



# United States Department of the Interior


## Office of Inspector General

Central Region Audits  
134 Union Boulevard, Suite 510  
Lakewood, Colorado 80228

Report No. C-VS-BLM-0003-2007  
February 22, 2007

### Memorandum

To: Director, Bureau of Land Management  
Assistant Secretary for Policy, Management and Budget  
(Attention: Associate Director for Finance, Policy and Operations)

From: Jack Rouch   
Regional Audit Manager

Subject: Verification Review of the Two Recommendations Contained in Our Audit  
Report, "Land Exchanges and Acquisitions, Bureau of Land Management, Utah  
State Office" (Report No. 2001-I-413)

We completed a verification review of the two closed recommendations from the subject audit report. The objective of this review was to determine whether the two recommendations were implemented as reported by the Bureau of Land Management (BLM).

We determined that Recommendation 1 was implemented. Because BLM's real estate appraisal function was consolidated into the National Business Center (NBC), Recommendation 2 was no longer valid and was closed. We consider the status of this recommendation to be properly closed without implementation. The status of the recommendations is summarized in the Appendix. The results of the verification review are summarized in the Results of Review section.

### Background

Our July 2001 audit report, "Land Exchanges and Acquisitions, Bureau of Land Management, Utah State Office" (No. 2001-I-413), made two recommendations to correct deficiencies in BLM's real estate appraisal process. In the report, we determined that BLM may have compromised the independence and objectivity of its appraisal process by using an alternative approach that did not separate the appraisal process from price negotiations. BLM also did not ensure that its appraisal reviews complied with appraisal standards or that land was acquired and exchanged based on fair market value.

In a June 6, 2001 response, BLM concurred with both of the report's recommendations. BLM's response contained an action plan outlining the steps that BLM would take to implement the two

recommendations. Based on that response, we considered the recommendations to be resolved but not implemented. In a July 20, 2004 memorandum from the Office of Financial Management to the Office of Inspector General we were notified that this report was closed.

### **Scope and Methodology**

The scope of our review was limited to determining whether BLM implemented the recommendations as reported. To accomplish our objective, we reviewed the supporting documentation that BLM submitted to close the recommendations. We also interviewed BLM personnel and reviewed additional information they supplied. We did not perform site visits or conduct detailed fieldwork to determine whether underlying deficiencies identified in the original report have been corrected.

This review was not conducted in accordance with the *Government Auditing Standards* issued by the Comptroller General of the United States.

### **Results of Review**

#### **Recommendation 1**

**Obtain a peer review from The Appraisal Foundation of BLM's appraisal organization, policies, and procedures, including an evaluation of the alternative approach implemented in Washington County, Utah. The review should recommend any changes needed to (a) protect the integrity of the appraisal process; (b) ensure the accountability of appraisers in conformance with professional and federal appraisal standards; (c) establish controls to prevent managers from interfering with the appraisal process through inappropriate direction; (d) separate negotiations from the appraisal process; (e) ensure that landowner involvement does not compromise the appraisal process; and (f) ensure the conduct of appraisals and appraisal reviews in conformance with data, documentation, and reporting standards of federal and professional appraisal standards.**

In March 2002, BLM contracted with The Appraisal Foundation to perform an evaluation of BLM's appraisal program. The Appraisal Foundation is an independent non-profit organization recognized by the Congress as the source of appraisal standards and appraiser qualifications. After a comprehensive review, The Appraisal Foundation issued a report on October 9, 2002, that contained 24 recommendations designed to improve BLM's appraisal program. We reviewed this report and consider Recommendation 1 to be implemented.

#### **Recommendation 2**

**Implement the changes recommended by the peer review to ensure that BLM has a first-class appraisal system that protects the integrity and independence of the appraisal process.**

In February 2003, BLM formed the Appraisal and Exchange Workgroup to address findings relating to BLM's appraisal program contained in audit reports issued by both the Government Accountability Office and the Office of Inspector General as well as the report issued by The

Appraisal Foundation. In May 2003, the Workgroup issued a report containing 38 recommendations.

On November 12, 2003, the Secretary issued Order No. 3251 authorizing consolidation of the Department of the Interior's real estate appraisal functions into NBC within the Office of the Secretary effective immediately. The Order transferred to NBC all real estate appraisal functions from BLM, the National Park Service, the Fish and Wildlife Service, and the Bureau of Reclamation. The Appraisal and Exchange Workgroup had begun to implement the changes recommended by the Appraisal Foundation; however, as a result of the Secretary's action, BLM was unable to complete the implementation process. We concluded that Recommendation 2 was no longer valid and was properly closed without implementation.

### **Conclusion**

At the exit conference on February 9, 2007, we informed BLM officials that we concluded that Recommendation 1 was implemented and Recommendation 2 was properly closed without implementation.

### **Responding to the Report**

Because we consider both of the recommendations to be properly closed, a response to this report is not necessary. If you have any questions regarding this report, please call me at 303-236-9243.

cc:     Audit Liaison Officer, Assistant Secretary for Land and Minerals Management  
          Audit Liaison Officer, Department of the Interior  
          Audit Liaison Officer, Bureau of Land Management  
          Focus Leader for Management Control and Audit Follow-up  
          Team Leader, National Land Exchange Team, Bureau of Land Management

**STATUS OF PRIOR AUDIT REPORT RECOMMENDATIONS**

<b><u>Recommendation</u></b>	<b><u>Status</u></b>	<b><u>Action Required</u></b>
1	Resolved and Implemented	No Action Required
2	Closed Not Implemented	No Action Required