state auditor or another SAO employee who is responsible for performing audit services, concurring reviews (if applicable), or consultations on technical or industry-specific issues with respect to audit clients of the organization.
- <sup>2</sup> A SAO's governmental audit practice includes all financial audits and attestation engagements performed under *Government Auditing Standards* of states, local governments, or not-for-profit organizations (e.g., audits performed under Single Audit Act Amendments of 1996 and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*" (referred to as single audits), program specific audits as defined under OMB Circular A-133, and other compliance audits and attestation engagements performed under various federal, state or local agency audit guides.)
- <sup>3</sup> Member SAOs should encourage other SAO audit leaders (i.e., responsible for performing audit services, concurring reviews (if applicable), or consultations on technical or industry-specific issues with respect to audit clients of the organization) and others in the organization eligible for AICPA membership in the AICPA to enroll as individual member.
- <sup>4</sup> The SAO audit leader may either participate in the live webcast or an archived version that will be available via the center website.
- <sup>5</sup> A peer review does not substitute for monitoring procedures. However, since the objective of a peer review is similar to that of inspection procedures, an organization's quality control policies may provide that a peer review may substitute for some or all of its inspection procedures for the period covered by the peer review.
- <sup>6</sup> The Executive Committee has determined that center member SAOs are required to make publicly available their most recent peer-review report.
- <sup>7</sup> The Executive Committee has determined that center member SAOs are required to file with the center the following information:
- Organization name and address;
  - Name and contact information of the designated SAO audit leader with organization-wide responsibility for the quality of the organization's governmental audit function or practice;
  - Name and contact information of the organization's designated center contact administrator (if different from designated SAO leader above);
  - Total number of CPAs in the SAO, professional staff, and organization personnel;
  - Approximate number of single audits (for example, 1-10, 11-25, 26-50, 51-100, 101-500, over 500); and
  - Approximate number of governmental audits, inclusive of single audits (for example, 1-10, 11-25, 26-50, 51-100, 101-500, 501-1000, over 1,000).