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# **Financial Audit Manual Update and Land Audit Guidance**

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2024 CIGIE/GAO Financial Statement Audit Conference  
June 5, 2024

## Learning Objectives

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Participants will learn about:

- Significant changes to the GAO/CIGIE FAM Volumes 1 and 2 and how those changes affect financial statement audits for 2024.
- Land Audit Guidance applicable in 2024 and 2025.

## Financial Audit Manual Update – Volumes 1 & 2



An overview of significant changes in Volumes 1 & 2 of the GAO/CIGIE *Financial Audit Manual* (FAM) from the May 2023 revision

## Where to find the FAM

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- [https://www.gao.gov/financial\\_audit\\_manual](https://www.gao.gov/financial_audit_manual)

### How to Access the FAM

You may download the full volumes in PDF format or the individual sections in Word documents that can be used with your own data. The versions below supersede previously issued versions and can be used immediately to audit federal entity financial statements.

Volume 1 Audit Methodology (June 2022, updated May 2023)

[VIEW FAM VOLUME 1](#) ←

Download specific sections of volume 1 in Word [\[ZIP\]](#). ←

## Where to find the FAM

- [https://www.gao.gov/financial\\_audit\\_manual](https://www.gao.gov/financial_audit_manual)

### Excel Templates ←

Download templates of the Specific Control Evaluation, Line Item Risk Analysis, Further Evaluation of Audit Risk, and Summary of Uncorrected Misstatements in Excel: [\[ZIP\]](#)

### Revisions

Volumes 1 and 2 of the FAM were updated to clarify guidance and incorporate changes in auditing financial statements of federal entities since the last revisions of FAM Volume 1 (June 2022) and FAM Volume 2 (June 2022). The revisions were primarily based on changes in (1) professional auditing standards of the Auditing Standards Board of the American Institute of Certified Public Accountants (Statement on Auditing Standards No. 142) and (2) audit guidance in the Office of Management and Budget's Bulletin No. 22-01, *Audit Requirements for Federal Financial Statements*, issued on August 26, 2022.

Volume 3 of the FAM was updated to incorporate changes in preparing financial statements of federal entities since the last revision of FAM Volume 3 (September 2021, updated June 2022). The revisions were based on accounting standards issued by the Federal Accounting Standards Advisory Board through May 2023 that are effective for the fiscal year ending September 30, 2023, and Office of Management and Budget Circular A-136, *Financial Reporting Requirements*, guidance issued on May 19, 2023.

Users should also consider any subsequently issued standards and guidance.

For the superseded versions, see FAM archives [\[ZIP\]](#) ←

# Significant Changes in FAM Volumes 1 & 2

A summary of significant changes to the FAM is found at the beginning of each volume:

Financial Audit Manual Volume 1 – Summary of Significant Changes	
<b><u>Summary of Significant Changes</u></b>	
This summary lists significant changes from the May 2023 revision of FAM volume 1.	
<b>Change Description</b>	<b>Section or paragraph reference</b>
Clarified the reviewer’s involvement in an engagement.	Throughout
Replaced “relevant assertion” with “significant assertion.” Deleted “relevant” from “relevant assertion level.”	Throughout
Replaced “accounting system” with “financial management system.”	Throughout
Deleted “accounting application” or replaced it with “class of transactions.”	Throughout

## Significant Changes in FAM Volumes 1 & 2

- Changes to Key Terminology
- Accounting Estimates (SAS 143)
- Use of Specialists (SAS 144)
- Risk Assessment and Internal Control (SAS 145)
- Reorganized FAM Sections
- Documentation Requirements
- Reviewer's Involvement in Engagement
- Evaluating and Accumulating Misstatements
- Fund Balance with Treasury
- Testing Controls in the Roll-forward Period and Partial-Year Controls
- Conducting Data Reliability Tests on Sample Populations
- Other Changes
- Checklists and Tools
- Definitions

## Changes to Key Terminology

Old Terminology	New Terminology
Accounting system	Financial management system
Accounting application	Class of transactions
[Significant] class of transactions, account balances, and note disclosures	[Material] line items, accounts, note disclosures, and classes of transactions

## Changes to Key Terminology (continued)

Old Terminology	New Terminology
Relevant assertion	Significant assertion
Relevant assertion level	Assertion level
Key control	Relevant control



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## **SAS 143 - Auditing Accounting Estimates and Related Disclosures**

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- Includes requirements and guidance that refer to or expand on how the following AU-C sections are to be applied with regard to accounting estimates and related disclosures:
  - AU-C 540, Auditing Accounting Estimates and Related Disclosures
  - AU-C 315, *Understanding the Entity and Its Environment and Assessing Risks of Material Misstatement*,
  - AU-C 330, *Performing Audit Procedures in Response to Assessed Risks and Evaluating the Audit Evidence Obtained*,
  - Other relevant AU-C sections
- Includes requirements and guidance related to the evaluation of misstatements of accounting estimates and related disclosures, and indicators of possible management bias.

## Changes to FAM Based on SAS 143

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- Expanded requirements for **obtaining an understanding** of the entity and its environment, applicable financial reporting framework, and internal control related to accounting estimates, including how management addresses **estimation uncertainty**.
- Expanded requirements for **identifying, assessing, and responding** to risks of material misstatement related to accounting estimates.
- Expanded **documentation** requirements related to accounting estimates.

## Changes to FAM Based on SAS 143 (continued)

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- New requirement to consider the matters, if any, to **communicate** to those charged with governance regarding accounting estimates.
- Added guidance that the **nature, timing, and extent** of the risk assessment and **further audit procedures** will vary in relation to the estimation uncertainty and the assessment of the related risks of material misstatement.
- Affects FAM 905, *Auditing Accounting Estimates*.



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## **SAS 144 - Use of Specialists and Pricing Information Obtained from External Sources**

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- Revised and added guidance related to using the work of an **auditor's specialist** and **management's specialist**.
- No significant changes to requirements.
- Affects
  - FAM 615, *Evaluating the Objectivity and Competence of Other Auditors or Specialists*
  - FAM 620, *Using the Work of an Auditor's Specialist*
  - FAM 625, *Using the Work of Management's Specialists*

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## Changes to FAM Based on SAS 144

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- Added items that affect the **nature, timing, and extent of audit procedures** for evaluating the adequacy of the work of an auditor's specialist
- Added that the auditor is responsible for obtaining an **understanding of the assumptions and methods used** by the specialist
- Revised the auditor's considerations when **evaluating the appropriateness** of the work of management's specialists
- Added factors that affect the **relevance and reliability** of the work of management's specialists

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## ***SAS 145, Understanding the Entity and Its Environment and Assessing the Risks of Material Misstatement***

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- Includes new requirements and clarified concepts related to risk assessment
- Requirements incorporated throughout FAM, including significant changes to:
  - FAM 200, Planning Phase
  - FAM 300, Internal Control Phase
  - Specific control evaluation worksheet (SCE), line item risk analysis form (LIRA), and related instructions

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## ***SAS 145, Understanding the Entity and Its Environment and Assessing the Risks of Material Misstatement***

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- Per SAS 145, deficiencies in the auditor's risk assessment procedures is a common issue identified by practice monitoring programs in the United States and worldwide.
- SAS 145 was intended to enable auditors to appropriately address the following:
  - Understanding the entity's system of internal control, in particular, relating to the auditor's work effort to obtain the necessary understanding
  - Modernizing the standard in relation to IT considerations, including addressing risks arising from an entity's use of IT
  - Determining risks of material misstatement, including significant risks

## Changes to FAM Based on SAS 145

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1. **Identify RMMs** and determine whether they exist at the
  - financial statement level or
  - assertion level for line items, accounts, note disclosures, and classes of transactions.
2. For identified RMMs at the **financial statement level**, assess the risks and
  - determine whether they affect the assessment of risks at the assertion level, and
  - evaluate the nature and extent of their pervasive effect on the financial statements.
3. For identified RMMs at the **assertion level**, **assess inherent risk** by assessing the likelihood and magnitude of misstatement, **before consideration of controls.**

## Changes to FAM Based on SAS 145 (continued)

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3. Determine whether any of identified RMMs (at the financial statement or assertion level) are **significant risks**. A significant risk is an identified risk of material misstatement:
  - for which the assessment of **inherent risk is high**,
  - due to **fraud**, for which **inherent risk is more than remote**, or
  - arising from transactions with disclosure entities, related parties, and public-private partnerships that are **also significant unusual transactions**, for which inherent risk is more than remote
4. For identified RMMs at the **assertion level**, assess **control risk** based on the auditor's understanding of controls and plan to test the operating effectiveness of controls.

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## Changes to FAM Based on SAS 145 (continued)

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Revised and added requirements and guidance for

- **obtaining an understanding of the entity and its environment**, the applicable financial reporting framework, and the effects of inherent risk factors.
- obtaining an understanding of the **entity's internal control** and the effects of **information technology** on internal control.
- **separately assessing inherent risk** and responding to that assessment.
- identifying and responding to **significant risks**.
- **evaluating audit evidence obtained**.



## Reorganized FAM Sections

Old		New	
Section	Title	Section	Title
235	Identify Significant Line Items, Accounts, and Assertions	235	Identify Material Line Items, Accounts, Note Disclosures, and Classes of Transactions; Applicable Assertions; and Significant Financial Management Systems
240	Identify Significant Accounting Applications, Cycles, and Financial Management Systems		N/A- Deleted
260	Identify Risk Factors	260	Understand the Entity's Internal Control
		265	Identify Risks of Material Misstatement and Assess Inherent Risk

## Changes to Documentation Requirements

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- **Entity profile** – clarified information documented (FAM 220, 290.04)
- **Cycle matrix** – links material line items, accounts, note disclosures, and classes of transactions to related cycles, LIRAs, and significant financial management systems (FAM 290.08)
- **Walkthroughs** – added documentation of walkthroughs (FAM 390.03)
- **Cycle memo** – clarified information documented (FAM 390.06)

## Changes Related to Reviewer's Involvement in an Engagement

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- Clarified the **role of the reviewer** (engagement quality control reviewer or second partner) in FAM 110 and the reviewer's involvement throughout FAM.
  - Reviewer is a person who is **not part of the engagement team** and has sufficient and appropriate experience and authority to objectively evaluate the significant judgments that the engagement team made and the conclusions it reached in formulating the auditor's report.
- Clarified that reviews may be conducted at appropriate stages during the engagement to allow significant findings or issues to be promptly identified and resolved to the reviewer's satisfaction.

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## Changes Related to Evaluating and Accumulating Misstatements

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Clarified guidance related to misstatements identified during the audit, including (FAM 540)

- Communicating misstatements to management
- Accumulating misstatements
  - Clarified definitions and revised terminology
  - Modified guidance for quantifying misstatements
    - Balance sheet (previously iron curtain) approach
    - Net cost (previously rollover) approach
  - Modified the illustrative examples at 595 C
- Evaluating misstatements

## Changes Related to Fund Balance with Treasury

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FAM 921, 921 A, 921 B

- Revised guidance and example audit procedures for fund balance with Treasury
- Added guidance and example audit procedures related to Treasury account symbols (TAS) and business event type codes (BETC)
- Deleted FBWT SCE and LIRA examples

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## Testing Controls in the Roll-forward Period and Partial-year Controls

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Clarified guidance related to testing controls in the roll-forward period and testing of partial-year controls

- Roll-forward period: The auditor should perform substantive procedures **combined** with tests of controls – FAM 295 D, 420, 495C
- Partial-Year Controls: The auditor should test the operating effectiveness of **both** new and superseded controls – FAM 380

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## Conducting Data Reliability Tests on Sample Populations

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Added guidance for conducting data reliability tests on sample populations – FAM 310.03, 450, 480, 490, 495 D

- The auditor should conduct data reliability tests prior to selecting the audit sample
- The auditor may also test the effectiveness of the entity's controls over the source of the population, as well as the method of extraction and parameters used
- When using 495 D, document data reliability tests performed in Section II

## Other Changes – Volume 1

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- Clarified guidance related to **audit risk** - FAM 265
- Added requirement to obtain an understanding of **control activities related to relationships and transactions with disclosure entities, related parties, and public-private partnerships** – FAM 340
- Added requirement to evaluate whether the entity's controls sufficiently address identified risks of material misstatement due to **fraud and management override of other controls** – FAM 360

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## Other Changes – Volume 1 (continued)

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- Clarified and streamlined guidance related to **information system controls** - FAM 270, 295, 350
- Clarified audit procedures required when there is **doubt about the reliability of management's representations** or when management does not provide the requested representations - FAM 550

## Other Changes – Volume 2

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- Revised guidance related to **service organizations** - FAM 615, 640, 640 A
- Clarified guidance for **overseeing the work of an independent public accounting firm** - FAM 670, 670 A
- Revised guidance and example procedures for **auditing intragovernmental activity and balances** - FAM 902, 902 A

## Other Changes – Volume 2 (Continued)

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- Clarified guidance for **auditing the Statement of Social Insurance and Statement of Changes in Social Insurance Amounts (FAM 941)**
- Clarified guidance for obtaining **management representations**, including representation for accounting estimates - FAM 1001

## Volume 1 Revised Checklists and Tools

215 A	• Sample Audit Engagement Letter (Example 1)
395 G	• Specific Control Evaluation (SCE)*
395 H	• Line Item Risk Analysis (LIRA)*
495 D	• Examples of Audit Documentation for Sampling
545 A	• Further Evaluation of Audit Risk (Audit Exposure)
595 A/B	• Example Auditor's Reports
595 C	• List of Adjusting Entries Needed to Correct the Uncorrected Misstatements, Summary of Uncorrected Misstatements (SUM), Summary of Corrected Misstatements*

\* Includes Significant Revisions

## Volume 2 Revised Checklists and Tools

640 A	• Service Organization Type 2 Report Assessment Tool
670 A	• Summary of Procedures/Documentation for Oversight of Audits Performed by IPA Firms
701 A	• Example Audit Procedures for Testing Systems for Compliance with FFMIA
710 E	• Agreed-Upon Procedures Engagement Completion Checklist
<del>902 A/B</del>	<del>• Previously Example LIRA and SCE for Intragovernmental Accounts (Deleted)</del>
902 A	• Example Audit Procedures for Intragovernmental Activity and Balances (previously 902 C)
<del>921 A/B</del>	<del>• Previously Example LIRA and SCE for FBWT (Deleted)</del>
921 A	• Example Audit Procedures for FBWT (previously 921 C)
921 B	• Example Audit Procedures for Auditing TAS and BETC ( <b>New</b> )

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## Volume 2 Revised Checklists and Tools (Continued)

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1001 A

• Management Representation Letter

1003

• Audit Completion Checklist\*

\* Includes Significant Revisions

## Added Definitions in FAM Glossary

- Auditor's point estimate or auditor's range
- Class of transactions
- Commitment
- Complementary user entity controls
- Identified risk of material misstatement at the assertion level
- Identified risk of material misstatement at the financial statement level
- Inherent risk factors
- Internal control system
- Management's point estimate
- Relevant controls or relevant control activities
- Risk assessment procedures
- Significant assertion
- Significant risk

## Questions?

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**For questions  
on the FAM,  
email  
[FAM@gao.gov](mailto:FAM@gao.gov)**



# Land Audit Guidance



Source: National Park Service

## RSI Land

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- SFFAS 59, *Accounting and Reporting of Government Land*
- OMB Bulletin No. 24-01, *Audit Requirements for Federal Financial Statements*
- GAO-24-106986 Land Audit Guidance

## SFFAS 59

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- RSI presentation of certain land information through FY 2025
  - Estimated acres by predominant use (conservation and preservation, operational, commercial use)
- Land information in RSI transitions to note disclosures in FY 2026
- In 2026, removal of PP&E land and permanent land rights from the balance sheet

[Also see OMB A-136 guidance]

## **SFFAS 59**

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### Basis for Conclusions (Appendix A)

- Supporting Documentation, par. A35-A37
- Implementation and Effective Date, par. A39

## SFFAS 59, par. A39

Fiscal year(s)	Responsible entity	Action
2022 and 2023	Preparers and auditors	<ul style="list-style-type: none"> <li>Present acreage and acreage by predominant use subcategories as required supplementary information (RSI)</li> <li>Apply audit procedures to RSI (auditors)</li> <li>Identify implementation issues for FASAB consideration</li> </ul>
	Federal Accounting Standards Advisory Board (FASAB)	<ul style="list-style-type: none"> <li>Address, as appropriate, implementation issues</li> </ul>
	GAO, in cooperation with the Council of the Inspectors General on Integrity and Efficiency (CIGIE)	<ul style="list-style-type: none"> <li>Develop and issue audit guidance for estimated total acreage and acreage by predominant use subcategories</li> </ul>
2024 and 2025	Preparers and auditors	<ul style="list-style-type: none"> <li>Present acreage and acreage by predominant use subcategories as RSI</li> <li>Apply audit procedures developed by GAO, in cooperation with CIGIE, to RSI (auditors)</li> <li>Identify implementation issues for FASAB consideration</li> </ul>
	FASAB	<ul style="list-style-type: none"> <li>Consider actions to address, as appropriate, preparation and audit challenges</li> </ul>
2025	FASAB	<ul style="list-style-type: none"> <li>Complete assessment of remaining implementation issues associated with RSI</li> <li>Consider actions to address implementation issues, as appropriate, before transition to note disclosure requirements</li> </ul>

Source: GAO analysis of SFFAS 59, paragraph A39. | GAO-24-106986

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## OMB Audit Bulletin 24-01

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...For fiscal year 2024, auditors will apply audit procedures to the land information required in RSI by SFFAS 59, *Accounting and Reporting of Government Land*... [excerpt from section 6.6]

## **Land Audit Guidance [GAO-24-106986]**

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The procedures in the guidance are in addition to those required by AU-C 730 and are designed to obtain additional information to (1) better understand the extent to which measurement and presentation of land information in RSI is consistent with SFFAS 59 and (2) identify any preparation and audit challenges related to reporting government land in RSI, consistent with the intent of FASAB's Basis for Conclusion in SFFAS 59.

## Land Audit Guidance [GAO-24-106986]

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### Planning Phase

The overall objectives of the planning phase are to develop effective and efficient ways for obtaining the evidence needed to support conclusions on the entity's G-PP&E land and stewardship land information in RSI and on internal controls over G-PP&E land and stewardship land information.

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## Land Audit Guidance [GAO-24-106986]

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### Internal Control Phase

- Obtain a sufficient understanding of the design of the control activities to determine whether they are likely to achieve the control objectives and support the related assertions
- See table 2 for assertions / control objectives / identifying control activities

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## Land Audit Guidance [GAO-24-106986]

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### Initial End-of-Period Substantive Testing

[See table 3 in Audit Guidance]

- Existence
- Completeness
- Accuracy
- Rights
- Presentation

## Land Audit Guidance [GAO-24-106986]

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### Reporting Phase

(In addition to the requirements in AU-C 730)

The auditor should include in the audit report a general description of the procedures performed on acreage and acreage by predominant use subcategories for G-PP&E land and stewardship land.

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## Land Audit Guidance [GAO-24-106986]

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### Reporting Phase

Communicate to entity management and GAO:

- deficiencies related to the entity's control activities for properly reporting, presenting, and disclosing acreage of G-PP&E land and stewardship land and its predominant use subcategories as RSI,
- all identified misstatements, other than clearly trivial ones, as well as any unresolved doubts about whether the land information is measured or presented in accordance with SFFAS 59

## Land Audit Guidance [GAO-24-106986]

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### Reporting Phase

The auditor should communicate to GAO:

- if land is determined to not be material and the basis for the determination
- any procedures in the audit guidance that the auditor was unable to perform and the underlying reasons



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## Land Audit Guidance [GAO-24-106986]

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Please send communications to GAO (as specified in the Reporting Phase section), as well as any questions, to **USCFS@gao.gov**