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Highlights

Highlights of [GAO-06-1050](#), a report to the Subcommittee on Interior, Environment, and Related Agencies, Committee on Appropriations, House of Representatives

Why GAO Did This Study

To remedy decades of problems with its land appraisals, the Department of the Interior (Interior) in 2003 removed the land appraisal function from its land management agencies and consolidated them into the Appraisal Services Directorate (ASD). However, Congress and ASD's clients have expressed concern that ASD's appraisal services have become less efficient and effective than what previously existed. GAO was asked to assess (1) ASD's policies and procedures in ensuring compliance with appraisal standards, (2) ASD's ability to meet its customers' needs, and (3) the extent to which there are land appraisals under Interior for which ASD does not have oversight responsibility. To answer these objectives, we reviewed agency guidance, analyzed appraisal data, and used independent expert appraisers to assess compliance with standards.

What GAO Recommends

We are making a number of recommendations to strengthen ASD appraisal services, such as establishing a compliance inspection program, taking steps to increase timeliness, and clarifying ASD's oversight of grant-in-aid appraisals.

In commenting on the draft report, Interior generally agreed with our findings and recommendations.

www.gao.gov/cgi-bin/getrpt?GAO-06-1050.

To view the full product, including the scope and methodology, click on the link above. For more information, contact Robin M. Nazzaro at (202) 512-3841 or nazzaror@gao.gov.

INTERIOR'S LAND APPRAISAL SERVICES

Actions Needed to Improve Compliance with Appraisal Standards, Increase Efficiency, and Broaden Oversight

What GAO Found

Although the quality of appraisals has improved since ASD's inception, Interior's appraisal policies and procedures do not fully ensure compliance with recognized appraisal standards. ASD appraisers perform appraisals and/or review appraisals performed by co-workers or contractors. Of 324 appraisals we evaluated—representing 50 percent (nearly \$3.2 billion) of the total value of the land appraised since ASD's inception—192 appraisals appeared to be in compliance with recognized appraisal standards. The remaining 132, however, did not meet standards primarily because (1) ASD appraisers appeared to not apply specialized skills needed to perform or review the appraisals of lands involving minerals, timber, and water rights; and (2) ASD review appraisers performed cursory reviews of appraisals and approved them without considering property characteristics that can increase the lands' value, such as the presence of roads. ASD also lacked standardized appraisal review procedures, which can provide greater assurance in the consistency of appraisal reviews, as well as assurance that appraisals meet recognized appraisal standards. Furthermore, ASD has not developed a mechanism, such as a compliance inspection program, for ensuring that its appraisals meet standards. Other federal agencies doing appraisals have developed compliance systems and used them successfully.

ASD's relationships with its client agencies are hampered by inefficient operations. ASD does not have a system for ensuring that it meets realistic time frames for appraisal delivery. This often occurs because ASD has no process for (1) establishing realistic, agreed-upon deadlines for completing appraisals; (2) balancing appraisal requests with other appraisal priorities; and (3) clarifying roles for obtaining information needed to complete appraisals. In addition, some ASD business practices impede efficient appraisal delivery, add costs, and result in organizational inefficiencies. For instance, ASD performs appraisals for lands that yield little revenue to the government when compared to the cost of doing the appraisal. Also, ASD has not found enough contract appraisers with federal experience to assist their workload and have, on occasion, had to use appraisers that were not in close proximity to the land being appraised, which increased appraisal costs.

When ASD was formed, it was not assigned responsibility for appraisals of land acquired under Interior's grant-in-aid programs, even though the grant-in-aid land acquisition budget in fiscal year 2005 represented 60 percent of Interior's \$240 million total for land acquisition. Under Interior's grant-in-aid programs, many nonfederal entities receiving federal grant-in-aid funds from Interior's Fish and Wildlife Service and National Park Service are not required to obtain ASD review of appraisals for land acquisitions. Instead, appraisal and review responsibilities typically remain with the grant recipient, such as a state agency. However, there are indications that appraisal mistakes are occurring, and some Interior grant expenditures for land acquisitions may be based on appraisals that do not meet standards.