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 Sent: Monday, July 31, 2006 1:54 PM
 To: wpm=OIGWASH:[wdc usda.gov](Melvin Womack)%OIG; Glennon, Robert - Washington, DC
 Cc: Smith, Donna (Office of the Inspector General); Sanbuenaventura, Fred (USDA-OIG-AUDIT); Johnson, Jowdy (AUDIT); Hayashi, Ernie (AUDIT); Burke, Bill (AUDIT); Heard, Robin - Washington, DC
 Subject: FRPP Interim Final Rule with request for comments - FR page 42567; Vol 71, No 144; Thursday, July 27, 2006

Gentlemen,

A few auditors have read the Farm and Ranch Land Protection Program Interim Final Rule with request for comments - Federal Register page 42567; Vol. 71, No. 144; Thursday, July 27, 2006. OIG's Donna Smith raised a couple of specific questions about the language from the agency's appraisal instructions.

First, let me say that we agree that the rule changes look really good. We're glad to see that NRCS has specified use of the proper before/after valuation methodology; the difference between the value of the whole property before the easement less the value of the whole property after the easement. Further, we like that the proposed language states that FRPP appraisals will have to comply with both USPAP and UASFLA standards; recognizing that NRCS is requiring conformance with UASFLA (Federal appraisal standards) has significant implications. In addition to requiring use of the before/after method when valuing easements, UASFLA requires that every appraisal be reviewed for technical accuracy by a review appraiser, which was one of our recommendations.

In the FR summary, NRCS states (page 42570, last paragraph under Appraisal): "In order for USDA to ensure that its financial contribution towards the purchase of the conservation easement is accurately determined, the Agency has amended paragraph (e) of 1491.4 to state that the NRCS shall require specific appraisal instructions and appraiser and technical appraiser reviewer qualifications to be followed in determining the value of the conservation easement to be purchased."

However, in the actual proposed language, NRCS states (page 42572, last sentence in 1491.4 (e)): "In addition, NRCS may require an eligible entity to obtain an appraisal using NRCS appraisal instructions in order to ensure the accuracy of the conservation easement appraisal upon which the NRCS contribution towards fair market value is based." Then the interim rule is silent, with no specific reference to appraisal reviews.

Did NRCS intentionally write the rule so that the summary refers to requiring compliance with agency appraisal instructions and appraisal reviews while the actual language states that compliance with NRCS instruction might be required, not that it will be required, and is silent as to the appraisal review process? We thought compliance with NRCS appraisal instructions, written by the agency's chief appraiser, should be required as stated in the FR summary.

Please give me a call if you have any questions.

Bill
720-7941