
SOUTH FLORIDA WATER MANAGEMENT DISTRICT



Audit of the District's Real Estate Appraisal Process

Audit # 03-15

**Prepared by
Office of Inspector General**

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Mr. Kevin McCarty, Member

RE: Audit of the
District's Real Estate
Appraisal Process-
Audit # 03-15

This audit was performed pursuant to the Inspector General's authority set forth in Chapter 20.055, F.S. The audit focused on the control environment over the District's appraisal process. Our audit covered appraisal activities occurring during the period October 2001 through January 2003. Fieldwork was conducted February 2003 through September 2003. This report was prepared by Dan Sooker.

Sincerely,

Allen Vann
Inspector General

AV/DS
Enclosure

c: Henry Dean
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TABLE OF CONTENTS

INTRODUCTION.....	1
OBJECTIVES, SCOPE AND METHODOLOGY	3
FINDINGS AND RECOMMENDATIONS	
Results in Brief	4
Improvements to the Control Environment Over The Appraisal Process Are Needed	5
More Accountability Is Needed Over Appraisal and Review Appraisal Reports	10
Process Improvements Would Reduce Appraisal Timeline	16
APPENDIX	21

INTRODUCTION

The District spent \$274 million in FY03 for land acquisition and associated costs. This trend will likely continue when considering the District's strategy of acquiring land in advance of federal authority for the Comprehensive Everglades Restoration Plan (CERP). Acquisition funding is provided by the District and Federal, State and local governments. The majority of funding comes from Federal and State sources which require adherence to statutory and programmatic rules. The valuation of real property is an essential component of real property acquisition and disposition.

The District's Appraisal Section reports to the Director of the Department of Land Acquisitions. The Section's mission is real property valuation for acquisition and disposal. The Chief Appraiser manages the unit and is responsible for obtaining and evaluating outside appraisals for compliance with established standards, acceptability and approval for negotiation. To a lesser degree, the Section also appraises lease values and performs other valuation assignments. The Section consists of six positions: the Chief Appraiser, two Senior Review Appraisers, two Review Appraisers, and one Staff Administrative Resource Associate.

The appraisal processes and procedures are governed by District policies and procedures and State statutes as well as by standards promulgated by the Appraisal Foundation and the Federal Government. Such standards include the Uniform Standards of Professional Appraisal Practices (USPAP) and Uniform Appraisal Standards for Federal Acquisitions (Yellow Book). The intent of these Standards is to create a uniform methodology of land valuation that is consistent, unbiased, and thorough.

Acquisitions for federal projects are based on market value which is defined in the Yellow Book as:

The amount in cash, or on terms reasonably equivalent to cash, for which in all probability the property would have sold on the effective date of the appraisal, after a reasonable exposure time on the open competitive market, from a willing and reasonably knowledgeable seller, to a willing and reasonably knowledgeable buyer, with neither acting under any compulsion to buy or sell, giving due consideration to all available economic uses of the property at the time of the appraisal.

Salient regulations and standards which require District compliance are summarized below.

Regulations	Descriptions
Public law 91-646	Establishes uniform and equitable land acquisition policies for federal or federally assisted programs.
49CFRpart 24	Section 24.104 requires that a qualified reviewing appraiser examine all appraisals to assure they meet applicable appraisal requirements.
Chapter 373.139(3)(c)F.S.	Requires two appraisals for parcels in which estimated value exceeds \$1 million. (Amended to \$1 million July 03)
District Appraisal Policies and Procedures	These policies and procedures provide broad, high-level guidance that embody the many directives applicable to the appraisal function. They require compliance with applicable regulations and USPAP standards. District policy requires two appraisals when a parcel's value is estimated at over \$500,000.
Uniform Appraisal Standards for Federal Acquisitions	Establishes standards for land acquisitions for federal programs. Requires a detailed review of the appraisal to determine that the opinions of value are adequately supported and the appraisal complies with applicable standards.
Uniform Standards of Professional Appraisal Practices	Establishes minimum standards for the appraisal practice.

Appraisals that estimate market value of potential land acquisitions for federal projects are subject to technical reviews as prescribed in Standard 3 of USPAP and the Yellow Book.

The standards require that a review appraiser determine the reasonableness of the fee appraiser's opinions and conclusions and whether the review appraiser accepts or rejects the value opinion reported in the appraisal under review. The review appraiser does not have to agree with the fee appraiser's valuation and can still accept it, provided that the appraisal complies with applicable standards.

OBJECTIVES, SCOPE AND METHODOLOGY

Our primary objective was to determine the timeliness of appraisal services and the adequacy of management control systems for measuring, reporting, and monitoring the District's Appraisal Section. We focused on the administration of the appraisal services, including the hiring of independent appraisers, adequacy of documentation and timelines for appraisal preparation and review. Our sample of appraisals reviewed was judgmentally selected from land acquisitions during the period October 2001 through January 2003. Selection criteria emphasized the more recent land acquisitions transacted during the review period and dollar value of purchase.

In order to accomplish our objectives, we performed the following procedures:

- Reviewed laws, regulations and District policies and procedures relating to the Appraisal Section.
- Reviewed a selection of appraisal documents for District land acquisitions.
- Surveyed local and state governments' appraisal processes to determine a best practice model.
- Interviewed staff responsible for providing appraisal services.

Our audit was conducted in accordance with generally accepted government auditing standards.

FINDINGS AND RECOMMENDATIONS

Results in Brief

We found that the District's appraisal process lacks essential controls that resulted in a number of potentially questionable appraisals that federal partners have questioned and may not approve for project credit or reimbursement. Improvements to the control environment are needed in order for the Appraisal Section to fulfill its fiduciary duties. If best practices used by other organizations like SWFWMD or FDEP were adopted, the District would have a well documented, competitive, and transparent appraiser selection process.

The Chief Appraiser needs to be empowered with the ultimate responsibility and authority to hire and terminate appraisers. We found appraisals and review appraisals prepared by approved outside appraisers, where the District's federal partners have questioned the market value conclusions reached by the fee appraisers. Clearly identifying the role of the Chief Appraiser as accountable for the market value conclusions reached by either outside fee appraisers or internal staff and compliance with appraisal standards would strengthen the control environment.

Policies and procedures need to be established to ensure objective appraisal valuations and that USPAP and Yellow Book standards are followed. The District also needs to strengthen the organizational independence of the Appraisal Section. We found that the U.S. Army Corps of Engineers (USACE) and the Department of Interior (DOI) separate the appraisal process from the negotiation process. This could be accomplished at the District by creating a direct reporting relationship between the Chief Appraiser and the Assistant Deputy Executive Director of Land Resources instead of the Department Director of Land Acquisitions who is primarily responsible for closing land acquisition deals.

While, the District's appraisal process timeline appears reasonably efficient compared to other governments' appraisal process timelines, there may be opportunities for additional efficiency. We recommend that all information about a potential acquisition be provided to the Appraisal Section before ordering an appraisal. Further, staff appraisers should be given the same deadlines as outside appraisers.

Improvements to the Control Environment Over The Appraisal Process Are Needed

The District's Procurement Policy exempts appraisal services from competition. Procurement staff is not involved in the solicitation for these services. Alternatively, the Real Estate Department Appraisal Policy established processes and procedures for engaging appraisers through an Appraisal Review Committee. The Committee was made up of Land Acquisition Department managers and directors. However, the Land Acquisition Department no longer convenes this Committee. Management determined that selection committee member time would be better spent on other priorities. Further, it was difficult to convene meetings because of committee members' obligations. For these reasons, and in an effort to expedite the procurement of appraisal services, the committee was disbanded in July of 2002.¹

The Appraisal Section currently maintains an approved appraiser list (approximately eighty qualified appraisers) from which appraisers are selected. Any appraiser wanting to do business with the District must first fill out an application through an internet portal. The process is continually open. Minimum qualifications for inclusion on the District's approved appraiser database list include State of Florida certification, senior level designation (MAI, ASA or other appraisal foundation membership), and relevant work experience. According to the Chief Appraiser, these minimum qualifications exceed those prescribed by the USACE. The Chief Appraiser has the responsibility for verifying an appraiser's qualifications and approving the application for inclusion on the list. On occasion, approval has been denied because of a lack of relevant work experience or a senior level designation.

The appraisal function serves as a vital internal control in protecting the integrity of the acquisition process. Through the appraisal process, market valuations for potential acquisitions are determined and are the basis for negotiations with landowners. An important component of the control environment is the integrity of the appraiser selection process. The current appraisal selection process includes a system for obtaining quotes or bids for appraisal work but it has not been consistently applied. A good system of controls over this process would require a policy that consistently competes for appraisal services. The Procurement Department follows District Policy

¹ It should be noted that FDOT uses a team approach to select appraisers but this may lead to lengthening the appraisal timeline (See page 22 for details of their process).

and documents its vendor selection. It may be price, experience, expertise or a combination of these and other criteria but the attributes are weighted in a systematic and rational way to select a vendor.

We conducted a survey of water management districts and other government agencies to gain an understanding of their appraisal service procurement process (See Appendix for discussion of governments' selection process). We found that all use some type of competitive process. In contrast to the District's process, our survey also revealed that appraisal service procurement is carried out with internal staff barring landowners or their representatives from this process.

Except for the Florida Department of Transportation (FDOT), the acquisition programs of those surveyed are largely conservation and preservation land purchases under willing-seller, willing-buyer programs. If a price can not be agreed upon, either party may terminate negotiations. The District program on the other hand, is driven by restoration project objectives, which require certain lands within project footprints and can result in protracted negotiations and/or condemnations. FDOT and the District land acquisition programs contain similarities in that both partner with the federal government and have eminent domain authority.

Overall, the survey indicated that a best practice to ensure independent and objective appraisers are selected is competing for appraisal services. Even though District appraisal services are exempt from competition, the Appraisal Policy promotes a competitive process. Specifically, a provision in the Appraisal policy states that the appraisal selection process should be equitable to assure that the District obtains high quality real estate appraisal services at a fair and competitive price as delineated in the Procurement and Contracting Policy.

To improve the District's appraisal selection process, appraisal services should consistently be competed. One option would be to provide written appraisal assignment descriptions to three or more qualified appraisers. Respondents would then submit written quotes that include price and delivery time based on the assignment. This process would add the desired competition while recognizing the need for as timely a selection process as possible. The selection process should be documented and included in the Appraisal Policy.

Because of the lack of control and transparency in the selection process, we were not surprised, but nevertheless concerned, to find landowner and internal staff influencing selection. Discussions with staff and information in files indicated that besides the Chief Appraiser and Office of Counsel, District management outside of the Land Resource Group and Land Acquisition management were involved in the selection process. We also found that some landowners have been permitted access to the appraiser selection process. In one instance, a landowner's representative precluded the District from considering a particular contract appraiser although this appraiser was qualified and on the approved appraiser list.

Our review of appraisal documents for a sod farm acquisition indicated that the landowner and his representative were allowed to influence the appraiser selection. According to file documentation, a Senior Acquisition Specialist and Office of Counsel on three occasions provided the landowner with a list of approved appraisers from which to choose an appraiser. Two appraisers who had no sod farm appraisal experience were eventually selected. To compensate for their lack of experience and comply with appraisal standards, the fee appraisers hired a consultant with sod farm experience. Appraisal fees for services rendered were extraordinarily high at \$239,808, which is many times greater than normal cost. Management explained that this cost was the result of a very long and complicated negotiation in which management required the fee appraisers to analyze and consider additional data and provide consultation to management. Nevertheless, we found that the review appraiser, selected by management, may have missed non-compliance with applicable standards when reviewing and approving the appraisals. The USACE has questioned the appraiser's methods and market value conclusions.

In another acquisition, landowner intervention resulted in the District's fee appraiser utilizing hypothetical highest and best use which significantly increased valuations. The federal agency responsible for oversight depicted the appraisal practices used in its preparation as departing from normal procedures.

The District is not alone in confronting this problem. The issue of influence over the appraisal process was addressed in reports on the Department of Interior's appraisal practices prepared by DOI's Inspector General and the Appraisal Foundation. The Appraisal Foundation is authorized by Congress as the source of appraisal standards and appraiser qualifications. In

summary, they found this practice to be unacceptable and biased the appraisal process. These reports emphasized the need for independence of the appraisal function.

Throughout the Foundation's report, the point made repeatedly is that a successful appraisal function requires appraisers to work within a framework of independence, objectivity, freedom of bias, and application of generally accepted appraisal principals. The Foundation's recommendations centered on independence and objectivity of the appraisal function through organizational, process and policy changes. In response to the criticism surrounding the DOI's appraisal function, the current Secretary of DOI ordered the consolidation of all DOI appraisal functions scattered among Interior's various agencies into a new appraisal organization to ensure greater independence thereby enabling DOI to provide unbiased valuation services.

Improvements to the control environment that deflects both internal and external pressure on appraisal valuations, strengthens independence and separates the negotiation process from the appraisal process should be implemented. There are inherent control risks between the Appraisal Section and Land Acquisition. Organizationally, the Appraisal Section should be separate from the Acquisition. Presently, the Chief Appraiser reports to the Director of Land Acquisitions.² Improved independence would be achieved by having the Appraisal Section report to the Assistant Deputy Executive Director of Land Resources which would be similar to USACE and the DOI's reporting structure.

Recommendations:

- 1. Establish policies and procedures that include a competitive selection process, and are consistent with appraisal standards. Implement a competitive appraiser selection process.**

Management Response: Management concurs. As standard practice, the Appraisal Section will seek bids from multiple qualified vendors with relevant experience for all assignments with exceptions to competition approved in advance by management. Please note that appraisal services are identified as a special procurement in Chapter 10

² According to the organization chart, the Chief Appraiser reports to the Director of Land Acquisitions. However, the Chief Appraiser's performance evaluation is performed by the Assistant Deputy Executive Director of Land Resources.

of the District Procurement Manual. Purchase orders may be awarded without competition.

Responsible Division: The Appraisal Section will develop policies and procedures for a competitive selection process through the Land Resources group.

Estimated Completion Date: January 1, 2004

- 2. Appraiser selection should be documented and justification for selecting an independent appraiser other than low bidder should be in writing.**

Management Response: Management concurs. The Chief Appraiser shall provide appropriate justification and written file documentation.

Responsible Division: Appraisal Section

Estimated Completion Date: January 1, 2004

- 3. Separate the Appraisal Section from Acquisition. This could be achieved by having the Appraisal Section report directly to the Assistant Deputy Executive Director of Land Resources.**

Management Response: Management concurs.

Responsible Group: Land Resources Group

Estimated Completion Date: Effective Immediately

More Accountability Is Needed Over Appraisal and Review Appraisal Reports

For the period October 2002 through September 2003, the District spent \$2 million on appraisal services. According to the Chief Appraiser, an ordinary appraisal fee is about \$5,000, but will increase with appraisal complexity and if needed, consulting fees and study costs.

In the past, the District outsourced all appraisals and conducted review appraisals with the District's in-house staff. However, the District's land acquisition program has been stepped up and to meet the demands of an aggressive acquisition program, the District has started to outsource the review function to outside appraisers over the last year. Outsourcing appraisal reviews is common among governments and it makes good business sense to manage the fluctuation of appraisal workload which is naturally based on acquisition activities. Using this approach, the Appraisal Section has managed to leverage staff, completing 245 appraisal assignments during FY03. Currently, work in process consists of 72 appraisal assignments managed through 25 active contracts.

After appraisals are completed for a potential acquisition and reviews are concluded, negotiations commence. Upon completion, the transaction is brought before the Governing Board for approval. However, from the District's perspective the acquisition cycle is not finalized until the USACE (the District's partner in federal restoration projects) or other federal agencies review the appraisals for federal projects regardless of whether outside fee appraisers or in-house appraisers perform a review. Similar to the District's review appraisal, the USACE reviews for compliance with applicable standards and recommends approval or disapproval of the appraisal's market valuations and forwards their opinion to the USACE project management section for final credit determination.

Based on Yellow Book standards, the federal government requires the District to conduct an administrative review when the appraisal services are conducted by an outside appraiser. The content and scope of an administrative review is not defined in the standards nor does the District's policies and procedures address the level of administrative reviews that should be conducted. We found that the Chief Appraiser typically performs a cursory review of the appraisal and relies on the outside review appraiser's conclusions. However, federal partners expect the District to take ownership

of the appraisal even if it is done by a qualified outside appraiser. A more meaningful administrative review in which the District becomes familiar and conversant with the opinions and conclusions of the appraiser may prove beneficial and streamline the project credit process. It should address compliance with standards and validate market value assumptions.

The risk of appraisal disapproval may be mitigated by requesting a concurrent review, where possible, and approved by the federal partner. This type of review is best suited for complex acquisitions in which difficult appraisal issues are present. The USACE and/or other funding partners would be requested to review the appraisals concurrently to resolve issues and develop solutions. We were told by the USACE that this can be done on a case by case basis but because the District is acquiring properties before federal projects are approved, the USACE may not be willing or able to perform this concurrent review.

We selected ten District acquisitions and reviewed the appraisals and other acquisition documents related to the purchase. Our purpose was to assess the appraisal process and procedures followed. While seven of the acquisitions revealed no anomalies, documentation on three land purchases reviewed indicated a higher level of landowner involvement in the appraisal process. This involvement has manifested into assumptions and conditions that impact property valuations and may depart from applicable standards. Internal staff and high levels of landowner involvement with the appraisers have lead to questionable market values that the District's federal partners have not approved.

These anomalies indicate control environment weaknesses, which have resulted in District crediting questions by federal partners. In the long run, this may adversely affect future reimbursement and project credit for District acquisitions.

An appraisal of a sod farm valued at \$38 million was reviewed and approved by an outside appraiser and review appraiser but according to the District's federal partner, the appraised market value is questionable. This property was critical for the Kissimmee River Restoration project and the District had been trying to acquire this land for approximately eight years. During that period, the property was appraised numerous times. The USACE concluded that the market value of the property was not depicted in the appraisal report and was not approvable. USACE criticisms centered around appraisal

assumptions and methods used by the appraisers. The issues noted were not uncovered during the appraisal review process. Deficiencies contained in the USACE memo are as follows:

- The appraisal contained an assumption that did not comply with Yellow Book standards. The wording in the legislation states, "...all appraisals of such land may consider income from the use of the property for permanent plantings. The derived value may be deemed attributable to the real estate. Appraisers shall comply with the Uniform Standards of Professional Appraisal Practice." To date, the District has not provided sufficient explanation to the USACE supporting their use of this provision in valuing these lands.
- The approved appraisal did not contain any independent analysis of the nature or depth of the muck soil and assume that adequate depths of muck are present to allow for sod farming.
- The appraiser did not separate the values of the business portion from the real estate, as required by the Yellow Book.

Although the District obtained the property needed for the Kissimmee River Restoration, it is undetermined at this time what project credit the District will receive for this acquisition and may contribute to a shortfall in the District's 50% project cost obligation that will require a cash outlay at the project's completion.

A certain District acquisition in the East Coast Buffer is also being reviewed by a federal agency. This was a contentious acquisition in which the appraisal assumptions were determined through mediation with the landowners. The federal review questioned the landowners' involvement and the use of a hypothetical highest and best use which resulted in a high valuation. The federal agency responsible for review depicted the appraisal practice used as departing from normal federal procedures. According to Code of Federal Regulation 49, Part 24 Section 103, these estimates and assumptions should be disregarded. However, this acquisition was a court ordered mediation in a state condemnation utilizing state, not federal, procedures and law. In managements' view, this acquisition emphasizes the importance of team work, direct communication and the early involvement of the Appraisal Section and the District's funding partners in both condemnations and voluntary acquisitions in order to avoid issues that jeopardize reimbursement.

Other issues concerning the appraisal process for a large CERP acquisition include inconsistent market value conclusions among the outside fee appraisers that were not reconciled. In addition, questions regarding compliance with the Yellow Book were not examined and resolved before appraisals were finalized. These unresolved issues may complicate the process for obtaining credit from the District's federal partner at a later date. Under a good control environment these valuation differences and issues of non-compliance would have been identified and resolved to ensure that the public's interest was protected and standards were followed.

Based on correspondence from the District's federal partners, staff discussions, and appraisal document review, the District's current appraisal process can be improved to ensure that market value appraisals are obtained and risks related to project credit or reimbursement from federal partners are mitigated. Improvements to the control environment are needed. The Chief Appraiser should be empowered with the ultimate responsibility over the appraisal process. The Chief Appraiser should also be involved when settlement or condemnation actions are necessary to acquire essential project properties. Office of Counsel manages these cases, at times, independent of the District's Appraisal Section. A team approach that includes the Chief Appraiser or Section staff at the beginning of the legal process would provide in-house expertise to ensure compliance with appraisal standards and market value conclusions are reasonable and supported.

We were also asked by Land Resource management to determine whether District staff provided inappropriate instruction to outside appraisers that may violate appraisal standards. We canvassed appraisers on the approved appraiser list. All stated that District staff has never attempted to influence opinions of value or provide inappropriate instructions. In fact, a few stated that District staff was very careful when discussing appraisal matters to ensure that standards are followed. Nevertheless, this a serious issue, a good practice we recommend is that any outside appraiser or landowner who accuses the District of this, detail their complaint in writing and include the nature of the violation and specific details.

Recommendations

- 4. Consider concurrent reviews with federal partners for complex acquisitions where possible.**

Management Response: Management concurs. The Chief Appraiser will coordinate all concurrent reviews with the approval of the Assistant Deputy Executive Director of Land Resources where possible. In the past the USACE has declined our requests to participate in joint reviews when the acquisition was in a project not yet approved by Congress.

Responsible Division: Appraisal Section

Estimated Completion Date: Effective immediately

- 5. Empower the District's Chief Appraiser with the ultimate responsibility and authority over the appraisal process by holding the Chief Appraiser accountable for the market value conclusions reached by either outside fee appraisers or internal staff. Chief Appraiser acceptance should be verified in a signed document.**

Management Response: Management concurs. The Administrative Review Memorandum prepared by the Appraisal Section Staff will be signed by the Chief Appraiser and will indicate the District's approved market value conclusion.

Responsible Division: Appraisal Section

Estimated Completion Date: Effective immediately

- 6. Include the Appraisal Section in settlement or condemnation actions at the beginning of the process to ensure compliance with appraisal standards and market valuations are reasonable and supported.**

Management Response: Management concurs. The Appraisal Section will be responsible for all appraisals, appraisal reviews and market value conclusions developed for and/or relied upon by the District. The Appraisal Section has initiated a process with the Office of

Counsel to support the review of appraisals relied upon for settlement and litigation.

Responsible Divisions: Appraisal Section and Office of Counsel Litigation Group

Estimated Completion Date: Effective immediately

7. **Require parties who make allegations that concern appraisal standards violations to detail their complaints in writing and include the nature of the violations and specific details.**

Management Response: Management concurs. All written complaints should be directed to the Deputy Director of Land Resources for evaluation and action.

Responsible Group: Land Resources Group

Estimated Completion Date: Effective immediately

Process Improvements Would Reduce Appraisal Timeline

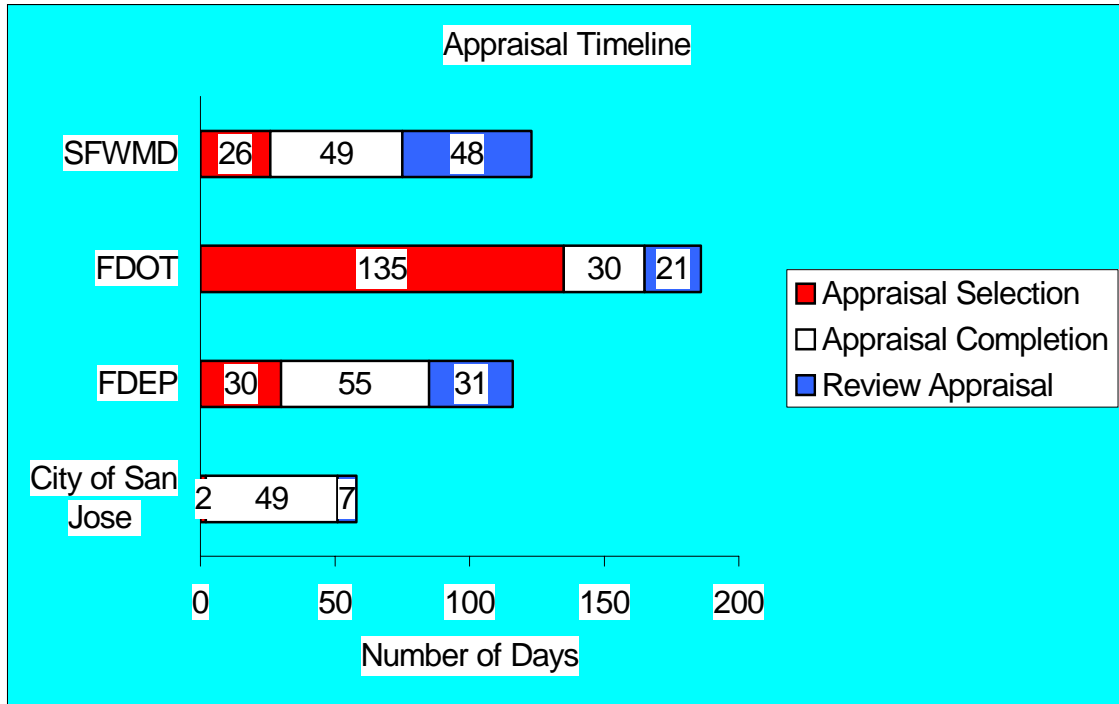
At the request of Land Resource management, we compared the District's appraisal process timeline to other governments'. Our purpose was to determine whether the District's appraisal process is operating in an efficient manner within the policies, procedures and standards when compared to other jurisdictions.

While an appraisal function is essential to the control environment over the acquisition process, it can be widely viewed as slow, costly and non-responsive. In response to these criticisms, appraisers cite legal and professional requirements that they maintain independence in developing market value opinions and in their compliance with standards.³

Our survey indicated that appraisal timeline statistics were limited. Appraisal activities in the other water management districts within the state were not captured. However, we found a few governments that kept timeline statistics and compared them to the District. In the state of Florida, the Florida Department of Environmental Protection's Bureau of Appraisal and FDOT provided appraisal process timeline information. In addition, we came across a municipality in California that maintained appraisal data.

The statistics used in the graph on page 17 represent averages. Many variables impact the appraisal timelines but the most significant is the complexity of the appraisal assignment. During the audit period, the District engaged in many difficult acquisitions. To a lesser degree, competitive solicitation for appraisal services may add to the process depending on the government's methodology for procuring these services.

³ The Appraisal Foundation, Evaluation of the Appraisal Organization of the Department of Interior Bureau of Land Management.



Note: FDOT's selection process includes title work and other preliminary acquisition activities.

Overall, the District appraisal timeline appears reasonably efficient in comparison to Florida government agencies but lags behind the City of San Jose. Their acquisition program differs from the District in that San Jose's mixture of appraisal work includes large parcel acquisitions for mitigation and smaller acquisitions such as single family homes and easements for various projects. In addition, San Jose outsources all appraisal work.

Our survey indicated that appraisal selection varies among the government entities surveyed. FDEP uses a competitive RFP process which usually increases the time to select an appraiser. FDOT uses a team approach to select appraisers and their process includes appraisal preparation time which accounts for its lengthier timeline. San Jose uses a work order type contracting system to obtain independent appraisal services. Recently, they changed to a competitive solicitation process from a noncompetitive system that used appraisers who had a long standing relationship with the City. After issuing Request for Qualifications, they entered into master agreements with six appraisers and solicit all six when appraisal services are needed. They

require a two day response time. Selection is based on price and time frame. The lowest bidder has been selected 90% of the time.

Our audit revealed that the District has not established a consistent method for selecting appraisers. At times, appraisers were selected without the benefit of competition. We also found that the selection process included input from internal and external sources which lengthens the process. Adding to the timeframe are unplanned requests for appraisal services. For example, the Appraisal Section received requests to appraise land in which there are no budget, project or property boundaries. Eliminating these requests until all the necessary information is available would improve efficiency. Establishing a documented competitive process without outside influences would expedite the process.

San Jose did the best in the appraisal completion category. Based on discussions with City staff, they included an appraisal delivery date in their contract and incorporated a liquidating damages provision which they enforce both on the initial and review appraisals. They also have standard appraisal contracts, scope of services and notices to proceed, which, in their opinion, streamlines the process.

Best practices relating to appraisal reviews suggests assignment of a review appraiser when the fee appraiser is selected. Although the District has engaged review appraisers concurrently with fee appraisers, it has not consistently implemented this practice. Consistent application could prove beneficial.

All of the surveyed governments used outside contract appraisers to conduct the initial appraisal. But they were split between using in-house staff to do all review appraisals, a mixture of both in-house staff and outside contractors, or outsourcing all appraisal services. Contract appraisers can provide certain special skills and assist in situations of work overloads. Outsourcing appraisal services has advantages. For example, it makes good sense to outsource appraisal services for contentious acquisitions because of perceived independence. In addition, outsourcing creates more certainty with the appraisal timeline by contractually specifying appraisal delivery dates. We sampled review appraisals done by in-house and outside fee appraisers and compared the timelines. Our analysis indicated that the in-house timeline was slightly shorter than outside fee appraisers.

The use of in-house staff also has advantages. In-house appraisers are well qualified to perform appraisal reviews and have extensive knowledge of the project and project lands. The USACE commended the in-house appraisers and were very satisfied with the District's in-house appraiser's work and had developed a good working relationship. FDOT staff appraisers almost exclusively conduct all appraisal reviews. In discussions with an FDOT appraisal manager, his reasoning is that most acquisitions are for federally shared highway projects and FDOT must administratively review the appraisal anyway. FDOT is a self certifying state agency⁴ and wants control over the review process.

In our discussions with these groups, an appraisal process that blends the use of outside contract appraisers to supplement in-house appraisers to conduct reviews appears to maximize the skills both bring to the process. To create more certainty with in-house appraiser timelines and improve accountability, appraisal management should establish priorities and then hold in-house appraisers to the same deadlines that are imposed on outside fee appraisers.

Recommendations

- 8. All information (i.e. project, project boundaries, funding) about a potential acquisition should be obtained before ordering an appraisal, except when circumstances necessitate a quick response.**

Management Response: Management concurs. The proposed IRIS work flow solution will address this issue when it is fully implemented. Exceptions will be documented with prior management approval.

Responsible Department: Land Acquisition Department

Estimated Completion Date: January 1, 2004

⁴ FDOT does not require approvals from its federal partner, Federal Highway Administration (FHWA). Annually, the FHWA reviews a sample of appraisals to determine whether standards are followed.

9. Engage review appraisers concurrently with the appraiser.

Management Response: Management concurs. The Appraisal Section is practicing this recommendation. The team of appraisal vendors is assembled through a bidding process prior to stating an appraisal assignment. The contract reviewer attends the property inspection with the appraisers, property owner, and District staff and is kept informed of issues as the appraisals are being completed. This allows most problems to be resolved before the reports are completed which helps reduce the time to complete the review.

Responsible Division: Appraisal Section

Estimated Completion Date: Effective immediately

10. Hold in-house appraisers to the same deadlines that outside appraisers are held by establishing priorities and follow-up.

Management Response: Management concurs. The timely completion of reviews is a valid performance measure that is included in all District review staff performance plans. Periodic performance meetings are conducted with staff to provide feedback and correct and performance issues.

Responsible Division: Appraisal Section

Estimated Completion Date: Effective immediately

Appendix

Government	Appraiser Selection Process
St. Johns Water Management District	<p>St. Johns uses a committee approach to develop an approved appraiser list and engage outside appraisers. The Chief Appraiser is the only staff appraiser. Accordingly, St. John's outsources all appraisal work but the Chief Appraiser prefers to do the review appraisal. In the event that he is too busy to conduct the review appraisal, he has a listing of four review appraisers.</p> <p>Every two years they solicit proposals from St. Johns outside appraisers. A Committee consisting of the Chief Appraiser, Head of Acquisition, an Attorney and another senior level director evaluate the proposals and approves a listing of fifteen outside appraisers. The Chief Appraiser stated that this method has produced a turnover of four or five new approved appraisers for every new solicitation. The Committee also convenes to engage an appraiser for an appraisal assignment. Using a work order type approach, they solicit all fifteen approved appraisers for each project. Price, experience geographic area and workload are all criteria. The Chief Appraiser's recommendation usually holds a lot of weight as he is the only appraiser on the committee. The Chief Appraiser also explained that the St. John's land acquisition program does little federal acquisitions. He estimated that approximately 95% of the land acquisitions are for the State.</p>

Government	Appraiser Selection Process
Southwest Florida Water Management District	<p>Southwest uses a competitive process to procure appraisal services and outsources almost all of the appraisal work to outside fee appraisers. They have accumulated a list of approximately fifty approved appraisers within the boundaries of the District. For conservation easements and other more complex assignments they have compiled a list of twelve qualified appraisers. For review appraisals, Southwest has a list of about twelve qualified appraisers to conduct review appraisals. Quote sheets are sent to appraisers in the geographic area that also have the requisite experience. Most often the lowest bidders are selected. Southwest's acquisition program is primarily willing-seller willing-buyer but on occasion it purchases land for federal projects.</p>
Florida Department of Transportation	<p>FDOT is decentralized and has seven regional offices and a Florida Turnpike Enterprise. Most of their construction is related to federal projects which subjects FDOT to federal standards. They conduct review appraisals primarily with an internal appraisal staff.</p> <p>Although there is variation among the seven regional offices and the Florida Turnpike Enterprise, FDOT primarily uses a competitive process called an Invitation to Bid to solicit for appraisal services. A team consisting of an Appraisal Manager or, a deputy, a review appraiser, and an attorney selects the fee appraiser. This process allows the committee to simultaneously negotiate with competing appraisers to obtain the best service and price.</p> <p>FDOT is self certified which means that the federal partner is satisfied with FDOT's appraisal processes and procedures and therefore, do not require federal partner final review and approval. To retain this prestigious designation and ensure quality control, FDOT and its federal partner review a sample of appraisals annually.</p>

Government	Appraisal Selection Process
<p>The State's Department of Environmental Protection, Bureau of Appraisal, Division of State Land,</p>	<p>The Bureau has a competitive process which is promulgated in Chapter 18-1, Florida Administrative Code. The Bureau provides contract management services and quality control for the state agencies and Bureau of Land Acquisition acquiring land. The Bureau uses a two step process to solicit for appraisal services. First, appraisers must be approved through a Request For Proposal process for inclusion on the contractor appraiser list. The Bureau groups appraisers regionally and solicits bids for appraisal work in that region. When work requests are received for appraisal services, the Bureau solicits between one and four appraisals (depending on the parcel's estimated value). At approximately the same time, the Bureau solicits for a review appraisal usually in the same region as the parcels to be appraised.</p>
<p>USACE</p>	<p>The USACE also uses a competitive process for soliciting appraisal services. They select appraisers with appropriate expertise and request quotes. The only requirement of USACE is to use a state certified appraiser.</p>