

# Appraisal and Valuation Services Office Manual

- 1.1. **Purpose.** This chapter establishes procedures for non-Federal payment for valuation services, including appraisals, which support land tenure actions by bureaus and offices within the Department. Payment for valuation services by non-Federal parties is authorized by both Secretarial Order and the Departmental Manual (DM) with limitations.<sup>1</sup> The purpose of this chapter is to establish consistent processes for non-Federal party payment for valuation services across the Department to strengthen oversight of valuation services.
- 1.2. **Scope.** This chapter provides official guidance for non-Federal party payment for valuation services to Appraisal and Valuation Services Office (AVSO) reviewers and applies to all types of valuation services performed by AVSO.<sup>2</sup> This guidance does not apply to assignments where federal funds are used to procure valuation services via a federal contract. This guidance also does not apply to grant programs administered by the Department of the Interior or P.L. 93-638 programs overseen by AVSO.
- 1.3. **Policy.** The AVSO will provide oversight for valuation services paid for by non-Federal parties by:
  - A. Vetting the qualifications of any potential appraisers or mineral professionals prior to engagement for the assignment
  - B. Developing a list of assignment qualified appraisers or mineral professionals
  - C. Providing a comprehensive Statement of Work for the valuation assignment
  - D. Providing an engagement letter establishing assignment conditions that require AVSO to be the sole client for the assignment unless a co-client relationship is required by law or regulation
  - E. Maintaining effective control of the valuation process from the onset of the assignment through completion of the AVSO review of the valuation report.
- 1.4. **Authority.** Secretarial Order #3258 dated December 30, 2004 outlines policy related to "Third (i.e., non-Federal) Parties" and the important role that assistance from outside entities can provide to the Department. This Secretarial Order was codified in the Departmental Manual within 602 DM 1 which provides Department policy for non-Federal party payment for valuation services. The description was changed from "third party" to "non-Federal party" to reflect that often times the party procuring the valuation service is a party to the transaction and therefore is not a "third party" by definition.<sup>3</sup> For purposes of this guidance, "non-Federal party" refers to any non-Federal party funding valuation services including state and local government entities, Indian tribes, or allotment owners. The lack of centralized control of non-Federal party funded

<sup>1</sup> Limits to when AVSO can review appraisals paid for by non-Federal parties are specified in 602 DM 1.7 (C) and require AVSO to select the appraiser or mineral professional and issue assignment instructions as the client for the assignment. If these conditions are not met, there are additional steps that can be taken by the bureau or office to request review of an appraisal, however, there is no expectation of approval of the appraisal report due to submission for review. Disapproval of a non-Federally funded appraisal does not alleviate the responsibility of the non-Federal party to compensate the valuation service provider for the work completed.

<sup>2</sup> AVSO reviewers as used in this guidance includes review appraisers, geologists, engineers, mineral economists and any other staff that reviews valuation work completed at the direction of AVSO.

<sup>3</sup> Third Party is defined as "a person who is not a party to a contract or a transaction, but has an involvement (such as one who is a buyer from one of the parties, was present when the agreement was signed or made an offer that was rejected). The third party normally has no legal rights in the matter, unless the contract was made for the third party's benefit." <http://dictionary.law.com/Default.aspx?selected=2120>

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valuations has been a finding of numerous audits of the valuation services process within the Department and tighter control over the process has been a consistent recommendation in these audits.<sup>4</sup>

- 1.5. **Objective.** The objective of this policy is to create a uniform process to be followed by all divisions within AVSO for non-Federally funded valuation services. This will ensure consistency when non-Federally funded valuation services are overseen by AVSO pursuant to Departmental policy.
- 1.6. **Responsibilities**
  - A. **Director, Appraisal and Valuation Services Office:** The Director oversees all operations of AVSO. However, signature authority for valuation policy resides with the Principal Deputy Director per 112 DM 33. The Director's responsibility related to this guidance is advisory only.
  - B. **Principal Deputy Director:** The Principal Deputy Director has final signature authority for valuation policy and guidance on behalf of the Department. In addition, the Principal Deputy Director oversees the valuation divisions within AVSO and the implementation of this guidance.
  - C. **Associate Deputy Director:** The Associate Deputy Director is responsible for outreach and serves as the ombudsperson to the Department's bureaus and offices with valuation needs as it relates to implementing this guidance.
  - D. **Chief, Business Services Office:** The Chief, Business Services Office's role is advisory only.
  - E. **Valuation Systems Manager:** As the responsible supervisor over the electronic valuation request system(s) for AVSO, the Valuation Systems Manager is responsible for ensuring that there is adequate marking of the electronic valuation request to indicate that the agency realty staff's intent is to have payment for valuation services outside the federal contracting system.
  - F. **Deputy Director, Division of Minerals Evaluation:** Ensure that all mineral analysts within the division are provided with this guidance and that non-Federal party funded mineral evaluations follow this guidance, as applicable.
  - G. **Chief Appraiser, Technical Services Division:** The Chief Appraiser is responsible for development of valuation policy and guidance for approval by the Principal Deputy Director. Compliance with this guidance will be evaluated by the Chief Appraiser as part of the quality assurance function of the Technical Services Division.<sup>5</sup>
  - H. **Deputy Directors:** The deputy directors ensure that all valuation personnel within their respective divisions are provided with this guidance and that non-Federal party funded valuation services adhere to this guidance.
  - I. **Team Lead Appraisers, Regional Supervisory Appraisers, and DME Team Leads:** As directed by their respective deputy directors, team lead appraisers (TLA),

<sup>4</sup> These audits and directions for interactions with non-Federal parties date back to at least 1983 when "Guidelines for Transactions Between Nonprofit Conservation Organizations and Federal Agencies" was published in the Federal Register (FR 36342-36344 Vol. 48, No. 155, August 10, 1983). Additional recommendations are included in the DOI-OIG report "Managing Land Acquisitions Involving Non-Federal Partnerships" published in September 2005 (Report No. W-IN-MOA-0085-2004).

<sup>5</sup> 602 DM 1.5 (D)(6).



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regional supervisory appraisers (RSA) and DME team leads are responsible for ensuring that all AVSO personnel are aware of and comply with this guidance including compliance by AVSO reviewers with this issuance as part of their quality control responsibilities within their division.

- 1.7 **Components.** AVSO oversight of non-Federal party payment for valuation services include the following components:
- A. Complete valuation system request(s) submitted from the bureau or office identifying the assignment as a non-Federal party funded valuation service.<sup>6</sup>
  - B. AVSO developed assignment-specific Statement of Work.
  - C. List of assignment qualified fee appraisers or mineral professionals prepared by the assigned AVSO reviewer. This list may include appraisers or minerals professionals identified by the non-Federal party if the assigned AVSO reviewer determines they are qualified. Specific qualifications for fee appraisers are found in 602 DM 1.6(B).
  - D. Letter of Engagement to the fee appraiser or mineral professional selected by the non-Federal party from the AVSO prepared list of assignment qualified valuers.<sup>7</sup>
  - E. AVSO review report.
- 1.8 **Content and Format.** The following steps must be followed when valuation services to facilitate a land tenure action by bureaus or offices within the Department are funded by a non-Federal entity.
- A. Bureau or office submits request for valuation services in the appropriate electronic platform, providing all required assignment information including names of fee appraisers or mineral professionals submitted by the non-Federal party, if any.
  - B. Final SOW and an AVSO developed list of assignment qualified valuers is provided to the bureau realty staff and the non-Federal party. AVSO will not solicit bids for the assignment nor negotiate the period of performance. Fee appraisers or mineral professionals included on the AVSO list provided to the assigned realty staff and non-Federal party must be fully vetted by and acceptable to AVSO prior to inclusion on the list.
  - C. Non-Federal party selects a fee appraiser or mineral professional from the AVSO list and notifies agency realty staff and the assigned AVSO reviewer of the selection.
    - a. The non-Federal party may not select an appraiser or mineral professional that is not included on the AVSO developed list of assignment qualified valuers.
    - b. Fees for the assignment are the sole responsibility of the non-Federal party.
    - c. AVSO reviewers will not be involved in the negotiation of fees between the non-Federal party and the selected fee appraiser or mineral professional.
    - d. Neither AVSO nor the bureau or office involved will be responsible for ensuring payment of these fees.
    - e. Due date of the appraisal (may be in terms of number of days or a specific date) is agreed upon between the non-Federal party and the valuator as part of this step.

<sup>6</sup> Currently the Departmental Manual (602 DM 1.7 (C)) uses the term "Private Party" to describe procurement of valuation services by any party other than the Federal Government. This will be changed to "non-Federal party" upon update of this section of the DM.

<sup>7</sup> A template for use in drafting an engagement letter is enclosed with this guidance.

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- f. The non-Federal party must notify AVSO and agency realty staff of the negotiated due date for the valuation service.
  - g. Disapproval of a non-Federally funded appraisal report or non-satisfaction with the outcome of the assignment by the non-Federal party are not valid reasons to withhold payment.<sup>8</sup>
- D. AVSO engages the selected valuator via the AVSO standard engagement letter and provides a copy of the signed engagement letter to agency realty staff and the non-Federal party.
- E. Assigned AVSO reviewer contacts the selected valuator and arranges for a pre-work discussion of the assignment. Agency realty staff and the non-Federal party are notified of the time/date of the discussion and are invited to participate. **Pre-work discussions are required for all non-Federal party assignments.** This discussion may be held telephonically or in person at the discretion of the assigned AVSO reviewer.
- F. AVSO reviewer manages the valuation process and works with the selected valuator during the assignment to answer any questions and ensure that the assignment is on track to meet agreed to timeframes. If issues develop or assignment conditions change, the AVSO reviewer communicates with agency realty staff and/or non-Federal party (as appropriate) to address the situation. If the discussion is directly with the non-Federal party, the AVSO reviewer informs agency realty staff via email or personal contact.
- G. Valuation report is submitted directly to the AVSO reviewer. **Simultaneous delivery to the non-Federal party or agency realty staff is prohibited.**
- H. Valuation report and AVSO review report are provided to agency realty staff. Agency realty staff may provide valuation report(s) to the non-Federal party subject to the agency's internal policy on release of valuation reports.
- I. AVSO reviewer notifies the valuator that the report has been reviewed and forwarded to the agency and that they should submit their invoice to the non-Federal party identified in the engagement letter for payment.
- J. Non-Federal party makes payment for valuation services.<sup>9</sup>

## 1.8 DISTRIBUTION AND MAINTENANCE.

**Effective Date:** March 21, 2019

**Expires:** Indefinite

**Supersedes:** National Policy Issuance #2017-TSD-01 dated March 14, 2017 and all other guidance related to private party or non-Federal party procurement of valuation services that may exist.

Valuation guidance containing the signature of the Principal Deputy Director are designated as the official record and will be maintained in the Technical Services Division office and follow disposition instructions as defined in the OS Records Manual.

<sup>8</sup> Although the appraiser or mineral professional is engaged by AVSO for the assignment, it is required that they have a written agreement with the non-Federal party for payment regardless of the outcome of the assignment.

<sup>9</sup> Payment by the non-Federal party is required regardless of the outcome of the assignment.



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Part 7  
Chapter 2


Technical Services Division  
Non-Federal Payment for Valuation Services

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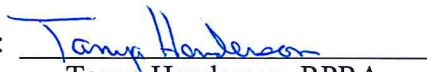
An email message from the Chief Appraiser containing an attachment of the guidance will be sent to all managers and valuation staff with instructions for implementation. The deputy directors are instructed to share this policy with national realty leads for their respective bureaus and offices. This distribution should include an instruction for further distribution to lands and realty staff in the field.

The guidance contained in this issuance supersedes any existing policy or guidance related to non-Federal party funded valuation services. It also removes the term "third-party" from all official AVSO guidance and policy issuances and replaces it with "non-Federal".

Developed by:

  
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Chief Appraiser AVSO

Approved by:

  
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Principal Deputy Director AVSO





## UNITED STATES DEPARTMENT OF THE INTERIOR

### OFFICE OF THE SECRETARY

#### Appraisal and Valuation Services Office

[City, ST]

#### Valuation Services Letter of Engagement

Date:

Dear [Enter Appraiser or Mineral Analyst Name Here]

This letter engages you to complete the specified valuation services described in the attached Statement of Work for the subject property identified as [enter IVIS/OASIS Number] [Enter Assignment Name] located at [Enter Location Here]. The current owner of the subject property interest is identified as: [Enter current ownership information]. This property is currently being used as [Enter Current Use].

**[IF THE ASSIGNMENT IS AN APPRAISAL, THE FOLLOWING SECTION MUST BE INCLUDED]**

This appraisal must conform to the Uniform Standards of Professional Appraisal Practice (USPAP) [and/or] the 6<sup>th</sup> Edition of the Uniform Appraisal Standards for Federal Land Acquisitions (UASFLA).

The intended use of this valuation service is to [ENTER INTENDED USE HERE SUCH AS: determine the market value of the subject property as defined in the UASFLA 6<sup>th</sup> Edition 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." (UASFLA Section 1.2.4, Pg. 10)]*

**[IF A DIFFERENT DEFINITION OF MARKET VALUE IS REQUIRED FOR THE ASSIGNMENT, SUBSTITUTE THE APPLICABLE DEFINITION FOR THE UASFLA DEFINITION]**

Unless otherwise instructed, the date of value for this assignment is the date of the last property inspection and must be no later than 30 calendar days prior to the submission of the completed valuation report. The Appraisal and Valuation Services Office (AVSO) reviewer may approve, in advance, other conditions in writing related to the date of value.

The sole client for this assignment is the AVSO and this is a condition of the assignment. [If co-client is required by law or regulation, adjust as appropriate]

The intended users of the valuation report are the AVSO, [Enter Acquiring Agency] and [Enter non-Federal party or their representative as appropriate]. Please note that the described valuation services will have payment issued directly by [Enter non-Federal Party Name] after review of the valuation report by AVSO. Terms and conditions of payment for the assignment are those agreed upon, in writing, between

[AVSO Office Address, ZIP code]

the non-Federal party and the appraiser or mineral professional prior to commencement of the assignment. Please see Payment section below which identifies the party responsible for payment.

Your Point of Contact to coordinate access to the property is:

Contact: [Enter Name]  
[Enter Title]  
Address: [Enter Address]  
[Enter City, ST, ZIP]  
Phone: [Enter Phone #]  
Email: [Enter email]

Only the assigned AVSO reviewer can modify assignment instructions and this must be done in writing.

The target date of delivery of the initial valuation report to the AVSO reviewer will be negotiated between the non-Federal party the appraiser or mineral professional. The [Enter Agency Name] and AVSO must be notified of the negotiated delivery date once there is agreement.

Once the report is reviewed by AVSO, you will be required to submit one final report and [##] copies to the AVSO reviewer, [Enter Name] as specified in the Statement of Work.

#### Payment

Upon completion of the review by AVSO, an original invoice is to be sent to the non-Federal party representative. **Payment is the sole responsibility of the non-Federal party identified below.** Neither the U.S. Department of the Interior, Appraisal and Valuation Services Office, nor the [Enter Agency Name] is responsible for payment for this valuation assignment. The non-Federal party is responsible for payment regardless of the outcome of the AVSO review or any value concluded in the valuation report.

#### Contact for [non-Federal Party]

Contact: [Enter Name]  
Address: [Enter Address]  
Phone: [Enter Phone #]  
Email: [Enter email]

If you have any questions about this assignment, please contact me at the number below.

Sincerely,

[Enter AVSO Reviewer]  
Appraisal and Valuation Services Office  
[Enter Address]  
Phone: [Enter phone #(s)]  
Email: [Enter email]

Cc: [Realty Specialist], [Non-Federal Party Contact]

Encl.