



OFFICE OF
INSPECTOR GENERAL
U.S. DEPARTMENT OF THE INTERIOR

INDIAN LAND CONSOLIDATION ADVISORY

Mass Appraisals of Indian Lands



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JUN 13 2011

Memorandum

To: Meghan Conklin
Associate Deputy Secretary

From: Kimberly Elmore *Kimberly Elmore*
Assistant Inspector General for Audits, Inspections, and Evaluations

Subject: Advisory – Indian Land Consolidation: Mass Appraisals of Indian Lands
Report No. WR-EV-BIA-0001-2011

This advisory, regarding the U.S. Department of the Interior's (Department) upcoming endeavor to implement the land consolidation portion of the *Cobell* settlement, is part of our ongoing effort to monitor and evaluate the accountability of funding appropriated to the Department in the settlement. Although the *Cobell* settlement was approved by Congress and signed into law, it is not final until the court oversees a notice and hearing process. During this time, the Department will be conducting tribal consultations regarding Indian land consolidation strategies. As a result, these advisories serve to provide information to the Department in advance of implementation efforts.

We interviewed officials at the Office of the Special Trustee for American Indians, Office of Appraisal Services (OAS), and the Department Office of Valuation Services. We conducted our work in accordance with the Quality Standards for Inspections issued by the President's Council on Integrity and Efficiency.

In our January 2011 report, "Coordination of Efforts to Address Indian Land Fractionation" (Report No. WR-EV-BIA-0002-2010), we identified that OAS was understaffed and unable to keep up with current appraisal workload demands. OAS currently has 12 regions and is funded for 76 positions, including appraisers, administrative support, and management positions. As of January 2011, OAS had over 1,000 appraisal reports past due and more than 2,500 open appraisal requests.

The Appraisal Foundation¹ (Foundation) reported² on the effect of understaffing on workload in a 2003 evaluation of OAS operations. The Foundation identified the use of mass appraisal techniques as a possible long-term solution to alleviate staff shortages. Mass appraisal techniques facilitate more appraisals per staff position because the process involves valuing a universe of real properties by using standard valuation methodology and employing common

¹ Established in 1987 by the appraisal profession in the United States, the Appraisal Foundation is a non-profit organization dedicated to the advancement of professional valuation.

² "Evaluation of the Appraisal Organization of the Office of Special Trustee for American Indians, Office of Appraisal Services," prepared by The Appraisal Foundation, August 29, 2003

data. Furthermore, professional appraisal standards³ identify that estimates of value that allow for statistical review and analysis of results are obtained through the mass appraisal's systematic approach and uniform application of appraisal methods and techniques.

Mass appraisers must develop mathematical models that, with reasonable accuracy, represent the relationship between property value and supply and demand factors, as represented by quantitative and qualitative property characteristics. The models may be specified using the cost, sales comparison, or income approaches to value. Appraisers engaged in mass appraisal are required to take reasonable steps to ensure that the quantity and quality of the factual data that are collected are sufficient to produce credible appraisals. Appraisers have a professional responsibility to ensure that, on an overall basis, models produce value conclusion that meet attainable standards of accuracy.

Due to the overwhelming volume of appraisal requests for fractionated tracts, combined with the nature and complexity of the real estate and ownership, the Foundation found mass appraisal techniques appropriate for these types of appraisals. The Foundation further recommended that OAS hire a qualified and experienced mass appraisal organization, firm, or appraiser to validate the techniques used to ensure compliance with professional appraisal standards.

OAS implementation of a mass appraisal system

OAS is currently developing the Mass Appraisal Program System (MAPS). MAPS is a mathematical mass appraisal model for the appraiser to use in estimating fair market value. According to OAS, MAPS will both reduce time in appraisal reporting by optimizing appraisal resources and providing consistency in realty valuation estimates. MAPS updates the Undivided/Fractionated Appraisal System (U/FAS) currently used by the Great Plains Region. Both models are used only for tracts with fractional ownership. Since October 2009, the use of U/FAS has accounted for more than 80 percent of appraisal reports completed in the Great Plains Region, which is about one-third of all total appraisal reports completed by OAS.

U/FAS values a fractional interest of a whole tract based on the tract's income potential, while MAPS will value the whole tract based on comparable sales data. According to OAS, the sales comparison approach that MAPS provides more closely aligns the appraiser's fair market valuation opinion to the local market. MAPS will also improve efficiency by identifying the appraisal client as the Secretary of the Interior, or his designee. Currently, appraisal reports identify a specific BIA office as its client, which restricts use of the report and requires OAS to complete multiple appraisals of the same property. OAS plans to resolve this issue to enable a larger audience to use the MAPS generated appraisal reports.

Appraisal reports generated from U/FAS and MAPS are considered Trust documents because they include allotment numbers, which are pulled from the Trust Accounting and Asset Management System (TAAMS), as identifiers. According to OAS, the Bureau of Indian Affairs'

³ Federal land acquisitions must conform to the Uniform Appraisal Standards for Federal Land Acquisitions, which in turn conform to the Uniform Standards of Professional Appraisal Practice.

(BIA) Office of the Chief Information Officer initially raised concerns over data security of trust information stored in a system outside of TAAMS. OAS clarified, however, that neither the current U/FAS nor the planned MAPS stores trust information within its system. Instead, stored data consists of historical market data, which is used to identify trends, support work files, and generate values for probate packages as of certain dates.

After undergoing validation of the system, OAS plans to deploy MAPS in a phased approach, beginning with the Great Plains Region and followed by the Rocky Mountain and Navajo Regions. Validation will involve both OAS and an independent third-party working to ensure that MAPS complies with professional appraisal standards. While no firm commitments have been made, OAS is working with the Department Office of Valuation Services to obtain validation from an entity such as the Appraisal Foundation to conduct the third-party testing. OAS plans to initiate outreach to the tribes and BIA's offices once validation is complete.

Timely implementation requires readily available and accurate land characteristic data

According to OAS, availability of accurate geospatial data will aid the office in establishing MAPS as its mass appraisal system. Geospatial data identifies land characteristics, such as pasture or cropland, which is critical for the appraiser to determine market value. Such geospatial data was historically available through the U.S. Department of Agriculture's Farm Service Agency (FSA). With the enactment of the Food, Conservation, and Energy Act of 2008 (P.L. 110-234), however, FSA is prohibited from disclosing the geospatial data it collects.

Per the legislation, the Secretary of Agriculture may release or disclose information to a person or any Federal, state, local, or tribal agency working with a U.S. Department of Agriculture program. Though the Departments of Agriculture⁵ and Interior have separate programs aimed to help tribes purchase highly fractionated lands, OAS has stated that it has been unsuccessful in obtaining approval from local FSA offices to access the geospatial data. Without the FSA-provided geospatial data, OAS expects that the time needed to deploy MAPS to other regions will increase because OAS will have to manually input agricultural data from TAAMS. Further, the TAAMS data is less accurate than FSA's data because TAAMS does not fully identify agricultural characteristics.

Recommendations

1. Analyze MAPS' application for use in the *Cobell* consolidation effort.
2. An independent appraisal organization should evaluate MAPS for compliance with professional appraisal standards.
3. Obtain a legal opinion from the Office of the Solicitor on whether the Agriculture Secretary's disclosure authority (P.L. 110-234) would permit the sharing of geospatial data with DOI personnel. If the answer is yes, initiate discussions with the U.S.

⁵ Subtitle F, Sec. 5501 of P.L. 110-234 authorizes the Secretary of Agriculture to make and insure loans American Indian tribes or tribal corporations to purchase highly fractionated land.

Department of Agriculture's senior officials regarding OAS' ability to access FSA's geospatial data of agricultural lands for use in MAPS.

Please provide a written response to this advisory within 30 days after the conclusion of the Department's tribal consultation efforts. The response should detail the Department's corrective action plan, as well as targeted completion dates and title(s) of the official(s) responsible for implementation. Information contained in this advisory will be included in our semiannual report to Congress. Please contact me at 202-208-5745 if you have any questions.

cc: Deputy Secretary, U.S. Department of the Interior
Assistant Secretary – Indian Affairs
Principal Deputy Special Trustee, Office of the Special Trustee for American Indians
Director, Bureau of Indian Affairs
Audit Liaison, Office of the Secretary
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