



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

**NOTICE OF POTENTIAL  
FINDINGS AND RECOMMENDATIONS**

**Date:** September 5, 2012

**Subject:** Audit of the Management of the Coastal Impact Assistance Program  
Assignment No. ER-IN-MOA-0013-2011

**Issue:** Questionable Land Acquisitions Totaling \$12.6 Million Due to Inadequate  
Appraisals

The Department of Marine Resources (DMR) of the State of Mississippi (State) receives Coastal Impact Assistance Program (CIAP) grants to acquire and conserve real property. The Bureau of Ocean Energy Management, Regulation, and Enforcement (BOEMRE), which administered CIAP through fiscal year (FY) 2011, required that appraisals of real property meet the “Uniform Appraisal Standards for Federal Land Acquisitions” (UASFLA). As of January 2012, DMR and four of its subgrantees—the Cities of Lucedale and Pascagoula, the Land Trust for the Mississippi Coastal Plain (LTMCP), and the Lynn Meadows Discovery Center (LMDC)—had acquired or were attempting to acquire 14 parcels of land under grants provided by BOEMRE. We reviewed the 14 appraisals associated with these acquisitions.

With the assistance of a Federal appraisal expert from the Office of Valuation Services (OVS) of the U.S. Department of the Interior (DOI), we identified 15 key UASFLA requirements and best practices—ranging from the requirement to ensure arms-length transactions to standards governing the analysis of comparable sales—that could impact the appraiser’s estimation of market value. None of the CIAP appraisals fully met these criteria; each appraisal contained at least four deficiencies (see Table 1).

Federal Standards Not Met By CIAP Land Appraisals																
Land Tract	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	Total
Charnley-Norwood		X	X	X	X			X		X	X					7
Hanover Point		X			X		X								X	4
Harbor Landing		X			X	X	X							X		5
LMDC		X	X						X			X				4
McNeil Property		X		X	X						X					4
Moran		X	X	X	X			X	X	X	X					8
Moss Point		X	X	X				X			X					5
Old Fort Bayou		X	X	X				X			X					5
Pascagoula (Hebert)	X			X	X						X					4
Pass Christian Beach Front		X	X	X	X			X							X	6
Point Park		X	X	X	X			X					X			6
Reynolds (Beach Front Dr.)		X		X	X			X			X	X				6
Reynolds (Rod and Reel Rd.)		X	X	X				X		X	X					6
Wolf River		X	X	X	X			X			X		X			7

**Legend:**

- A: Arms-Length Transaction Not Ensured Due to Potential Conflict of Interest
- B: Large Disparities between Tax Assessors' and Grantees' Appraisals
- C: Questionable Analysis of Highest and Best Use
- D: Improper Extraordinary Assumptions
- E: Inadequate Investigation and Consideration of Sales History
- F: Disregard for the Sales Comparison Method of Appraisal
- G: Improper Application of the Cost and/or Income Capitalization Methods of Appraisal
- H: Unexplained Zoning Differences between the Appraised Property and Comparable Sales
- I: "Verification" of Comparable Sales *Prior* to the Sale Date
- J: Improper Use of Sales to Governments and Nonprofits as Comparables
- K: Unsupported and Inconsistent Quantitative Adjustments to Comparable Sales
- L: Improper Qualitative Analysis of Comparable Sales
- M: Stale Appraised Values and Comparable Sales
- N: Improper Valuation of Fixtures
- O: Reliance on the Seller's Appraisal

Table 1. Summary of CIAP land appraisals that do not meet Federal standards.

**Arms-Length Transaction Not Ensured Due to Potential Conflict of Interest.** DMR purchased the Pascagoula (Hebert) property from the parents of the director of its coastal management and planning office. This employee administers DMR's use of CIAP funds. According to UASFLA, "it is imperative" that appraisals and Federally-funded land acquisitions be based on market value (sections A-9 and B-2). In addition, "[s]ales between members of a family or closely related business entities are not arms-length transactions . . . they may involve other factors than market value considerations. . ." (section B-4).

**Large Disparities between Tax Assessors' and Grantees' Appraisals.** UASFLA requires appraisal reports to state the value of the property that local officials use for tax purposes (section A-13g). In 13 of 14 instances, property values determined by CIAP appraisals vary dramatically from the values assigned by County tax assessors. Five properties appraised at least 1,000 percent higher for CIAP purposes than for tax assessment purposes (see Table 2). Our OVS appraisal expert informed us that tax assessors' valuations can vary widely from appraisals conducted under UASFLA, depending on the appraisal method required in each tax assessor's jurisdiction. He also noted, however, that the disparities we found are unusually large and therefore warrant an explanation in the appraisal reports. None of the CIAP appraisals address these differences.

Disparities Between Appraisals Conducted for CIAP Grants and County Tax Assessor's Appraisals			
Land Tract	County Tax Assessor's Appraisal	CIAP Appraisal	Percentage Difference
Charnley-Norwood	\$457,320	\$1,300,000	184%
Hanover Point	183,400	1,260,000	587%
Harbor Landing	1,320,050	4,050,000	207%
Lynn Meadows Discovery Center	268,180	1,220,000	355%
McNeil Property	10,650	130,000	1,121%
Moran Site	33,132	380,500	1,048%
Moss Point	1,900	32,500	1,611%
Old Fort Bayou	70,680	1,250,000	1,669%
Pascagoula (Hebert)	175,790	195,000	11%
Pass Christian Beach Front Park	595,125	5,250,000	782%
Point Park	200,470	465,000	132%
Reynolds (Beach Front Drive)	202,840	835,000	312%
Reynolds (Rod and Reel Road)	8,970	25,700	187%
Wolf River	13,085	342,000	2,514%

Table 2. Percentage difference between appraisals for CIAP grants and County tax assessments.

**Questionable Analysis of Highest and Best Use.** One of the first steps in the appraisal process is to determine the highest and best use (HBU) of the subject property—the property being appraised. HBU represents the most profitable use for which the property is adaptable and likely to be needed in the reasonably near future. After determining HBU, appraisers use comparable properties with the same HBU to estimate the value of the subject property. Even though UASFLA considers the determination of HBU as one of the most important elements of the entire appraisal process, CIAP appraisals contain numerous examples of questionable HBU analysis and application.

- Eight CIAP appraisals either (1) do not report HBUs for all comparable sales or (2) use comparable sales with HBUs different from the subject property's. According to UASFLA, it is fundamental that all comparable sales have the same economic HBU as

the property under appraisal (section A-17). Comparable sales that do not meet this standard are not truly comparable to the subject property and should not be considered in UASFLA appraisals.

- Five CIAP appraisals list multiple HBUs for the subject property or the comparables. For example, the Wolf River appraisal does not settle on a single HBU for the subject property, but presents three possibilities. Similarly, the Moss Point appraisal lists multiple HBUs for three of the four comparable sales used in that report. According to UASFLA, however, “each potential use must be analyzed in terms of its physical possibility, legal permissibility, financial feasibility, and its degree of profitability. That use which meets the first three tests and is the most profitable use (i.e., results in the highest value) is the property’s highest and best use” (section B-3). Multiple HBUs cannot logically represent the most profitable use.
- Four CIAP appraisals assert that assemblage—the practice of combining two or more land parcels under a single ownership—represents HBU of the subject property or the comparable sales. According to UASFLA, however, “the appraiser’s estimate of highest and best use must be an *economic* use [original emphasis]” (section A-14). A June 22, 2005 article entitled “Disassembling Assemblage,” published by the Appraisal Institute—a global association of nearly 23,000 professional real estate appraisers—echoes this sentiment. The article states: “Unfortunately for most property owners, the actions of the adjoining property owners cannot be dictated. If they could, the highest and best use of every property would be for the adjacent property owner to purchase it [for assemblage purposes]. An absurd extension? Many assemblage conclusions are just as absurd.” The Federal appraisal expert we consulted also argued against assemblage as an HBU, stating that assemblage does not demonstrate a specific, economic use of land.
- UASFLA states that a proposed HBU cannot be the use for which a government is acquiring the property unless the appraiser can demonstrate a prospective and competitive demand for that use. Furthermore, the standards note that HBU “is driven by economic considerations and market forces, not by public interest,” such as the establishment of parks or public space (section B-3). The appraisals for the Charnley-Norwood, Moran, and Moss Point properties, however, do not adhere to these requirements. For example, the Moss Point appraisal states that the subject property’s HBU is to remain “in its current state of being unimproved”—the very reason LTMCP acquired this parcel.

**Improper Extraordinary Assumptions.** Extraordinary assumptions presume as fact otherwise uncertain information about physical, legal, or economic characteristics of the property being appraised. UASFLA states that an extraordinary assumption “may be used in an assignment only if: it is required to properly develop credible opinions and conclusions; the appraiser has a reasonable basis for the extraordinary assumption; use of the extraordinary assumption results in a credible analysis; and the appraiser complies with disclosure requirements . . .” (section D-3). Of the 14 CIAP appraisals, however, 11 are based on extraordinary assumptions that could affect the appraisal results and should have been investigated further.

For instance, the appraisal of the McNeil Property indicates the possible presence of wetlands, which could affect the property's market value. The appraisers, however, did not resolve this issue by obtaining expert advice: "The value opinion(s) assumes some impact on value because of 'Section 404 wetlands,' as defined by the U.S. Army Corps of Engineers. We have gathered information regarding hydric soils . . . merely to point out the possibility of the presence of some wetlands at the subject property and on the comparable sales. However, we are not experts in this field and urge the client to seek the advice of an expert to determine any potential impact of wetlands on the property." The appraiser of the Hussey property also encountered possible wetlands but called his estimates "guesses at best." In spite of these statements, we found no evidence that the appraisers or the CIAP recipients further analyzed the wetlands issue before acquiring these properties.

**Inadequate Investigation and Consideration of Sales History.** UASFLA states that "[p]rior sales of the same property, reasonably recent and not forced, are extremely probative evidence of market value" (section B-5). The standards also require appraisers to report all sales of the subject property within the past 10 years. If no sale occurred within that timeframe, appraisals must indicate the last sale of the property, irrespective of date (section A-13e), since Federal courts have considered sales up to 14-years-old as relevant in determining market value (section B-5). Prior sales history, however, is not fully reported in 10 of the 14 CIAP appraisals. For example, the April 2010 appraisal of Harbor Landing notes that the property had been sold in March 2002 for \$675,000. Even though this sale occurred only 8 years prior to the CIAP appraisal, the appraiser discounted it in his analysis "[d]ue to its occurrence several years in the past." This standard is particularly relevant, given that the appraiser's valuation of Harbor Landing totals \$4,050,000, an appreciation of 600 percent over 8 years.

**Disregard for the Sales Comparison Method of Appraisal.** Under the sales comparison approach, appraisers seek recent, unforced sales of comparable properties to determine the market value of the subject property. The Federal appraisal expert we consulted stated that in his 30-plus years of experience, he had never seen an appropriately supported appraisal that *did not* employ this method. Section B-4 of UASFLA reinforces this view by stressing that the sales comparison approach is—

- "the best evidence of market value";
- "too often . . . over-shadowed by the time, attention, and detail given to other less reliable approaches to value";
- a method that should not be lost "among other evidence concerning what the courts often view as less reliable approaches to value"; and
- "the most easily understood approach to value, [which] often develops the most acceptable and convincing evidence of the market value of the property to both the courts and the parties to the transaction."

The appraisal for Harbor Landing, however, states that comparable properties were not available. Instead, the appraiser used (1) the cost approach, in which the market value of bare land is added to the depreciated replacement cost of improvements and (2) the income capitalization approach,

in which net income produced by the property is divided by a capitalization rate. UASFLA cautions against reliance on these methods by noting that the cost approach is “often the least reliable approach to value” (section A-16). Furthermore, the income capitalization approach “can reach wonderland proportions” and “often requires the appraiser to use a myriad of factors and variables, the accuracy of which cannot clearly and easily be demonstrated by direct market data” (section B-7).

#### **Improper Application of the Cost and Income Capitalization Methods of Appraisal.**

UASFLA states that the age-life method of calculating depreciation<sup>1</sup> under the cost approach is to be avoided; instead, the breakdown<sup>2</sup> and market extraction methods<sup>3</sup> are preferred (section A-16). To calculate depreciation using the two preferred methods, the appraiser must determine the construction costs of any buildings being acquired. According to the Harbor Landing appraisal, however, the boat storage facility and marina on that property are “so specialized” that the appraiser could not estimate construction costs. Therefore, he employed the age-life method to develop the depreciation rate. UASFLA also notes that “consideration should be given to retaining the services of a contractor or professional cost estimator to assist in developing the reproduction or replacement cost estimate” (section A-16), but the appraiser did not obtain any assistance.

Determining the market rent of a property is of utmost importance when using the income capitalization approach because under UASFLA, only rental income—not income produced from a business enterprise conducted on the property—may be considered (section B-7). The standards further state that current rent is often the best evidence of market rent and that “the appraiser should attempt to obtain at least the last three years’ historical income and expense statements for the property” (section A-18). Even though the sellers of Harbor Landing received income from renting boat storage space, the appraiser disregarded this information because the sellers’ financial records “appeared to be somewhat inconsistent.” The appraisal does not discuss the nature of these inconsistencies, and contrary to UASFLA, it includes no data on actual rental income (section A-18). Instead, the appraisal improperly considers non-rental income to estimate the property value.

#### **Unexplained Zoning Differences between the Appraised Property and Comparable Sales.**

When selecting comparables, the appraiser should select sales that have the same or similar zoning as the property being appraised. If zoning differs, the appraiser must reconcile dissimilar provisions of the zoning ordinances, including “lot area requirements, building setback requirements, floor/area ratios, lot coverage ratios, off-street parking, landscaping requirements, height limitations, treatment of preexisting, nonconforming uses, and treatment of nonconforming uses that became nonconforming after adoption of the zoning ordinance”

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<sup>1</sup> The age-life method of depreciation requires multiplying the replacement cost of the property by the ratio of the property’s effective age (the age considering wear and tear) to its economic life (the expected period that the property will provide benefits).

<sup>2</sup> The breakdown method of depreciation requires estimating the dollar amounts for each cause of depreciation—the property’s physical deterioration, functional obsolescence, and economic obsolescence—and adding them together.

<sup>3</sup> The market extraction method of depreciation equals the reproduction or replacement cost of the property less the value contribution of its improvements.

(section D-6). This principle is significant, since HBU of the subject property could be unallowable under the zoning ordinances in effect for the comparable properties. In such cases, the parcels would not truly be comparable.

The 14 CIAP appraisals detail 80 comparable sales. In 43 instances (54 percent), the appraisals either (1) report no zoning information for the comparable sales or (2) do not demonstrate whether the comparable sales and the subject property could share the same HBU despite being located in different zoning areas. For instance, the Reynolds (Beach Front Drive) property is zoned as R-1A, special apartment use district. Comparable sales are zoned as C-3, highway commercial; R-B, residential business; B-3, business hospitality; and RM-10 (no description given in the appraisal report). The appraisal does not explain whether the Reynolds property's HBU would be allowable in all of these zoning areas.

**“Verification” of Comparable Sales *Prior to the Sale Date.*** According to UASFLA: “It is imperative to verify sales amounts [of comparable properties] and to ascertain whether terms and conditions of a sale were conventional and under open competitive market conditions. This requires interviews and discussions with the seller, the buyer, the closing agency, or the broker handling the transaction. . .” (section B-4). Verification is important because unconventional real estate sales could involve the sale or trade of equipment, vehicles, or other property. Such sales could result in a price not reflective of market conditions.

The appraisals for the LMDC and Moran sites use a number of comparable sales to estimate the value of those properties. We noted, however, that the appraiser contacted individuals knowledgeable of these properties before their sales prices were finalized. For instance, the appraiser for LMDC “verified” two comparable sales in August and November 2005. The comparables, however, were actually sold months later, in January and February 2006, respectively.

**Improper Use of Sales to Governments and Nonprofits as Comparables.** The appraisals for the Charnley-Norwood, Moran, and Reynolds (Rod and Reel Road) properties use sales to government entities and environmental organizations as comparables. UASFLA, however, calls this practice “suspect,” since governments are not constrained to follow market rules, and environmental organizations, whose goals are usually land conservation, are not driven by typical market forces. The standards note that these types of comparables are allowable only if a scarcity of private market data otherwise makes estimating market value impossible; UASFLA also outlines a process that appraisers must follow before such sales qualify as valid comparables. When sales to government entities are used as comparables, appraisers should examine the legislation authorizing the purchases and the relevant appraisals to determine if the sales represented market value. When sales to nonprofits are used as comparables, appraisers should determine whether (1) the sales were based on competent appraisals that considered the principle of economic HBU, (2) the nonprofit took any tax write-offs, and (3) the purchases were impacted by the pendency of any government projects (section D-9). None of the CIAP appraisals address these requirements.

**Unsupported and Inconsistent Quantitative Adjustments to Comparable Sales.** Comparable

sales inevitably differ from the subject property in a number of ways. For example, a comparable could have an ocean view, while the subject property does not. Such features increase or decrease the value of comparable sales, and unless appraisers adjust for these differences, they could overstate or understate the value of the subject property. According to UASFLA: “The preferred method of adjusting comparable sales is through the use of quantitative [specific dollar or percentage] adjustments whenever adequate market data exists to support them” (section A-17). The Federal appraisal expert we consulted explained that quantitative adjustments should be supported by verifiable data rather than the appraiser’s knowledge or opinion of market conditions.

Of the 14 appraisals we reviewed, 9 do not adequately support quantitative adjustments of comparable sales. For instance, in the report for the McNeil property, the appraiser adjusted the price of three comparables by 15 percent due to size differences. The appraiser, however, did not calculate the specific amount of this adjustment using market data; he appeared to estimate the 15 percent figure based only on his experience.

One appraiser inconsistently adjusted comparable sales. As noted above, comparable sales in the McNeil report were adjusted due to differences in acreage; the largest comparable (40 acres) is 4 times larger than the smallest (9.7 acres). Approximately 7 months later, the same appraiser valued the Charnley-Norwood property but did not adjust any comparable sales for size. We noted, however, that the largest comparable (150.2 acres) is 385 times larger than the smallest (0.4 acres). In another instance, the appraiser for Wolf River adjusted comparable sales for time spent on the market; the difference between the longest time (707 days) and shortest time (112 days) equals 595 days. The same appraiser, however, worked on the Reynolds (Rod and Reel Road) report. The comparables for that parcel were on the market between 103 and 2,160 days, for a difference of 2,057 days. None of those comparables, however, were adjusted for this sizeable difference.

**Improper Qualitative Analysis of Comparable Sales.** When quantitative adjustments are impractical due to a lack of market data, UASFLA allows appraisers to adjust comparable sales qualitatively (section A-17). Using this method, the appraiser determines whether the qualities of each comparable sale render it inferior or superior to the property being appraised. For example, if water and sewer are available at the subject property but the comparable lacks these basic utilities, the comparable would likely be considered the inferior property and adjusted accordingly.

According to UASFLA: “[I]t is essential that the comparable sales utilized include both sales that are overall superior and overall inferior to the property being appraised. If this is not done, the appraiser will have merely demonstrated that the [subject] property is worth more than a certain amount (if all of the sales are inferior to the subject property) or less than a certain amount (if all of the sales are superior to the subject property)” (section A-17). The appraiser valuing the Reynolds (Beach Front) and Lynn Meadows properties did not adhere to this principle. The Reynolds appraisal includes comparables that are inferior to the subject but none that are superior; the Lynn Meadows appraisal, on the other hand, uses a superior comparable but none that are inferior.



**Stale Appraised Values and Comparable Sales.** UASFLA states that “[a]s a general rule, the property being acquired should be valued as of the time of the acquisition, or as near that time as is possible” (section B-3). The appraisal for the Wolf River property, however, is dated nearly 3½ years prior to DMR’s receipt of the grant to purchase this tract. UASFLA also notes that comparable properties “reasonably near the time of acquisition are the best evidence of market value. . .” (section B-4). Contrary to this standard, four comparables from the Point Park appraisal were sold 5 to 8 years prior to the completion of that appraisal.

**Improper Valuation of Fixtures.** The “Dictionary of Real Estate Appraisal” published by the Appraisal Institute defines a fixture as “[a]n article that was once personal property but has since been installed or attached to the land or building in a rather permanent manner so that it is regarded in law as part of the real estate.” UASFLA forbids appraisers from adding separate values for land, improvements, fixtures, and other components together to arrive at the total appraised value (section A-19). This method results in a summation appraisal, which is invalid for Federal purposes because “the entire unit is being hypothetically sold in its entirety, not as separate parts individually” (section B-13). The appraiser for Harbor Landing, however, made a summation appraisal by adding the value of the fixtures from the property’s restaurant to the value of the rest of the property.

Furthermore, UASFLA notes: “[I]n those instances where specialty fixtures are encountered, or when the fixtures will represent a substantial portion of the property’s value, consideration should be given to the retention of a fixture valuation specialist” (section A-13c). The appraiser, however, obtained a cost estimate for the Harbor Landing fixtures from a construction company, which, by its representative’s own admission, does not have a significant amount of experience with restaurant-grade construction.

Following the appraisal, DMR deducted the appraised value of the fixtures from the overall property value and allowed the seller to remove and keep the fixtures. This practice could have affected the market value of Harbor Landing because (1) removing fixtures could increase a potential buyer’s start-up costs for the restaurant and result in a lower offer on the open market, and (2) removing fixtures could physically damage the property. DMR should have either required the seller to remove the fixtures prior to the appraisal or acquired the entire property and then sold the fixtures in accordance with State policy.

**Reliance on the Seller’s Appraisal.** DMR based its purchase of the Hanover Point and the Pass Christian Beach Front Park properties on UASFLA appraisals completed for and addressed to the sellers without procuring its own. We have no evidence that DMR addressed this issue to ensure the impartiality and thoroughness of these appraisals.

These issues arose due to ineffective management by virtually all parties involved in the appraisal process—Federal officials, grantees, and appraisers. First, BOEMRE staff did not require grantees and subgrantees to obtain independent reviews of their appraisals, which is a common practice under UASFLA. Instead, BOEMRE officials examined the appraisals, although they had little knowledge of and no training on UASFLA. One BOEMRE grant

specialist informed us that if she could “follow the math” used in an appraisal, she considered it to be adequate. BOEMRE personnel even asserted that UASFLA serves as an adequate control by itself, given the stringency of those standards.

Second, we have no assurance that DMR officials engaged the most competent, qualified, and experienced individuals to work on land acquisitions because they did not procure key services competitively. For example, DMR awarded a \$75,000 sole-source contract to Barber & Mann, Inc. (B&M), an environmental and real estate consulting firm, to coordinate all aspects of CIAP land acquisitions, including work performed by third-party appraisers. The contract also requires B&M to gather and submit all deliverables, including appraisal reports, to DMR. B&M, however, only checked the appraisals to determine if they covered each topic required by UASFLA. The contractor did not review the appraisals’ content for compliance with UASFLA, in spite of (1) its contractual responsibilities and (2) DMR’s professed need for “technical expertise in . . . appraisal and appraisal review,” which was touted as a reason to hire B&M under sole-source procurement procedures. Furthermore, the resume for B&M’s representative working on CIAP projects does not indicate any prior experience with UASFLA appraisals.

Furthermore, DMR selected Global Valuation Services, Inc. (GVS) to perform all but one of its CIAP appraisals. DMR issued purchase orders to pay for GVS’s services rather than competitively awarding a contract. According to the State’s procurement regulations, service contracts of \$50,000 or less can be procured after obtaining adequate and reasonable competition, while service contracts ranging from \$50,001 to \$100,000 require three written price quotations. We noted that DMR proposed at least 20 land acquisitions in the State’s CIAP plan. Since UASFLA appraisals generally cost thousands of dollars, the aggregate cost of appraisals for that many acquisitions could easily exceed the threshold requiring written quotations.<sup>4</sup>

Third, the number of errors, inconsistencies, and omissions found throughout the CIAP appraisals could indicate that the appraisers had limited experience with UASFLA or did not read the appraisal standards carefully. Specifically, none of the appraisers’ qualifications—which are listed in each appraisal report—note previous UASFLA experience. Furthermore, 10 of the 14 CIAP appraisals do not fully report the sales histories of the subject properties, even though UASFLA provides detailed guidance for this requirement. This type of error could suggest that the appraisers did not carefully read the standard regarding prior sales.

UASFLA quotes the U.S. Supreme Court’s decision in *Searl v. School District, Lake County* to highlight the importance of fully-supported appraisals: “It is the duty of the state, in the conduct of the inquest by which the compensation is ascertained, to see that it is just, not merely to the individual whose property is taken, but to the public which is to pay for it.” Since the CIAP appraisals fall short of meeting required standards, the public has no assurance that it paid a fair

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<sup>4</sup> As the grantee, DMR could competitively select an appraisal firm and require its subgrantees to use that firm as a condition of the subgrant. This approach would increase the likelihood of choosing the most qualified appraiser at the most reasonable price. Even without considering the subgrantees, however, the State plan indicates that DMR’s own appraisal costs could realistically exceed \$50,000.

price for land acquired by DMR and its subgrantees. As a result, we question \$12,625,974 in unsupported costs, which represents all expenses incurred under CIAP grants for land acquisitions (see Table 3).

Unsupported Questioned Costs for Land Acquisitions Charged to CIAP Grants as of January 2012					
Grant Number	Grantee/ Subgrantee	Appraisal Firm*	Land Tract	Grant Amount	Questioned Costs
F12AF70005	DMR/Lucedale	GVS	McNeil Property	\$154,000	\$144,450
F12AF70016	DMR/ LTMCP	Myers	Old Fort Bayou	849,838	844,366
F12AF70022	DMR/LMDC	GVS	LMDC	1,200,000	1,009,350
F12AF70039	DMR	Wingfield	Pass Christian Beach Front Park	3,044,000	3,042,231
F12AF70040	DMR	GVS	Hanover Point	1,294,500	1,289,758
F12AF70185	DMR	GVS	Charnley-Norwood	1,045,400	1,023,780
F12AF70206	DMR	GVS	Moran	540,180	15,056
F12AF70214	DMR/ LTMCP	Myers	Moss Point	16,594	13,173
F12AF70224	DMR	GVS	Reynolds Properties†	896,100	891,428
F12AF70232	DMR	GVS	Pascagoula (Hebert)	245,000	232,129
F12AF70270	DMR	GVS	Harbor Landing	3,725,300	3,695,253
F12AF70281	DMR/Pascagoula	Heidelberg	Point Park	552,000	0
M09AF15751‡	DMR	GVS	Wolf River	425,000	425,000
<b>TOTAL</b>				<b>\$13,987,912</b>	<b>\$12,625,974</b>

- \* The appraisal firms include Global Valuation Services, Inc. (GVS); Myers & Company, Inc. (Myers); Randall G. Wingfield (Wingfield); and Heidelberg & Associates, Inc. (Heidelberg).
- † DMR purchased two properties under grant F12AF70224 from the same seller—one on Beach Front Drive and another on Rod and Reel Road—and obtained an appraisal for each. The amounts shown here represent costs related to both parcels.
- ‡ BOEMRE closed grant M09AF15751 before DOI transferred administration of CIAP to the U.S. Fish and Wildlife Service (FWS). Therefore, this grant never received an FWS grant number. The number assigned by BOEMRE is shown here.

Table 3. Unsupported questioned costs for land acquisitions charged to CIAP grants through January 2012.

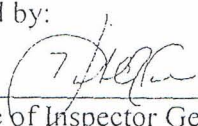
**Potential Recommendations:**

We recommend that FWS:

1. Resolve the unsupported questioned costs of \$12,625,974 resulting from land appraisals that do not meet Federal standards before allowing further drawdowns on land acquisition grants.
2. Require DMR and its subgrantees to provide information on all future land acquisitions showing that the appraisers were competitively selected, do not present a conflict of interest, and have demonstrated the ability to complete appraisals in accordance with Federal standards.
3. Require DMR and its subgrantees to obtain appraisal reviews that comply with UASFLA or other Federal appraisal standards and provide information showing that the reviewers were competitively selected, do not present conflicts of interest, and have demonstrated the ability to perform appraisal reviews in accordance with Federal standards.
4. Review a sample of appraisals and appraisal reviews obtained by CIAP grantees on a regular basis to ensure compliance with Federal appraisal standards.

Please respond before September 17, 2012. We will consider any additional information in our continuing audit work and in preparing the draft report.

Issued by:

  
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Office of Inspector General

Received by:

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U.S. Fish and Wildlife Service