Membership requirements for State Audit Organizations

To be eligible for membership in the Governmental Audit Quality Center, a state audit organization (SAO) must:

1. Designate a SAO audit leader¹ to have organization-wide responsibility for the quality of the SAO’s governmental audit practice.² (Effective at admission date.)

2. The SAO audit leader should be a member of the AICPA.³ (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.⁴ (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 a firm’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 firm’s governmental audit practice by individuals possessing current experience and knowledge of the accounting and auditing practices specific to governmental audits.⁵ The engagements inspected should be representative of the firm’s governmental audit practice considering the number and different types of governmental audits (e.g., single audits, program-specific audits, 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 firm’s monitoring process should include a review of the firm’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 as determined by the Executive Committee.⁶ (Effective at admission date.)

8. Have its governmental audits selected as part of the organization’s peer review performed by a peer review team member who is employed by a center member firm.

9. Periodically file with 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.⁷

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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1. A state audit organization (SAO) audit 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.

2. A SAO’s governmental audit practice includes all audits and attestation engagements performed under Government Auditing Standards of federal, state, or local governments; not-for-profit organizations; and certain for-profit organizations (e.g., single audits, program-specific audits, and other compliance audits and attestation engagements performed under various federal, state, or local agency audit guides).

3. 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-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.

4. The SAO audit leader may either participate in the live webcast or an archived version that will be available via the center website.

5. A peer review does not substitute for monitoring procedures. However, since the objective of a peer review is similar to that of inspection procedures, a organization’s quality control policies may provide that a peer review conducted under standards established by the AICPA may substitute for some or all of its inspection procedures for the period covered by the peer review.

6. The Executive Committee has determined that center member SAOs are required to make publicly available their most recent peer-review report.

7. The Executive Committee has determined that center member firms 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; 2–5, 6–10; 11–25, 26–50, 51–100, 101–500 or over 500); and
   - Approximate number of governmental audits, inclusive of single audits (for example, 1; 2–5, 6–10, 11–25, 26–50, 51–100, 101–500, 501–1,000 or over 1,000).